

**GROWING ALONG
WITH OUR CUSTOMERS**

2017

Annual
Report

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Reporting Period: 1.01.2017 - 31.12.2017

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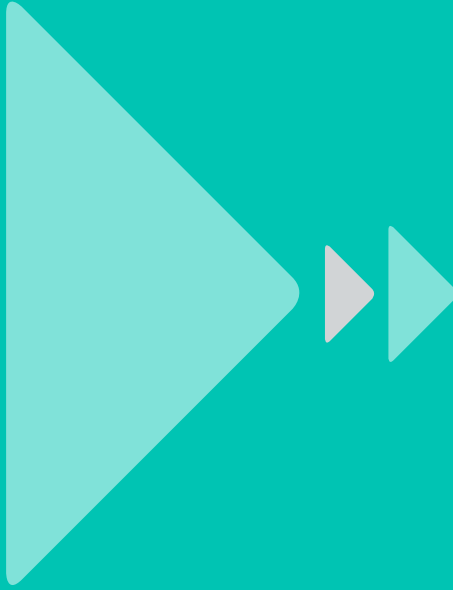
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We, as Türkiye Finans, set out and executed our new business model in 2017 on the axes of sustainability and customer-centricity in line with our medium and long term goals.

In this process, we took a number of initiatives to establish a performance culture, to offer our customers expertise services and to improve customer experience, and to form a simple and agile organizational structure. We have achieved significant progress in this journey.

As a bank which has strengthened its competitive edge in commercial banking and whose processes have grown more effective, we are now focused on the future and attaining greater success with our highly motivated and professional human resources.



287 branches

Türkiye Finans offers innovative and high value added products and services through its strong service platform which is comprised of 3,767 employees, 287 branches and effective alternative distribution channels.

TL 26.5 billion

Türkiye Finans continued to contribute to the real economy by allocating TL 26.5 billion of funding, equivalent to 68% of its total assets.



THE CUSTOMER IS OUR PRIORITY



Türkiye Finans in Brief

With the National Commercial Bank (Saudi Arabia) as its main shareholder, Türkiye Finans is a leading company that has achieved a remarkable transformation, underpinned by its “growth reflex”, deeply-rooted know-how, experience and its vision to carve out a name for itself in the future of our country’s participation banking.

Türkiye Finans was established in 2005 with the merger between Anadolu Finans, was the first special finance corporation in Turkey, founded in 1991 with 100% domestic funds, and Family Finans, which operated in the participation banking sector between 1985 and 2001 under the name of the Faisal Finans Kurumu. This union of strengths was established in order to generate more value for Turkey and to bolster the competitive advantages of both entities.

The merger between Anadolu Finans and Family Finans was approved by the Banking Regulation and Supervision Agency (BRSA) on 28 December 2005. The name of the Bank was changed to Türkiye Finans Katılım Bankası A.Ş. on 30 December 2005.

This merger brought new growth momentum into the participation banking sector and Türkiye Finans quickly became one of biggest participation banks in Turkey.


A new era of momentous change and transformation at Türkiye Finans began on 31 March 2008 when the National Commercial Bank (NCB) acquired a 60% stake in the Bank.

With the participation in the NCB, which is one of the largest capital in the Middle East area, Türkiye Finans assumed a new and reinforced corporate identity, bringing a new breath of fresh air to participation banking, whose target audience had been growing steadily.

Working with the aim of being an superior participation bank in all areas in 2018

Türkiye Finans continuously digitalizes its services with a fast, continuous and high quality customer experience through its integrated channel strategy. The Bank maintained its investments in technology and offered its customers a wide diversity of transactions and services through its distribution channels.

Taking strong strides forward to secure sustainable growth, Türkiye Finans commanded a strong service platform of 3,767 employees in 287 branches at of the end of 2017, supported by effective alternative delivery channels. With this platform, the Bank offers an array of innovative products, services and solutions of high added value to a broad customer mass in the commercial/corporate banking, ME banking and retail banking segments.



Türkiye Finans continuously digitalizes its services with a fast, continuous and high quality customer experience through its integrated channel strategy. The Bank maintained its investments in technology and offered its customers a wide diversity of transactions and services through its distribution channels.

Our Vision, Our Mission, Our Corporate Values

Our Vision

To be recognized as the premier source of principles-based banking and investment for individuals and business owners in Turkey.

Our Mission

In line with the principles of Participation Banking, our mission is to foster value-creation rather than consumption and to share the value that is generated from these activities with our owners of the participation fund, our Employees and our Shareholders in a fair and transparent way.

We believe in the Service Value Creation Chain whereby value is the outcome of effective employee interactions with our customers, where we are providing the right products and services, when and where the customer wants it, in the right way all the time. We also believe that, as our reputation is our most important asset, it is also the hardest to replace.

Our Corporate Values

Productive Sharing

We share in order to be productive; and the more that we share, the more productive we are.

Customer-Focused Service

We supply products and services that satisfy our customers' expectations, whenever and wherever they need them.

Satisfaction

We give importance to the satisfaction of our customers, our employees, our shareholders, and our community.

Superior Service Quality

We constantly improve our service quality by paying heed to our employees' and customers' suggestions.

Contributing to the National Economy

We marshal our resources so as to contribute to the development of the national economy. We support local development by preferentially lending such resources back to the places where we have gathered them.

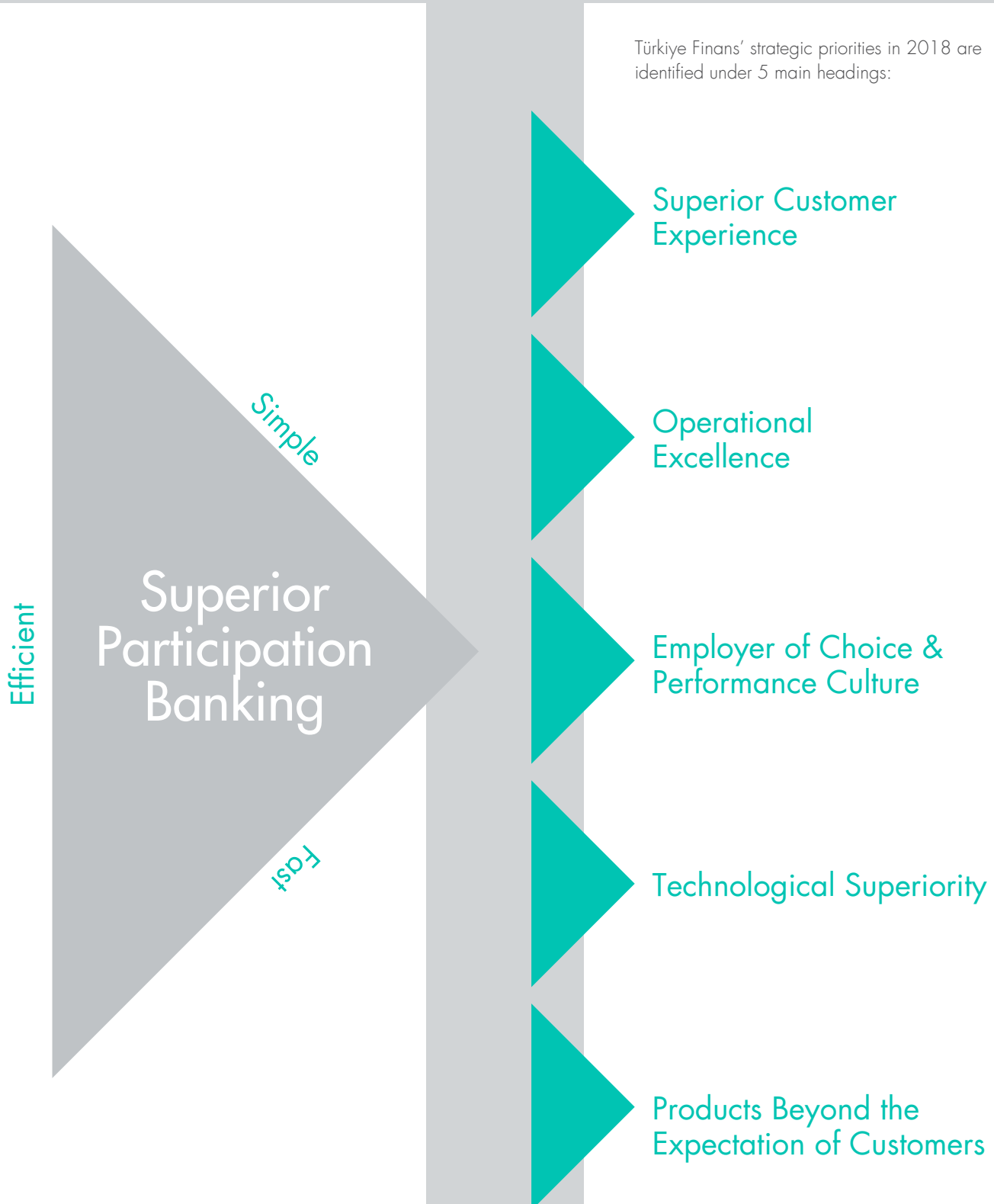
Constant Renewal

We keep a close watch in developments taking place in Turkey and around the world. We provide our employees with current technological and informational support.

Respect for Shared Values

We are respectful of society's shared values in the conduct of all of our activities.

Strategic Priorities and Main Initiatives for 2018



Customer Constitution



Standing by You

At Türkiye Finans, we see ourselves as “companions” for our customers and establish long-term relations with all of our customers based on mutual benefit.



We Listen to You

We reach out to our customers, listen to them and go to great lengths to maximize their satisfaction on a regular basis by establishing the channels that would allow our customers to submit all their problems and requests from any place, at any time.



We Solve Your Problems

We care about our customers’ complaints and suggestions and demonstrate efforts to rapidly resolve problems. We respond to our customers’ complaints within a maximum of 24 hours.

As Türkiye Finans, our basic target is to become a leading resource provider undertaking investments and offering financial resources in line with our principles to our customers, who are our raison d’être and a source of great satisfaction for us.

In line with this vision, we offer all our customers the services which will allow them to feel comfortable and safe, to obtain rapid solutions in line with their needs and expectations and to experience “Tireless Banking” through unique channels.

With our smile and sincerest gratitude, we express our appreciation of our customers who show their trust by working with us, and by using our products and services.

We are continuously working to restore our infrastructure, products and services to simplify banking services for our customers. We enable our customer our customers to receive rapid and seamless service from our branches and all other channels based on our understanding of “Tireless Banking”.

Making Banking Services Easier



Because of our fair pricing policy, we clearly explain our customers all fees and commissions that we will get in return for our services. We do not ask for fees that are customers are not aware of.

We Are Transparent



We keep our customers informed of their financial situations, transactions, accounts and payments on a regular basis; we provide all desired information concerning our products and services in a timely and understandable manner.

We Keep Our Customers Informed



Türkiye Finans' Milestones

2005

- Founded upon merger of Family Finans and Anadolu Finans with a paid-up capital of TL 250 million, Türkiye Finans began operating on 30 December 2005, with a network of 108 branches.

2006

- Increased the number of branches to 122.
- Increased the paid-up capital to TL 279 million.

2007

- Launched commercial credit cards ("Business Card" and "Ticari Kart") targeting corporate and commercial customers, to the use of the business world.
- Increased the number of branches to 137.
- Increased the paid-up capital to TL 292 million.

2008

- National Commercial Bank (NBC), the bank with the largest capital in Saudi Arabia and across the Middle East, acquired 60% of Türkiye Finans and became the Bank's controlling shareholder.
- Launched SMS Banking service with electronic signature.
- Increased the number of branches to 174.
- Increased the paid-up capital to TL 800 million.

2010

- Launched "Organik BES", Turkey's first interest-free Individual Pension Scheme (IPS).

2011

- Secured the then-largest murabaha syndicated loan, worth of USD 300 million.
- Received BBB in foreign currency credit rating from the international credit rating agency Fitch, becoming one of the top five Turkish banks with the highest credit rating.
- Increased the number of branches to 182.

2012

- Overhauled its corporate identity and chose Turkey's trademark color turquoise as its corporate color to emphasize its stance as the more accessible, active, sincere and innovative bank.
- Secured the then-largest murabaha syndicated loan, worth of USD 350 million.
- Launched "Finansör", the first of its kind in participation banking that provides consumer financing in card form.
- Sponsored the Anatolian Brands Competition to spread the awareness for branding across Anatolia.
- Increased the number of branches to 220.
- Increased the paid-up capital to TL 1,650 million.

2013

- Launched the card fee-free credit card Happy Zero and the Turkey's first mother-tailored credit card Happy Anne.
- Launched Haremeyn Card, offering privileges in hajj and umrah visits, and Haremeyn Şua card, showing the qibla on the compass it features.

- Launched Siftah Card, offering SME customers the option of installment purchase over cash payment price, and Faal Card, targeting tradesmen and businesses.
- Launched "Akıllı Hesap", the time deposit product offering lucrative profit shares and other advantages.
- Secured the then-largest murabaha syndicated loan of the participation banking scene, worth of USD 500 million.
- Sponsored the exhibition "Dialogue in the Dark", visited by more than 7 million people across 130 cities.
- Undertook the commitment to support The Historic Kırkpınar Oil Wrestling Tournament, added to the List of UNESCO Intangible World Cultural Heritage, for 3 years.
- Overhauled Türkiye Finans Mobile Branch with a new, user-friendly interface.
- Increased the number of branches to 250.
- Increased the paid-up capital to TL 1,775 million.

2014

- Türkiye Finans' first Sustainability Report became the first and only report among Turkish deposit and participation banks to be rated A+ by the Global Reporting Initiative (GRI).
- Mobile Branch app updated to expand to Windows Phone users.
- Secured a murabaha syndicated loan worth of USD 350 million, arranged by 21 banks from 12 countries.
- Issued the first sukuk in Malaysian Ringgit, worth of MYR 800 million. Said issuance stands as the largest sukuk issued by a foreign institution in Malaysian Ringgit.
- Türkiye Finans Customer Contact Center began to offer services in English and then in Arabic, thus capable of telephone banking service in 3 languages.
- Increased the number of branches to 280.
- Increased the paid-up capital to TL 2,600 million.

2015

- The corporate website, www.turkiyefinans.com.tr, was renewed with a modern and user friendly design in May 2015. With its new design, customers can quickly and easily find whatever they are looking for from all devices.
- The Bank issued a MYR 360 million sukuk in Malaysia and a TL 1.1 billion sukuk in Turkey in 2015 through its asset leasing companies that are among the Bank's subsidiaries.
- TF Asset Leasing, a subsidiary of the Bank, is Turkey's biggest active asset leasing company. TF Asset Leasing successfully undertook the biggest domestic issuance to take place at any one time in 2015, with the issuance amounting to TL 250 million.
- Türkiye Finans meets its customers' needs through the Bank's wide product portfolio. The Bank continued to serve its corporate customers through its asset leasing companies in 2015. Türkiye Finans issued a TL 243 million lease certificate in which corporate customers were users of funds.
- The first international branch of Türkiye Finans was opened in Bahrain.
- The number of branches was increased to 286.

2016

- In 2016, the Bank notched up a 41% YoY increase in turnover from its 45,000 POS devices. The Bank ranks first among the participation banks in terms of the number of POS devices and the turnover from these devices.
- In 2016, the new internet branch offered fast, user-friendly and uninterrupted services which exceeded customer expectations.
- The Bank offered effective financing solutions, especially for solar energy projects. It raised the project financing loan volume by 30% YoY to TL 2.6 billion.
- The number of active customers in the mobile branch grew by 74% YoY while the number of financial transactions grew by 82% YoY. The Bank's all mobile banking applications were downloaded more than 180,000 times in 2016.

2017

- Türkiye Finans R&D Center established on February 21st, 2017. Türkiye Finans becomes the third bank to have an R&D Center in the sector.
- Became leader among participation banks by allocating TL 3.5 billion Credit Guarantee Fund in 2017.
- Maintained leadership position among participation banks with respect to the number of POS and POS revenues.
- Launched "Bol Kepçe" (Big Ladle) innovative product that combines the participation account and lease certificates. The product is the first of its kind in the participation banking product range
- First management trainees joined the bank in July 2017 under the MT Program.
- Moved to the new Umraniye head office in May 2017.
- Sales Service Model launched in July 2017, where branches were split into commercial and retail branches, and regional structures renewed.
- Launched TFXTARGET Mobile Application in October 2017.

Awards

2016

- Association of Call Centers: "EN 15838:2009 Service Certificate for Customer Contact Centers" (The certificate that our company first received in 2013 serves as confirmation that our call center renders services to EU standards).
- IDC Finance Technology Conference 2016: First Prize in the Enterprise Transformation Category, Second Prize in the Technology Service Delivery.
- Brandon Hall Group Excellence Awards 2016:
- Gold award for "Branch Manager Training Process" in the category of the Best Advance in High Potential Development
- Silver award for our "Sales School" in the category of the Best Sales Talent Management
- Silver award for our "Foreign Trade Training Program" in the category of the Best Use of Blended Learning
- Bronze award for our "Sales from Tellers Training" in the category of the Best Results of a Learning Program
- Ethical Values Center Association (EDMER): Turkey's Most Ethical Companies "ETIKA 2015 Award"

- TECEP Learning and Development Association: MIS Project (Transformation Project for Customer Transactions Service) ranked first in "Best Learning and Development Category"
- Islamic Finance News Journal: Selected as "Best Participation Bank in Turkey" for the third time, according to the findings of "Best Banks Survey"

2017

- 6th Private Sector R&D and Design Centers Summit:
 - R&D Center Certificate
- Finance Technology Award Ceremony 2017:
 - Ranked third in the Digital Channels category with its TFXTARGET Mobile Application
 - Ranked third in the Security and Deceit/Misuse Management category with its Transaction Fraud Management
- Swift Straight Through Processing (STP) Award.

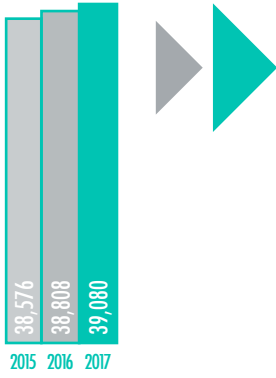
Summary Financial Information

(TL thousand)	31 December 2017	31 December 2016	Change (%)
Assets	39,080,897	38,807,717	0.7
Cash and Banks	6,391,637	6,230,623	2.6
Securities	4,399,876	4,063,820	8.3
Loans	25,337,819	25,599,230	(1.0)
Receivables from Leases	1,145,634	1,417,512	(19.2)
Fixed Assets (Net)	885,420	741,309	19.4
Other Assets	920,511	755,223	21.9
Liabilities	39,080,897	38,807,717	0.7
Funds Collected	22,030,496	21,064,781	4.6
- Special Current Accounts*	6,905,715	5,773,877	19.6
- Participation Accounts*	15,124,781	15,290,904	(1.1)
Loans Received	9,683,679	10,256,573	(5.6)
Subordinated Loans	960,338	890,500	7.8
Shareholders' Equity	4,060,598	3,663,014	10.9
-Paid-Up Capital	2,600,000	2,600,000	0.0
Other Liabilities	2,345,786	2,932,849	(20.0)
Non-Cash Loans	9,765,774	12,361,123	(21.0)
Income and Expense Accounts	01/01/2017 - 31/12/2017	01/01/2016 - 31/12/2016	
Profit Share Income	2,902,629	2,981,301	(2.6)
Profit Share Expenses	(1,451,193)	(1,471,762)	(1.4)
Net Profit Share Income	1,451,436	1,509,539	(3.8)
Net Fee and Commission Income	135,781	143,012	(5.1)
Other Non-Profit Income	326,838	413,083	(20.9)
Non-Profit Share Expenses	(1,456,413)	(1,696,559)	(14.2)
Profit Before Tax	457,642	369,075	24.0
Provision For Taxes	(82,282)	(72,832)	13.0
Net Period Profit	375,360	296,243	26.7
Key Ratios	31/12/2017	31/12/2016	
Capital Adequacy Ratio	18.22%	15.58%	
Return on Equity (Annual)	9.72%	8.44%	
Loans / Total Assets**	67.77%	69.62%	
Current Accounts / Funds Collected	31.35%	27.41%	
Non-Performing Loans (Gross) / Loans	5.15%	5.00%	
Other	31/12/2017	31/12/2016	
Total Number of Branches	287	286	
Total Number of Personnel	3,767	3,989	

* Special current accounts and participation accounts include precious-metal accounts.

** Loans include financial leasing receivables.

Total Assetsı (TL million)



0.7%

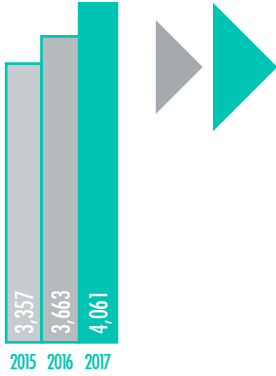
The total assets of Türkiye Finans's reached TL 39 billion at the end of 2017.

Total Loans^(*) (TL million)



* Including financial leasing

Shareholders' Equity (TL million)



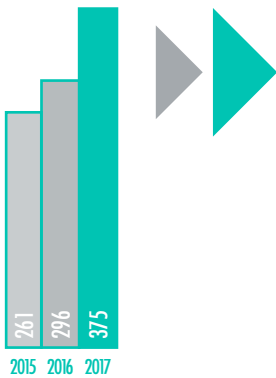
10.9%

Shareholders' equity increased by 10.9% YoY in 2017 to TL 4 billion.

Funds Collected (TL million)



Net Period Profit (TL million)



26.7%

Net profit increased by 26.7% YoY to TL 375 million in 2017.

Receivables from Leases (TL million)



About The National Commercial Bank (NCB)

The National Commercial Bank (NCB) is the largest financial institution in Saudi Arabia. Since its establishment in 1953, the NCB has been seen as a trusted partner in both business and private life and as a symbol of innovation and leadership. The name NCB comes from "Alahli", which means national, in its Arabic name "Bank Alahli".

The NCB's 64-year long story of growth and development is a reflection of Saudi Arabia's progress towards contemporary civilization and continuous improvement. Today, the NCB commands a significant reputation in the eyes of its customers with approximately 5 million customers and successful business partnerships. The NCB responds to the needs of its customers with its range of products and services, innovative solutions offered to customers and technologies that enhance the customer experience.

In 2014, the public offering of 25% of the NCB's shares marked the start of a new era for the Bank. The Bank has now started to share its gains from a wide array of projects in the sector and from the growth with its investors.

In 2008, the NCB undertook its first international acquisition and became the dominant partner of Türkiye Finans, one of Turkey's leading participation banks. The NCB holds a 67.03% stake in Türkiye Finans.

In 2017, the NCB was operating with 400 branches in Saudi Arabia and more than 8,000 employees in Islamic Banking. With 3,432 ATMs located throughout Saudi Arabia, the NCB successfully carries out 96% of customer transactions through alternative distribution channels.

Among the first Saudi companies to implement Corporate Governance Principles, the NCB was the first bank to obtain the "International Business Continuity Management Certificate" in Saudi Arabia. The Bank also remains a leader in Corporate Social Responsibility. Within this scope, the Bank carries out a business opportunity program in which it provides consultancy and fund support to entrepreneurs.

The NCB is one of the largest banks in the Arabian finance world. As of the end of 2017, the bank commanded SAR 444 billion (USD 118 billion) of assets, while it wrote a net profit of SAR 9.8 billion (USD 2.6 billion) in the same period. The bank recorded earnings per share of SAR 4.74 (USD 1.26) in 2017.



Capital and Shareholder Structure

The National Commercial Bank is dominant and main shareholder that owns management control of Türkiye Finans through 67.03% share in paid-up capital.

Shareholder	Share Amount (TL)	Share Ratio (%)
The National Commercial Bank (NCB)	1,742,676,447	67.03
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.	274,838,187	10.57
Others	582,485,366	22.40
TOTAL	2,600,000,000	100.00

The paid-up capital of our Bank of TL 2,600 million has not changed in 2017 and there has not been any change in the shareholder structure above-mentioned during the operational period.

Shares belonging to Board of Directors and Executive Vice Presidents in Türkiye Finans

All Board of Directors and all executive vice presidents do not have any share in Türkiye Finans.

Amendments Made To the Articles of Incorporation and Reasons Thereof

There were no changes made to Türkiye Finans' Articles of Incorporation in 2017.

TL 3.5 billion

Türkiye Finans became the leader among participation banks by allocating the TL 3.5 billion Credit Guarantee Fund in 2017.

TL 2.9 billion

Türkiye Finans increased the amount of Project Finance funds disbursed by 13% YoY to TL 2.9 billion in 2017.



**THE CUSTOMER IS
OUR SUCCESS.**



Message from the Chairman



Esteemed stakeholders,

The year 2017 was a time when the global economy grew with a performance that confounded projections and trading volume started to revive.

Strong outlook for Turkey's economy

In 2017, Turkey posted its fastest economic growth for six years - as high as 11.1% in the third quarter - due to the stimulative effects of financial incentives such as a temporary tax cut implemented by the government, the Credit Guarantee Fund, KOSGEB (Small and Medium Scale Enterprises Development and Promotion Administration), premium delays, investment incentives and employment support. The growth was supported mainly by machinery equipment investments as well as private consumption expenditures, representing significant structural development.

While the Turkish banking sector demonstrated strong growth in 2017, it continued to maintain its asset quality and sound financial structure.

Setting out its road map with the aim of carving out its place among the strongest players in the commercial banking universe, Türkiye Finans will continue to be focused on success with the corporate principles and attributes with the determination of generating more value to the economy and its stakeholders.

Transiting into a new development phase

Türkiye Finans gained new momentum in its development with the driving force of its experience and vision. It defines the course of the next period as "superior participation banking".

The components that will lead us on this course can be summed by:

- being the employer of choice and installing a performance culture,
- offering products that exceed customer expectations,
- advancing technological superiority and operational excellence
- achieving the best customer experience with a customer-focused service model

I am delighted to proclaim that our Bank achieved significant progress in this direction in 2017.

Türkiye Finans rounded off the year 2017 profitably with its management effectiveness and placement competency. Net profit stood at TL 375 million for the year, marking an increase of 27% YoY.

Türkiye Finans' shareholders' equity increased by 11% totalling TL 4 billion at the end of 2017 while Return on Equity reached 9.7%. The bank raised its capital adequacy ratio to 18.2% with its strong capital base.

Moving the headquarters to our new campus in Ümraniye in 2017 marked Türkiye Finans statement of commitment to Turkey's Economy while bringing all of our bank's headquarters functions under the same roof.

Setting out its road map with the aim of carving out its place among the strongest players in the commercial banking universe, Türkiye Finans will continue to be focused on success with the corporate principles and attributes with the determination of generating more value to the economy and its stakeholders.

On behalf myself and the Board of Directors, I would like to thank all of our stakeholders who have contributed to our successful performance in 2017.



Saeed Mohammed A. ALGHAMDI
The Chairman of the Board of Directors

Türkiye Finans rounded off the year 2017 profitably with its management effectiveness and placement competency. Net profit stood at TL 375 million for the year, marking an increase of 27% YoY.



Assessment of the CEO



Dear Stakeholders.

A new business model

In 2017 we built the strategic foundations of Türkiye Finans with an approach that is rational and sustainable. These following areas were redesigned and restructured in light of the prevailing competitive conditions:

- our governance structure, being sustainable
- our business model, being customer focused
- our approach to human capital being transparent
- our operational structure, being effective

Throughout this period, Türkiye Finans implemented foundational strategic initiatives necessary to instil a performance culture, to improve the customer experience and to be an agile organization.

Our new customer focused business model was successfully implemented in 2017. More than 20% of our field sales staff were repositioned in order to make the most of our employees' potential and to provide the best service to our customers.

A healthy balance sheet structure and a successful performance

As of the end of 2017, Türkiye Finans commanded total assets of TL 39.1 billion.

Our bank continued to contribute to the real economy by disbursing funds amounting to TL 26.5 billion, accounting for 68% of total assets.

The aim of Türkiye Finans is to exceed expectations on the axis of products and services in line with a customer-centred philosophy by competing in the same league as commercial banks in order to expand the share out of banking industry.

Within the scope of the Credit Guarantee Fund, Türkiye Finans disbursed a total of TL 3.5 billion in funds to entirely brand new businesses in 2017. The bank reached a market share of 2% in this category, ranking first among participation banks.

The collected funds, which form the largest item in liabilities with a 56% share, amounted to TL 22 billion. Particularly, current account funds amounted to TL 6.9 billion, displaying a strong increase of 20% YoY.

Our human capital is our most valuable asset

Our HR policy was reshaped around principles of transparency and fairness. Managing its human resources on the basis of equality, Türkiye Finans is proud to have a diversified staff profile that reflects Turkey's demographics. Instilling a performance culture and ensuring that this culture is adopted by all employees will have a multiplier effect on our success.

Competing in the banking sector

Türkiye Finans continues to be a commercial bank offering products and services that are fully compliant with the participation banking principles.

The aim of Türkiye Finans is to exceed expectations on the axis of products and services in line with a customer-centred philosophy by competing in the same league as commercial banks in order to expand the share out of banking industry.

A vanguard in innovation and digital banking

Crowning our competence in innovation with the title of being the 3rd bank to obtain R&D Center approval, Türkiye Finans acts with the aim of improving customer service and expanding digital access. The mobile application of TFX Target was received well in the market marking it as the first and only product of this category in Turkey.

I believe that we have created a lean and agile organization that is ready to seize the opportunities presented in the market by fostering a sustainable business model. I have no doubt that we can bring Türkiye Finans to the position of being a leading participation bank by working together and applying our strategy without compromising on our principles of integrity and transparency.

I would like to extend my gratitude to our employees, who share our goals for the future, for their contributions to our success, and to our customers and all stakeholders for their trust and support.

Respectfully,



Wael Abdulaziz A. RAIES
CEO and Board Member

I believe that we have created a lean and agile organization that is ready to seize the opportunities presented in the market by fostering a sustainable business model.



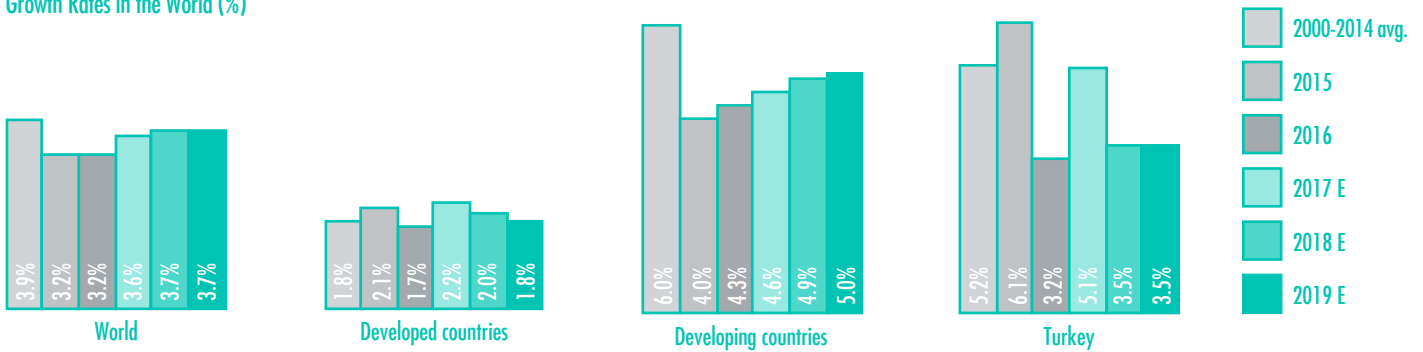
Macroeconomic Outlook and Sectoral Developments

Overview of the World Economy

The expectation of change in the USA's policy on the economy following the result of the Presidential election was the main factor driving the markets in 2017. The USD strengthened on the back expectations in anticipation of new economic policies, as well as prospectively higher spending, a rise in inflation and therefore more monetary tightening from the Fed. These expectations also led to a spike in long term bond yields at the end of 2016 and early 2017. Later in the year, short term bond yields increased while long term bond yields remained largely unchanged, as inflation fell short of the targeted levels, although the Fed continued to hike its policy rate in 2017. While the Fed aimed for a policy interest rate of 0.50%-0.75% by the end of 2016, the FED raised these rates to 1.25%-1.50% in 2017. The FED projects three interest rate hikes in 2018, as in 2017.

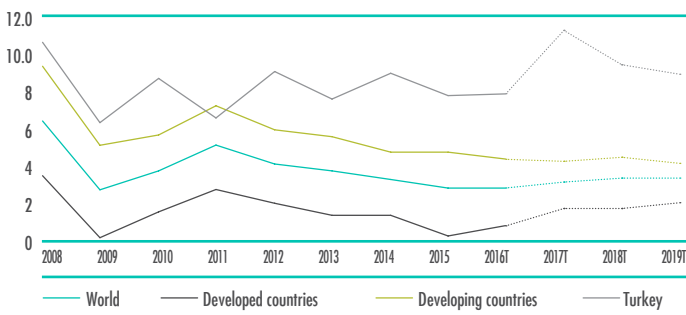
In Europe, political uncertainty stemming from elections in the first half of the year proved short lived, while the growth momentum in the economy was maintained, with the region enjoying its strongest growth in recent times. As a result of the growth, which had a broad base throughout the region, the European Central Bank (ECB) stated inflation would not remain low for long, warning of a potential rise in inflation to come. This led to a bout of short term volatility at the beginning of the third quarter, sending bond yields higher. With no major changes in inflation that would require a change of policy, and statements from ECB officers indicating that they would be cautious and gradually tighten monetary policy, the pressure diminished. The decision was taken in October's ECB meeting that monthly asset purchases would be cut from 60 billion to 30 billion between January 2018 and September 2018. A consensus was reached about maintaining the expansionary monetary policy while decreasing asset purchases, given that the expected increase in inflation was restrained despite the strong growth momentum in the economy. Even though the ECB will terminate its asset purchases, it is not expected to increase interest rates until 2019.

Growth Rates in the World (%)



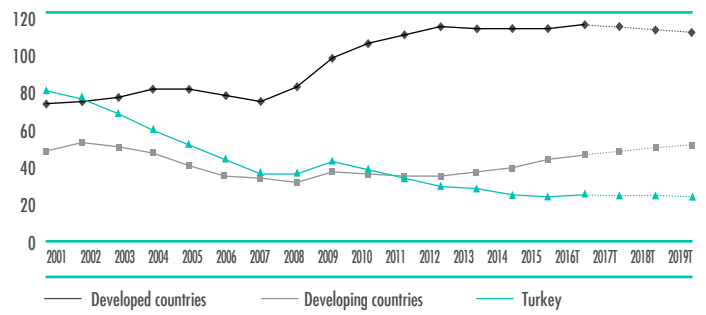
Sources: IMF, TurkStat

Global Inflation Rates (%)



Sources: IMF, TurkStat

Global Government Debt Stock (rate of GDP) (%)



Sources: IMF, TurkStat

In the UK, which took the decision to leave the EU in the referendum in 2016, the Bank of England increased its policy rates for the first time in 10 years. The rise in the rate of CPI inflation, to more than 3% in November, was a determinant in this decision. The impacts of Brexit on the economy will continue to be in the forefront in the near term.

While inflation did not reach the targeted levels in developed countries, it rapidly declined in developing countries. In parallel with this, countries such as Brazil and Russia, which were stuck in a cycle of high inflation and low growth in recent years, gradually decreased their interest rates on the back of the recovery in macroeconomic indicators.

While many economies are expected to maintain their trend of moderate growth, central banks and markets will be keeping a close eye on inflation trends. Inflation will prove pivotal in the direction of capital movements

Overview of the Turkish economy

After the application of a tight monetary policy by the Central Bank of the Republic of Turkey (CBRT) to prevent a devaluation of the TL in 2017, the guarantee amount that will be offered to credits within the scope of Credit Guarantee Fund was increased ten-fold (to TL 250 billion) in March. This set the stage for rapid loan growth in the second quarter, at the highest rate seen in recent years. The positive impacts of this on growth continued for the remainder of the year. The Turkish economy matched the growth performance seen in prior years with the help of a recovery in the global economy. The growth rate is expected to come in at 6.2% for 2017, while the Medium Term Program maintains a target of 5.5% for the 2018-2020 period.

As a result of rapid devaluation of the TL at the beginning of the year, the CBRT rapidly tightened its monetary policy by utilizing the Late Liquidity Window (GLP). The CBRT increased GLP rates in response to a fall in the value of the TL in the last quarter of the year. The CBRT's cost of market funding increased to 12.75% by the end of the year.

Inflation remained in double digits throughout the year, and the rate of CPI inflation reached 12.98% in November - the year's highest level. The rate of CPI inflation came off its peak in December to close the year at 11.92%. Core inflation indicators also remained high levels and the rate of core inflation (Indicator c) was realized at 12.30% as of the end of December. In response to the high inflation readings, the CBRT signalled that the tight monetary stance would remain in place until the targeted inflation levels were reached.

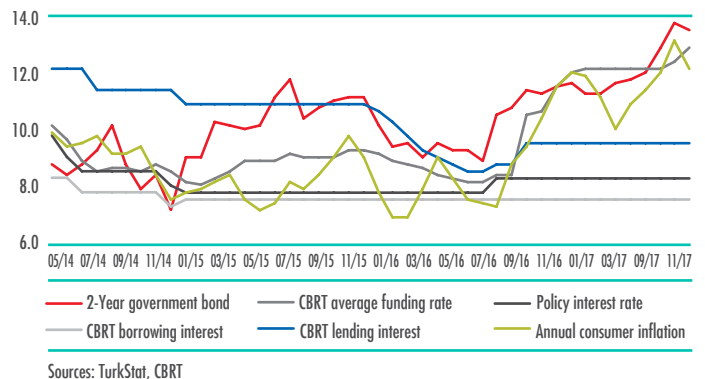
The budget performance, on the other hand, was relatively weak when compared to previous years. Periodic tax discounts were offered for certain sectors in a bid to support the economy. Together with the partial weakening of the budget, the domestic debt rollover ratio of the Undersecretariat of the Treasury rose above 100% for the first time since 2009, to be realised at 129% in 2017. A domestic debt rollover ratio of 110% is planned in the Undersecretariat of Treasury's 2018 Program.

Fund flows to developing countries may lose some of their pace as the recovery in the global economy continues and developed central banks normalize their monetary policies.

Current Deficit and Growth (%)



CPI and CBRT Interest Rates (%)



The Turkish Banking Sector and Participation Banking

A total of 52 banks were operating in the Turkish banking sector at the end of 2017, of which 34 were deposit banks, 13 were development and investment banks and five were participation banks.

The total assets of the banking sector increased by 19% YoY in 2017 to TL 3,258 billion, while the total assets of participation banking reached TL 160 billion, an increase of 21% YoY. A total of TL 220 billion in loans was extended in 2017 within the scope of Credit Guarantee Fund. Supported by increased appetite for credit, the banking sector chalked up a good performance both in terms of profitability and growth. The sector's total loans* grew by 21% YoY to TL 2,159 billion, while participation banks posted a stronger performance with a 25% increase. While the banking sector's deposit** growth fell short of the rate of loan growth, participation banks recorded a higher rate of growth in deposits than in loans. The sector's deposits increased by 17% to TL 1,805 billion, while the volume of funds collected by participation banks grew by 27% YoY to TL 107 billion. The sector's loan deposit ratio stood at 120%, compared to 100% for participation banks.

Consumer loans increased by 16% in the sector as a whole and by 11% for participation banks, while the volume of SME loans grew by 22% in the sector and by 19% for participation banks, and the volume of commercial loans increased by 23% in the banking sector as a whole and by 40% for participation banks. The fastest growing segment in the sector's consumer loans was general purpose consumer loans, which recorded 19% YoY growth, followed by real estate loans, with 17% growth. As far as participation banks side are concerned, the fastest growth was seen in consumer credit cards, with 17% growth, followed by real estate and vehicle loans, which posted 13% growth. The fastest growing segment in the sector's SME loans was in medium sized enterprises, with 25% growth, while the fastest growing segment for participation banks was in micro enterprises, with 34% YoY growth. While participation

banks posted a higher rate of growth than the sector in micro credits, the broader sector recorded higher growth rates in small and medium sized loans than participation banks.

Backed by the positive impact of the increased Credit Guarantee Fund on growth, asset quality also improved in 2017. The sector's non-performing loan ratio decreased from 3.2% at the end of 2016 to 2.9% at the end of 2017; for participation banks, this ratio declined from 3.7% to 3.1%. Specific provisions set aside for non-performing loans increased, with ratios of 79.4% and 70.7% for the sector and participation banks, respectively.

The sector's shareholders' equity grew by 20% in 2017, with participation banks recording a 19% increase in their shareholders' equity. The sector and participation banks both recorded a capital adequacy ratio of 17% at the end of 2017.

Participation banks outperformed the sector in terms of profitability with net interest (profit share) income increasing by 24% in the sector as a whole, but by 26% for participation banks. The sector's profit increased by 31% to TL 49.1 billion while participation banks' profit grew by 43% to TL 1.6 billion.

Amendments were made to the tax laws in 2017. The following articles in these amendments will affect the banking sector:

- The corporation tax rate was increased from 20% to 22%, which will be applied to corporate earnings in 2018, 2019 and 2020.
- The corporation tax exemption of 75% applied to gains on the sale of real estate was decreased to 50%.
- The corporation tax exemption of 75% applied to gains on the sale of real estate that were taken over due to debts to banks was decreased to 50%.
- All transactions related to derivatives and options contracts as well as gains resulting from these transactions will be exempted from the BSMV.

A total of TL 220 billion in loans was extended in 2017 within the scope of Credit Guarantee Fund. Supported by increased appetite for credit, the banking sector chalked up a good performance both in terms of profitability and growth.

Assessment of the Bank's position in the sector in 2017


Türkiye Finans continues to strive to not only be a financial institution but also a real business partner for all of its stakeholders. The Bank currently operates with 287 branches and 3,767 employees, maintaining its strong capital structure.

Türkiye Finans commanded TL 39.1 billion of Total assets at the end of 2017. The volume of funds allocated, which had the biggest share in assets, stood at TL 26.5 billion while funds collected, which had the biggest share in liabilities, was realized at TL 22 billion. The bank had a market share of 1.2% in the sector in terms of assets, funds allocated and funds collected as of the end of 2017. Looking at Türkiye Finans' share in the participation banking sector in the same period, the Bank had a 24% share in assets, 25% in funds allocated and a 21% share in funds collected.

Türkiye Finans allocated TL 3.5 billion of credit within the scope of the Credit Guarantee Fund in 2017. The Bank's market share stood at 2%.

Maintaining its strong capital structure, Türkiye Finans increased its shareholder's equity by 11% to TL 4.1 billion during 2017. Türkiye Finans' standard capital adequacy ratio was realized at 18.22%, a level higher than the average for the sector (16.87%) and participation banks (16.98%). Türkiye Finans closed 2017 with a net profit of TL 375 million, marking an increase of 27% YoY.

In the recent years, the process of digitalization has become one of the most important contemporary issues facing banks with banks and financial institutions starting to invest in digitalization. Türkiye Finans ramped up its investments in this area to keep pace with this transformation. The TFX Target platform Mobile application, founded by Türkiye Finans in 2014 as the first of its kind in the sector, was launched in 2017. We press ahead with our developments and investments in this area, with the aim of being able to offer more qualified and cheaper products and services over digital channels.



18.22%
Türkiye Finans' standard capital adequacy ratio was realized at 18.22%, a level higher than the average for the sector (16.87%) and participation banks (16.98%).

* Unless otherwise stated, this includes net non-performing loans, credit interest (profit share) and accrued income rediscounts and financial leasing receivables.

** Unless otherwise stated, this includes bank deposits and deposits (participation fund) interest (profit share) rediscounts.

R&D Center

Türkiye Finans crowned its achievement in innovation by becoming the 3rd bank to gain approval for an R&D Center.

TFXTARGET Mobile

TFXTARGET Mobile, the first and only application of its kind in the sector, highlight's Türkiye Finans' prominence in digitalization.



**THE CUSTOMER IS
OUR FUTURE.**



An Assessment of Türkiye Finans' Activities and their Results in 2017

Commercial and Corporate Banking

We are always with our commercial and corporate customers.

Türkiye Finans works to the principle of supporting the real sector with its products such as corporate finance support, enterprise financing support, project finance, vehicle finance and leasing. The Bank continued to offer special financial solutions for customers in the Commercial and Corporate segments in 2017, as it did in previous years.

Within the scope of "New Sales Service Model", which was launched in 2017 to offer a more efficient service to customers, seven Commercial Regional Sales Directorates and 46 Commercial Branch Directorates were formed.

The segmentation structure was renewed to improve the Bank's service quality. The Bank started to offer services under the Corporate, Commercial, SME, Entrepreneur and Consumer segments.

Türkiye Finans offers services to legal entities and partners that have revenues of TL 150 million or more in the Corporate Banking segment, and between TL 40-150 million of revenues in the Commercial Banking segment

Financial Leasing portfolio reaches TL 1.2 billion in 2017

Türkiye Finans offers financial leasing services for all types of machinery and equipment suitable for financial leasing and which is procured both in Turkey and abroad by customers in the Corporate, Commercial and SME segments.

In addition to the VAT advantage that it provides in many new machinery investments, financial leasing offers several advantages such as 100% financing, flexible repayments which are appropriate with cash flow levels, long term financing with minimum guarantees and operational ease.

Türkiye Finans completes all financial leasing within its entity by using its advantage of being a participation bank. The Bank offers its customers operational convenience and rapid solutions.

Türkiye Finans' portfolio volume in financial leasing transactions had reached TL 1.2 billion by the end of 2017.

Professional support in foreign trade

Türkiye Finans offers high added value solutions that are tailored to meet the needs of the customers with a professional team which is highly knowledgeable in the field of foreign trade and a global correspondent network that is ever expanding every year.

Türkiye Finans intermediates in internationally sourced, medium and long term financing with affordable loans through institutions such as Eximbank, GSM and SEP and diversifies the opportunities of the placement that it offers its customers. Through foreign exchange financing, the Bank supports exporters and its customers whose activities involve earning in foreign currency.

Türkiye Finans adopts a customer satisfaction oriented approach as its foreign trade policy. In line with this approach, the Bank diversified the fund opportunities that it offers to customers. Türkiye Finans contributes to the technical consultancy service that it continuously offers to generate the most suitable solutions to meet customers' needs, with quality based operational solutions.

Extending our operations in cash management.

The product catalogue for effective sales of cash management products and services was established in 2017. Promotion activities on social and printed media were carried out to increase awareness of these products and to increase their utilization.

Collections Guaranteed with Türkiye Finans' Direct Collection System (DTS)

The "Direct Collection System" (DTS) at Türkiye Finans provides customers with rapid and guaranteed collection for their payments. With the DTS, the Bank offers a practical solution to the advance or term collections of the companies that work with a large number of customers or have dealership systems.

Türkiye Finans carried its DTS service a step further in 2017 and initiated an online service through the webservice.

The DTS product provides exclusive services in the following:

- The purchases of goods by dealers,
- Automatic payment of bills that are uploaded to the system by the parent company,
- Installments at the agreed rate and maturity,
- Facilitating the flow of goods of the main company,
- Easy collection by the main companies.

A pioneer in the QR code Cheque based application (Karekodlu Çek)

In February 2016, Türkiye Finans implemented the "Karekodlu Çek" (the Cheque with QR code) system, which became an obligation in the sector in 2017. With its finger on the pulse of technological developments and working to rapidly implement innovations, Türkiye Finans offered the Karekodlu Çek (the Cheque with QR code) product to its individual and corporate customers who use cheque books. The Bank gained the acclaim of its customers in a manner that is worthy of its title of being the pioneer bank with the project.

The Karekodlu Çek (the cheque with QR code) application allows the holder to swipe the QR code on the cheque, thus enabling payments by cheque to be collected more securely by allowing the payer's past cheque payment status to be seen without the need to go through an approval process. It also provides an opportunity to see if the cheque has been forged or not.

Electronic Cheque Integration (ECE) service launched as part of the digitalization strategy

Digital integration between customers and the Bank was provided with Electronic Cheque Integration (ECE) which enables the Bank's system to automatically process cheque information sent by companies to Türkiye Finans for collection/guarantee purposes. The result information on the cheques that is automatically sent to customers also contributed to the optimization of operational expenses.

Trade becomes more secure with Findeks

The Findeks package enables Credit Registration Bureau (KKB) scores and cheque payment performances of individuals and companies to be viewed. Türkiye Finans was ranked 3rd in the sector and 1st among participation banks in the campaign that was organized in the first quarter of 2017 for the sale of Findeks packages. The Bank helped customers manage risks and customers' cash flow.

Securely transferring our customers' money and negotiable instruments

The transfer of legal entities' money and negotiable instruments to branches of the Bank with security measures, by applying international standards and procedures with armoured vehicles and security staff, was initiated in 2017.

We offer an online MT940 service

The MT940, an international electronic statement of account, allows all customers to receive all of their account activities as SFTP or webservice in a format they desire. The MT940 service provides an automatic accounting register on the company side, minimization of the margin of error and reducing operating expenses for both the Bank and the company.

Payments to vendors made to accounts in our Bank

The Automatic drawee was defined to all vendors to increase new subscriber acquisition and the balances of participation accounts. A number of campaigns and communication activities sought to raise awareness. As a result, payments made to vendors for goods, products or services remained within the Bank accounts.

Clearing up cash flows with the automatic sweep service

The Automatic Sweep product enables customers to gather money in various sub accounts held at different branches, or money held in various sub accounts in the same branches in a single account at the end of the day or at the beginning of the day. This product is especially helpful for companies working with a distributor structure, or corporations which centrally manage the cash flow of their group companies.

The Automatic Sweep order enables customers;

- to manage all cashes over an unique account,
- to carry out transactions faster and more easily.

Expectations for 2018

Türkiye Finans will continue to quickly and effectively meet the financial needs of its customers under a customer-focused approach in 2018, backed its newly launched New Sales Service Model and redesigned segmentation structure. The Bank will also focus on activities to expand its customer base.

In 2018, the Bank plans to add early instalment collections, partial collections and guarantees to its Cheque with Fund product. Meanwhile, it plans to launch the discounted DTS feature on its DTS product, which will enable companies to arrange their cash flow by collecting their receivables before they mature.

Türkiye Finans has been a pioneer of project finance in various areas since its foundation. The Bank, able supported by its project finance team, will continue to provide financing to projects in sectors which offer high added value for the Turkish economy.

By offering products such as KGF, the investment incentivized loan and the Eximbank loan, Türkiye Finans plans to maintain its pioneering role in this area.

Türkiye finans will focus on Commercial Banking foreign trade products and place emphasis on foreign trade consulting activities in 2018, thanks to its increased foreign trade volume and widespread correspondent bank network. The forward and TFTARGET products, in particular, will be given special attention in a bid to protect importers from exchange rate volatility.

Türkiye Finans was ranked 3rd in the sector and 1st among participation banks in the campaign that was organized in the first quarter of 2017 for the sale of Findeks packages. The Bank helped customers manage risks and customers' cash flow.



ME Banking

Sales channels were differentiated with Türkiye Finans' New Field Sales and Service Model, which was created based on banking services that are differentiated and customized according to customers' needs. As required by Türkiye Finans' renewed segmentation structure, customers with between TL 8-40 million are offered services under ME Banking. The volume of cash loans under the ME Banking segment reached TL 4.3 billion at the end of 2017. ME Banking offers services to more than 13,000 legal entities and 9,000 legal entity partners.

Türkiye Finans is acutely aware of the importance of SMEs within the economy and places tremendous importance on the growth and development of SMEs. The Bank continued its support SMEs in 2017. Based on the official SME definition, Türkiye Finans' commanded a 2.1% share in SME cash loans in the sector and 32.7% among participation banks as of the end of 2017. While share of SME loans among total cash loans, including financial leasing receivables, stood at 24.4% in the banking sector and 32.9% for participation banks, Türkiye Finans's share in SME loans stood at 44.5%. Based on the official SME definition, a total of TL 11.6 billion in cash credits and TL 4.3 billion in non cash credits had been extended to SMEs as of the end of 2017.

Türkiye Finans ME Banking continued to offer financial support, information and consulting services to add value to SMEs, which collectively serve as the motor of the Turkish economy. The Bank contributed to economic development by offering project finance to various investment projects, primarily renewable energy projects, in addition to SMEs products and services purchases.

Türkiye Finans maintained its support for the economy by being a guarantor for SMEs in 2017 in commitments provided to public institution for the sale of services, construction work, commitments for the purchase of goods, dealership contracts and advance contracts.

Türkiye Finans offers qualified solutions to help those MEs experiencing difficulties in generating guarantees to access finance. In 2017, the Bank continued to offer KGF guarantee opportunities which are in the scope of Treasury support. Türkiye Finans provided one of the highest levels of guarantee support within the scope of the Treasury Support.

Leading participation banks in 2017 with the allocation of TL 3.5 billion in Credit Guarantee Fund support

Türkiye Finans offers solutions to help meet SMEs' need for resources. The Bank transferred TL 3.5 billion to its customers, who serve as the motor of the economy, with the KGF guaranteed funding opportunity thanks to its cooperation with the Credit Guarantee Fund in 2017. With this performance in KGF supported transactions, Türkiye Finans was ranked 1st among participation banks and 13rd in the banking sector as a whole. The volume of Credit Guarantee Fund guarantees that have been offered to Türkiye Finans customers since 2010 reached TL 4.7 billion in 2017.

Türkiye Finans - the business partner for MEs

In addition to being a financial institution that provides financing, Türkiye Finans is also an advisor and business partner for MEs, helping them develop their current markets and achieve growth. Türkiye Finans offers SMEs professional services regarding grants, by working in cooperation with a consultant firm specialised in a wide array of areas including grants awarded by development agencies, TÜBİTAK incentives, R&D incentives, support from the TTGV support, KOSGEB project incentives and support from the IPARD, rural development and husbandry incentives, all supporting innovation in production.

Companies that hold the investment incentive certificate within the scope of "Profit Share Support Protocol" that was signed between Türkiye Finans and the Ministry for the Economy continued to receive support in 2017. A total of TL 124 million in financial support for the purchase of goods in investments was provided from the date the protocol was signed until the end of 2017. The Bank thereby intermediated its customers in obtaining TL 10 million of grants from the Ministry of Economy.

Expectations for 2018

Türkiye Finans attaches importance to following a broad-based growth model that creates value for its customers and supports the lives of its customers in their work. The Bank offers its customers the highest service standards while aiming to be a part of daily life for MEs.

In 2018, Türkiye Finans aims to meet the various financial service and advisory needs of its customers, and to continue to support their long term investment projects, primarily in renewable energy, tourism projects and production plants.

In addition, providing affordable funding by decreasing the cost of funding is one of the key strategies for 2018.

Project Finance

Türkiye Finans increased the volume of funds allocated within the scope of Project Finance by 13% YoY to TL 2.9 billion.

Türkiye Finans adopts project finance that will add value to its customers and society as a whole. Türkiye Finans has an important position in the participation banking sector with the Bank's project finance volume in the 179 projects it contributed to.

Full support for renewable energy.

In line with our country's strategy and priorities in the field of energy, Türkiye Finans places priority on supporting projects which use renewable sources of energy, which have a much lower impact on the environment when compared to conventional sources of energy.

As of the end of 2017, the Bank had provided financing support to 126 renewable energy projects with a combined installed capacity reaching 340 MW.

The rise in investment in solar energy and the investor interest shown in this field has elevated this market to a higher position when compared to previous years. In this respect, Türkiye Finans has also increased its share in the financing of solar energy investments during 2017 and strengthened its position in the market.

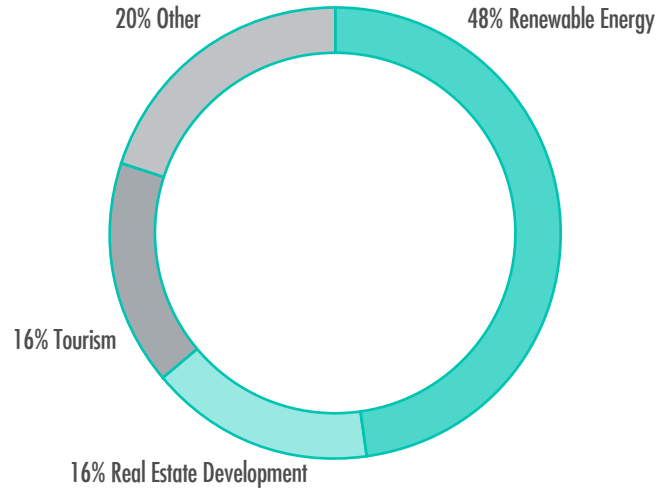
As of the end of 2017 Türkiye Finans contributed financing of 107 solar energy projects with a combined installed capacity of 182 MW.

Maintaining its strong and steady position in financing of projects that will support our country's rapid development

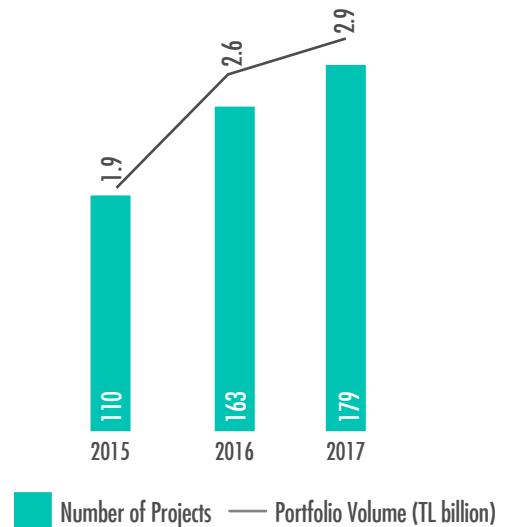
Türkiye Finans extended financing to the Alanya cable car project after having provided financing to the Bursa Uludağ cable car project, which is the longest cable car line with a continuous line length of 9km, and in which the Bank was the only financer. The Alanya project, which was launched towards the end of 2017, is expected to provide important contributions to tourism in Alanya. These two cable car projects (Bursa and Alanya) will have a total transportation capacity of 1.5 million passengers per year.

Türkiye Finans stepped up its optimization activities for project finance allocation processes. The Bank focused on improvement of credit quality, minimization of allocation time and designing more user friendly modules.

Project Finance Sectoral Breakdown (%)



Portfolio Development (as of year-end)



Small Business Banking

Türkiye Finans started serving Retail Banking Business Group customers, with annual revenues of between TL 2-8 million, in newly established small business segment from July 2017. The Small Business Banking Marketing Department was formed to understand the needs of customers in the small business segment and to achieve healthy growth by generating special solutions. The department operates with 235 branches and 265 employees within the Retail Business Group.

Within this scope Türkiye Finans offers financial support and advisory services that customers need and providing financial ease to the lives of its customers with cash management products. Within the scope of Small Business Banking, Türkiye Finans offers customer oriented sector specific solutions based on a proactive approach, meets enterprises' financial needs regarding trade, production and employment and contributes to their sustainable growth.

Rapid, accessible and solution based financing support that is specific for customer needs

The main strategy of the Small Business Banking Department at Türkiye Finans is to provide rapid, accessible and solution based financing support with customized applications and products that are designed to meet individual needs

After a number changes in the credit allocation policy and processes, credit valuation can be carried out more rapidly and effectively with effective risk management. In 2017, Türkiye Finans contributed to the growth of the real economy by allocating TL 3.5 billion of credit backed by the Credit Guarantee Fund (KGF), of which TL 520 million was in the Small Business Banking segment.

The Siftah Card enables companies in the Small Business segment to access their basic credit needs through a single card rapidly and with a high level of mobility. Thanks to the Siftah Card, advance purchases from suppliers can be paid to the Bank in instalments. Customers are able to carry out transactions through the Corporate Internet Branch and Call Center.

Expectations for 2018

The Small Business Banking Department expects to increase funds allocated in 2018 by improving its range of products and financing to meet the interest free financial needs of the real economy and its customers. The Small Business Banking will continue to generate healthy and sustainable profitability by focusing on cross sale method with cash management products.

Advanced developments were brought to the rating model in the last quarter of the year to meet the needs of developing sectors and changing market conditions. This raised the effectiveness in fund

allocation and services to customers. The launch of the new rating model was aimed at boosting active and new customer acquisition and therefore increasing market share in sector.

It is expected that financial support will continue to be extended to enterprises within the scope of KGF in 2018.

Sector based package development activities will continue in the Siftah Card for various customer groups of the Small Business Banking in line with developing market needs. The period needed for accessing financing is expected to be shortened and the service quality is expected to be improved with applications over alternative distribution channels and automatic limit projects.



The Siftah Card enables companies in the Small Business segment to access their basic credit needs through a single card rapidly and with a high level of mobility. Thanks to the Siftah Card, advance purchases from suppliers can be paid to the Bank in instalments. Customers are able to carry out transactions through the Corporate Internet Branch and Call Center.

Fund Collection and Investment Products Marketing

Funds collected, which represent the most important source of funds for Türkiye Finans, stood at TL 22 billion at the end of 2017. The Bank's current deposits increased by 20% YoY to approximately TL 6.9 million during 2017. In terms of the distribution of funds collected during 2017, 51% was made up of TL accounts and 49% was made up of foreign exchange accounts.

The "Big Ladle" Account - a first in participation banking

Türkiye Finans launched its "Big Ladle" Account product in 2017. The product is the first in the participation banking product range and combines participation accounts and lease certificates. The account enables customers to increase their expected returns. With the innovation that it brings to the sector as a hybrid product, it indicated Türkiye Finance's pioneer positioning once again.

Complete and tailor-made solutions to meet all of insurance needs of Türkiye Finans customers

Türkiye Finans works in cooperation with leading insurance companies both in Turkey and the world in securing everything which customers attach value to.

Türkiye Finans' affordable and high-collateral insurance solutions minimize the risks associated with the customers' assets, health and retirement.

Türkiye Finans also supports the lives of its customers by standing with them in times of need. In this context, the Bank continued to produce special and privileged solutions during 2017 by offering consultancy services in line with customer preferences as well as offering damage, assistance and guidance services.

Türkiye Finans and the Interest-Free Private Pension

Türkiye Finans Private Pension System (BES) is composed of individual pension funds consisting entirely of interest-free investment instruments. BES is established as a complementary system to the existing public social security systems and provides supplementary pension income in addition to the pension that customers will receive from social security institutions. The Bank also helps those customers who are required to enter the automatic participation system, which was introduced in 2017, become integrated into the system by offering rapid solutions.

Expectations for 2018

Türkiye Finans aims to expand its customer base in the collected funds and significantly increase its market share. In order to reach the targets set out, the Bank plans to expand its product range in the investment and insurance product services.

Türkiye Finans launched its "Big Ladle" Account product in 2017. The product is the first in the participation banking product range and combines participation accounts and lease certificates.



Bolluk bereket bu hesapta!
Bolluğuyla bereketiyle sevindiren hesap;

BOL KEPÇE Hesap

Siz de bir Türkiye Finans subanına uğruşup Bol Kepçe Hesap açarsanız, kazançlarınız sadece bir ay değil hep bol olsun!

KARILIK MÜHÜRÜYLE YENİLİK TÜRKİYE'DE BİR İLK!

Türkiye'nin Finansı
Türkiye Finans

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Consumer Finance

An intensive year for consumer loans

Türkiye Finans carried out consumer finance campaigns in 2017 by considering customer expectations and pricing in the sector. The Bank offered attractive profit shares and expanded its customer portfolio.

Additional rate discounts were given in vehicle financing campaigns with the condition of providing motor insurance product as well. Customers whose application for vehicle financing was approved were instantly offered Finansör and Reserve Account limit. Finansör is a consumer finance limit that offers instant shopping opportunities from member businesses through a bank card. The Reserve Account product is a Benevolent Loan product. Even if there is not a sufficient balance in the account, financing support can be obtained through ATMs and bill payments can be carried out through this product.

The Finansör product, which allocates a consumer financing limit, offers financing for hajj and umrah visits, healthcare, technology, marriage and education expenditures in line with customers' needs. Moreover, campaigns are carried out for retail consumers with the product, which is the first of its kind in the sector.

Within the scope of the Preferential Mortgage campaign in housing financing, customers who are offered finansör, credit card, automatic bill order and personal assurance insurance services were provided with competitive prices.

Maintaining a leading position with respect to the number of POS and POS revenues among participation banks.

In 2017, Türkiye Finans increased its number of POS machines by 3.7% and the revenues obtained from POS machines by 9%. The number of POS exceeded 46,000 units.

Within the scope of the Bonus POS application, which is the first of its kind in the participation banking sector, contracted member businesses were able to set up instalment payments on approximately 16 million credit cards of 10 other member banks of the Bonus platform. Campaigns were aimed at enabling customers to earn Bonus points, thereby increasing turnover volume continued in 2017.

As a first in the participation banking sector, Ready-Made POS Packages tailored to the individual needs of artisans were rolled out in the Bank. Within the scope of the packages, member businesses were given the opportunity to conduct transactions without a commission charge and without blockage for a monthly fixed package fee, with the options of prepaid and installable packages which do not require a POS turnover commitment.

All of Türkiye Finans' POS devices were made compatible with Troy card transactions. With the Bonus version, cash register devices can be utilized by instalments and campaigns for Bonus cards through the POS devices.

School Payments System was integrated with Fast Financing platform.

The SPS is a cash platform provided by Türkiye Finans for the payment of school fees. Türkiye Finans receives payment orders over the account and bank credit card through SPS. The Bank receives applications for the School Reserve Account to make payments for customers who do not have a sufficient balance in their accounts at the dates of payment. Integration is provided between SPS and Fast Financing, which is the Bank's financing application platform. Officials in educational institutions were able to carry out SPS order and request transactions over the Fast Financing platform.

The Bank was working with 71 institutions within the scope of SPS as of 2017. New agreements will continue in 2018.

Applications for Finansör, a consumer finance product, start being accepted through Alternative Distribution Channels in 2017

The Türkiye Finans Finansör product started to enable applications to be accepted through the internet branch and corporate web site, with activation of limits through the internet branch while providing the ability to carry out transactions without having to visit the branch.

Developing our expertise in financing mass-housing projects.

In addition to completed real estate financing, Türkiye Finans continued its rapid rise in ongoing mass-housing projects in 2017 thanks to its financing strategies and its effective and active marketing activities.

The Bank has so far been involved in 2,100 niche mass housing projects that were constructed by Turkey's leading construction companies.

Growing channel network and service diversity in payments

In 2017, Türkiye Finans defined the collection of SGK and Tax debts, which were structured under Law No. 7020, on the channels of the Bank and began to accept such transactions.

The online Apsiyon platform, which enables the administration of collective structures such as housing complexes, apartment blocks, residences and plazas to monitor collections and payments electronically, reached 41 housing complexes.

The number of institutions in the donation collection system was increased to 27.

The Bank's integration to HGS transitions of Kuzey Marmara (North Marmara) and the National Parks was completed.

Esnaffinans set up to support artisans

Türkiye Finans offers private banking for enterprises which generate annual revenue of up to TL 2 million. The Bank started to offer its preferential products and campaigns under the roof of Esnaffinans.

Türkiye Finans offers financing opportunities to help meet the needs of artisans through the Faal Card and corporate finance support. The Bank continues to expand its solutions which are specific for enterprises. The Faal Card is a commercial finance limit which provides instant shopping at member businesses and the advantage of payments through long term instalments. It sets itself apart as a financing support that stands continuously with enterprises, with its long limit validity period of 6 months.

A Credit Card with an advantage

In 2017 Türkiye Finans continued to develop the advantages and services it offers in credit cards. The Bank continued to enjoy a stable growth performance. The mobile branch started to accept applications for the "Happy Card", while applications became more customer focused and practical. The number of application channels increased to five, to include Mobile Banking, SMS, internet banking, interactive voice responses and the corporate web site.

Türkiye Finans is the first participation bank to offer various options in credit card application requests over the corporate web site. Credit card applications and customer satisfaction were increased thanks to the corporate internet site application process, which was improved with a customer oriented approach.

In addition to the general campaigns offered by the Bank and the Bonus Platform, which the Bank is member of, campaigns that provide advantages depending on customers' usage habits were also offered in 2017.

The Troy project, which was formed by the Interbank Card Center as a national card in 2017, received support and the issuance of Troy branded bank cards was carried out.

Expectations for 2018

Türkiye Finans will focus on increasing the number of dealers and business volumes in the Fast Financing portal in 2018. The Fast Financing portal allows financing requests to be received through dealers and provides the opportunity for on-site use. Customers who carry out transactions with agreed consumer and vehicle dealers will be able to complete their financing needs at the dealer without having to visit the branch.

Türkiye Finans will continue to offer cross-selling focused products and services to improve customer loyalty and achieve efficient growth. In line with the aim of being the main bank for its customers, Türkiye Finans will provide support to finance customers with complementary products in line with their needs. Türkiye Finans will maintain its characteristic of being the Bank which meets all needs of customers thanks to its wide product portfolio. In retail banking, the Bank aims to increase its consumer finance volume and reach more customers. In accordance with this, Türkiye Finans plans to increase retail product diversity and enhance the customer experience and satisfaction for current products.

Türkiye Finance continues to implement projects which offer a rapid and instant service to its customers, by expanding its special products and services to non-branch channels. The transaction capabilities offered in alternative distribution channels will be increased in 2018.

In the field of collections, the Bank aims to attain higher volumes and expand its customer base by intermediating in the bill collection of corporations who generate bills and who are not currently agreed.

Türkiye Finans has implemented several projects to develop and extend public payments. The Bank will continue to closely monitor the potential and developing market conditions in this area.

With its new business plan in 2018, Türkiye Finans aims to achieve a much higher growth rate in credit cards when compared to previous years. Rapid technological development is affecting credit card usage habits. Türkiye Finans has formed its working model to keep pace with this change.

In 2017, Türkiye Finans increased its number of POS machines by 3.7% and the revenues obtained from POS machines by 9%. The number of POS exceeded 46,000 units.

Customer Experience and Service Management

The key to our success is permanent customer satisfaction

Aiming to achieve long lasting satisfaction in its relations with customers, Türkiye Finans attaches importance to standing with its customers at all times, everywhere and in all situations, while listening to them, creating solutions for their financial needs and facilitating their transactions.

The Bank has been implementing systematic projects to generate permanent solutions for customer complaints through a service approach which is transparent and oriented towards providing information throughout the process.

Carefully implementing improvements in its responses to feedback by handling feedback from customers meticulously and with the greatest sensitivity, Türkiye Finans protects the interests of its customers at all times and responds to all received requests thoroughly.

Türkiye Finans effectively records all complaints, appeals, suggestions, gratuities and requests received from customers.

The Bank continuously carries out improvements in its infrastructure to ensure a healthy flow through the existing system. Meanwhile, a number of process improvement projects were implemented and branch locations were adjusted within the context of improving the service quality offered to the customers and increasing operational efficiency.

Expectations for 2018

In 2018, Türkiye Finans will continue its work in the field of customer satisfaction and service management, which is accepted as a fundamental element of customer loyalty.

In line with the findings of the survey, customer feedback, the recommendations and the findings shared by the Türkiye Finans teams, projects have been developed and implemented to enhance the service experience and total service quality of its customers, who make up the Bank's most important stakeholder group.

Digital Banking

Türkiye Finans continued to undertake investments in technology in 2017 in line with its main strategies, "with the focus on Digital Banking and Customer Experience". The Bank offered a wide transaction and product range in its digital channels, in line with the changing trends of customer profiles.

Türkiye Finans customers carried out 79% of their financial transactions over digital channels in 2017. Türkiye Finans carried out the sale and activation of approximately 390,000 products through these channels. Together with the efforts taken in 2017, the Bank launched innovative applications that will improve the desirability and effective use of digital channels.

Mobile Banking

Following a new function development studies by taking into account customer needs, the Bank maintained its investments in the mobile branch, which is the fastest growing non-branch banking channel in terms of the number of customers and transaction volumes.

The design of the Mobile Branch application was changed. New functions that bring ease to the lives of its users, such as credit card application and tracking of applications, were offered to users. A number of value added transactions and features were added in 2017, including rapid entry with device recognition technology, approving entry to the Internet Branch over a mobile device, tax payments, applications for Finansör, customized campaign offers and the offering of services to customers with impaired hearing, as well as those over the age of 70 with "Live Support".

The number of active customers in the mobile branch grew by 27% YoY in 2017 while the number of financial transactions grew by 32% YoY. The number of downloads of mobile banking applications developed by Türkiye Finans for the iPhone, Android, and iPad platforms exceeded 230,000 in 2017.

Internet Banking

Within the scope of providing Internet Branch customer channel migration and increasing transaction volume, campaigns were launched to offer awards and a wide array of discount advantages to customers in 2017.

Activities were completed to offer following services on the Internet Branch: customized campaign offers, applications for credit card and Finansör, tracking of these applications, offering services to customers with impaired hearing and to customers who are older than 70 years old with "Live Support"

The number of the Bank's internet banking customers exceeded 700,000 by the end of 2017, with 190,000 products sold through the Internet Branch.

Customer Contact Center

The Türkiye Finans Customer Contact Center holds the Customer Contact Centers Service Standard (EN 15838: 2009). This standard defines the technical requirements necessary for call centers to provide their call center services and their management system needs and includes specific requirements at international standards for call centers. The Türkiye Finans Customer Contact Center successfully passed the audit in 2017 and renewed its certification

The Customer Contact Center, which is one of the Bank's important sales channels, contacted customers through 3.9 million calls in 2017. The Contact Center, which stands out with an approach focused on speed, quality and customer satisfaction, realized sales of 190,000 products and their activation by offering products that meet the needs of its customers. The Contact Center also continued to implement value added services to increase customer satisfaction and loyalty throughout the year.

The Bank completed its efforts to provide customers with impaired hearing and customers over 70 years of age with online support from the Customer Contact Center, through its "Live Support" (chat) application.

Infrastructure was developed for the system that will provide banking services to customers with impaired hearing and who visit branches by using "sign language" with "Video Call" application.

ATM Banking

As a result of new investments undertaken in 2017 within the scope of the ATM expansion strategy, Türkiye Finans increased its total number of ATMs to 587 and the number of non-branch ATMs to 196, while old generation ATMs located in the branches were replaced with new ones. The Bank also continued to extend Recycled ATMs, which instantly enable the use of funds placed into ATMs, for other customers' transactions.

Developmental work continued during 2017 with the aim of providing a faster and uninterrupted service to customers through the ATMs. Voice ATM transaction menus were launched for visually impaired customers. Infrastructure efforts continued with the aim of allowing orthopedically handicapped customers access ATMs.

Campaigns carried out

In 2017, under the new Internet Branch launch, various campaigns were offered to customers including special benefits, rewards and discounts. This achieved transaction and customer channel migration.

Expectations for 2018

Türkiye Finans plans to offer customers new services on digital platforms by rapidly continuing its digitalization investments in 2018.

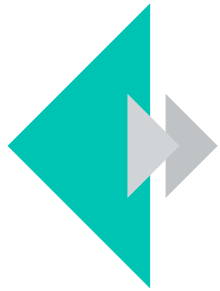
Türkiye Finans plans to launch new projects that will provide added value for customers and the Bank, such as new transactions, features and services for Mobile Banking; adding new product applications on digital channels; adding various foreign language options on ATMs and the website.

Türkiye Finans will continue its investments to expand its ATM network to meet its customers' needs for cash.

The Bank expects to improve the digital competency of the Customer Contact Center by launching the innovative technological application in 2018. The Customer Contact Center is expected to serve as a continuous support point for customers when switching to the digital channel.

Under the digitalization process in 2018, Türkiye Finans plans to enable customers to access services easily and from a mobile platform, to simplify the processes and to decrease the sales focused operational workload.

Türkiye Finans continued to undertake investments in technology in 2017 in line with its main strategies, "with the focus on Digital Banking and Customer Experience". The Bank offered a wide transaction and product range in its digital channels, in line with the changing trends of customer profiles. Türkiye Finans customers carried out 79% of their financial transactions over digital channels in 2017.



Treasury

Sustainable profitability with effective treasury management

In 2017, Türkiye Finans aimed to achieve sustainable profitability with strong foreign exchange position management. In this context, it succeeded in achieving an optimal level of liquidity by taking into account the legal and intra-bank liquidity ratios and bank strategies.

Qualified solutions with management of foreign exchange risks and forward foreign exchange transactions

In 2017, Türkiye Finans continued to increase the quality in after-sale services which is one of the most powerful aspects of the Bank. Within this scope, the Bank aims to increase customer visits by decreasing operational intensity thanks to system infrastructure developments

Türkiye Finans continues to provide expert support in the area of foreign exchange risk management to commercial and corporate customers wishing to hedge their foreign exchange risks on balance sheets.

A constantly evolving pioneer in foreign exchange transactions

With the TFXTARGET mobile application, which was launched in the last quarter of 2017, the process of new customer acquisitions gained momentum and significant growth was achieved thanks to the spreading of the customer mass to the base.

A new function was added to TFXTARGET with the launching of derivative transactions to customers over the desktop application. This product, which enables foreign exchange transactions, maintained the Bank's pioneering position in the banking sector.

With the TFXTARGET mobile application, which was launched in the last quarter of 2017, the process of new customer acquisitions gained momentum and significant growth was achieved thanks to the spreading of the customer mass to the base.

Expectations for 2018

In 2018, effective strategic balance sheet management will continue to gain prominence. In this context, work aimed at implementing the strategies determined by changing market conditions and balance sheet developments will be also carried out in the forthcoming periods.

In 2018, a risk map was set out to protect customers using Türkiye Finans' foreign exchange loan from possible exchange rate movements. In this framework, customers deemed to be exposed to high risk will receive informative visits, where they will be advised of hedging.

TFXTARGET will start to offer services on a tablet platform in the first quarter of 2018. In addition, customers using the app will gain new functions with the addition of a foreign currency derivative order structure to the system.

Türkiye Finans aims to increase its market share by increasing the use of electronic transaction platforms. The Bank also aims to expand its customer base with the image of being a strong Bank. Training sessions will be provided for the marketing and use of electronic transaction platforms by creating pilot regions, branches and portfolios.



International Banking

Despite the economic and geopolitical developments in the world and Turkey during 2017, with its expanding correspondent bank network, Türkiye Finans continued to intermediate foreign trade transactions of its customers with the privileged services and products that it offers within the scope of international banking.

In 2017, Türkiye Finans further expanded its correspondent network, which consists of more than 1,100 banks in 132 different countries, as a result of Türkiye Finans' activities that were carried out with its advanced service understanding and its innovative and proactive approach.

Attaching importance to the diversity of Turkey's foreign trade partners and the continuity of customer transactions in new markets, Türkiye Finans has been serving customers with its extensive correspondent network, especially in Africa and Middle East transactions. Within the scope of the determined strategies, the Bank succeeded in establishing correspondent banking relationships with banks that have both a global and local scale in the new countries.

In 2017, the number of correspondent banks with which Türkiye Finans has a mutual credit limit relationship reached 242 and the opportunity to easily trade with every country of the world was made possible through the branches of correspondent banks. The level of awareness and credibility that the correspondent banks brought the Bank has been increasing year after year in line with the volume of foreign trade. In this context, Türkiye Finans developed contacts to develop and increase cooperation opportunities with correspondent banks by sharing information about products and services in addition to carrying out corporate introduction.

Türkiye Finans places tremendous importance on having multi-dimensional and long term relations with its customers within the framework of its international banking strategy. Under this approach, the Bank effectively assists its customers in increasing their competitive power in domestic and international markets while helping them to take advantage of growth opportunities. Under the agreements signed with the correspondent banks and international institutions for the financing of foreign trade, long-term funds were extended to customers who import within the scope of the Saudi Export Program (SEP), Export Credit Agency (ECA) loans.

We offer reliable investment alternatives with our lease certificate issuances.

Since its establishment, as a participation bank that provides direction to the sector, Türkiye Finans has offered its customers investment and financing solutions through innovative products. The Bank became the first participation bank to implement the issuance of lease certificates in the financing of the real sector in Turkey. Türkiye Finans offered the lease certificate issuance service to bank customers with the second asset lease company, which the Bank established in 2014.

Türkiye Finans contributed to raising the awareness of the product by issuing first lease certificates based on ownership and management contracts. Türkiye Finans unwaveringly maintained its lease certificate issuance operations in 2017.

Through domestic and international issuances where the bank is a fund user, Türkiye Finans offered its customers highly profitable and reliable investment alternatives. Furthermore, with the resources obtained from these issuances, the Bank provided companies with affordable funding at attractive terms.

Türkiye Finans issued TL 1.3 billion of lease certificates in the domestic market in 2017 based on management contracts by using the public offering method with an average maturity of 6 months. Türkiye Finans is the only participation bank to have issued lease certificates by public offering in 2017.

In 2018, Türkiye Finans expects to continue to issue lease certificates within the scope of the TL 2 billion ceiling, whose application was approved, in line with the market conditions and the Bank's funding and liquidity needs.

International murabaha transactions

In 2017, Türkiye Finans continued to obtain long term resources at affordable costs from international financial markets through various debt instruments thanks to its high credibility. The Bank completed a successful year in foreign resource procurement.

Türkiye Finans has a long history and extensive experience in syndication and bilateral borrowing transactions that are obtained from foreign markets. The Bank successfully renewed its murabaha credit due in December, despite the challenging market conditions. By doing so, Türkiye Finans obtained financing of USD 250 million, which was two times oversubscribed from banks participating in the murabaha, while the renewal of the transaction at 2016 prices stands once again as confirmation of the confidence that Türkiye Finans commands. Türkiye Finans aims to support companies, primarily SMEs, that are in need of financing and which bring vitality and momentum to the Turkish economy.

Türkiye Finans obtained funds from Gulf banks at a very low cost through bilateral borrowing transactions carried out throughout the year. The Bank supported foreign trade financing of real sector companies with these resources. Contribution to development of Turkish economy has maintained.

As of the end of 2017, the sum of the borrowings realized by Türkiye Finans, excluding the sukuk/lease certificate transactions, stood at USD 1,536 million.

Expectations for 2018

Within the framework of its corporate strategy, Türkiye Finans will continue to diversify its portfolio of correspondent banks and investors in 2018. In this context, it will continue to utilize resources to maximise the opportunities presented in foreign markets with appropriate timing and affordable costs.

Operational Services and Information Systems

Increased efficiency with activities aimed at improving operations

Within the scope of payment system operation activities, the business processes automation application, which was built on a new business flow infrastructure, was launched. The automation application was expanded to all branches. By doing so, Central Operation banking transactions undertaken in branches are fully integrated with the document management system through process automation infrastructure. These transactions can be completed rapidly within the framework of service level agreements. As such, efficiency in the branches was enhanced, the total number of employees in operations was reduced by 20% and these staff in sales teams could be evaluated.

Orders from the branches to the center in paper forms such as the POS Request and Revision Form and Checklist were transferred to a paperless environment through process automation. By doing so, the business flow period was shortened and became traceable on an application service level agreements base.

Creating terminals in PS data entries was automated and the business flow period was shortened. Process automation was thus achieved.

The data entry operations of single guarantee cheques of the branches was centralized and branch-related mis-entries for cheque entries were removed.

Money counters were integrated into the main banking system of the BYS. This allowed detailed clippings to be automatically written on bank receipts and complete end-of-day cash reconciliations in a rapid and straightforward manner.

Import letters of credit were developed on a new business flow infrastructure and included in the process automation. Work was carried out so these transactions could be carried out with full process automation.

The following was carried out within the scope of the "New Sales Service Model":

- "Commercial Branch Network Management and Sales Directorate" and "Retail Branch Network Management and Sales Directorate" structures were formed,
- The "Region Sales Department" was restructured as the "Commercial Region Sales Department",
- Branches operating as a "Mixed Branch" were restructured as "Retail Branches" and "Commercial Branches",
- Process and procedures were updated within the scope of the new model,
- The physical document transfer and reconciliation of 627,000 customers was carried out, and flawlessly transferred to the new branches

With the InACT® Corporate Fraud Management Project, debit cards, credit cards and digital channel transactions can be followed instantly. This application received an award in the category of Security and Fraud Management in the IDC Turkey's Finance Technology Award Ceremony, which took place in Istanbul in November 2017.

With its special features, the TFXTARGET Mobile Project is sector's only instrument which enables foreign exchange transactions. This application received an awarded in the category of Digital Channel in the IDC Turkey's Finance Technology Award Ceremony, which took place in Istanbul on 20 November, 2017.

The Operational Risk Optimization Project continued effectively. Branch-related operational risks were significantly reduced thanks to activities carried out to manage branch operational risks, the training and coaching provided to the branches and tight tracking.

Branches received interactive training through distance learning on the fund allocation products, processes and systems throughout the year, and the level of know-how was enhanced. By doing so, the rate of returns of offers coming from the branches was cut by 30%.

Card delivery ratios increased by 33% as a result of the measures taken and improvements in the process of delivering cards to customers.

Within the scope of compliance with the Law on Consumer Protection, a barcode infrastructure for New Internal Legislation Management and related documentation was established, guaranteeing that all documents would be protected in a centralized manner, of controlled changes with process automation, and always using the most updated document.

The "Confirmation with call back" application was launched within the framework of customer criteria to minimize the Bank's risk in transfer transactions to foreign countries.

Lease certificates started to be protected in the Central Securities Depository of Turkey (MKK) instead of intermediary institutions. This ensured the clearance of traded lease certificates.

Lease certificate trading operations and lease certificate transfer activities were initiated for the "Big Ladle" product that the Bank offers its customers.

Process and cost optimization activities in cash management transactions were maintained continuously. This paved the way for efficiency improvements in branch balance management and improved efficiency in cash transfer operations.

The Bonus program was developed on the Bank's POS devices so these devices could benefit from instalments and campaigns for Bonus cards. The customer experience was therefore improved.

Work on the new head office building was completed on the targeted date, and the move was carried out as planned. All personnel located in the Kağıthane head office, the additional Tophane office and the Training Center in Küçükbakkalköy moved to new head office building.

The building is comprised of two blocks, one being the base and the other being the tower block. The building has a total of 33 floors and holds the Leed Gold certificate in the category of green buildings. The building has the capacity to employ 3,250 people and accommodate up to 4,000 people. The building has the following attributes:

- A dining hall for 438 people,
- Two large prayer rooms which have the capacity to accommodate up to 340 men and 90 women,
- A conference hall with a capacity of 173 people, offering simultaneous translation in two different languages,
- A multipurpose room with a capacity to accommodate 503 people,
- A Cinema Hall,
- 10 training rooms and a social area,
- Parking spaces for 365 vehicles

While 17 branches were moved to new locations, 12 branches were renovated throughout the year. In the same period, 27 ATMs were installed and six ATMs were moved.

Information Systems and Corporate Project Management

Türkiye Finans was the first corporation in Turkey to move all of its application development processes to agile methods in a short space of time of just 5 months, and all of whose development teams apply scrum. The Bank has Turkey's biggest and most matured agile teams. A total of 51 strategic projects which are at the scale of Master Plan were completed with 65 scrum teams by Information Systems. Moreover, 2,399 tactical and small developments were carried out.

All IT processes and procedures were updated in line with agile methods and COBIT criteria within the scope of Key Performance Indicators and quality criteria. The Information Systems performance management application and process infrastructure was enhanced with reporting, metric management, business intelligence and resource system integrations. A handbook was prepared for software development processes and large scale awareness training sessions were offered for critical processes. The Information Systems Recommendation Development Channel was launched and innovation and process efficiency recommendations started to be received from teams and be evaluated and implemented.

Türkiye Finans is the first bank in the Turkish banking sector to have received the ISO 22301 Business Continuity Certificate in the area of Business continuity. The Bank attained a 100% success rate in business continuity activity tests in 2017, as it had in previous years.

An independent audit once again confirmed the compliance of the Business Continuity System, which encompasses all of Türkiye Finans' units and branches, to the international ISO 22301 standard, and certification was renewed.

New generation network investments were undertaken in Information Systems infrastructure. The network infrastructure was modernized.

The technical infrastructure of the Türkiye Finans Ümraniye Head Office building was supported with fibre-optic lines, providing full back-up between locations.

Investments in All Flash Storage systems which provide the most developed and highest performance that will carry all banking systems were completed. Modules were gradually migrated to these systems, ensuring performance improvement.

The Türkiye Finans Data Center holds Turkey's first Tier III Operation Certificate. The Data Center performed better than the Turkey average in terms of energy efficiency with its Green IT approach and energy-sensitive applications. Activities for the Virtualization of the Data Center continued, and the virtualization ratio increased to 93.2%.

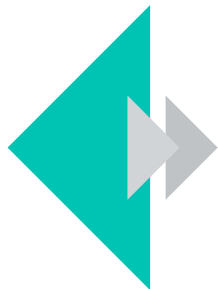
Expectations for 2018

Türkiye Finans aims to achieve the following in 2018:

- Making the banking and service process simpler and more effective by rolling out new technologies,
- Increasing centralization in operations and optimization of processes,
- Decreasing service time,
- Standing out from the competition by improving the quality of the service offered to customers

With this purpose, activities have been planned under the following headings: digitalization, transformation of credits, simple product application and agile branch operations.

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Corporate Communication

Within the scope of corporate communication activities, a multi-channel strategy was successfully carried out at Türkiye Finans in 2017 and activities were announced to large audiences. Communication at Türkiye Finans, which develops innovative products and services that are fully compatible with principles of participation banking, continued through various channels. In addition emphasizing the importance of new product development and innovation in participation banking in communications made throughout the year, activities for increasing brand awareness in various channels such as TV, radio, internet, newspapers and magazines were carried out. A total of 34 press bulletins about the Bank were issued in 2017, while 2,216 news items, including special reports and interviews, reached more than 74 million people in total with reporting in printed media, the internet and visual media.

TFX Target Mobile application introduced

The TFXTARGET mobile application, which was developed by Türkiye Finans and which represents a significant innovation for the banking sector, was introduced in a press conference held in the Çırağan Palace with the participation of 29 members of the press on 12th October, 2017. The press conference attracted a great deal of interest, with 17 reports in printed media, 10 reports on digital media and 110 reports on online news sites. The conference

was broadcast live on a national TV channel and on social media. A total of 5 million people were reached through printed news after the press conference, which was included in various TV broadcasts. Its visibility was ensured with 1,185 column centimetres in printed media.

Communication enhanced through campaigns

Communication of campaigns that provide periodical and special opportunities in the Bank was carried out throughout the year. Such efforts focused on the "Ramadan Campaign", which offers 90/10 per cent profit sharing in participation accounts for customers who will open an account in the Bank for the first time, the "New Year Vehicle Finance Campaign" where customers can purchase vehicles at affordable profit rates and the "Preferential Mortgage Campaign" which offers financing support with maturities of up to 120 months at affordable profit rates.

Participation ensured in significant events in the sector

Türkiye Finans was among the attending sponsors of the Global Participation Finance Summit (GPAS) – Humanitarian Finance Summit, which was held in the Haliç Congress Center on 16th and 17th November. Visitors were hosted in the Türkiye Finance booth, while importance of new product development and innovation was emphasized in sessions held during the event.

74 million
people

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Information on Research, Development and Applications for New Services and Activities

Within the scope of the Law 5746 Regarding the Support of Research and Development Activities, which enables corporations with R&D activities allocate a certain area in their own locations to R&D center activities and to carry out activities in this area, Türkiye Finans received approval for the establishment of an R&D Center on 21 February, 2017. With this approval, Türkiye Finans become the third bank in Turkey to have an R&D center.

Approval for the R&D Center that Türkiye Finans obtained, thanks to its innovative vision and R&D culture, became official when the Bank successfully applied criteria set by the Ministry of Science, Industry and Technology. The certification process, which started in January 2017, was subsequently registered officially. In the Center, the Bank develops innovative products in both the business and technology spaces, employs personnel who hold Masters and PhD degrees, participates in scientific studies within the framework of cooperation with universities, and carries out activities with R&D qualification.

Cooperation activities with universities and FinTechs continue in the Türkiye Finans R&D Center. Cooperation activities have been maintained to both utilize the academic expertise of universities by enhancing collaboration between academia and industry and to create synergy for Turkey by sharing expertise in the sector with university students. In relation to the activities of the R&D Center, articles that were written by Bank personnel were accepted in national and international scientific conferences, and were presented in these conferences on behalf of the Bank.

Projects within the scope of the R&D Center

- TFXTARGET & TFX Mobile: The Sector's only qualified FX trading instrument
- Financial Analysis Platform: A Financial Analysis Platform, which was purchased abroad and for which annual maintenance fees were paid, was developed as local software.
- Statutory Reporting Platform: A platform that generates all statutory reports in pursuance with legislation was developed.
- Corporate Service Governance: A governance library that provides efficiency in software development processes by increasing common service utilization
- Risk Based Pricing: An application which supports a customized pricing model and algorithms, depending on the financial behaviour and current risk status of each customer
- Campaign Management: A platform which enables the Bank to offer all campaigns through all channels and to manage them together
- Data Archiving: An archiving infrastructure that can be accessed without interruption, and which can archive both structural and non-structural data through the deployment of big-data technologies
- Automatic Work Load Allocation: A platform which carries out automatic work load management of ordered transactions from channels such as the branches, fax, and mail, depending on competencies

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

(Convenience translation of a report originally issued in Turkish)



**Güney Bağımsız Denetim ve
SMMM A.Ş.**
Maslak Mahallesi Eski Büyükdere
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To the Shareholders of Türkiye Finans Katılım Bankası A.Ş.

1) Opinion

We have audited the annual report of Türkiye Finans Katılım Bankası A.Ş. ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2017-31/12/2017.

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

2) Basis for Opinion

We conducted our audit in accordance Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 15, 2018 on the full set consolidated financial statements of the Group for the period of 1/1/2017-31/12/2017.

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

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

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

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

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

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

The name of the engagement partner who supervised and concluded this audit is Cem Uçarlar.

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

Cem Uçarlar SMMM
Sorumlu Ortak



March 2, 2018
İstanbul, Türkiye

Board Members and the Audit Committee



Standing (Left to right):

EREN GÜRA
Board Member and Chairman of the Audit Committee

MAJED HAMDAN A. ALGHAMDI
Board Member

FAISAL OMAR A. ALSAGGAF
Board Member

WAEI ABDULAZIZ A. RAIES
Board Member and CEO

Sitting (Left to right):

MÜGE ÖNER
Board Member

SAEED MOHAMMED A. ALGHAMDI
Chairman

MERİÇ ULUŞAHİN
Board Member

SAEED MOHAMMED A. ALGHAMDI

Chairman

Born in 1963 in Al Ramadah, Saudi Arabia, Saeed Mohammed A. Alghamdi graduated from the King Fahd University of Petroleum and Minerals in 1987 with a BSc degree in Science and Computer Engineering. He began his career in 1987 at the Ministry of Defence and Aviation before embarking on his career with Al Rajhi Bank in 1991, where he progressed in a number of jobs between 1998 and 2012 to assume several leading positions, including Chief Information Officer (CIO), Chief Operating Officer (COO), General Manager - Retail Banking Group, and then as the Vice President of Al Rajhi Bank. He also served as a Board Director of "Al Rajhi Bank - Malaysia", "Al Rajhi Capital" and "Al Rajhi Takaful." During 2012 and 2013, he worked as an advisor to H.E. the Governor of the Saudi Arabian Monetary Agency (SAMA), and as an advisor to the Chairman of the Board of Directors of the "The National Commercial Bank". He became the CEO and member of the Board of The National Commercial Bank in March 2013. He served as the Vice Chairman of the Board of Türkiye Finans Katılım Bankası between March 2013 and December 2015, and currently serves as the Chairman of the Board at Türkiye Finans Katılım Bankası beginning from December 2015.

He has a total of 30 years of banking and professional experience.

MAJED HAMDAN A. ALGHAMDI

Board Member

Born in 1981 in Jeddah, Saudi Arabia, he graduated with a B.Sc in Industrial Engineering from the King Abdulaziz University in Saudi Arabia and an M.Sc in Risk Management from New York University's Leonard N. Stern School of Business. Majed Hamdan Al Ghamdi is an Executive Vice President at The National Commercial Bank (NCB), the leading financial services group in the region. In his role as head of Enterprise Risk Management within the NCB Risk Group, he acts as the custodian of the control and financial risk management processes, conducting oversight of various activities with comprehensive coverage of all major risk disciplines. He has experience working in multiple regulatory jurisdictions including Saudi Arabia and Turkey. In his years of experience at NCB he progressed through various roles and played a pivotal role in building NCB's Enterprise Risk Management capabilities. He also represents NCB in inter-bank cooperative and regulatory initiatives. He has been serving as a Board Member at Türkiye Finans Katılım Bankası since March 2016.

He has a total of 12 years' banking and professional experience.

FAISAL OMAR A. ALSAGGAF

Board Member

Born in 1960 in Jeddah, Saudi Arabia, Faisal Omar A. Alsaggaf graduated from the Faculty of General Studies in Science Literature at Harvard University in 1982 and went on to complete an MBA at Harvard University in 1988. He worked as an Assistant Manager in the Corporate Banking Division of the Samba Financial Group between 1983 and 1985. He then joined the Saudi Holandi Bank as a Department Head. In 1996, he re-joined the Samba Financial Group as Department Head. He worked as Financial Controller at Saudi Business Machines between 2000-2003. Until recently, he had been serving as a Senior Assistant General Manager in the Strategic and Business Development Unit at the National Commercial Bank. He has also served as a member of the Board of Directors and Credit Committee in Türkiye Finans, and re-joined the Board of Directors at Türkiye Finans as a member with effect from March 31st, 2017.

He has a total of 29 years of banking and professional experience.

EREN GÜRA

Board Member and Chairman of the Audit Committee

Born in 1963 in Antalya, Turkey, he graduated with a degree in Industrial Engineering from Boğaziçi University in 1987 and an MBA from the University of Leuven, Belgium in 1990. After working at Procter & Gamble in Belgium and Turkey, he joined the Privatization Administration of the Republic of Turkey as a specialist in 1994. He started his banking career in 1995 in Citibank, and worked as Vice-President of the Project & Structured Trade Finance Department until 2000. He then joined AVEA İletişim Hizmetleri A.Ş. in 2001 as a Finance Manager and worked as the Director of Finance & Accounting until 2006 and as the Chief Financial Officer until 2009. He then worked in STFA Yatırım Holding A.Ş. between 2010 and 2013 as a Chief Financial Officer, also serving as a Board Member in Enerya Enerji A.Ş., a subsidiary of STFA Group, and its 9 subsidiaries, between July 2011 and September 2014. Since 2015, he has been working as a Freelance Financial Advisor and has provided services to a number of institutions in his capacity as a Financial Advisor as Foreign companies investing in Turkey, the IFC and the EBRD. He has been a Board Member and Chairman of the Audit Committee at Türkiye Finans Katılım Bankası since November 2016.

He has a total of 26 years of banking and professional experience.

MERİÇ ULUŞAHİN

Board Member

Born in 1965 in Mersin, Turkey, she started her 30-year banking career in Akbank following her graduation from the Department of Economics at Boğaziçi University in 1987. She worked in Akbank until 1989, before continuing her career as a manager in the Treasury Unit of Demirbank A.Ş. between 1990 and 2000, and as the Assistant General Manager responsible for Treasury operations in Ulusalbank A.Ş. in 2000. She took on the role of General Manager and Board Member at Şekerbank T.A.Ş. between 2008 and 2014 and in Alternatifbank between 2014 and 2016. During her tenure as General Manager, she also assumed the roles of Board Member at Şeker Yatırım A.Ş. between 2004 and 2014, Chairman at Şekerbank Kıbrıs Ltd. between 2008 and 2014, Chairman of Şeker Mortgage Finansman A.Ş. between 2010 and 2014 and as a Board Member in Alternatif Finansal Kiralama A.Ş. between 2014 and 2016. Between 2008 and 2015, she took charge of the The Banks Association of Turkey as the Acting Chairman in 2013. She joined Türkiye Finans Katılım Bankası as a member of the Board of Directors and Credit Committee on March 2017. She also took on the responsibilities of Board Member in Pasha Yatırım Bankası and as Chairman of Supervisory Board in Kentbank d.d. Croatia. She has a total of 30 years of banking and professional experience.

MÜGE ÖNER

Board Member

Born in 1974 in Ankara, Turkey, Muge Oner graduated from the Department of Management at Bilkent University with an Honour's degree. She started her career in audit department of Arthur Andersen Istanbul in 1996 and assumed responsibility for establishing the corporate finance department in the company where she had worked until 1999. During this period she served in a number of roles in valuation, due diligence, feasibility studies, market research and other support services. Between 1999 and 2001, she worked as an Assistant Manager in the Financial Control and Planning Department of QNB Finansbank. Following her appointment as Assistant Manager responsible for Belgium operations, including in the HR and Operations Department, of Credit Europe Bank N.V.'s Financial Control and Planning Department between 2001 and 2003, she worked as a Manager in the Financial Control and Planning Department of QNB Finansbank. While she was serving as Financial Services Leader and Partner of Ernst & Young Turkey between 2005 and 2014, she specialized in million-dollar transactions in the area of Financial Services and assumed the role of Financial Services Sector Leader for audit, tax, transactions and advisory services until 2012. Between 2014 and 2016, she worked as the Assistant General Manager responsible for Finance and as the Acting General Manager in Alternatif Bank A.Ş. as a member of Execution Committee. She took on a number of roles between 2016 and October 2017 - as a Member of the Board of Directors and Credit Committee in Aleas, Chairman in Alinvest and as a General Manager and Board member in Alternatif Bank A.Ş. She was appointed as a Member of Board of Directors and Audit Committee at Türkiye Finans Katılım Bankası in 2017.

She has a total of 21 years of banking and professional experience.

WAEI ABDULAZİZ A. RAİES

Board Member and CEO

Born in 1972 in Makkah, Saudi Arabia, Wael Abdulaziz A. Raies graduated with a degree in Electrical Engineering in 1996 from the King Fahd University of Petroleum & Minerals, and went on to complete a Master's degree in Business Administration at King Saud University in 2004. He joined Schulmberger Wire line & Testing (Oil Services) in 1996 as a Field Engineer operating in different geographical locations, both off-shore and on-shore, being promoted to the position of Engineer-In-Charge of Qatar land locations. He started his banking career in 1999 in the Commercial Banking business in the Saudi American Bank, a subsidiary of Citibank. He joined The National Commercial Bank Corporate business in 2002 as a Senior Relationship Manager and progressed to the Commercial Business in NCB, leading the Central Region in 2008, before going on to lead the Eastern Region in 2010. He then moved to the Head Office to lead the Commercial Business, Kingdom-wide, in 2013. Prior to his appointment as a Country Head, Wael headed the Restructuring of the Finance unit in June 2013 for a brief period. Over the years, Wael has attended specialized Engineering, Banking and Leadership courses with reputable institutions such as ISEAD, Darden and the Harvard Business School. He has been serving as the CEO and as a Board Member at Türkiye Finans Katılım Bankası as of October 2016.

He has a total of 21 years of banking and professional experience.

Executive Vice Presidents



Front Row (Left to right):

FAHRİ ÖBEK

Executive Vice President
IT Systems and Operations

ABDÜLLATİF ÖZKAYNAK

Senior Executive Vice President
Internal Systems

WAEI ABDULAZİZ A. RAİES

Board Member and CEO

MURAT AKŞAM

Executive Vice President
Commercial Banking

ZÜLEYHA BÜYÜKYILDIRIM

Executive Vice President
Human Resources

Back Row (Left to right):

MEHMET NECATİ ÖZDENİZ

Executive Vice President
Retail Banking

HAKAN UZUN

Executive Vice President
Treasury

METE MEHMET KANAT

Executive Vice President
Finance and Strategy

AHMET MERT

Executive Vice President
Credit Quality and Collections

ÖZER BARAN

Executive Vice President
Credits

AHMET MERT

Executive Vice President / Credit Quality and Collections

Born in Kırşehir in 1978, Ahmet Mert graduated from the Faculty of Engineering, Department of Electrical and Electronics Engineering at Istanbul University. Starting his career in the telecommunications industry, Mr. Mert embarked on his career in the banking sector and started working in Garanti Payment Systems in 2001. He was responsible for the Credit Assignment, Monitoring and Tracking Strategies and Policies at Risk Management and R&D/Business Development Units. He joined the Turkey office of Experian, a global consultancy firm in 2006, where he worked as manager of the Consultancy and Support Unit for the Turkey and the Middle East region. In 2010, he joined Türkiye Finans group as a Risk Analysis Manager. Ahmet Mert was appointed as a principal to the role of Executive Vice President of Credit Quality and Collections on 30 September 2016, a position he had held by proxy since July 2016.

His areas of responsibility at Türkiye Finans Katılım Bankası as Executive Vice President included the Credit Monitoring Department, the Collections Department, the Legal Tracking Department, Chief Legal Consultancy, the Credit Quality and Collections Analytics Department and the Remedial Department.

Ahmet Mert has a total of 17 years of banking and professional experience.

ÖZER BARAN

Executive Vice President / Credits

Born in 1977 in Izmir, Ozer Baran graduated from the Department of Industrial Engineering at the Faculty of Engineering of Bilkent University in 1999. He graduated with a Master's degree in Financial Economics from the Department of Economics at Izmir University and continues his PhD studies in the Banking and Finance department at Kadir Has University. Mr. Baran started his professional career as an auditor in Internal Audit Department of Türkiye İş Bankası A.Ş. in 1999. He worked as the Assistant Manager in Corporate and Commercial Loans department of HSBC Bank A.Ş. between 2007 and 2009 and as the Manager in Risk Management department at Eurobank Tefen A.Ş. between 2009 and 2010. He took on roles as Manager in Risk Policies and Reporting Department and Project Loans and Commercial Allocation Departments in Türkiye Finans family where he joined in 2010. Özer Baran was appointed as an Executive Vice President responsible for Risk Management on September 30th, 2016 and has served as the Executive Vice President responsible for Loans since August 2nd, 2017.

His areas of responsibility at Türkiye Finans Katılım Bankası as Executive Vice President include the Project Loans and Commercial Allocation Department, the Commercial Loans and Leasing Allocation Department, the Financial Analysis and Intelligence Department, the Consumer Allocation and Small Business Loans Allocation Department and the Region Allocation Departments.

He has a total of 18 years of banking and professional experience.

FAHRI ÖBEK

Executive Vice President / IT Systems and Operations

Born in 1969, Fahri Obek graduated from the Department of Computer Science and Engineering at Ege University, and went on to complete a Master's degree in Business Management from Koç University. He started his business career in Bilpa and went on to work at Egebank. He held various positions in Koçbank between 1991 and 2006. After the merger between Koçbank and Yapı Kredi in 2006, he was appointed as a Senior System Analyst in the Software Development. He served as Deputy General Manager in Charge of IT Management at the Yapı Kredi Bank between 2008 and 2010, and then worked as the Department Head in Charge of Information Technologies, Vodafone Turkey (CIO) in 2010 and 2011. He has been working as the Executive Vice President responsible for IT Systems at Türkiye Finans Katılım Bankası since June 2011.

His areas of responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the IT Technology and Infrastructure Management Department, the IT Product and Service Development Department, the IT Corporate Architecture and R&D Department, the Corporate Project Management and Corporate Development Department, the Credit Operations Department, the Commercial Credit Control Department, the Foreign Transactions Operations Department, the Payment Systems Operations Department, the Banking Services Operations Department, the Cash and Treasury Operations Department, the Organization and Process Improvement Department and the Purchasing, Construction and Administrative Affairs Department.

He has a total of 27 years of banking and professional experience.

HAKAN UZUN

Executive Vice President / Treasury

Born in 1968, Hakan Uzun graduated from the Middle East Technical University (METU), department of Mechanical Engineering in 1991. He went on to graduate with a Master's Degree at the University of Illinois in the United States between 1992 and 1995. He started his career in banking in 1996 at Körfezbank. He worked for various private banks as a senior executive in the area of Treasury and Financial Markets. Between 2008 and 2011, he worked at ING Bank Turkey as the Group Manager Responsible for Treasury operation, and joined the Türkiye Finans family in October 2011 as the Manager of Treasury operations. He has been serving as the Vice General Manager responsible for Treasury operations since 10 November 2015.

His areas of responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the Treasury Sales Department, the Asset Liability Management Department, the Financial Institutions Department and the Bahrain Branch.

He has a total of 22 years of banking and professional experience.

MURAT AKŞAM

Executive Vice President / Commercial Banking

Murat Akşam graduated from the Department of Management Engineering at Istanbul Technical University in 1990. He continued his education at Vienna University of Economics in 1990 and 1991. He was then appointed as the Sales Representative and Regional Representative at Beko Ticaret A.Ş. between 1991 and 1993 and Foreign Office Representative at Ram Dış Ticaret A.Ş. between 1993 and 1997. He started to work as a Credit Representative and Credit Allocation Manager in the Turkey Economy Bank in 1997 where he assumed the roles of Corporate Loans Manger between 2000 and 2005, Corporate and Commercial Loan Allocation Director between 2005 and 2014 and the Corporate Banking Group Director between 2014 and 2017. Murat Akşam continues his role as Executive Vice President responsible from Commercial Banking as of May 2nd, 2017.

His areas of responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the Commercial Branch Network and Sales Directorate, the Corporate Banking Department, the Commercial Banking Marketing Department, the ME Banking Marketing Department, the Cash Management Department and the Corporate and Commercial Branches.

He has a total of 26 years of banking and professional experience.

METE MEHMET KANAT

Executive Vice President / Finance and Strategy

Mete Kanat was born in Ankara in 1977. He studied Business Administration at Hacettepe University and holds an MBA degree from İstanbul Bilgi University. Kanat worked as a Bank Examiner at the Banking Regulation and Supervision Agency between 2001 and 2007, and as the Deputy General Manager at Creditwest Bank (Ukraine) from 2007 to 2011. Mete Kanat joined Türkiye Finans as the Director of Legal Reporting and Financial Control in 2011. He became the Head of the Risk Management Group in 2014. On 31 March 2016, he was appointed as the Vice President of Risk Management Group, while continuing with his former duty. On 30 September 2016, Mete Kanat was appointed as the Executive Vice President of Finance and Strategy.

His areas of Responsibility at Türkiye Finans Katılım Bankası as the Executive Vice President include the Accounting and Tax Department, Budget, the Management Information Systems and Corporate Performance Department, the Legal Reporting and Financial Control Department and the Corporate Communications, Strategy and Program Management Department.

He has a total of 16 years of banking and professional experience.

ZÜLEYHA BÜYÜKYILDIRIM

Executive Vice President / Human Resources

Born in İstanbul in 1981, Züleyha Büyükyıldırım graduated from İstanbul Bilgi University as a double major with degrees in Economics and International Relations in 2004. She started her career at Kuveyt Türk Katılım Bankası A.Ş. After joining the Türkiye Finans family in 2006, Büyükyıldırım worked at the Treasury Department and then served as Deputy Manager and Manager at the Strategy and Program Management Department. On 30 September 2016, Züleyha Büyükyıldırım was appointed as principal to the role of the Executive Vice President of Human Resources, a position she had held by proxy since June 2016.

Her areas of responsibility at Türkiye Finans Katılım Bankası as an Executive Vice President include the HR Business Partner Department, the Training Department, the Remuneration and Performance Department and the Human Resources Services Department.

She has a total of 14 years of banking and professional experience.

MEHMET NECATİ ÖZDENİZ

Executive Vice President / Retail Banking

Mehmet Necati Özdeniz graduated from the Sociology Department in Middle East Technical University. He started his professional career as an Assistant Specialist in Network and System Management at Fortis Bank in 1999 before going on to work as a Research Specialist in Veri Araştırma A.Ş. and Oyak Bilgi Teknolojileri between 2000 and 2003 and as a Data Research Manager in Oyak Bank between 2003 and 2005. He started to work as the Manager of CRM and Segmentation in TEB in 2005 before transferring to Tekstil Bank as the CRM Manager in 2007. He worked as the CRM and Segmentation Manager in Aktif Bank between 2008 and 2012 and as the CRM and Campaign Management Manager at TEB between 2012 and 2013. Mr. Özdeniz joined the Türkiye Finans family in 2013 and took on the role of Customer Analytics and CRM Manager until 2015. In August 2015 he started to work as a member of the Executive Board responsible for CRM, Marketing and Corporate Communication at CarrefourSA. Mehmet Necati Özdeniz was appointed as Executive Vice President responsible for Retail Banking in Türkiye Finans on April 3rd, 2017 and has held that role since then.

His areas of Responsibility at Türkiye Finans Katılım Bankası as Executive Vice President include Retail banking marketing and consumer finance, Entrepreneurial banking, Retail banking network and sales management, Deposits / insurance and investment products, alternative distribution channels and Digital banking, Customer data management

He has a total of 18 years of banking and professional experience.

Unit Managers within Internal Systems



ABDÜLLATİF ÖZKAYNAK
Internal Systems
Senior Executive Vice President



EMRE ÜNAL
Risk Management
Director



EMRE ERTÜRK
Board of Internal Audit
Director



OGÜN ATAĞLU
Internal Control Department
Director



TAHİR CEM BERİK
Compliance Department
Director

ABDÜLLATİF ÖZKAYNAK

Internal Systems Senior Executive Vice President

Born in Antalya in 1960, he graduated from the School of Banking and Insurance in the Faculty of Economics and Administrative Sciences at Gazi University. Having started his business career in Egebank, he held various positions in the Accounting, Budgeting and Financial Control departments at the bank. He became the Financial Affairs Group Manager in the Anadolu Finans Kurumu in 1998. He assumed active roles in the merger of Family Finans and Anadolu Finans as well as in the sale of majority shares of Türkiye Finans Katılım Bankası to NCB. After working as a Financial Control Manager in the Accounting and Budget Department, he has been serving as the Executive Vice President responsible for Finance since August 2011. He took on the role of Executive Vice President of Finance in August 2011 and has been serving as the Acting CEO and as a Board Member in Türkiye Finans since June 2016. He was appointed as the Senior Executive Vice President Responsible for Internal Systems on 1 November 2016.

His areas of Responsibility at Türkiye Finans Katılım Bankası as the Senior Executive Vice President include Risk Management, Board of Auditors, Internal Control Department, Compliance Department and Participation Banking Compliance and Development.

He has a total of 33 years of banking and professional experience.

EMRE ÜNAL

Risk Management (Director)

Born in İstanbul in 1976, he graduated from the department of Statistics at the Middle East Technical University. After completing an MBA in Yeditepe University, he continues his PhD studies in Financial Economics at the same university. He started his career as an Assistant Specialist in Information Technologies at Yurt Ticaret ve Kredi Bankası in 1999. He worked as a Statistician and Quality Specialist in AKSA Akrilik Kimya Sanayi between 2001 and 2006, as an Analytics Team Leader in Crif Turkey between 2007 and 2012, as a Rating/Scoring Modelling Manager in Akbank between 2012 and 2015, as a Risk Analysis and Modelling Manager at Abank between 2015 and 2017. Emre Ünal started to work in Türkiye Finans as Risk Analysis Manager in February 2017. He was appointed as the Director of Risk Management in January 2018, after having been appointed as an alternate director in August 2017.

His areas of responsibility at Türkiye Finans Katılım Bankası as the Director of Risk Management are to take necessary precautions to define, measure, report, track and control risks and to diminish their impacts on the Bank via policies, implementing procedures and limits related to risks by considering the impacts of the risks that the Bank is exposed to, and potential risks. The position also involves managing the execution and updating of risk management activities and processes, pursuant to legislation and best practices.

He has a total of 18 years of banking and professional experience.

EMRE ERTÜRK

Board of Internal Audit (Director)

Born in Samsun in 1976, Emre Ertürk graduated from the Department of Civil Engineering at İstanbul Technical University. He holds an MBA from İstanbul University and a Master's degree in Management Information Systems from the Boğaziçi University. He worked in Dışbank between 1999 and 2005 as an Inspector and Unit Manager of the Inspection Board. He later worked as an Assistant Head of the Inspection Board at Fortis Bank between 2005 and 2011 and at TEB in 2011 and 2012. Since 2012, Mr. Ertürk has been serving as the head of Board of Auditors at Türkiye Finans.

His areas of responsibility as the Director of the Internal Audit include the Branch, Head Office, Information Systems Audits, Reviews and Investigations.

He has a total of 18 years of banking and professional experience.

OGÜN ATAĞLU

Internal Control Department (Director)

Born in Trabzon in 1974, Oğün Ataoğlu graduated from the Department of Economics in English, Faculty of Economics and Administrative Sciences at İstanbul University. He embarked on his career in 1999, working for EGS Bank as an Assistant Inspector at the Board of Auditors. In 2003, he started working for Family Finans Bank as a Senior Controller at the Department of Internal Control. He served as Deputy Head of Internal Control Department and then as the Compliance Manager/Compliance Officer in 2009. In 2012, he was appointed as the Head of Internal Control. Since March 2016, he has been working as the Senior Vice President of Internal Control Department.

His areas of responsibility as Director of the Internal Control Department include Branch Controls, Head Office Controls and Information Systems Controls.

He has a total of 18 years of banking and professional experience.

TAHİR CEM BERİK

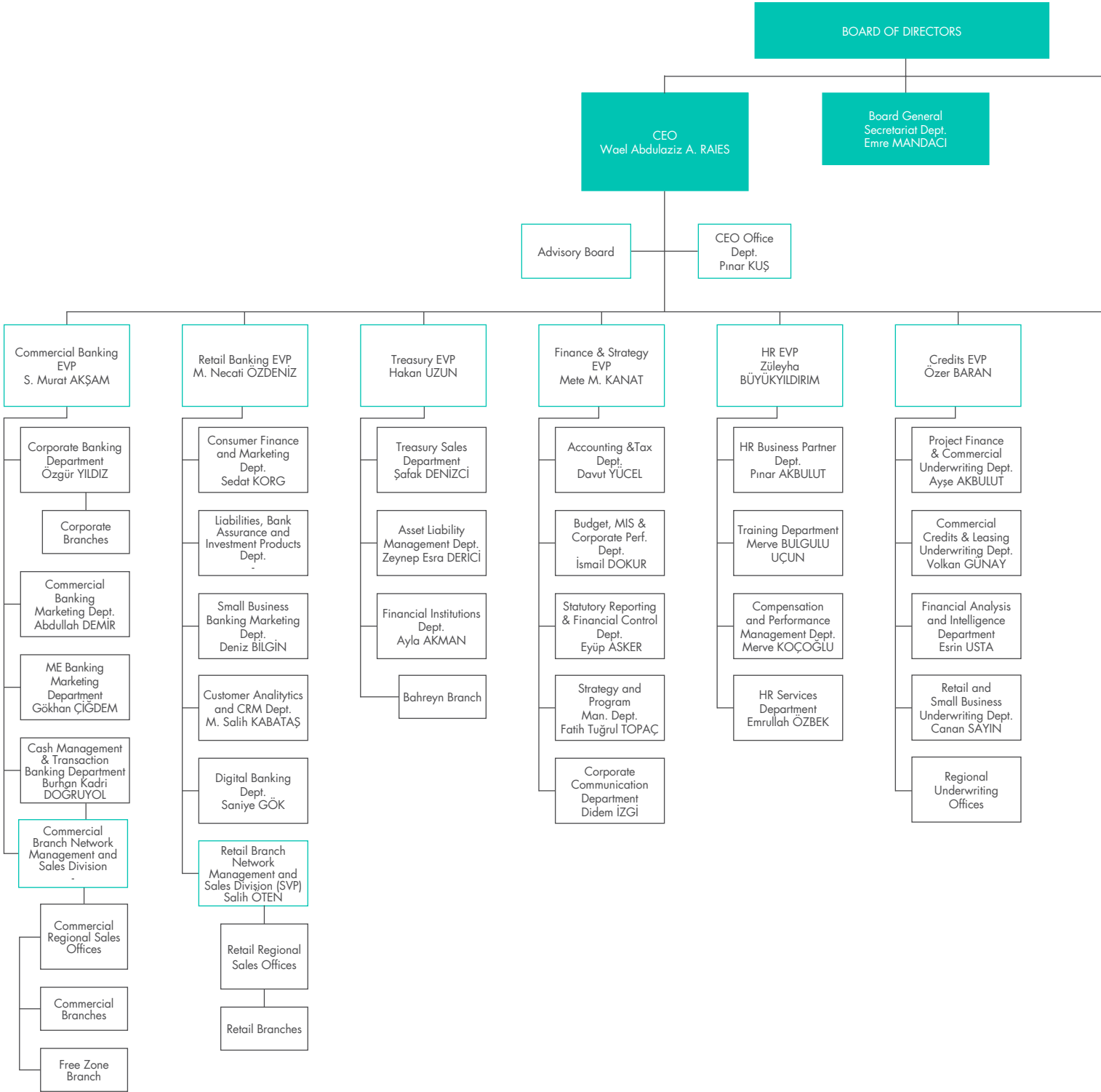
Compliance Department (Director)

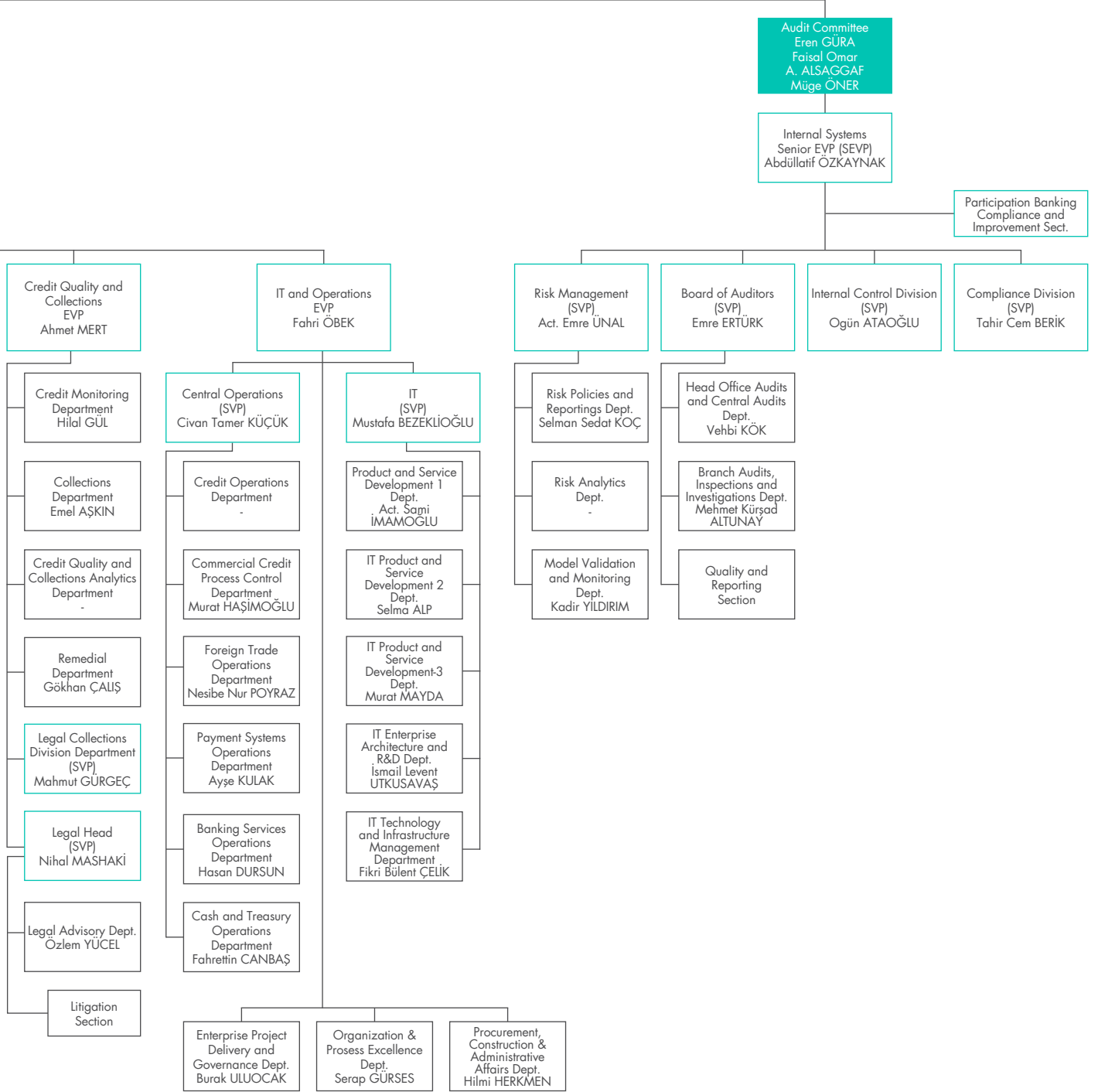
Born in 1966 in İstanbul, Tahir Cem Berik holds a BA degree from the Department of English Language and Literature at Hacettepe University. Having successfully completing Ziraat Bank Banking School, he also earned an MBA degree from Ahmet Yesevi University. Having a Certified Anti-Money Laundering Specialist (CAMS) certificate, Berik held office in Ziraat Bank between 1990-1997 as the Project Valuation Specialist and in Kazakhstan Ziraat International Bank (Almati, KZ) between 1997-2000 as the Foreign Operations Manager. He then worked at Ziraat Bank between 2000-2003 as the Manager of Financial Control Unit, at Ziraat Bank International AG between 2003-2006 as the Munich Branch Manager, and at Ziraat Bank between 2006-2012 as the Compliance Manager/Compliance Officer. Joining Türkiye Finans Katılım Bankası in 2014 as the Legislation Compliance Manager, Tahir Cem Berik is currently working as the Compliance Director since 31 March 2016.

His areas of responsibility as the Director of the Compliance Department include fulfilment of the Bank's compliance control activities within the framework of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process for Banks", execution of the compliance program in accordance with the legislation on "Prevention of Laundering Proceeds of Crime and Financing of Terrorism", to ensure the necessary measures are taken for the identification, measurement, reduction, and monitoring of risks in this context; coordinating, monitoring and reporting compliance work by following legislative changes; the management of reporting from the Ethics Hotline and strengthening the Ethics Culture; and compliance with the FATCA, CRS/AEOI contract.

Total banking and professional experience is 27 years.

Organization Chart





Governing Bodies and Committees at the Bank, Participation of Bank Directors and Committee Members in Meetings

Board of Directors

As detailed in the Turkish Commercial Code and the Banking Law, the Board of Directors is the body that carries the ultimate responsibility of the Bank for management and representation. According to Article 23 of the Banking Law, the Bank's the Board of Directors consists of at least five members. The General Manager shall serve as the natural member of the board of directors pursuant to the provision of Article 23 of the Banking Law and shall carry this title as long as he is in charge of the general directorate. According to Article 17 of the Articles of Association of our Bank, the Board of Directors of our Bank consists of seven members elected for three years unless otherwise agreed by the shareholders. According to Article 17.4 of the Articles of Association, the Board shall hold a meeting with the attendance of at least 5 (five) of its members and the decisions shall be taken by a majority of the members present. For some important issues defined in the related article of the Articles of Association, all members of the Board are required to participate and vote in favour of the motions. In 2017, two of the members of the Board of Directors and the General Manager of the Bank resigned from their duties, and three new Board members along with a new General Manager commenced their duties.

In accordance with Article 17.9 of our Bank's Articles of Association, the Board of Directors convenes at least once every three months. The Board of Directors, whose duties and authorities are determined by the relevant legislation, the Articles of Association and the Bank's in-house policy and directives, held a total of 4 meetings during 2017. All of the Board meetings held during 2017 took place with the required quorum and the resolutions taken in these meetings received the supporting vote of a sufficient number of members in terms of the quorum of decision. Information concerning the Board meetings held in 2017 is presented below:

No.	Date
1 st Meeting	31.03.2017
2 nd Meeting	09.06.2017
3 rd Meeting	15.09.2017
4 th Meeting	08.12.2017

The Basic Duties and Responsibilities are as follows:

- The main duty of the Board of Directors is to lead the Senior Management to successfully implement the strategic plans.
- The Board of Directors decides on the determination of the primary objectives and develops a corporate strategy.
- The Board of Directors follows the commercial performance of Türkiye Finans Participation Bank and provides assurance by periodically reviewing the Performance and Risk reports.
- The Board of Directors approves the establishment and discharging of Board Level Committees and assigns authority to these committees.

The Board of Directors ensured the assignment and follow up of committee based duty and responsibility by establishing the Audit Committee, the Credit Committee, the Remuneration and Corporate Governance Committee as stipulated in the relevant banking legislation.

Credit Committee

Member of the Committee	Title
Majed Hamdan A. Alghamdi	Chairman
Meriç Uluşahin	Member
Wael Abdulaziz A. Raies	CEO, Member
Faisal Omar A. Alsaggaf	Alternate Member
Eren Gra	Alternate Member

The Board of Directors may assign the power to extend credit to the Credit Committee or Head Office within the framework of banking legislation and principles, and the procedures set by the Board. The Credit Committee was set up by the Board of Directors to exercise the power to extend credit within the framework of principles and procedures prescribed by banking laws and regulations. The Credit Committee approves credit allocation decisions within the limits of its authority, reaches decisions about requests to change the terms of credit allocations which fall within the scope of its authority and fulfils any other credit-related duties that the Board of Directors may issue to it. The Credit Committee reviews and recommends or approves regulations, policies related to duties, areas of authority and other documents.

Our Bank's Credit Committee consists of at least three members including the General Manager, and is convened as required. In accordance with the provisions of the Regulation on Banks' Credit Transactions, the Committee convenes with the participation of all members and reaches decisions unanimously. Any decisions that go beyond the authority of the Credit Committee or cannot be taken unanimously are transferred to the Board of Directors for a final decision. Our Bank Credit Committee met five times during 2017.

Basic Duties and Responsibilities;

- Within the framework of credit allocation limits set by the Board of Directors, the Credit Committee evaluates the credit files with a broad perspective and approves the credit files at the appropriate limits and conditions or, in the event that the files already have limits, the Committee recommends the credit files with their notes, if available, to the Board of Directors
- The Committee approves the write off and/or assignment of the securities to be subject to the disposition, credits, bad debt as remaining within the limit foreseen under Write-off Receivables and/or Assignment to the Asset Management Company Matrix approved by the Board.
- The Committee periodically, or as required, reviews and takes decisions on the risk appetite statement (in terms of the credit risk and relevant aspects of concentration risk), the internal performance indicator levels, credits, collections and provisioning policies, guidelines, processes and the future direction of credit activities in the Bank in accordance with the recommendation of the Credit and Remedial Management Committee.

Governing Bodies and Committees at the Bank, Participation of Bank Directors and Committee Members in Meetings

Audit Committee

Member of Audit Committee	Titles
Eren Gra	Chairman
Faisal Omar A. Alsaggaf	Member
Mge ner	Member

The Audit Committee was set up by the Board of Directors to perform the duties required by Article 24 of the Banking Law and regulations and to assist the Board in the conduct of its auditing and supervisory activities. The Audit Committee consists of three non-executive members and convenes every three months. The Committee meetings are held with the participation of all members and decisions are taken unanimously.

The Audit Committee reports the results of its activities to the Board of Directors at least once every three months, at which time the Committee also presents its opinions on matters such as measures that need to be taken, practices that need to be followed and other issues which it deems vital to the Bank's ability to conduct its business with confidence. During its meetings, the Committee discusses the findings and assertions of the Bank's internal audit units and it refers any issues it deems to be of high importance to the Board of Directors. The Committee also discusses issues brought to its attention by the Bank's own external auditors and/ or by BRSA auditors, and refers these to the Board of Directors as well. During 2017, the Audit Committee convened at the Bank's head office on four occasions; it also met the Bank's external auditors on four occasions, during which the findings of three quarterly audits and one year-end audit were discussed.

Basic Duties and Responsibilities;

- The Audit Committee is in charge of and responsible for supervising the effectiveness and adequacy of the internal control, risk management and internal audit systems of the Bank on behalf of the Board of Directors, and the functioning of these systems and the accounting and reporting systems within the framework of the Law and the related regulations and the integrity of the information generated. The Audit Committee is in charge of and responsible for carrying out necessary preliminary assessments in the selection of independent audit bodies to be selected by the Board of Directors; regularly monitoring the activities of independent audit bodies selected by the Board of Directors; and ensuring the maintenance and coordination of the internal audit functions of the consolidated bodies that are subjected to audit.
- The Committee is required to obtain regular reports from the control functions, formed as part of internal control, internal audit, risk management systems and Compliance in relation to the performance of their functions and report any issue that may have an unfavourable impact on the continuity and safe conduct of the Bank's operations, or which is in breach of the applicable legislation or internal regulations, to the Board of Directors.
- It checks the risk assessments, risk reports and other documentation submitted to the Committee. The Audit Committee supervises coordination among the Board of Auditors, the Internal Control Center and the Risk Management Center; keeps the Board of Directors informed of such matters; formulates principles, procedures, and policies applicable to such issues and submits these to the Board of Directors for its approval.

Remuneration and Corporate Governance Committee

Members of Remuneration and Corporate Governance Committee	Title
Saeed Mohammed A. Alghamdi	Chairman
Meriç Uluşahin	Member

The Remuneration and Corporate Governance Committee was established as a separate committee in 2016 and includes two non-executive members. The Committee convenes with the participation of all members and reaches decisions by unanimity. The Committee holds a meeting at least once a year.

The Remuneration and Corporate Governance Committee held a one-off meeting in 2017.

Basic Duties and Responsibilities;

- The Remuneration and Corporate Governance Committee leads and supports activities that define and determine the corporate governance principles, ethical rules and corporate values. Within the framework of market practices related to the Bank's strategy and needs, the Committee supports the Board of Directors in the determination of appropriate remuneration for members of the Board of Directors and the top management and employees. It also supports the Board of Directors in nominating eligible candidates for senior management.
- The Committee carries out supervision of the remuneration policies, processes and practices on behalf of the Board of Directors in order to ensure an independent and effective remuneration system.
- The Committee establishes a written remuneration policy with a content which will prevent excessive risk taking while ensuring long-term performance and efficiency, and which is in line with relevant internal and external legislation and the scope, structure and strategies of the Bank's activities, the Bank's risk appetite and long-term objectives.

	Saeed Mohammed A. Alghamdi	Eren Gura	Majed Hamdan A. Alghamdi	Meriç Uluşahin	Wael Abdulaziz A. Raies	Faisal Omar A. Alsaggaf	Müge Öner
Board of Directors	Chairman	Member	Member	Member	Member	Member	Member
Audit Committee		Chairman				Member	Member
Credit Committee		Alternate Member	Chairman	Member	Member	Alternate Member	
Remuneration and Corporate Governance Committee	Chairman			Member			

	Number of Meetings	Number of Meetings with Full Attendance	Number of Meetings Less than Full Attendance
Board of Directors	4	4	-
Audit Committee	4	4	-
Credit Committee	5	5	-
Remuneration and Corporate Governance Committee	1	1	-

	Number of Decisions Taken at the Meetings	Number of Decisions by Circulation	Total Number of Decisions
Board of Directors	49	59	108
Audit Committee	10	7	17
Credit Committee	5	28	33
Remuneration and Corporate Governance Committee	3	19	22

Information Concerning the Annual General Meeting held in 2017

There were no Extraordinary General Meetings called by the Bank during 2017. The Annual General Meeting was held on 31 March 2017 to discuss routine company matters, as required by law. Decisions taken in the general assembly were carried out in 2017.

Türkiye Finans Advisory Board

The Advisory Board refers to the board that is authorized to determine the standards that the Bank should comply with and to take advisory decisions based on international standards and scientific approaches in order to apply Participation Banking principles. Communication between the Advisory Board and the Bank is carried out by Participation Banking Compliance and Development Service. The Advisory Board held 4 meetings with participation of all members in 2017.

In 2017, Türkiye Finans published its "Participation Banking Policy" and "Participation Banking Procedure", the first of their kind in Turkey. Under the Participation Banking Policy, the Advisory Board's decisions are accepted as binding. The working structure and decisions of the Advisory Board are stated explicitly under the Participation Banking Procedure.

The Advisory Board's decisions concerning products and services are communicated to the related Units by the Participation Banking Compliance and Development Service. The Advisory Board's decisions are put into practice by reflecting them to internal legislation documents through the Participation Banking Compliance

and Development Service. An effective audit mechanism is established by establishing control points.

The Türkiye Finans Advisory Board has the following duties and responsibilities:

- To answer questions related to Participation Banking principles and/or offer alternative solutions
- To reach decisions/opinions about the suitability of new products and services with Participation Banking principles
- To carry out staff training and educational work to spread and develop Participation Banking Principles throughout the Bank
- To provide suggestions on the preparation of contracts related to new products / services

Members of the Türkiye Finans Advisory Board

The Bank's Advisory Board consists of five members, three of which are entitled to vote. Although the other two members do not hold the right to vote, they provide information on financial matters.



Prof. Dr. Hayrettin Karaman
Chairman of the Board
(entitled to vote)

Born in 1934 in Çorum, Prof. Dr. Hayrettin Karaman graduated from the Konya İmam Hatip High School in 1959 and from the İstanbul Higher Islamic Institute in 1963. He started working as an assistant at the İstanbul Higher Islamic Institute in 1965. He began teaching fiqh after completing his thesis entitled "Islamic Law Jurisprudence from the Beginning until the Fourth Century". In 1980, when the school transformed into the Faculty of Theology, he was promoted to the position of associate professor, then to full professor. Having retired at the beginning of 2001, Hayrettin Karaman is currently a columnist for the daily Yeni Şafak newspaper. In addition, he also carries out scientific studies. Hayrettin Karaman speaks Arabic, Persian and French; his periodical writings are published in the Journal of Real Life and Education and Science Magazine. A website, which contains his books and articles, is also available.



Prof. Dr. Hamdi Döndüren
Member
(entitled to vote)

Prof. Dr. Hamdi Döndüren was born in 1943 in Balıkesir. After the completion of the Hıfz, he graduated from an İmam Hatip High School and general high school. He graduated from the İstanbul Higher Islamic Institute and the Faculty of Law at İstanbul University. He held the positions of Preacher of Central Balıkesir and as Mufti of Çanakkale, Bozcaada. He was appointed as a Lecturer of Procedure at the Islamic Law and Fiqh, at the Konya Higher Islamic Institute. He has been continuing the same work at the Bursa Higher Islamic Institute and in the Faculty of Theology at Uludağ University since 11 June 1973. He completed his doctoral studies in 1983 which he started in the field of Islamic law in the Faculty of Theology in Ankara University 1978. He received Associate Professor title on 25 October, 1998. At the invitation of the Saudi Arabia İmam Muhammad b. Saud al-İslamiyya University, he performed research at this university in 1986. He was given the title of Professor and was retired from the Faculty of Theology at Uludağ University.



Doç. Dr. İsak Emin Aktepe
Vice Chairman of the Board
(entitled to vote)

Doç. Dr. İsak Emin Aktepe was born in Erzincan in 1975. He completed his primary school, middle school and high school education in Erzincan. He started his university education at the Faculty of Theology at Marmara University in 1992, where he graduated in 1997. He then completed a Master's degree in the Social Sciences Institute of the same university in 1999, with a thesis entitled "The Approach to Some Hadith Issues of the İmam Şafii in the Framework of Three of His Works" and completed a doctorate in 2005 with his thesis entitled "Sunnet Prior to the Şafii and İmam Şafii". He was given the title of Associate Professor in 2011. After 1997, following his work in foundations and associations as a director and an educator, he started working in the Participation Banking sector and became a consultant for Türkiye Finans Katılım Bankası in 2004. He was appointed as a lecturer at the Faculty of Theology at Erzincan University in 2012.

Ordinary General Assembly Meeting

TÜRKİYE FİNANS KATILIM BANKASI A.Ş.

Our Bank's 27th Ordinary General Assembly Meeting will be held on 22 March 2018 Thursday at 09:00 at the address of Türkiye Finans Katılım Bankası A.Ş. Head Office B1 floor, Saray Mah. Sokullu Cad. No: 6 Ümraniye/ İstanbul. The General Assembly Meeting Agenda is as follows:

1. Opening and formation of the Meeting Chairmanship;
2. Presentation and discussion of the 2017 Annual Report of the Board of Directors ("BoD");
3. Presentation and discussion of the 2017 Report of Independent Auditors;
4. Presentation, discussion and approval of the Financial Statements of the year 2017;
5. Release of the members of the BoD who had served in 2017 for the activities of the year 2017;
6. To determine the usage of the profit of the year 2017;
7. Determination of the monthly attendance fee, travel allowance and other economic rights to be granted to the Board Members;
8. Endorsement about the Appointment of Board Member That is Made to Fill the Vacancy in the Year and to appoint board member to vacant position;
9. Election of Independent Audit Company for the Accounting Period of 2018;
10. To resolve to amend the Articles 5 and 14 of the Company's Articles of Association in the form of the Amendment Text in the Annex 1;
11. To resolve to amend the Article 12 of Internal Directive on Working Procedures and Principles of General Assembly of Türkiye Finans Katılım Bankası A.Ş. in the form of the Amendment Text in the Annex 2;
12. To discuss whether or not to permit BoD Members to perform transactions specified in TCC, Articles 395 and 396, and to adopt the necessary decision on this matter and
13. Wishes and closing.

Amendment of Articles of Association

To be presented to the approval to the approval of the General Assembly the amendment of the Company's Articles of Association, relative to the "Company Address" under Article 5 and "Voting Right" under Article 14 is as indicated as indicated below;

Former Text

HEAD OFFICE AND BRANCHES Article 5

The company's address is Yakaık Mevkii Adnan Kahveci Cad. No: 139 81450 Kartal, İstanbul. Changes in the address shall be registered with the trade registry and published in the Trade Registry Gazette and shall be informed to the relevant authorities accordingly. Notices delivered to the registered and published address shall be deemed to be delivered to the company. Failure of the company to register its new address within the required period of time after leaving its former registered and published address shall be a reason for dissolution of company.

The company may establish branches, agencies, representative and contact offices and correspondent relationships either in Turkey or abroad upon the decision of Board of Directors and within the framework of related legislations in effect. Branches opened or closed are notified to Banking Regulation and Supervision Agency. Activities like the establishment of such branches and offices, allocation of capital to such establishments and branches and/or offices opened, merged, demerged, suspended and/or liquidated are subject to notifications pursuant to the provisions of Banking Code, Turkish Commercial Code and other related legislations in effect.

The company may open branches both in the country and abroad without prejudice to the provisions of Banking Code and other related legislations in effect.

VOTING RIGHT Article 14

The shareholders shall have the right to use one vote in General Assembly Meetings for each share of TL 1.00 (One Turkish Lira) they hold. Shareholders may use their votes in person or by proxy. Voting is made by raising hand, but secret voting procedure may be applied in the case it has been requested by twenty percent of the shares represented in the General Assembly Meeting.

New Text

HEAD OFFICE AND BRANCHES Article 5

The company's head office is situated in İstanbul.

The company's address is Saray Mah. Sokullu Cad. No:6 Ümraniye, İstanbul. Changes in the address shall be registered with the trade registry and published in the Trade Registry Gazette and shall be informed to the relevant authorities accordingly. Notices delivered to the registered and published address shall be deemed to be delivered to the company. Failure of the company to register its new address within the required period of time after leaving its former registered and published address shall be a reason for dissolution of company.

The company may establish branches, agencies, representative and contact offices and correspondent relationships either in Turkey or abroad upon the decision of Board of Directors and within the framework of related legislations in effect. Branches opened or closed are notified to Banking Regulation and Supervision Agency. Activities like the establishment of such branches and offices, allocation of capital to such establishments and branches and/or offices opened, merged, demerged, suspended and/or liquidated are subject to notifications pursuant to the provisions of Banking Code, Turkish Commercial Code and other related legislations in effect.

The company may open branches both in the country and abroad without prejudice to the provisions of Banking Code and other related legislations in effect.

VOTING RIGHT Article 14

The shareholders shall have the right to use one vote in General Assembly Meetings for each share of TL 1.00 (One Turkish Lira) they hold. Shareholders may use their votes in person or by proxy. Voting is made by either raising hands or standing up or saying "accepted" or "objected" separately or via electronic devices which will be defined to the name of the shareholder on the General Assembly day while entering into the meeting hall or other tools which enable counting votes in the meeting room, but secret voting procedure may be applied in the case it has been requested by twenty percent of the shares represented in the General Assembly Meeting.

Summary of the Board of Directors report presented to the General Assembly

Esteemed Shareholders,

We would like to warmly welcome you to our Bank's 27th Annual General Meeting. On behalf of the Board of Directors, we respectfully extend our sincerest greetings to you, our esteemed shareholders, who have honoured us with your presence at our Bank's 2017 Annual General Meeting.

We would like to touch on the macroeconomic developments that have taken place during the year and also the activities of our Bank in 2017, before submitting the list of the Board of Directors and the Independent Audit Reports and Financial Statements for your review and approval for the 2017 fiscal year.

The Macro economy in 2017

The USD appreciated against global currencies during the year on the expectation that new economy policies would be introduced in the USA after the 2016 presidential elections, and of more significant monetary tightening from the US Federal Reserve Bank.

In Europe, the political uncertainty surrounding elections in the first half of the year proved short-lived, and the growth momentum was maintained with the region achieving its strongest growth in the recent period.

While inflation did not reach the targeted levels in developed countries, it rapidly declined in developing countries.

The Turkish economy reached the growth performance seen in prior years with the help of a recovery in the global economy and the macroeconomic measures taken by the government.

The Turkish Banking Sector in 2017

The banking sector demonstrated profitable and rapid growth in 2017. The credit guarantee amount, provided to enterprises with the Credit Guarantee Fund acting as an intermediary, increased ten-fold to TL 250 billion. Following this increase, loan growth posted its highest rate of growth for some years in the second quarter. As far as participation banking is concerned, development and growth continued by meeting the needs of the real economy. Our sector advanced its development and growth line forward, maintain the process seen in previous periods. The volume of funds collected and allocated by participation banks grew at a rate in excess of that seen in the banking sector as a whole.

As of the end of 2017, the sector's loans had grown by 21% YoY to TL 2.2 trillion. The volume of deposits had increased by 17% YoY to TL 1.8 trillion. Meanwhile, the volume of funds allocated by Participation Banks had risen by 25% YoY to TL 108 billion as of the end of 2017. Funds collected, on the other hand, grew by 27% YoY to TL 107 billion.

While the net profit of the banking sector increased by 31% YoY to TL 49.1 billion in 2017, the net profit of participation banks increased by 43% YoY in the same period, to TL 1,583 billion.

The increased profitability of the sector brought its capital adequacy ratio to above 16.9% at the end of 2017, compared to 15.6% at the end of 2016. For participation banks, this ratio increased from 16.2% to 17%, maintaining growth potential which is higher than the overall banking sector.

Türkiye Finans in 2017

Türkiye Finans continued to offer services without any sacrificing of quality, with 287 branches, 3,767 personnel, 587 ATMs, the Call Center and an advanced technology infrastructure. Since May 2017, we have been operating from our new head office building in Umraniye.

Türkiye Finans established its growth strategy on a long term and sustainable plan. We undertake our activities with a strong capital structure, increased funding quality and a dynamic banking infrastructure which we have built on strong foundations.

We launched our innovative "Big Ladle" Account, a first for the Participation Banking product range which combines the participation account and lease certificates. We observed its positive impact on our funds in a short space of time. We also successfully launched the TFX Target mobile application, the first of its kind in Turkey, providing our customers with the opportunity to access global foreign exchange markets at a single click and to conduct transactions 24 hours a day, 5 days a week. Another milestone was Türkiye Finans becoming the third bank to have an R&D Center, with the establishment of the R&D Center in 2017.

We launched our new business model between June and August, and continued our activities with our branches which are specialized in Commercial and Retail banking and whose end-to-end processes are differentiated.

Türkiye Finans's total assets reached TL 39.1 billion in 2017. Funds allocated, including receivables from financial leasing - which constituted 68% of total assets, amounted to TL 26.5 billion, indicating a market share of 1.2% in the sector and 25% in the participation banking sector. We also became the number one bank among Participation Banks with the allocation of TL 3.5 billion in Credit Guarantee Fund backed funds.

Funds collected increased by 5% YoY to TL 22 billion as of December 2017. Especially drawing funds grew by 21% to TL 6.9 billion. Türkiye Finans' market share in funds collected was realized at 1.2% in the sector and 21% in participation banking sector.

Türkiye Finans wrote a profit before tax of TL 458 billion and a net profit for the period of TL 375 million, marking an increase of 27% YoY.

Türkiye Finans increased its capital adequacy ratio from 15.6% at the end of 2016 to 18.2% at the end of 2017 by maintaining its capital generation capacity with internal activity.

Esteemed Shareholders,

We have submitted our Annual Report, which covers our activities for the year 2017, our Balance Sheet and Profit and Loss Calculations for your review and approval.

On behalf of the Board of Directors, we would like to thank all of our shareholders, employees and customers, for their contribution to our successes and their confidence in our Bank. We respectfully pay tribute to you, our valuable partners,

Respectfully,

TÜRKİYE FİNANS KATILIM BANKASI A.Ş.
THE BOARD OF DIRECTORS

*Unless otherwise stated, this includes bank deposits and deposits (participation fund) interest (profit share) rediscunts.

**Unless otherwise stated, this includes net non-performing loans, credit interest (profit share) and accrued income rediscunts and financial leasing receivables.

Human Resources Practices

In line with the principles of participation banking, while Türkiye Finans acts with the mission of sharing the produced value on one hand, it continues to develop its performance-oriented human resources practices and to support its employees on the other.

A total of 210 employees attended the evaluation centre application for appointments to managerial positions. All career movements were carried out with a focus on performance and competence.

The ratio of internal appointments for managerial positions within the bank stood at 81%, while this ratio reached 100% in the branches and the regions.

The "Kariyerburada (your career is here)" application was launched to systematically and transparently manage career opportunities within the Bank. A total of 579 vacant positions were announced over this platform throughout the year. In total, 3,089 applications were received and 460 employees were transferred to new positions with this application.

Alternative career opportunities within the Bank were enriched and the Sales Trainee Program was designed for transfers to sales. The Management Trainee (MT) Program was also launched, to attract new, talented graduates.

New promotion criteria were determined based on performance and competence. A total of 710 employees who met the conditions for promotion within this scope were promoted to new titles.

The Future professionals program provided 217 high school and university students with internship opportunities in our head office and branches during school periods.

248 new employees, of which 76% were new graduates, joined Türkiye Finans in 2017. The Orientation Program, which is designed with the TFLY brand, was launched with the motto of "Starting your Journey to Success" for employees who had just joined the Bank. TFLY aims to provide an excellent start for our new recruits. It also aims to ease their orientation to the Bank and their assignments during their 1st year in the Bank.

Türkiye Finans was operating with 3,767 employees in 287 branches and 22 Regional Head Offices as of the end of 2017, with 62% of the Bank's employees working in the Branches, 35% in the Head Office and 3% in the Regional Head Offices. Of all personnel working at Türkiye Finans, 88% hold a university degree or higher, 33% are female and the average age is 35.4.

Türkiye Finans realized various events and projects aimed at increasing employee motivation and social interaction outside their professional life within the scope of internal communication activities. A number of events and projects were organized within this scope, including seminars and workshops, game tournaments, talk meetings with the participation of senior management, surprise gifts and gifts designed for special days.

During branch opening anniversaries, gift boxes of "Our Branch is all the more Beautiful with You" were sent to our employees working in the branches, reaching 3,650 employees. Within the scope of the event, surprise visits were made to the Van, Trabzon and Karaköy branches with the participation of our CEO and executive vice presidents.

Visits to 16 Branches were made within the scope of the "A little break with HR" concept. One-to-one meetings were held with employees.

Social Clubs at Türkiye Finans

- The Türkiye Finans Rowing Team was ranked in 2nd place in the Dragon Festival Boat Races, which commands among the widest participation of any corporate sporting event. Our team was handed the award for Best Brand Representation.
- The Türkiye Finans Football Club organized the 14th Traditional Football Tournament with the participation of 19 teams within the Bank. A friendship match was organized between regional and branch managers on the final day.
- The Türkiye Finans Travel Club organized four trips to Çanakkale, Bursa, the Floodplain Forests and Abant. The Outdoor Sports Club organized a trekking tour in Sakarya.
- The Türkiye Finans Basketball Club participated in the CBL Tournament in 2017.

We celebrated special days with our employees. We celebrated the following special days by giving gifts to:

- All women employees for Women's Day,
- 587 working mothers for Mother's Day,
- 1,537 working fathers for Father's Day,

Our little bankers - the children of our employees - for the April 23rd National Sovereignty and Children's Day.

Ifar dinners were organized in the head office and regional offices during the month of Ramadan.

Human Resources Practices

Blog competition

Türkiye Finans organised a competition as part of its Birport Blog page:

Twelve employees, who were winners of the "Special Receipts for Ramadan" competitions, participated in the cooking workshop with Refika Birgül. A one day workshop was organized with the participation of the General Manager and executive vice president responsible for HR.

Five winners of the "I wish I Will Pray in Kabe-i Muazzama" competition made their Hajj visit together with their closest family members.

Other events

102 employees donated blood and 24 employees donated stem cells in the "Blood Donation Volunteers" campaign held by Türkiye Finans with Türk Kızılay (Turkish Red Crescent).

In addition, during the year, seminar and panel events were held with the aim of bringing employees together with people from different disciplines who work and produce with passion and who like sharing, providing a forum for them to share their experiences. One of our guests was Yekta Özözer, with a focus on innovation, and our other guest was Kaan Sekban, who came to forefront with his comic entertainment.

The "Welcome to Winter Fest" was organized with the slogan of "Let's Meet under That Tree" to celebrate the relocation to our new head office building. Twelve firms carried out discounted sales within the scope of the Fest, providing online discounts for our colleagues working in the branches to offer them the advantages of the Fest. Our Theatre Club put staged a play, which was written by themselves.

Our activities held within the scope of internal communication reached 3,581 employees in 2017.

"Welcome to Winter Fest"

The "Welcome to Winter Fest" was organized with the slogan of "Let's Meet under That Tree" to celebrate the relocation to our new head office building.

Remuneration and Performance Management Activities

The Türkiye Finans Performance Management system is a development focused process, set out in line with the Bank's strategies and aimed at contributing to the improvement of the Bank's performance and individual performance.

Three inputs of our performance management were defined in 2017. The performance management methodology was formed within this framework and works with the following defined inputs:

- Target management,
- Competence management
- Feedback process.

Taking an approach that places target management as the basis for the performance management process, targets were set with the leadership of senior management in parallel with Türkiye Finans' strategies, which were determined at the beginning of 2017. These targets were gradually communicated from senior managers to more junior levels in parallel with their responsibilities. Managers in headquarters were informed of the targets, and the regional offices were informed of the individual targets by segments. Targets are set in line with the Bank's strategic goals, and are genuine, measurable, accessible, challenging, fit for purpose and realistic with a clear time interval.

In addition to target management, competence management was defined as all behaviour that would help Türkiye Finans and its employees reach success and meet their targets, while forming a common culture. Measurement methodologies were designed for both ownership and development of both competences and targets.



Human Resources Practices

Performance evaluations were carried out by managers twice during the year, one of which was held in the interim period and the other at the year-end. At the end of both two periods, feedback meetings (between the employees and their managers) were held to provide direction for future planning, in addition to development and current status evaluations.

The purpose of the performance management process at Türkiye Finans is to support personal development and awareness, direct the future and ensure continuous development. Activities to ensure that this process, which is shaped by the employee and the manager, is continuous and to increase the sense of ownership will continue in 2018. Activities aimed at expanding the performance environment, which constitutes the main building block of all HR processes, will continue. In addition, efforts will be taken to promote the development of performance tracking processes.

Training Activities

Türkiye Finans continued to contribute to the personal development and performance of its employees in line with the principle of "Continuous Learning and Development" with training programs that are compatible with the sectoral dynamics and the Bank's strategies.

The first training session of the TF First Step Program enables our employees to quickly adapt to the Bank and to their responsibilities.

New training programs were developed in the following areas in coordination with the Bank's new sales service model: Result oriented sales, Relationship Banking, Business Performance Management, Branch Balance Sheet Management, Customer Management and Negotiation and the Interpretation of Macro Economic Indicators and Credits. A total of 1,400 employees, consisting of the commercial and retail sales teams and regional / branch managers attended these training programs, in line with their responsibilities/ titles for an average of 4 days throughout the year.

In order to diminish operational risks, which is one of Türkiye Finans' priorities, 234 employees involved in the high risk group were given in-class training. Other employees were supported through webinar and distance learning.

350 employees from branch operation teams attended the credit training program, which covers all credit processes from allocation to liquidation, and which were supported with cases from the Bank.

The Management Trainee development program was organized for Management Trainee (MT) candidates who had just joined Türkiye Finans. With this program, our employees completed the training process with in-class training, branch internship, unit internship, distance learning and projects.

The Sales Trainee Program was designed for employees who will be transferred to the sales from operation teams. With this program, our employees were fully equipped to their new duties with theoretical training programs about sales, customer relations, credits, products and applied training programs composed of branch/unit internships.

180 employees received feedback through face-to-face and video conference meetings about the results of the evaluation center activities which were carried out for employees who will be assigned to managerial or higher levels. Development plans were formed for these employees.

Supported by the mentor application for the newly appointed unit, the regional and branch managers and 47 other managers performed with a higher level of efficiency in their first 90 days, by benefiting from the experience of more experienced managers.

Within the scope of our responsibilities and legal obligations for our employees, our Bank increased awareness of Occupational Health and Safety, First Aid, Emergency Management and Information Security through in-class training, exercises and programs supported by various training technologies.

In order to facilitate the sale of the Bank's current and new products and to fulfil legal obligations, 481 employees participated in the BES examinations, 849 employees entered the SPL examination and 617 employees entered the SEGEM examinations. Our employees were supported with training and pilot tests before taking the examinations.

Of the training programs provided in 2017, 61% were organized as in-class training while 39% were carried out under distance learning methods. Our employees attended an average of 6 days of training during the year.

We will be supporting our target of increasing the share of training technologies applied in the total training duration with new video and training content in 2018. In addition, training and development activities will continue under the "Academy" roof within the scope of training maps that were formed by redesigning title and segment based training programs

Information about Related Party Transactions entered into by the Bank

Normal customer relationships and market conditions are always taken into account and the limits and restrictions prescribed by the Banking Law are always complied with in all of the Bank's dealings, including those involving related parties. Details of Türkiye Finans' transactions with related parties are as follows.

1. Information on Loans and other Receivables of the Participation Bank's Risk Group

Bank's Risk Group (**)	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Other Receivables						
Balance at the beginning of the period	368,895	-	46	11,871	232,051	84,299
Balance at the end of the period (*)	362,667	-	56	-	95,939	33,915
Profit Share and Commission Income	50,042	-	138	-	14,602	268

(*) A total of TL 1,082 in lease receivables from the Participation Bank's risk group are included in cash balances.
(**) The information given in the table includes credits and securities.

2. Information on Current and Profit Sharing Accounts Related to the Participation Banks Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and Profit Sharing Accounts						
Balance at the beginning of the period	561	696	77,229	253,138	81,782	213,718
Balance at the end of the period	403	561	13,724	77,229	40,359	81,782
Profit Share Expenses	-	-	1,207	9,291	1,148	5,568

3. Forward Transactions, Option Contracts and Other Similar Contracts Undertaken with the Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Transactions at fair value through						
Balance at the beginning of the period	-	-	42,401	67,795	-	-
Balance at the end of the period	-	-	-	42,401	-	-
Total Profit/Loss	-	-	(883)	3,327	-	-
Hedging						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

4. Funds Borrowed from the Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans Received						
Balance at the beginning of the period	4,929,125	4,134,365	1,607,509	1,321,788	-	-
Balance at the end of the period	5,675,057	4,929,125	1,734,621	1,607,509	-	-
Profit Share and Commission Expense	297,337	248,193	107,045	89,268	-	-

Other Information

Remuneration provided to Board of Directors and Senior Management:

The total value of rights and material benefits provided to members of the board of directors and senior management in 2017 amounted to TL 9,890,000. The total value of cash and non-cash benefits consisting of allowances, travel, accommodation and representation expenses, insurance and similar guarantees provided to the Board of Directors amounted to TL 212,000; the sum provided to members of the Senior Management amounted to TL 604,000.

Duty of Loyalty Report:

Pursuant to Article 199 of the Turkish Commercial Code, Law number 6102, it has been concluded that in the situations and conditions to the best of our knowledge at the time of the transaction or at the time of the countermeasure taken-or-avoided, there was admissible substitution in all the transactions made in 2017 between Türkiye Finans Participation Bank Inc. and the controlling partner, the affiliates of the controlling partner and affiliates of Türkiye Finans Participation Bank Inc., and no counter measures were taken or avoided that might cause a loss to the company, and in this regard, there were no transactions or countermeasures that would necessitate balancing.

Special Audits, Public Authority Audits:

In accordance with the relevant legislation which applies to our Bank, regular inspections are carried out in our Bank by supervisory authorities such as the BRSA, the Ministry of Finance and the Central Bank of Turkey and Ministry of Labour and Social Security. There were no shareholder requests for special audits during 2017.

Administrative and Judicial Sanctions:

No judicial or administrative rulings and/or investigations of sanction were applied against the company or the members of the board of directors in association with any practices contravening the provisions of the legislation.

In 2017, a total of TL 140,000 in administrative penalties were imposed against the Bank by regulatory and supervisory authorities.

Investments and Incentives:

In 2016, our Bank invested a total of TL 224 million, of which TL 42 million was invested in intangible fixed assets and TL 182 million into tangible fixed assets. Most of the investments in tangible fixed asset were connected with the New Head Office building located in Ümraniye/ İstanbul.

Türkiye Finans was given authorisation to set up an R&D Center in 2017. A total of TL 11 million in investment was carried out within the scope of R&D Center activities. Our activities have continued on a project basis. The grant of TL 370,000 was obtained for our R&D activities, which were supported by TÜBİTAK.

Charitable Assistance and Donations:

No expenditures were recorded within the framework of donations, assistance or social responsibility in 2017.

Shares that the Bank Has Acquired in Itself:

There are no shares which the Bank has acquired in itself.

Information on legal action filed against the Bank, which may affect the Financial Status and operations of the Bank, and their possible results:

No legal action that may affect the financial status or operations of the Bank was taken against the Bank in 2017.

Highlights after Annual Period:

The Communiqué for Changing the Communiqué related to the decision number 32 about the Protection of the Value of Turkish Currency was published in Issue 30312 of the Official Gazette on January 25th, 2018. The effective date of the communique is May 2nd, 2018. Measures were taken regarding foreign currency credits obtained from Turkey and abroad by persons settled in Turkey. This arrangement will affect foreign currency credit operations which will be carried out after May 2nd, 2018.

Activities for Which Support Services are Outsourced and the Persons and Organizations from Which They are Obtained

No	Support Service Provider	Support Service Obtained for
1	Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hiz. İç ve Dış Tic. Ltd. Şti.	Software License
2	Aktif İletişim ve Kurye Hizmetleri A.Ş. (*)	Operational Services
3	Asseco See Teknoloji A.Ş.	Software License
4	Austria Card Turkey Kart Operasyonları A.Ş.	Operational Services
5	Avi Gayrimenkul	Operational Services
6	Bilin Yazılım ve Bilişim Danışmanlığı Ltd. Şti.	Human Resources Management System Software; Software Use and Consultancy Services
7	Brink's Güvenlik Hizmetleri	Operational Services
8	Cpp Sigorta Aracılık Hizmetleri A.Ş.	Sale of Card Protection Plan
9	Desmer	Cash Collection Distribution
10	Epik Bilişim Yazılım ve Danışmanlık Hizmetleri Anonim Şirketi	Information Systems
11	Fis Financial Systems Llc	Legal Reporting
12	Figen Yazılım Evi Tic. Ltd. Şti.	Support Support – Operational Services
13	Finecus Yazılım Danışmanlık Sanayi A.Ş.	Corporate & Commercial firm ratings, TM processes and Maintenance
14	Formalis Bilgi Teknolojileri	Operational Services
15	Fu Gayrimenkul	Operational Services
16	Iron Mountain Arşivleme Hizmetleri A.Ş.	Archives
17	İstanbul Altın Rafinerisi	Operational Services
18	Kartek Kart ve Bilişim Teknolojileri LTD. ŞTİ.	Information Systems
19	Konut Kredisi Com Tr Danışmanlık A.Ş. (*)	Operational Services
20	Kurye Net Motorlu Kuryecilik ve Dağ.Hiz.A.Ş.	Operational Services
21	Mas Global Mülk	Operational Services
22	Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.	Operational Services
23	Monitise Yazılım A.Ş. (*)	Information Systems
24	MTM Holografi Güvenlikli Basım ve Bilişim Teknoloji San.Tic.A.Ş.	Operational Services
25	Plastkart Plastik Kart Akıllı Kart İletişim Sistemleri Sa. ve Tic. A.Ş.	Operational Services
26	Procat Danışmanlık Yazılım Telekomünikasyon Pazarlama Ticaret A.Ş.	Software License
27	Servicium Bil. Hiz. San. ve Dış Tic. A.Ş.	Information Systems
28	Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.	Headquarters and Branches
29	Tepe Servis ve Yönetim A. Ş.	Operational Services
30	Termtek Bilişim Bilgisayar Teknolojilerit. Ltd. Şti.	Software License
31	Tulu Yapı Müşavirlik Sanayi ve Ticaret Anonim Şirketi	Operational Services
32	Turkcell Superonline (*)	Software License
33	Türk Telekomünikasyon A.Ş.	Information Systems
34	Türkiye Garanti Bankası A.Ş.	Correspondent Banking Agreement
35	Türkiye Garanti Bankası A.Ş.. (*)	Cash Collection Distribution
36	Uz Gayrimenkul Yatırım Danışmanlığı A.Ş. (*)	Operational Services
37	Callus Bilgi ve İletişim Hizmetleri A.Ş. (**)	Operational Services
38	Açık Kart Teknolojileri ve Ödeme Sis. San. ve Tic. A.Ş.	Software License
39	Garanti Global Tahsilat Sistemleri ve Ödeme Hizm. A.Ş.	Software License
40	G4s Güvenlik Hizmetleri A.Ş.	Cash Collection Distribution
41	Posta ve Telgraf Teşkilatı A.Ş.	Operational Services
42	Telcoset İleri Teknoloji Strateji İş Geliştirme Danışmanlık A.Ş.	Operational Services

(*) 2017 yılı içinde sona ermiştir.

(**) WIN Bilgi İletişim Hizmetleri A.Ş. Yeni Unvan: Callus Bilgi ve İletişim Hizmetleri A. Ş.

(***) 2016 sonunda 309 firma ile hızlı finansman bayii anlaşması devam etmektedir.

Financial Information and Evaluations in Risk Management



The Audit Committee's assessment of Internal Audit, Internal Control, Risk Management and Compliance Functions; Committee Activities during the Reporting Period

Internal Audit (Board of Auditors)

The Board's fundamental objective is to provide independent and impartial compliance and consultancy services that safeguard the activities of the Bank and its affiliates subject to consolidation and generate added value. Operating within currently applicable laws and related external regulatory frameworks, and the Bank's own strategies, policies, principles and targets, the Board provides assurance to the Senior Management concerning the effective and sufficiency of the Bank's internal control, risk management systems and governance processes. The Board aims to help the Bank reach its targets by introducing a systemic and disciplined approach in order to evaluate and improve related systems. The Board of Auditors is responsible for performing audits, inspections and investigations on behalf of the Board of Directors in line with the schedule and instructions provided by the Chairman.

Within the scope of the 2017 audit plan, audit activities were conducted in various selected branches and units in the Head Office based on the risk-oriented audit approach. In addition, audits into the information systems were maintained by IS inspectors. With these audit activities, investigations and inspections regarding the board's declaration were conducted.

As a result of the audit activities, incomplete and improper applications are reported to the Audit Committee on a quarterly basis, and their completion statuses are monitored.

Detailed training programs were prepared to increase the level of knowledge of inspectors as well as raising their personal development to the highest level. Accordingly, internal and external training was provided.

As of 31 December 2017, the staff of the Board of Auditors comprised of 35 persons.

Internal Control

The Internal Control Department is responsible for overseeing all aspects of Türkiye Finans' organization and activities, to ensure that the Bank's business is conducted effectively, productively, and in a manner consistent with the requirements of the Banking Law and regulations, the Bank's own policies and rules, and ordinary banking practices; and also for ensuring the reliability, integrity, and timely accessibility of the accounting and financial reporting systems and of the information contained therein. The Internal Control Department reports directly to the Board of Directors and provides information to the Bank's senior management. Another function of the Internal Control Department is to develop early warning systems capable of identifying risks in advance and taking measures accordingly.

The Internal Control Department conducts its activities through four main activity areas: Head Office Control, Branches Control, Information Systems and Compliance Checks, and Reporting, Quality and Inquiry Development.

Risk oriented control activities were conducted in the branches within the scope of the 2017 control plan. At the same time, control design and test activities, as well as inquiry investigations including checks within the scope of board's declaration were conducted in the units of the Head Office.

Any incomplete and improper applications found during the course of the control activities are reported to the Audit Committee on a quarterly basis and their completion statuses are followed.

Detailed training programs were prepared to increase the level of knowledge of the internal control personnel, as well as raising their personal development to the highest level. Internal and external training was provided accordingly.

As of 31 December 2017, the staff of the Internal Control Department consisted of 31 persons.

Risk Management

The Risk management organization is responsible for the central management of risks that are likely to be encountered through effective coordination across the Bank. The main purpose of Risk Management system is to identify, measure, report, monitor and check risks on a consolidated and unconsolidated basis through policies, implementation procedures and limits set in accordance with the nature and magnitude of the Bank's activities based on its risk-return profile, as well as the determination of the overall capital requirement relative to the risk profiles.

The Bank aims to achieve the following targets by implementing effective risk management strategies and policies:

- Instilling a common risk culture across the Bank,
- Establishment of risk limits and effective management of implementation procedures,
- Increasing the asset quality of the Bank,
- Ensuring the Bank fulfils its obligations,
- Determination of the Bank's risk appetite in a manner consistent with its strategies, goals and activities,
- Determination of the Bank's capital level in accordance with risk appetite.
- The Risk Management system is a process within which all units of the Bank are involved. The basic issues regarding effective Risk Management processes are;
- Effectively managing the risks which the Bank is exposed to on the basis of materiality. To possess a centralized risk management structure that includes all important risk aspects,
- Managing the existing and potential risks from the very beginning with the help of directional risk strategies, policies and procedures, models and parameters,
- Ensuring that a risk-focused management approach is adopted in the strategic decision-making processes,
- Fulfilling legal obligations in the field of risk management,
- Being open to change and development in accordance with dynamic market conditions.

As of 31 December, 2017, the Risk Management Center consisted of 14 staff. In order to promote the personal and professional development of the personnel, it is ensured that personnel participate in internal and external training programs, conferences and seminars. As a result, their practical knowledge level in the field of risk management has increased continuously.

Risk management activities carried out during 2017 are classified and summarized below.

Identification and Measurement of Risks

Processes, other related legislation and internationally accepted standards are identified, measured, reported and monitored under the main titles of credit risk, market risk, liquidity risk, operational risk and other risks by considering the best implementations. Within this scope, in accordance with the relevant legal regulations and best banking practices, risk management processes are being established and updated. The Bank's risk management system is reviewed within the framework of the strategy, policy and implementation procedures, legislative amendments and the Bank's needs. The Bank's risk management is updated as and when necessary, and at least once a year. Within this scope, all risk management policies and procedures were reviewed in 2017 and following documents were updated with the approval of the Board of Directors;

- Risk Policies,
- ISEDES Policy,
- ISEDES Procedure,
- Credit Risk Management Procedure,
- Stress Test Program Procedure,
- Operational Risk Management Procedure

In addition, risk opinions are formed by carrying out risk and impact evaluations upon monitoring the changes in internal policies, the procedures and work flows of the Bank and new activities, channels or product designs. Within the scope of the "Regulation on the Support Services of Banks", the Risk Management Program is presented annually through the Audit Committee to the Board of Directors. In addition, within the scope of the regulation, a risk opinion is established in line with the "Risk Analysis" and "Technical Competency Reports" submitted by the related units. The Audit Committee's view is sought by submitting the risk opinion and reports to the Audit Committee.

In order to comply with the good practice guidelines published by the BRSA, the Bank's level of compliance with the guidelines based on each risk type was determined. The Bank plans to prepare and implement action plans for non-conforming issues.

Türkiye Finans utilizes statistical risk measurement and rating systems which are developed individually for all customer and credit types to effectively measure and manage risks. These systems are regularly monitored and their validation activities are carried out. Remedial actions are taken if necessary. The Model Validation and Tracking Department was formed in the last quarter of 2017 within the Risk Management Directorate to carry out an independent review to guarantee that the developed models were reliable, fit for purpose and complied with internal and external regulations.

Risk Monitoring and Reporting

Risk Yönetim Merkezi, ekonomik, siyasi, sosyolojik ve konjonktürel The Risk Management Centre estimates and measures the impact of these developments on the Bank by closely monitoring economic, political, sociological and cyclical developments and intra-bank changes. With the proactive risk management approach, the related parties and the senior management are informed and actions are implemented as required by carrying out necessary analysis and evaluations into any areas which could include the elements of risk in the future. In addition to the legal reports on risk management submitted to the BRSA, periodical and other reporting is carried out for the related departments, committees and the senior management at a detailed level in order to manage risks effectively.

Compliance with the risk appetite structure determined at a Board level or with the limits determined within the scope of internal legislation is reported to the related parties and the senior management by monitoring compliance periodically.

Necessary monitoring activities are conducted for all risk types identified in connection with the Bank. The details are categorized into risk types and provided in the "Information about Risk Management Policies on the Basis of Risk Type" section.

Compliance Department

The Compliance Department monitors compliance risk by effectively managing such risk within the framework of related legislation, regulations and standards while also raising awareness around the Bank.

Within the framework of the "Regulation on the Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the Compliance Department performs compliance control activities; implements the Compliance Program for the definition, measurement, reduction and monitoring of risks within the scope of legislation on the Laundering of Crime Revenues and the preventing the Financing of Terrorist activities; ensures, with a risk focused approach, that necessary precautionary measures are taken to ensure that products and services offered by the Bank are not used for money laundering or in the financing of terror; determines working conditions for countries on which sanctions have been imposed within the framework of policies and applications aimed at decisions regarding sanctions issued by the National and International Organizations, regional powers and countries; ensures that obligations under the FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards) are fulfilled; coordinates, monitors and reports compliance work by following up legislative amendments; and the manages feedback received from the Ethics Line and the strengthening of Ethical Culture.

The Compliance Department consists of Products and Services Compliance Control, Tackling Money-Laundering and Foreign Legislation Coordination Services. As of 31 December 2017, department employed a staff of 17 persons. The department's personnel hold CAMS, CERT (FinCrime), CIA, CCSA and CRMA certificates.

In 2017, a training program on "The Prevention of Money-Laundering and Financing for Terrorism" was provided to all newcomers on a face-to-face basis, and to 72% of all personnel through distance learning programs. In the same period, all newcomers to the Company received "Compliance and Ethical Principles Training" on a face-to-face basis, while 79% of personnel participated in this training program through distance learning.

Information concerning Risk Management Policies by Risk Type

Credit Risk

The Risk Management Center is responsible for maintaining data of the credit risks that Türkiye Finans is exposed to in connection to its loans, and for quantifying and analysing such risks. Additionally, the center also monitors compliance with credit limits and criteria as prescribed by credit policies and the risk appetite structure, and reports the results of its risk monitoring, measurement, and analysis activities to the senior management. In addition, all limits and concentration ratios for credit products, customers and for each sector and country are periodically checked for their compliance with lending policies as prescribed by applicable laws and regulations.

Credit risk is measured using "the Standardized Approach" set forth in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

The Center employs rating models to quantify credit risk and to grade loans extended to MEs, Commercial and Corporate Customers. These models are both appropriate for the sector and compliant with international standards, and make use of portfolio-specific statistical methods. These rating models not only come up with ratings for individual customers but also provide an estimate of a customer's probability of default (PD). The generated rating notes and PD values are actively used in credit decisions and the determination of working conditions.

Criteria which are applied in the credit approval process are applied in measuring and grading risks associated with fund allocations. These criteria are determined by considering risk appetite and other performance variables in the sector. In this scope, customer selection is carried out by evaluating data obtained from a customer's past payment performance and the Credit Bureau and Risk Center systems. Credit limits and guarantee structures are determined within the scope of Risk Acceptance Criteria.

Risk ratings for Personal Financing Support, credit cards and the business segment are carried out through scoring models which are developed by using statistical methods and which are specific to the bank portfolio. Different models are used according to product groups and customer sizes, which allow effective risk measurement and rating for each group. Besides scoring, the values for the probability of default (PD) are also generated, together with the scoring models. Customers are classified according to their risk profiles, by using risk ratings generated by the models and credit decisions and working conditions are determined in line with these profiles.

Decision support systems are used to measure credit disbursement risk in a healthy and effective manner, through which policies and business rules, scoring models for Personal Financing Support, Credit Cards and Business Line are managed systematically. Solvency calculations are also carried out within the scope of these systems, while the calculation of the customer's risk rating, the amount of funds that can be utilized and credit card limits are determined systematically in line with the prevailing policies. Supported by this infrastructure, credit disbursement policy and business rules can be monitored effectively and developed regularly.

Loans brought under close monitoring as well as non-performing loans are analysed and recommendations are tabled to the Board of Directors, the Audit Committee and to members of senior management, such that risk-mitigating measures may be taken based on the specific market, sector, customer, and product risk exposure as well as being in accordance with the Bank's own practices and processes.

Risk analysis is carried out by measuring the impact of new products on the Bank's credit disbursement portfolio and financial structure, and regulations and suggestions for change are generated to mitigate identified risks.

In order to manage credit risk more effectively, the Credit Risks Committee carries out assessments in areas requiring improvement and takes actions to reduce risk, which are to be decided on or recommended within its authority and be followed up. In this vein, it simultaneously monitors the credit portfolio, activities that carry credit risk and the related processes from end-to-end.

In 2017, the rating and behavioural scoring models used for risk measurement and the rating of funds extended were revised by taking into account the changing market conditions and portfolio structure. The Bank managed to improve the quality of its credit portfolio structure and increase productivity through the review of existing Target Audience and Risk Acceptance Criteria, and push through organizational changes and the development projects in credit practices and policies. In addition, the Bank expects to achieve more effective management of the risk-return balance and increase its profitability with the risk-based pricing practice, which started to be implemented in 2016 and which was developed in 2017. Furthermore, activities to develop models to calculate the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default parameters in line with the IFRS 9 standard were completed in 2017.

Market Risk

Market risk is measured and reported by the "Standard Method" specified in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

Moreover, as part of its market risk management operations, The Risk Management Center monitors, checks, and reports compliance with limits that are specified by the Board of Directors, on a daily, monthly and yearly basis.

Within the scope of counterparty risk, compliance with the limits allocated to the counterparty financial institutions is monitored and reported on a weekly basis. Moreover, the country, rating, risk group, limit type and concentration on the counterparty are monitored and reported on a monthly basis to the senior management.

The Bank implements a prudent policy of not holding significant quantities of foreign currency. Within the scope of this policy, an open position limit, determined by members of the board, is monitored on a daily basis and reported by the Risk Management Center.

Furthermore, within the scope of stress tests and scenario analyses, stress tests are carried out to monitor the impacts of changes in market risk factors and market volatility on the Bank's financial situation and to mitigate the potential risks.

In the Bank, a project has been launched to establish a measurement model in order to measure market risk by using methods that are compatible with international standards which are sensitive to volatility in risk factors. With this project, in 2018 the Bank aims to carry out effective calculation of its value exposed to market risk (VMR), perform retrospective tests, undertake scenario analysis and stress tests for market risk and to systematically carry out monitoring of concentrations.

Liquidity Risk

Türkiye Finans follows strategies such as diversifying its resources, obtaining longer-term funding and matching the maturities of its assets and liabilities in order to protect itself against exposure to liquidity risk. All balance sheet items that have an impact on liquidity are separated on a term basis and their liquidity situation is analysed. The early warning indicators for liquidity risk are also determined at the level of the Assets/Liabilities Committee, and the measurements and assessments pertaining to liquidity risk within the scope of risk appetite are presented to the Asset/Liability Committee every month.

"Liquidity Coverage Ratio" and "Net Stable Funding Ratio" reports are prepared in line with Basel III principles. The Liquidity Coverage Ratio report is reported to the BRSA (Banking Regulation and Supervision Agency) pursuant to the relevant regulation. The Net Stable Funding Ratio will be reported to the BRSA in 2018 pursuant to relevant regulation.

Türkiye Finans has formulated and published a "Liquidity Risk Management & Contingency Plan" which sets out the actions and measures to be taken in the event of a shortage of liquidity, whether in the markets or in the Bank itself. The plan also defines those who are responsible for taking such actions and the measures to be taken, along with those who would be held accountable for their actions.

Operational Risk

Operational risk is measured and reported by using the "Basic Indicator Method" specified in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

In order to employ an international approach in operational risk management, the Bank adopted a risk language (terminology) which was in line with Basel standards. This common risk language provides a consistent view and communication across the Bank regarding operational risk. In order to increase its effectiveness in operational risk management, software is used to simulate operational risk and a loss database and to classify, analyse, evaluate and report such data. By analysing the loss data within the operational loss database through the aforementioned software, we can ensure that actions are taken to minimize operational losses.

At the same time, the Bank ensures that any findings and problems marked as being important or of high risk, which are brought to the agenda by the "Operational Risk Committee" together with the audit and other departments, the External Audit and Regulatory Audit Bodies, are effectively assessed, discussed and put into the action plan and resolution calendar. This also applies to any issues that could pose an operational risk for the Bank.

Other Risks

In addition to the risks detailed above, the profit share rate risk arising from banking accounts, country and transfer risk, concentration risk, reputation risk, compliance risk and residual risk are monitored and managed in accordance with the established policy and implementation procedures.

Internal Capital Adequacy Assessment Process, Stress Test and Scenario Analysis

The Head of the Risk Management Center prepares the ICAAP (ISEDES) report at least once a year, and the report is submitted to the BRSA. The report is prepared for the purpose of internally calculating the level of capital which is sufficient to meet current risks or future risks that the Bank may be exposed to by analysing the Bank's current and future capital requirements, together with strategic objectives and macroeconomic variables, and to maintain the Bank's activities with adequate levels of capital.

Within the scope of the report, potential losses that the Bank may suffer and the level of capital adequacy to cover these losses are estimated through stress tests and scenario analysis, which identify potential events that may negatively affect the Bank or potential changes in market conditions. Actions deemed necessary to maintain adequate capital levels are then determined following assessments carried out by taking into account the current situation, risk appetite, strategic planning, scenario analysis and the stress test. Assessments are undertaken with regard to the Bank's liquidity adequacy and planning under stress conditions through the stress test and scenario analysis. The level of liquidity that the Bank may need in order to fulfil its obligations is determined through these assessments.

Monthly, quarterly, annual and ad-hoc stress tests are carried out in addition to the scenario analysis and stress tests conducted within the scope of the ISEDES in order to measure significant risks and vulnerabilities that may arise from adverse developments specific to the Bank or in an economic and financial environment under stress.

Within the framework of the "Regulation on Banks Internal Systems and Internal Capital Adequacy Assessment Process", stress tests pertaining to market and counterparty credit risk and the Bank's total liquidity risk are carried out on a monthly basis. Stress tests in which the significant risks faced by the Bank are evaluated are carried out on a quarterly basis. Furthermore, the application of liquidity buffer calculations have been carried out to ensure adequate liquidity supply, even in economic conditions where there is a liquidity shortage. The liquidity buffer calculations are presented to the Asset Liability Management Committee on a monthly basis. Action plans are prepared for potential scenarios by taking the results of the stress tests into consideration.

Information regarding Consolidated Affiliation



TF VARLIK KİRALAMA A.Ş.

TF Varlık Kiralama A.Ş. was established as a 100% affiliation of Türkiye Finans in February 2013 to intermediate in the Bank's activities to find funds by issuing domestic and international lease certificates. The Company plans to promote the use of lease certificates and to inform investors of lease certificates as an investment instrument and the compliance of returns obtained from lease certificates with the principles of participation banking, in order to expand its investor base with the help of the Bank's widespread branch network.

Interest in the issuance of lease certificate and companies that issue lease certificate is increasing every year. In 2017, the Undersecretariat of the Treasury of the Republic of Turkey issued TL denominated lease certificates amounting to TL 4.3 billion. Accordingly, lease certificate issuance stock of Undersecretariat of Treasury reached approximately TL 10.5 billion by the end of 2017. The Undersecretariat of the Treasury issues CPI indexed lease certificates and gold backed lease certificates to diversify issued financing tools and to expand the investor base. The Undersecretariat of the Treasury issued four Gold Backed Lease Certificates by collecting 1,319 kg of gold, and issued TL 550 million of CPI indexed lease certificates in 2017.

In 2017, the nine private sector leasing companies issued a total of 65 leasing certificates domestically, with a 130% YoY increase in the volume of the leasing certificates to TL7.9 billion.

As the asset leasing company with the largest volume of assets in Turkey, TF Varlık Kiralama A.Ş. issued 14 lease certificates in 2017 with a total issuance volume of approximately TL 1.3 billion.

The volume of certificates issued by TF Varlık Kiralama AŞ increased by 28% YoY to TL 1.3 billion in 2017. TF Varlık Kiralama A.Ş. conducted 70% of its issuances through public offering, and is the only asset lease company to do so.

In the issuance of lease certificates carried out in 2017, Türkiye Finans operated in the capacity of a fund user, while TF Varlık Kiralama A.Ş. was an issuer.

As a result of the strong demand for lease certificates and the issuances that we have carried out, the company rounded off a successful year.

The company continues to strengthen its position in the sector with its strong capital structure. In November 2017, the company's priority unsecured borrowing instrument (Sukuk) issue rating was confirmed by the Fitch rating agency as BBB-.

We expect the company, which performed 16% of the domestic lease certificates issuances carried out in Turkey in 2017, to achieve a strong growth performance in line with the growth in the sector in 2018.

TFKB VARLIK KİRALAMA A.Ş.



TFKB Varlık Kiralama A.Ş was founded on 8 July 2014 as an affiliation with Türkiye Finans following the approval of the Banking Regulation and Supervision Authority and the Capital Markets Board, and the company was registered to the trade registry. TFKB Varlık Kiralama A.Ş was established with the purpose of realizing the issuance of the lease certificates in which those companies which are customers of the Bank take part as the resource establishment.

Working to a vision of providing long term interest-free financing to the private sector, TFKB Varlık Kiralama A.Ş. has extended a total of TL 314 million in resources to the real sector through lease certificate issuances since its establishment.

Our company carries out the issuances with a reference from Türkiye Finans Katılım Bankası that is the controlling shareholder of our company. Backed by its strong investor structure, our company plans to continue offering more successful issuances in 2018.

The Statement Concerning Annual Report 2017

TÜRKİYE FİNANS KATILIM BANKASI AŞ
THE STATEMENT OF CONCERNING ANNUAL REPORT 2017

2017 Annual Report of the Türkiye Finans Katılım Bankası A.Ş. is prepared and presented in accordance with the framework of procedures and principles based on the "Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks", published on the Official Gazette nr.26333 dated 1 November 2006 and "Regulation on the Minimum Content Concerning the Determination of the Annual Report by Companies", published on the Official Gazette nr. 28395 dated 28 August 2012.

Year-End Annual Report for the period 01.01.2017-31.12.2017 of the Türkiye Finans Katılım Bankası A.Ş. is prepared and presented in accordance with "Communiqué on Principles of Financial Reporting in Capital Markets" published on the Official Gazette dated 13.06.2013 numbered 28676 has been examined by ourselves. Above mentioned report do not contain any untrue statement on material events or any deficiency that may be construed as misleading as of the date of disclosure and fairly reflect the truth relating to financial situation and operation results of Türkiye Finans Katılım Bankası A.Ş.



Saeed Mohammed
A. ALGHAMDI
Chairman of the
Board of Directors



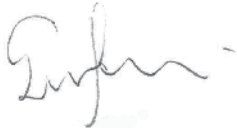
Wael Abdulaziz
A. RAIES
CEO



Mete Mehmet KANAT
Finance & Strategy
Executive Vice President



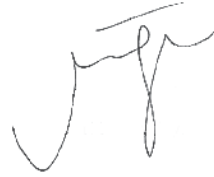
Eyüp ASKER
Legal Reporting &
Financial Control Dep.
Vice President



Eren GÜRA
Chairman of Audit Committee



Faisal Omar A. ALSAGGAF
Member of Audit Committee



Müge ÖNER
Member of Audit Committee

Dividend Distribution Policy of the Bank

Principles regarding the Bank's dividend distribution are set out in detail in the Bank's Articles of Association. In this respect, shareholders taking into consideration the Bank's growth targets as well as its financing requirements and the opinion of the Banking Regulation and Supervision Agency (BRSA) are authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of a capital increase, whereupon bonus shares will be issued to shareholders, or if part of the distribution shall be in the form of cash and part in the form of a capital increase. In the Annual General Meeting, in accordance with the Articles of Association, shareholders may make the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves.

It is envisaged that the Bank's dividend distribution policy will be set out in a manner to ensure the realization of long-term growth plans. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

Proposal from the Board of Directors for the Distribution of Profit

It was resolved that the Bank would set aside TL 19,855,844 as the first legal reserve required by Article 519/1 of Turkish Commercial Code from the current period net profit of TL 375,360,116, which was the amount remaining after the deduction of TL 82,281,514 in taxes and dues payable from the profit before tax of TL 457,641,630 in the 2017 period, while it was decided that the remaining amount of TL 355,504,272 would be set aside as an extraordinary reserve after all reserves and funds stated above. The profit distribution proposal is presented to the approval of shareholders in the 27th Annual General Meeting.

Assessment of Financial Position, Profitability and Solvency

Assessment of Financial Position, Profitability and Solvency

Selected Asset/Liability Accounts (TL thousand)	31 December 2017	31 December 2016	31 December 2015
Total Loans ^(*)	26,483,453	27,016,742	28,566,928
Total Assets	39,080,897	38,807,717	38,576,299
Funds Collected	22,030,496	21,064,781	22,177,414
Shareholders' Equity	4,060,598	3,663,014	3,356,757
Return on Asset (ROAA %)	0.96	0.77	0.72
Return on Equity (ROAE %)	9.72	8.44	8.02
Capital Adequacy Ratio (%)	18.22	15.58	13.51

Net Profit (TL thousand)	31 December 2017	31 December 2016	31 December 2015
Net Period Profit	375,360	296,243	261,076

(*) Loans Amount includes Net Non-Performing Funds and Financial Leasing.

Asset Quality and Profitability

At the end of December 2017, our Bank commanded TL 39.1 billion of assets, an increase of 0.7% when compared to the end of the previous year. Our Bank grew in a balanced manner in 2017. Loans accounted for 68% of the total assets at the end of 2017.

Our Bank's pre-tax profit amounted to TL 458 million, while its net profit for the period stood at TL 375 million, an increase of 27% YoY. Accordingly, our profitability in assets and equity improved. In this period, our Bank recorded a Return on Assets of 0.96%, while we achieved a Return on Equity of 9.72%. The Bank focused on efficiency and managed its expenses effectively, supporting the improvement in profitability, a trend which was complimented by implementing effective practices to increase asset quality

Funds Collected and Shareholders' Equity

Collected funds remained the most important source of funding for the Bank in 2017. Collected funds stood at TL 22 billion, a 4.6% YoY increase as of December 2017, representing a 56% share of the total balance sheet, with 51% of this amount consisting of TL accounts and 49% of foreign currency accounts. In addition, current deposits totalled TL 6.9 billion, marking an increase of 20%. Our Bank successfully managed its existing international borrowing during the year and diversified its funding structure by increasing its domestic lease certificate issuances. Moreover, the previous year's profits were kept within the Bank and our equity amounted to TL 4.1 billion, with increased profitability.

The Bank's Capital Adequacy Standard Ratio stood at 15.58% at the end of 2016 and 18.22% at the end of December 2017. The Bank's current subordinated loans serve to balance any negative impact of exchange rate movements on the Bank's legal equity and, as a result, our Bank is able to maintain its capital adequacy ratio at a relatively strong level.

5-Year Summary Financial Information, Including the Current Year

(TL thousand)

Assets	2013	2014	2015	2016	2017
Cash and Banks	4,790,457	5,729,230	5,597,872	6,230,623	6,391,637
Securities	1,413,025	2,544,554	3,173,456	4,063,820	4,399,876
Loans	17,447,961	23,056,422	27,014,513	25,599,230	25,337,819
Receivables from Leases	841,649	1,235,541	1,552,415	1,417,512	1,145,634
Fixed Assets (Net)	248,838	466,741	512,130	741,309	885,420
Other Assets	384,699	462,302	725,913	755,223	920,511
Total Assets	25,126,629	33,494,790	38,576,299	38,807,717	39,080,897

Liabilities

Funds Collected	15,141,718	19,112,760	22,177,414	21,064,781	22,030,496
- Special Current Accounts	3,440,408	4,297,645	5,432,281	5,773,876	6,905,716
- Participation Accounts	11,701,310	14,815,115	16,745,133	15,290,905	15,124,780
Fund Received	5,166,009	8,569,415	9,390,669	11,147,073	10,644,017
Shareholders' Equity	2,522,381	3,153,847	3,356,757	3,663,014	4,060,598
- Paid-up capital	1,775,000	2,600,000	2,600,000	2,600,000	2,600,000
Other Liabilities	2,296,521	2,658,768	3,651,459	2,932,849	2,345,786
Non-cash Loans	8,904,139	10,648,417	12,502,404	12,361,123	9,765,774

Income/Expense Accounts

Profit Share Income	1,566,233	2,169,968	2,780,246	2,981,301	2,902,629
Profit Share Expenses	(692,150)	(1,072,136)	(1,375,984)	(1,471,762)	(1,451,193)
Net Profit Share Income	874,083	1,097,832	1,404,262	1,509,539	1,451,436
Net Fee and Commission Income	128,272	148,598	142,469	143,012	135,781
Other Non-Profit Income	179,911	196,858	145,108	413,083	326,838
Non-Profit Share Expenses	(769,754)	(1,018,003)	(1,359,014)	(1,696,559)	(1,456,413)
Provision for Taxes	(83,235)	(91,057)	(71,749)	(72,832)	(82,282)
Net Period Profit	329,277	334,228	261,076	296,243	375,360

Information regarding Credit Rating Agency Rating Assignments and the Nature of Such Ratings

After the international credit rating agency, Fitch, cut Turkey's credit rating by one notch on 27 January, 2017, it announced on February 2nd, 2017 that it was lowering Türkiye Finans' long term TL and foreign currency credit ratings from BBB to BBB- and revised its outlook from "negative" to "stable". Fitch Ratings also stated that it had cut Türkiye Finans' short term TL and foreign currency credit ratings from "F2" to "F3".

On 3 November, 2017 Fitch Ratings stated that it had not changed Türkiye Finance' ratings or outlook, and confirmed all of its ratings for the Bank.

According to this review, Türkiye Finans maintained its position as one of the eight Turkish banks to receive the highest credit rating in 2017.

Fitch Ratings					
Credit Ratings	2013	2014	2015	2016	2017
Foreign Currency					
Long Term	BBB	BBB	BBB	BBB	BBB-
Short Term	F3	F3	F3	F2	F3
Outlook	Stable	Stable	Stable	Negative	Negative
Local Currency					
Long Term	BBB+	BBB+	BBB+	BBB	BBB-
Short Term	F2	F2	F2	F2	F3
Outlook	Stable	Stable	Stable	Negative	Stable
Sovereign					
Long Term	AAA(tur)	AAA(tur)	AAA(tur)	AAA(tur)	AAA(tur)
Viability Rating	bb-	bb-	bb-	bb-	bb-
Support Rating	2	2	2	2	2
Outlook	Stable	Stable	Stable	Stable	Stable

Türkiye Finans Katılım Bankası A.Ş.

Publicly Announced Unconsolidated Financial Statements and Related Disclosures at December 31, 2017 together with Audit Report

(Convenience translation of publicly announced unconsolidated financial statements and Independent Auditor's Report originally issued in Turkish, See Note.1 of Section three.)

With Independent Auditors' Report Thereon

Independent Auditor's Report



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Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Board of Directors of Türkiye Finans Katılım Bankası A.Ş

Report on the Financial Statements

Opinion

We have audited the accompanying unconsolidated Financial statements of Türkiye Finans Katılım Bankası A.Ş. (the "bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2017, unconsolidated income statement, unconsolidated statement of income and expense item under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, the unconsolidated Financial statements present fairly, in all material respects, the unconsolidated Financial position of the Bank as at 31 December 2017, and its unconsolidated Financial performance and its unconsolidated 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 BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards ("ISA") which is a part of Turkish Auditing Standards promulgated 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 within the meaning of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for Impairment on Loans and Advances to Customers	
Loans and advances to customer is a key area of judgement for the management. There is a potential risk that loans and advances are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation as determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgment for the management. Accordingly, carrying amount of loans and customers might be greater than the estimated recoverable amounts, therefore the impairment test of these loans of advances is a key audit matter. Therefore, impairment of the loans and receivables is considered as a key audit matter. Refer Note VIII of explanations and disclosures related to the assets relating to the impairment of loans and advances.	Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and advances. We also assessed whether impairment losses for loans and advances 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 advances and the required provisions against them.
Hedge Accounting	
As explained in Note XI, the Bank enters into hedge relationships to manage exposures to interest rate and foreign currency risks and applies hedge accounting. The Bank uses of derivatives and other hedge relationships to hedge the financial risk of its financial risks of leasing receivables and foreign currency funds and securities issued and dividends. Hedge accounting is considered as a key audit matter due to the potential risks in complying the eligibility criteria defined in TAS 39: "Financial instruments: Recognition and Measurement", calculation of fair value of financial instruments, documentation and effectiveness of hedge accounting.	Our audit procedures includes among others involve reviewing policies regarding fair value measurement accepted by the bank 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 the assessment of operating effectiveness of the key controls in the process of fair value determination.

Independent Auditor's Report

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

The directors' responsibilities include overseeing the Bank's financial reporting process.

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

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

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

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

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2017 are not in compliance with the code 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 on the audit resulting in this independent auditor's report is Cem Uçarlar.

Additional paragraph for convenience translation to English

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

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

Cem Uçarlar SMMM
Sorumlu Denetçi



February 22, 2018
İstanbul, Türkiye

Türkiye Finans Katılım Bankası A.Ş.

The Unconsolidated Financial Report Of Türkiye Finans Katılım Bankası A.Ş. For the Year Ended 31 December 2017

Address of the Headquarter of the Bank: Saray Mahallesi Sokullu Caddesi No:6 34768 Ümraniye/İstanbul
Phone and Fax Numbers of the Bank: 0 216 676 20 00/0 216 676 29 17
Website of the Bank: www.turkiyefinans.com.tr
Electronic Mail Address to Contact: maliisler@turkiyefinans.com.tr

The Unconsolidated Year-End Financial Report prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

GENERAL INFORMATION ABOUT THE BANK

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK

INFORMATION ON FINANCIAL STRUCTURE OF THE BANK

EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

OTHER EXPLANATORY AND OTHER FOOTNOTES

INDEPENDENT AUDITORS' REPORT

The Unconsolidated Financial Statements for the year ended December 31, 2017 and related disclosures and footnotes that were subject to independent report, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Saeed Mohammed A. Alghamdi
Chairman of the Board of Directors

Wael Abdulaziz A. Raies
General Manager

Mete M. KANAT
Financial Executive
Vice President

Eyüp ASKER
Legal Reporting & Financial
Control Dep. Vice President

Eren Gura
Chairman of the Audit Committee

Faisal Omar A. ALSAGGAF
Member of the Audit
Committee

Müge ÖNER
Member of the Audit
Committee

Information on the authorized personnel to whom questions may be directed related to this financial report:

Name-Surname/Title: Sefa SEYHAN/Manager
Phone Nr: 0216 676 28 25
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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

SECTION ONE: GENERAL INFORMATION

I. Explanations On The Date Of Establishment And The Initial Status Of The Participation Bank, And The History Including The Changes In The Former Status

Participation banks started their operations in accordance with the Provision on Establishment of Participation Banks of Decree No. 83/7506 dated December 16, 1983, and the related Communiqués issued by Prime Ministry Undersecretariat of Treasury and by Central Bank of Turkish Republic. Participation banks then continued their operations in accordance with Banking Act Nr. 4389, dated June 18, 1999, with the change declared in Act Nr. 4491, dated December 17, 1999. In the Provisional Article Nr. 3, of Act Nr. 4491, a transition period of two years is stated to complete the compliance to Banking Act. The Participation Bank is now operating in accordance with Banking Act Nr. 5411.

The Participation Bank began its operations on November 4, 1991 in accordance with the regulation Nr. 83/7506 published on December 16, 1983.

According to the decision made by Board of Directors' meeting of Anadolu Finans Kurumu AŞ Nr. 1047 on May 31, 2005, it is decided that Anadolu Finans Kurumu AŞ is merged with Family Finans Kurumu AŞ.

The merger was realized by transferring all assets, liabilities and off-balance sheet items of Family Finans Kurumu AŞ to Anadolu Finans Kurumu AŞ. Banking Regulation and Supervision Agency ("BRSA") affirmed both the transfer agreement signed between Anadolu Finans Kurumu AŞ and Family Finans Kurumu AŞ and alterations in primary contract of Anadolu Finans Kurumu AŞ on October 20, 2005. The decision related to merger, which was taken on both participation banks' General Assembly Meetings on December 23, 2005, approved by the decree nr. 1764 dated December 28, 2005 of BRSA.

BRSA approved the title of the Participation Bank to be Türkiye Finans Katılım Bankası AŞ ("the Participation Bank"), during the merger process, with the decision dated November 30, 2005 and Nr. 1747, in compliance with Article 48 of Turkish Commercial Code, and subject to the approval of Council of Ministers. The change in title of the Participation Bank was registered by T.R. Istanbul Trade Registry Office on December 30, 2005, in compliance with Turkish Commercial Code Nr. 6762.

As of December 31, 2017 the Participation Bank operates through 287 (December 31, 2016:286) branches with 3,767 (December 31, 2016:3,989) employees.

II. Explanations Regarding Participation Bank's Shareholder Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, The Managing And Controlling Power And Changes in Current Period, if any and Explanations on The Controlling Group Of The Participation Bank

The shareholder structure of the Participation Bank is presented in note IV.

With the authorization of BRSA, numbered 2489 and dated 28 February 2008, 60% of the Participation Bank was acquired by the National Commercial Bank. The Participation Bank increased its capital from TL 292,047 to TL 800,000 with the capital increase in 2008 and from TL 800,000 to TL 1,775,000 with the capital increase in 2012. As per decision has taken by the Extraordinary General Assembly on August 29, 2014, the Participation Bank's share capital increased by TL 825,000 from TL 1,775,000 to 2,600,000. The part of this increase amounting to TL 600,000 was transferred from general reserve and the remaining part amounting to TL 225,000 was paid in cash. Cash commitment amounting to TL 100,000 recorded into capital accounts on October 24, 2014, and remaining part amounting to TL 125,000 recorded into capital accounts on November 19, 2014 with the approval of Banking Regulation and Supervision Agency.

As of December 31, 2017, the Participation Bank's paid-in-capital consists of 2,600,000,000 shares of TL 1 nominal each.

The Participation Bank is controlled by the National Commercial Bank group.

The National Commercial Bank "NCB" established as the first and the biggest bank of Saudi Arabia. The Bank is performing its banking operations through cross-border in Bahrain and Lebanon. The headquarter of The National Commercial Bank is located in Jeddah.

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

III. Explanations Regarding The Chairman and The Members of Board of Directors, Audit Committee, Chief Executive Officer and Assistants, If Any, Their Shares and Responsibilities in The Participation Bank

Title	Name and Surname	Educational Degree	Responsibilities	Ownership percentage %
Chairman of the Board of Directors	Saeed Mohammed A. Alghamdi	University	Chairman of the Board of Directors	-
Members of the Board	Eren Güra	Master	Member of the Board and Chairman of the Audit Committee	-
	Majed Hamdan A. Alghamdi	Master	Member of the Board	-
	Meriç Uluşahin	University	Member of the Board	-
	Faisal Omar A. Alsaggaf	Master	Member of the Board and the Audit Committee	-
	Müge Öner	University	Member of the Board and the Audit Committee	-
	Wael Abdulaziz A. Raies	Master	Member of the Board and the General Manager	-
	Members of the Audit Committee	Eren Güra	Master	Member of the Board and the President of Audit Committee
	Faisal Omar A. Alsaggaf	Master	Member of the Board and the Audit Committee	-
	Müge Öner	University	Member of the Board and the Audit Committee	-
General Manager Assistants	Abdüllatif Özkaynak	University	Senior Vice President Responsible for Internal Systems	-
	Hakan Uzun	Master	Treasury	-
	Özer Baran	Master	Credits	-
	Ahmet Mert	University	Credit Quality and Collections	-
	Fahri Öbek	Master	Information Technology and Operation	-
	Mete M. Kanat	Master	Commercial Banking	-
	Züleyha Büyükyıldırım	University	Finance and Strategy	-
	Murat Akşam	Master	Commercial Banking	-
	Mehmet Necati Özdeniz	University	Retail Banking	-

Saeed Mohammed A. Alghamdi, Majed Hamdan A. Alghamdi, Faisal Omar A. Alsaggaf, Eren Güra, Meriç Uluşahin ve Bekir Berk Çektir has been chosen as Members of the Board for 3 years besides the General Manager who is the natural member of the board, at the Ordinary General Meeting dated March 31, 2017.

Saeed Mohammed A. Alghamdi has been appointed as Chairman of the Board of Directors, and Faisal Omar A. Alsaggaf as the Member of the Audit Committee by the BOD meeting decision dated March 31, 2017.

Cengiz Gülhan as the Deputy Vice General Manager of Commercial Banking department has resigned from his duties on March 2, 2017. İsmail Vural as the Deputy Vice General Manager of Retail Banking and Distribution Channel department has resigned from his duties on March 17, 2017.

On April 3, 2017 Mehmet Necati Özdeniz has been appointed as Deputy General Manager Responsible for the Retail Banking department, on April 18, 2017 Özgür Kutlay appointed as Assistant General Manager in Charge of Credits department and on April 2, 2017 Murat Akşam has been appointed as Assistant General Manager in Charge of Commercial Banking.

Özgür Kutay as the Deputy General Manager in Charge of Credits department has resigned from his duties on July 13, 2017 and Özer Baran Deputy General Manager in Charge of Risk department has been appointed on August 2, 2017. Board member Bekir Berk Çektir has resigned on August 11, 2017.

Müge Öner was appointed as a member of the board of directors and audit committee by the decision of the board of directors dated October 26, 2017.

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

IV. Explanations on the People and Institutions That Have Qualified Shares of The Participation Bank

Name Surname/Commercial Name	Share Amounts	998.489	Paid Up Shares	Unpaid Shares
THE NATIONAL COMMERCIAL BANK	1,742,676	67.03	1,742,676	-
GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI AŞ	274,838	10.57	274,838	-

V. Summary on The Participation Bank's Functions and Areas of Activity

The Participation Bank operates in accordance with the principles of interest-free banking, by collecting funds through current accounts and profit sharing accounts, and lending such funds through individual and corporate financing, production support, financial leasing and profit/loss sharing partnership investment.

The Participation Bank has two ways of collecting funds; current accounts and profit sharing accounts. The Participation Bank classifies current accounts and profit sharing accounts separately in accordance with their maturities in its accounting system. Profit sharing accounts are categorized into five different maturity groups; one month, up to three months (three months included), up to six months (six months included), up to one year and one year and more than one year (one month, three months, six months and one year profit share payment).

The Participation Bank could determine the participation rates on profit/loss sharing accounts with respect to the maturity group of Turkish Lira and foreign currency accounts, separately under the limitation that the participation rate on loss shall not be less than 50%, for different currency type, amount and maturity groups specifically.

The Participation Bank constitutes specific fund pools, allocated to the individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are distinguished from others with respect to the terms, accounted separately from the others and it is not allowed to make any transfers from these accounts to any other maturity groups. Specific fund pools are clarified at the end of the financing period.

In addition to ordinary banking activities, the Participation Bank has services through its branches. It has insurance agency operations through Eureka Sigorta, Bereket Sigorta, Unico Sigorta, Neova Sigorta, HDI Sigorta, Groupama Sigorta, Groupama Emeklilik, Vakıf Emeklilik, Bereket Emeklilik and Metlife Emeklilik and has an individual pension insurance agency operations through Garanti Emeklilik. In addition, it provides stock intermediation of delivery of orders to investment product transactions, intermediation of portfolio and transaction services on behalf of Oyak Yatırım Menkul Değerler A.Ş.

On the other hand Participation Bank mainly has services such as letters of guarantee, import credits and acceptance credits and otherkind of non-cash credits as well.

The Participation Bank's operations are not limited as mentioned above. In case of any transaction else made, not mentioned above, and considered as in favor of participating bank, upon the request of the board of directors, this case is adjudicated by general meeting and is proceeded to be get required approval from competent authority and depends on the approval of Ministry of Commerce and Customs. Thus, the approved decision is added on main agreement.

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

VI. Differences Between The Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About The Institutions Subject To Line-By-Line Method or Proportional Consolidation and Institutions Which Are Deducted From Equity or Not Included in These Three Methods

TF Varlık Kiralama AŞ, which was established on February 11, 2013 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank starting from June 30, 2013. TFKB Varlık Kiralama AŞ, which was established on July 8, 2014 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from December 31, 2014.

VII. The Existing or Potential, Actual or Legal Obstacles on The Transfer of Shareholder's Equity between the Bank and Its Subsidiaries or The Reimbursement of Liabilities

The transfer of shareholder's equity between the Bank and its subsidiaries is not in question.

There is no restriction on existing or potential, actual or legal obstacles on the Reimbursement of Liabilities between the Bank and its subsidiaries. The Bank can receive or pay the amounts regarding rendering and getting services from its subsidiaries within the framework service agreements.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet (Statement of Financial Position)
Off-Balance Sheet Items
Income Statement
Statement of Income/Expense Items Accounted Under Shareholders' Equity
Statement of Cash Flows
Statement of Changes in Shareholders' Equity
Profit Distribution Table

Balance Sheet (Statement of Financial Position)

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		THOUSAND TURKISH LIRA						
		Footnotes (51)	CURRENT PERIOD Audited (31/12/2017)			PRIOR PERIOD Audited (31/12/2016)		
			TL	FC	Total	TL	FC	Total
ASSETS								
I.	CASH AND BALANCES WITH CENTRAL BANK	(1)	561,303	5,522,898	6,084,201	580,335	5,088,522	5,668,857
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	8,371	8,177	16,548	35,240	27,275	62,515
2.1	Financial assets held for trading		8,371	8,177	16,548	35,240	27,275	62,515
2.1.1	Government debt securities		-	-	-	-	-	-
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		7,702	7,215	14,917	34,888	26,069	60,957
2.1.4	Other securities		669	962	1,631	352	1,206	1,558
2.2	Financial assets valued at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Government debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other securities		-	-	-	-	-	-
III.	BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	1,174	306,262	307,436	748	561,018	561,766
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	1,753,505	1,975,843	3,729,348	1,530,838	1,750,429	3,281,267
5.1	Equity securities		4,734	233	4,967	4,734	189	4,923
5.2	Government debt securities		1,405,821	1,955,906	3,361,727	1,175,579	1,731,870	2,907,449
5.3	Other securities		342,950	19,704	362,654	350,525	18,370	368,895
VI.	LOANS	(5)	21,264,640	4,073,179	25,337,819	21,872,328	3,726,902	25,599,230
6.1	Loans		20,852,640	4,073,179	24,925,819	21,351,831	3,710,269	25,062,100
6.1.1	Loans to risk group of the Bank		33,403	61,510	94,913	103,205	127,102	230,307
6.1.2	Government debt securities		-	-	-	-	-	-
6.1.3	Other		20,819,237	4,011,669	24,830,906	21,248,626	3,583,167	24,831,793
6.2	Non-performing loans		1,414,992	-	1,414,992	1,368,209	26,115	1,394,324
6.3	Specific provisions (-)		(1,002,992)	-	(1,002,992)	(847,712)	(9,482)	(857,194)
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	670,528	-	670,528	782,553	-	782,553
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1	Consolidated under equity method		-	-	-	-	-	-
8.2	Unconsolidated associates		-	-	-	-	-	-
8.2.1	Financial investments		-	-	-	-	-	-
8.2.2	Non-financial investments		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	100	-	100	100	-	100
9.1	Unconsolidated financial subsidiaries		100	-	100	100	-	100
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X.	JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	(9)	-	-	-	-	-	-
10.1	Consolidated under equity method		-	-	-	-	-	-
10.2	Unconsolidated associates		-	-	-	-	-	-
10.2.1	Financial investments		-	-	-	-	-	-
10.2.2	Non-Financial investments		-	-	-	-	-	-
XI.	LEASE RECEIVABLES (Net)	(10)	1,145,634	-	1,145,634	1,417,512	-	1,417,512
11.1	Finance lease receivables		1,259,538	-	1,259,538	1,570,602	-	1,570,602
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		(113,904)	-	(113,904)	(153,090)	-	(153,090)
XII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(11)	147,489	-	147,489	111,124	-	111,124
12.1	Fair value hedges		147,489	-	147,489	111,124	-	111,124
12.2	Cash flow hedges		-	-	-	-	-	-
12.3	Net foreign investment hedges		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(12)	819,362	-	819,362	671,274	-	671,274
XIV.	INTANGIBLE ASSETS (Net)	(13)	66,058	-	66,058	70,035	-	70,035
14.1	Goodwill		-	-	-	-	-	-
14.2	Other intangibles		66,058	-	66,058	70,035	-	70,035
XV.	INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVI.	TAX ASSET		47,756	-	47,756	74,356	-	74,356
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset	(15)	47,756	-	47,756	74,356	-	74,356
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	263,623	-	263,623	95,655	-	95,655
17.1	Assets held for sale		263,623	-	263,623	95,655	-	95,655
17.2	Assets of discontinued operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	361,891	83,104	444,995	355,148	56,325	411,473
TOTAL ASSETS			27,111,434	11,969,463	39,080,897	27,597,246	11,210,471	38,807,717

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Balance Sheet (Statement of Financial Position)

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		THOUSAND TURKISH LIRA						
		Footnotes (5-II)	CURRENT PERIOD Audited [31/12/2017]			PRIOR PERIOD Audited [31/12/2016]		
LIABILITIES AND EQUITY			TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(1)	11,164,157	10,866,339	22,030,496	11,845,762	9,219,019	21,064,781
1.1	Funds from risk group of the Bank		23,928	30,558	54,486	29,658	129,914	159,572
1.2	Other		11,140,229	10,835,781	21,976,010	11,816,104	9,089,105	20,905,209
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	12,961	14,557	27,518	25,354	7,003	32,357
III.	FUNDS BORROWED	(3)	1,388,134	8,295,545	9,683,679	862,035	9,394,538	10,256,573
IV.	MONEY MARKET BALANCES		510,534	-	510,534	547,774	-	547,774
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI.	MISCELLANEOUS PAYABLES		565,463	242,039	807,502	622,328	250,335	872,663
VII.	OTHER LIABILITIES	(4)	230,401	21,545	251,946	497,771	22,186	519,957
VIII.	LEASE PAYABLES (Net)	(5)	-	-	-	104,771	-	104,771
8.1	Finance lease payables		-	-	-	105,030	-	105,030
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-	(259)	-	(259)
IX.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(6)	-	256,796	256,796	-	352,675	352,675
9.1	Fair value hedges		-	-	-	-	-	-
9.2	Cash flow hedges		-	256,796	256,796	-	352,675	352,675
9.3	Net foreign investment hedges		-	-	-	-	-	-
X.	PROVISIONS	(7)	372,003	56,977	428,980	380,949	57,490	438,439
10.1	General loan loss provision		203,151	-	203,151	231,669	-	231,669
10.2	Restructuring provisions		-	-	-	-	-	-
10.3	Reserve for employee benefits		91,516	-	91,516	76,269	-	76,269
10.4	Insurance technical reserves (Net)		-	-	-	-	-	-
10.5	Other provisions		77,336	56,977	134,313	73,011	57,490	130,501
XI.	TAX LIABILITY	(8)	62,510	-	62,510	64,213	-	64,213
11.1	Current tax liability		62,510	-	62,510	64,213	-	64,213
11.2	Deferred tax liability		-	-	-	-	-	-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
12.1	Assets held for sale		-	-	-	-	-	-
12.2	Assets of discontinued operations		-	-	-	-	-	-
XIII.	SUBORDINATED DEBTS	(10)	-	960,338	960,338	-	890,500	890,500
XIV.	SHAREHOLDERS' EQUITY	(11)	4,069,860	(9,262)	4,060,598	3,717,937	(54,923)	3,663,014
14.1	Paid-in capital		2,600,000	-	2,600,000	2,600,000	-	2,600,000
14.2	Capital reserves		(1,911)	(9,262)	(11,173)	21,896	(54,923)	(33,027)
14.2.1	Share premium		-	-	-	-	-	-
14.2.2	Share cancellation profits		-	-	-	-	-	-
14.2.3	Securities value increase fund		(5,505)	3,051	(2,454)	22,830	(30,238)	(7,408)
14.2.4	Revaluation surplus on tangible assets		14,504	-	14,504	8,623	-	8,623
14.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
14.2.6	Revaluation surplus on investment property		-	-	-	-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Ventures)		-	-	-	-	-	-
14.2.8	Hedging reserves (effective portion)		2,709	(12,313)	(9,604)	-	(24,685)	(24,685)
14.2.9	Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
14.2.10	Other capital reserves		(13,619)	-	(13,619)	(9,557)	-	(9,557)
14.3	Profit reserves		1,000,450	-	1,000,450	703,837	-	703,837
14.3.1	Legal reserves		130,953	-	130,953	115,792	-	115,792
14.3.2	Statutory reserves		-	-	-	-	-	-
14.3.3	Extraordinary reserves		867,389	-	867,389	587,435	-	587,435
14.3.4	Other profit reserves		2,108	-	2,108	610	-	610
14.4	Profit or loss		471,321	-	471,321	392,204	-	392,204
14.4.1	Prior years' profit/loss		95,961	-	95,961	95,961	-	95,961
14.4.2	Current period net profit/loss		375,360	-	375,360	296,243	-	296,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			18,376,023	20,704,874	39,080,897	18,668,894	20,138,823	38,807,717

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Off-Balance Sheet Items

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

	Footnotes	THOUSAND TURKISH LIRA					
		CURRENT PERIOD			PRIOR PERIOD		
		Audited (31/12/2017)			Audited (31/12/2016)		
	TL	FC	Total	TL	FC	Total	
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)	(5-III)	10,302,708	14,983,551	25,286,259	11,794,244	16,494,994	28,289,238
I. GUARANTEES AND SURETIES	(1)	5,894,968	3,870,806	9,765,774	7,027,411	5,333,712	12,361,123
1.1. Letters of guarantee		5,887,493	3,168,342	9,055,835	7,025,194	4,220,901	11,246,095
1.1.1. Guarantees subject to State Tender Law		181,057	-	181,057	213,025	-	213,025
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		5,706,436	3,168,342	8,874,778	6,812,169	4,220,901	11,033,070
1.2. Bank acceptances		5,958	136,705	142,663	2,217	384,032	386,249
1.2.1. Import letter of acceptance		5,958	136,705	142,663	2,217	384,032	386,249
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		1,517	565,759	567,276	-	727,037	727,037
1.3.1. Documentary letters of credit		1,517	565,759	567,276	-	727,037	727,037
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	-	-	-	1,742	1,742
1.7. Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(1),(3)	2,253,164	1,225,110	3,478,274	2,383,441	898,881	3,282,322
2.1. Irrevocable commitments		2,253,164	1,225,110	3,478,274	2,383,441	898,881	3,282,322
2.1.1. Forward asset purchase and sale commitments		196,922	1,225,110	1,422,032	231,453	898,881	1,130,334
2.1.2. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		1,582	-	1,582	5,227	-	5,227
2.1.4. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Commitments for cheque payments		1,252,959	-	1,252,959	1,309,524	-	1,309,524
2.1.7. Tax and fund obligations on export commitments		3,766	-	3,766	2,875	-	2,875
2.1.8. Commitments for credit card limits		776,371	-	776,371	820,810	-	820,810
2.1.9. Commitments for credit cards and banking services promotions		1,715	-	1,715	1,458	-	1,458
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		19,849	-	19,849	12,094	-	12,094
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	2,154,576	9,887,635	12,042,211	2,383,392	10,262,401	12,645,793
3.1. Derivative financial instruments held for risk management		214,000	2,745,810	2,959,810	214,000	2,437,987	2,651,987
3.1.1. Fair value hedges		214,000	324,519	538,519	214,000	287,720	501,720
3.1.2. Cash flow hedges		-	2,421,291	2,421,291	-	2,150,267	2,150,267
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		1,940,576	7,141,825	9,082,401	2,169,392	7,824,414	9,993,806
3.2.1. Forward foreign currency buy/sell transactions		1,940,576	6,747,083	8,687,659	2,169,392	7,464,209	9,633,601
3.2.1.1. Forward foreign currency transactions-buy		377,412	4,000,218	4,377,630	1,038,125	3,898,851	4,936,976
3.2.1.2. Forward foreign currency transactions-sell		1,563,164	2,746,865	4,310,029	1,131,267	3,565,358	4,696,625
3.2.2. Other forward buy/sell transactions		-	394,742	394,742	-	360,205	360,205
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		439,943,500	55,168,769	495,112,269	426,882,215	46,614,436	473,496,651
IV. ITEMS HELD IN CUSTODY		4,188,713	2,426,609	6,615,322	4,285,205	1,481,789	5,766,994
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		-	-	-	-	-	-
4.3. Checks received for collection		2,606,878	226,935	2,833,813	2,838,773	301,236	3,140,009
4.4. Commercial notes received for collection		1,054,465	136,171	1,190,636	911,664	287,780	1,199,444
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received through public offering		-	-	-	-	-	-
4.7. Other items under custody		1,517	136,769	138,286	-	435,608	435,608
4.8. Custodians		525,853	1,926,734	2,452,587	534,768	457,165	991,933
V. PLEDGED ITEMS		435,754,787	52,684,550	488,439,337	422,597,010	45,062,214	467,659,224
5.1. Securities		17,495	-	17,495	22,053	1,970	24,023
5.2. Guarantee notes		149,114,216	9,768,123	158,882,339	137,670,996	7,879,090	145,550,086
5.3. Commodities		4,471,615	861,981	5,333,596	4,130,593	695,221	4,825,814
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		77,112,778	895,120	78,007,898	81,290,516	302,842	81,593,358
5.6. Other pledged items		204,946,812	41,151,384	246,098,196	199,378,438	36,094,166	235,472,604
5.7. Pledged items-depository		91,871	7,942	99,813	104,414	88,925	193,339
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	57,610	57,610	-	70,433	70,433
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		450,246,208	70,152,320	520,398,528	438,676,459	63,109,430	501,785,889

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Income Statement

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		THOUSAND TURKISH LIRA		
		Audited	Audited	
		CURRENT PERIOD	PRIOR PERIOD	
		1 January- 31 December 2017	1 January- 31 December 2016	
	INCOME AND EXPENSE ITEMS			
I.	PROFIT SHARE INCOME	(1)	2,902,629	2,981,301
1.1	Profit share on loans		2,393,974	2,553,676
1.2	Profit share on reserve deposits		39,742	28,500
1.3	Profit share on banks		1,969	618
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		339,564	250,322
1.5.1	Financial assets held for trading		-	-
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available for sale		270,112	181,165
1.5.4	Investments held to maturity		69,452	69,157
1.6	Finance lease income		98,293	111,724
1.7	Other profit share income		29,087	36,461
II.	PROFIT SHARE EXPENSE	(2)	1,451,193	1,471,762
2.1	Expense on profit sharing accounts		836,262	881,559
2.2	Profit share expense on funds borrowed		498,783	448,357
2.3	Profit share expense on money market borrowings		42,304	70,290
2.4	Expense on securities issued		-	-
2.5	Other profit share expense		73,844	71,556
III.	NET PROFIT SHARE INCOME (I - II)		1,451,436	1,509,539
IV.	NET FEES AND COMMISSIONS INCOME		135,781	143,012
4.1	Fees and commissions received		292,750	288,291
4.1.1	Non-Cash loans		117,821	116,154
4.1.2	Other	(12)	174,929	172,137
4.2	Fees and commissions paid		156,969	145,279
4.2.1	Non-Cash loans		-	-
4.2.2	Other	(12)	156,969	145,279
V.	DIVIDEND INCOME	(3)	-	-
VI.	TRADING INCOME/EXPENSES (Net)	(4)	22,124	99,170
6.1	Trading account income/expenses		810	1,014
6.2	Income/expenses from derivative financial instruments		(168,268)	76,457
6.3	Foreign exchange gains/losses		189,582	21,699
VII.	OTHER OPERATING INCOME	(5)	304,714	313,913
VIII.	TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		1,914,055	2,065,634
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(580,815)	(850,419)
X.	OTHER OPERATING EXPENSES (-)	(7)	(875,598)	(846,140)
XI.	NET OPERATING INCOME/EXPENSE (VIII-IX-X)		457,642	369,075
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	(8)	457,642	369,075
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(9)	(82,282)	(72,832)
16.1	Current tax charge		(60,525)	(65,850)
16.2	Deferred tax charge/(credit)		(21,757)	(6,982)
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(10)	375,360	296,243
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
18.3	Income on other discontinued operations		-	-
XIX.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
19.1	Expense on assets held for sale		-	-
19.2	Expense on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
19.3	Expense on other discontinued operations		-	-
XX.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(11)	375,360	296,243

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Statement of Income/Expense Items Accounted Under Shareholders' Equity

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

	THOUSAND TURKISH LIRA	
	CURRENT PERIOD	PRIOR PERIOD
	Audited	Audited
INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	(01/01/2017 - 31/12/2017)	(01/01/2016 - 31/12/2016)
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	6,191	(10,531)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	7,039	(41)
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	18,544	21,122
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(4,707)	1,857
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(4,843)	(2,393)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	22,224	10,014
XI. CURRENT PERIOD PROFIT/LOSSES	375,360	296,243
1.1 Net changes in fair value of securities (transferred to income statement)	(415)	1,195
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	375,775	295,048
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	397,584	306,257

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Statement of Cash Flows

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		THOUSAND TURKISH LIRA		
		Footnotes	CURRENT PERIOD	PRIOR PERIOD
		(5-VI)	Audited (01/01/2017 - 31/12/2017)	Audited (01/01/2016 - 31/12/2016)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		395,174	389,032
1.1.1	Profit share income received		2,784,575	2,941,356
1.1.2	Profit share expense paid		(1,443,758)	(1,451,227)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		292,750	288,291
1.1.5	Other income		79,721	46,458
1.1.6	Collections from previously written off loans and other receivables		403,215	521,949
1.1.7	Cash payments to personnel and service suppliers		(633,519)	(627,019)
1.1.8	Taxes paid		(62,039)	(83,132)
1.1.9	Other	(1)	(1,025,771)	(1,247,644)
1.2	Changes in Operating Assets and Liabilities		(481,495)	457,198
1.2.1	Net (Increase) Decrease in financial assets held for trading		-	-
1.2.2	Net(Increase) Decrease in financial assets at fair value through profit or loss		-	-
1.2.3	Net (Increase) Decrease in due from banks and other financial institutions		(250,919)	206,987
1.2.4	Net (Increase) Decrease in loans		456,375	1,466,803
1.2.5	Net (Increase) Decrease in other assets		(228,802)	(45,011)
1.2.6	Net Increase (Decrease) in bank deposits		(442,428)	180,035
1.2.7	Net Increase (Decrease) in other deposits		1,403,115	(1,292,898)
1.2.8	Net Increase (Decrease) in funds borrowed		(1,028,501)	832,848
1.2.9	Net Increase (Decrease) in due payables		-	-
1.2.10	Net Increase (Decrease) in other liabilities	(1)	(390,335)	(891,566)
I.	Net cash provided from banking operations		(86,321)	846,230
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		(495,535)	(812,858)
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3	Purchases of tangible assets		(357,412)	(431,677)
2.4	Sales of tangible assets		34,422	230,199
2.5	Cash paid for purchase of financial assets available for sale		(1,416,977)	(1,559,465)
2.6	Cash obtained from sale of financial assets available for sale		1,133,059	848,085
2.7	Cash paid for purchase of investment securities		(200,000)	(450,000)
2.8	Cash obtained from sale of investment securities		311,373	550,000
2.9	Other	(1)	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		370	276
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	-
3.5	Payments for financial leases		-	-
3.6	Others		370	276
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	501,973	783,251
V.	Net increase/(decrease) in cash and cash equivalents		(79,513)	816,899
VI.	Cash and cash equivalents at beginning of period	(4)	2,686,225	1,869,326
VII.	Cash and cash equivalents at end of period	(4)	2,606,712	2,686,225

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Statement of Changes in Shareholders' Equity

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		THOUSAND TURKISH LIRA						
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
PRIOR PERIOD Audited (01.01-31.12.2016)								
I.	Balances at beginning of the period		2,600,000	-	-	-	104,498	-
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 the period (I+II)		2,600,000	-	-	-	104,498	-
Changes during the period								
IV.	Mergers		-	-	-	-	-	-
V.	Market value changes of securities		-	-	-	-	-	-
VI.	Hedging reserves		-	-	-	-	-	-
6.1	Cash flow hedge		-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations		-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets		-	-	-	-	-	-
VIII.	Revaluation surplus on intangible assets		-	-	-	-	-	-
	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-
IX.	Translation differences		-	-	-	-	-	-
XI.	Changes resulted from disposal of assets		-	-	-	-	-	-
XII.	Changes resulted from reclassification of assets		-	-	-	-	-	-
	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-
XIII.	Capital increase		-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-
14.2	Internal sources		-	-	-	-	-	-
XV.	Share issuance		-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-
	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-
XVII.	Others		-	-	-	-	-	-
XVIII.	Others		-	-	-	-	-	-
XIX.	Current period net profit/loss		-	-	-	-	-	-
XX.	Profit distribution		-	-	-	-	11,294	-
20.1	Dividends		-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	11,294	-
20.3	Others		-	-	-	-	-	-
	Balances at the end of the period (I+II+III+...+XVI+XVII+XVIII)		2,600,000	-	-	-	115,792	-

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

THOUSAND TURKISH LIRA

Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev.Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
337,653	(10,488)	261,076	95,173	1,017	9,411	-	(41,583)	-	3,356,757
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
337,653	(10,488)	261,076	95,173	1,017	9,411	-	(41,583)	-	3,356,757
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(8,425)	-	-	-	-	(8,425)
-	-	-	-	-	-	-	16,898	-	16,898
-	-	-	-	-	-	-	16,898	-	16,898
-	-	-	788	-	(788)	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1,541	-	-	-	-	-	-	-	1,541
-	-	296,243	-	-	-	-	-	-	296,243
249,782	-	(261,076)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
249,782	-	(261,076)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
587,435	(8,947)	296,243	95,961	(7,408)	8,623	-	(24,685)	-	3,663,014

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Statement of Changes in Shareholders' Equity

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

		THOUSAND TURKISH LIRA						
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Footnotes (5-V)	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
CURRENT PERIOD								
Audited								
(01.01-31.12.2017)								
I.	Balances at beginning of the period		2,600,000	-	-	-	115,792	-
Changes during the period								
II.	Mergers		-	-	-	-	-	-
III.	Market value changes of securities	(1),(2)	-	-	-	-	-	-
IV.	Hedging reserves		-	-	-	-	-	-
4.1	Cash flow hedge		-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-
VIII.	Translation differences		-	-	-	-	-	-
IX.	Changes resulted from disposal of assets		-	-	-	-	-	-
X.	Changes resulted from reclassification of assets		-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-
XVI.	Others	(5)	-	-	-	-	-	-
XVII.	Current period net profit/loss		-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	15,161	-
18.1	Dividends	(3)	-	-	-	-	-	-
18.2	Transfers to reserves	(4)	-	-	-	-	15,161	-
18.3	Others		-	-	-	-	-	-
Balances at end of the period (I+II+III+...+XVI+XVII+XVIII)			2,600,000	-	-	-	130,953	-

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Profit Distribution Table

(Thousands of Turkish Lira (TL) unless otherwise stated)

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	THOUSAND TURKISH LIRA	
	CURRENT PERIOD Audited (31/12/2017)	PRIOR PERIOD Audited (31/12/2016)
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	457,642	369,075
1.2 TAXES AND DUES PAYABLE (-)	(82,282)	(72,832)
1.2.1 Corporate Tax (Income Tax)	(60,525)	(65,850)
1.2.2 Income Tax Withholding	-	-
1.2.3 Other Taxes and Dues Payable (**)	(21,757)	(6,982)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	375,360	296,243
1.3 PRIOR YEAR'S LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(15,161)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]	-	281,082
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit and loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit/loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	281,082
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Owners of the profit/loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF STOCKS	0.14	0.11
3.2 TO OWNERS OF STOCKS (%)	14	11
3.3 TO OWNERS OF PREFERRED STOCKS	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF STOCKS	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) Authorized unit is general assembly on current period profit distribution. Ordinary General assembly of the Participation Bank is not held as of the date of report.

(**) Other tax and duties include deferred tax Gains/(Losses) amounts.

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

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SECTION THREE: ACCOUNTING POLICIES

I. Basis of Presentation

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

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

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

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

Public Oversight Accounting and Auditing Standards Institution, TFRS 9 Financial Instruments Standard for Classification and Measurement of Financial Instruments published in the Official Gazette dated January 19, 2017 and numbered 29953 is effective from 1 January 2018. TAS 39 Financial Instruments: will be apply instead of Accounting and Measurement Standards

As of January 1, 2018, the Participation Bank has reflected the effects of the transition to IFRS 9 in its opening statements. Information on the main differences introduced by IFRS 9 are included in the following headings.

Classification and Measurement of Financial Instruments:

Financial assets in accordance with IFRS 9, based on the business model and contractual cash flow characteristics, and the amortized cost, change in fair value is reflected in other comprehensive income or the change in value is classified as being measured by reflecting profit or loss. The management model is determined by the Participation Bank the management of assets and the reporting of their performance. Classification of financial liabilities and for the measurement, the current practice (TAS 39) remains the same at a large portion.

Given the contractual cash flow characteristics of the principal and profit share, receivables are expected to be monitored at amortized cost. Benevolent loans that do not have any profit shares do not have a regular cash flow so that they are not valued with its fair value and are classified to financial assets at fair value through profit and loss.

Considering the ratio of these loans to total loan portfolio, it is not expected to create a material effect. On the other hand, the securities in the Bank's portfolio are subject to the contract the associated cash flow characteristics do not require any change in the pre-transition classification. For this reason, models and cash flows of existing contracts are taken into account, the transition of IFRS 9 to the application of financial instruments classification is not expected to have a significant effect.

Impairment on Financial Instruments:

As of January 1, 2018; the Participation Bank started to calculate provision for their loans and other receivables by the application of IFRS 9 which is published in the Official Gazette dated 22.06.2016 and numbered 29750, within the expected credit loss model.

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The amortized cost or fair value change in IFRS 9 application is recognized in other comprehensive income financial assets and loan commitments to which the impairment provisions are applied and financial guarantee contracts loss reserve for expected credit losses is allocated.

Under TFRS 9, the expected credit loss is determined according to a 'three-stage' impairment model based on the change in the credit quality of financial assets after initial accounting.

First Stage

In this context, in the first reporting period, for the financial instruments that have not experienced a significant increase in the credit risk since the first take-off of the financial statements, provision for impairment is applied for expected credit losses amounting to 12 months.

Second Stage

In the second phase, if the credit risk has increased substantially since the first time it has to be taken in the financial statements, the allowance for impairment of the related financial asset is allocated for the expected life credit loss for life.

Third Stage

In stage 3, all defaulted financial assets are classified and the expected lifetime loan loss is calculated.

The Participation Bank makes assessments collectively or individually for the 2nd and 3rd stage loans.

With the application of IFRS 9, the Participation Bank updated its policies, processes and audit principles.

It is expected that the Participation Bank, due to the increase in the amount of the general provision, with the transition to the new application, to reduce its own funds at the time of transition. It is expected a decrease, but not significant, in the amount of special provisions. The effects of IFRS 9 on the previous financial statements are being evaluated and when the deferred tax effect of the related effect is taken into consideration, it is expected to effect the shareholders equity by 2.4% in a decreasing manner.

With the application of IFRS 9, the Participation Bank calculated its deferred tax from the provision that is being calculated from the expected loss of the financial instruments that is classified in stage 1 and stage 2.

b. Additional paragraph for convenience translation to English

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

c. Accounting policies and valuation principles applied in the presentation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2017. The aforementioned accounting policies and valuation principles are explained in Notes II to XXIV below.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions:

The Participation Bank receives profit share accounts on the basis of taking share from both profit and loss. These profit loss based accounts are generally evaluated as Corporate Financing Support, Individual Financing Support, Financial Leasing and Profit Loss Joint Project. Yields of these funds are fixed.

Active credit risk management procedures are applied due to fixed yields of funds. The rating and scoring systems applied by the Participation Bank, includes detailed company analysis realized in annually or semi-annually and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system and if acceptable, loan limits are revised.

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In order to maintain the ratio of liquid assets to total assets (except statutory reserves) around 15%-17% is adopted as liquidity principle by the Participation Bank. Equity profitability is maximized by evaluating this liquidity opportunity in short maturity transactions in international markets.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Central Bank of Turkey's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

As of December 31, 2017 USD and EURO rates that converted TL on foreign currency transactions and reflected on financials are 3.8104 and 4.5478 respectively.

Net foreign currency position is followed in legal limits and ensured that the ratio is within +-20% level. Besides, different policies and strategies are settled according to macroeconomic situations about foreign currency position. However, the Participation Bank avoids taking positions that expose high level of currency risk.

III. Explanations on Investments in Associates and Subsidiaries:

Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Separate Financial Statements" ("TAS 27") in the unconsolidated financial statements and measured in the financial statements with their costs. Dividends are recognized in the income statement when the right to receive the dividend is obtained.

IV. Explanations on Forward and Option Contracts and Derivative Instruments:

The Participation Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements. The Participation Bank has no derivative products that are detached from the host contract.

Derivative payables and receive are initially recorded in off-balance sheet accounts at their contract values.

Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. Subsequent fair value changes for trading derivatives are recorded under income statement.

The Participation Bank hedges its cash flow risk arising from foreign currency liabilities by using cross currency swap. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, discontinuing or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of the hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities.

The Group enters into hedging transactions in order to manage the risks of fixed rate of return and exchange rate changes,

The Group recognizes lease receivables, foreign currency funds and securities issued and profit fair value hedge accounting and cash in order to hedge against the financial risks of the share.

V. Explanations on Profit Share Income and Expenses

Profit share income and expenses are recognized in the income statement on an accrual basis.

Realized and unrealized profit share accruals of the non-performing loans are reversed and profit share income in connection with these loans is recorded as profit share income only when they are collected.

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VI. Explanations and Disclosures on Fees and Commission Income and Expenses:

Banking service revenues are recognized as income only when they are collected while only the current portion of the prepaid commission income obtained from corporate loans is recorded as income on an accrual basis.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses and calculated based on internal rate of return method.

VII. Explanations and Disclosures on Financial Assets:

Financial instruments comprise of financial assets, financial liabilities and derivative instruments. Basically, financial assets form majority of the commercial activities and operations of the Participation Bank. Risks due to these instruments are substantial portion of the total risk taken by the Participation Bank. Financial instruments expose, change or reduce the liquidity, credit and market risks of the Participation Bank's financial statements. Buying/selling of these financial instruments is carried out in the name of customers and on behalf and account of the Participation Bank.

Basically, financial instruments generate commercial operations of the Participation Bank. These instruments reveal, affect and decrease liquidity and credit risk on financial statements.

Buying/selling of financial instruments is recognized on settlement date basis. It is the date which an asset is delivered to the Participation Bank or by the Participation Bank. Settlement date accounting requires (a) recognizing of the asset in purchase date, and (b) to exclude the asset from balance sheet as of delivery date and recognizing profit or loss due to disposal of the assets as of the same date. Changes in fair value of the assets between trading date and settlement date are recognized for the financial assets at fair value through profit and loss and financial assets available for sale.

Ordinary purchase and sale generally supposed to purchase or sale of an asset based on a contract that requires the delivery of the asset in legal procedures and market precedents. Changes in fair value of the asset acquired between trading date and settlement date are recognized as the same in assets purchased. Changes in fair value of the asset are not recognized if it is recorded with its purchase or amortized cost. Gain or loss due to a financial asset at fair value is recorded in profit or loss, gain or loss due to an asset available for sale is recorded in equity.

Marketable securities at fair value through profit or loss are classified in two categories; i) marketable securities classified as trading securities: acquired or incurred principally for the purpose of selling or repurchasing it in the near term in order to benefit from short-term profit opportunities; ii) marketable securities classified as marketable securities at fair value through profit or loss at initial recognition. The Participation Bank uses the above-mentioned classification when permitted, or for the purposes of providing a more appropriate presentation.

In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair value of debt securities traded in an active market is determined based on the quoted prices or current market prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to profit share income or diminution in value of marketable securities accounts. Profit share income from financial assets at fair value through profit and loss is reflected in profit share income.

Investments held to maturity include securities with fixed or determinable payments and fixed maturity when there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. Subsequent to initial recognition, held to maturity investments are measured at amortized cost by using the internal rate of return method less impairment losses, if any. The Participation Bank has no financial assets acquired and classified as held to maturity investments that cannot be subject to such classification for two years because of the non-performance of tainting rules.

The profit share income received from held to maturity investments is recorded as profit share income in the income statement.

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Marketable securities classified as available for sale are initially recognized at cost including the transaction costs. After initial recognition, available for sale securities are measured at fair value and unrealized gains/losses originating from the difference between the amortized cost and the fair value are recorded in "Securities Value Increase Fund" under equity. At the disposal of available for sale financial assets, value increase/decrease recorded in "Securities Value Increase Fund" under equity is transferred to the income statement.

Loans

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

Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted 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.

Individual and corporate loans followed in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospectus based on loans' contents.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date; they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

VIII. Explanations on Impairment on Financial Instruments:

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

A financial asset or a group of financial assets are impaired and have impairment loss if, and only if, there is an objective indicator of a single or multiple event ("event of loss") occurring after the initial recognition of the related asset and that the expected future cash flows of financial asset or group of financial assets are adversely affected by that event (or events). The losses expected to incur due to future events are not accounted regardless of high probability.

Value drops in the financial assets with amortized costs is calculated as the difference in the expected cash flows chargeable efficiency ratio and the upgraded value. For the financial assets ready for allocation with impairment costs deducted from the cap table, the difference from acquisition costs and real time values is the remainder from the said assets previous profit and loss accounts and impairment losses. This amount is shown in the expense accounts as required by THP.

Loan portfolio is analyzed by management of the Participation Bank, periodically. Loans considered as non-performing are classified in accordance with the "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision", published on the Official Gazette Nr.26333 dated November 1, 2006.

The provisions released in the same year are accounted by crediting the Provision Expenses Account and the released parts of the previous years' provisions are recorded to the Collections from Prior Years Expense account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Participation Bank records general loan loss provisions for loans and other receivables.

Participation costs of the special and general provision expenses that are delimited by the Participation Bank are catered in Participation accounts.

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IX. Explanations on Offsetting of Financial Instruments:

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

X. Explanations on Sales and Repurchase Agreements and Lending of Securities:

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

The Participation Bank does not have any lending of securities.

XI. Explanations on Assets Held For Sale and Discontinued Operations and Debts due to These Assets:

The principles on accounting, assessment and disposal of assets held for sale of the Participation Bank are determined based on the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale" published on November 1, 2006 in the Official Gazette Nr. 26333.

If assets acquired due to receivables of the Participation Bank are under a plan, they are followed in assets held for sale account.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for the said assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or the group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan. Furthermore, the asset (or the group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is enough evidence that the related delay has occurred beyond the Participation Bank's control and that the Participation Bank's plans for selling the related asset (or the group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a part of a bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. Discontinued operation does not exist.

XII. Explanations and Disclosures on Goodwill and Other Intangible Assets:

As of the balance sheet date, The Participation Bank does not have any goodwill in its accompanying unconsolidated financial statements.

Intangible assets purchased before January 1, 2005, are presented with their inflation adjusted historical acquisition cost as of December 31, 2004 and intangible assets purchased in the subsequent periods, are presented with their acquisition cost less the accumulated amortization, and impairment provisions. Intangible assets are amortized by the straight-line method, considering their useful life. The amortization method and period are periodically reviewed at the end of each year. Intangible assets are comprised of computer software.

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XIII. Explanations and Disclosures on Tangible Assets:

Tangible assets are accounted for at acquisition cost plus any other direct costs incurred to bring the asset for ready to use. Tangible assets are remeasured at their acquisition cost less accumulated depreciation and impairment loss, if any. The Participation Bank adopted a revaluation method in 2006 for its real estates in tangible assets due to (TAS 16) Standard for Tangible Assets. Expert values determined by an independent expert company are reflected to the financial statements. Participation Bank sold and leased back the Bank's real estates amounting to TL 102,295 from TF Varlık Kiralama A.Ş. at January 21, 2014. Sold real estates valuation amount of TL 79,241 removed from the revaluation account is reclassified to prior year's profit. Lease back transaction has ended at July, 18 2014 and deeds of real estates were transferred to the bank. Participation Bank sold and leased back the Bank's real estates amounting to TL 107,050 from TF Varlık Kiralama A.Ş. at February 28, 2015. Sold real estates valuation amount of TL 27,290 removed from the revaluation account is reclassified to prior year's profit. On August 21, 2015, the lease transaction was terminated and the title deeds of the real estates were transferred to the Participation Bank. On July 15, 2016, The Bank sold and leased back its real estate with an amount of TL 67,274 from TF Varlık Kiralama A.Ş. Valuation amount of sold properties is reclassified from revaluation increase accounts of TL 788 and classified in retained earnings account such revaluation increase is realized net TL 14,504 after deferred tax as of balance sheet date (December 31, 2016: TL 8,623).

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Gains/losses arising from the disposal of tangible assets or the inactivation of a tangible asset are recognized in the income statement by taking into account the difference between the net book value and the net proceeds.

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

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

The estimated useful lives of the tangible assets used by the Participation Bank are as follows:

Tangible Assets	Estimated Useful Lives
Safety Boxes	5-50 years
Office equipment	3-10 years
Leasehold Improvements	2-10 years
Other Movables	3-15 years
Furniture and Fixtures	3-10 years
Vehicles	5 years
Real Estates	50 years

XIV. Explanations and Disclosures on Leasing Transactions:

The Participation Bank as a Lessor;

The Participation Bank acts as a Lessor in leasing transactions. Assets subject to leasing are accounted in the Participation Bank's financials as receivables that equal to net leasing investment amount. Total of rental payments including profit shares and principals are recorded under "finance lease receivables" as gross. The difference, i.e. the profit share, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "finance lease receivables"; and the profit share is recorded as finance lease income in the income statement.

The Participation Bank as a Lessee;

Assets held under finance leases are recognized as assets of the Participation Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. While the corresponding liability to the lessor is included in the balance sheet as a finance lease obligation, profit share amounts are accounted as deferred profit share amounts. Leased assets are followed in tangible assets account and subjected to the same accounting policy.

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XV. Explanations on Provisions and Contingent Liabilities:

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Participation Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle.

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

The Participation Bank set TL 17,838 provision for ongoing suits filed against to the Participation Bank for which cash outflow is probable and measurable (December 31, 2016: TL 14,209).

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 Liabilities Regarding Employee Benefits:

a) Defined Benefit Plans:

Under the existing Labor Law, the Company is required to pay termination benefits to each employee who earned the right to receive termination indemnities with the end of their employment contract. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated March 6, 1981, No. 2422 and August 25, 1999, No. 4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the bank's obligation under defined employee plans. IAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after January 1, 2013. In accordance with the revised standard, actuarial gain/loss related to employee benefits shall be recognized in other comprehensive income.

Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The average inflation rate is 7% and profit share rate is 11.80% at the respective balance sheet date (December 31, 2016: Inflation rate 6.50% and profit share rate 11.40%).

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b) Defined contribution plans:

The Participation Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Participation Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

c) Short term benefits to employees:

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

XVIII. Explanations on Taxation:

Tax expense is the total amount of current tax expense and deferred tax expense.

Taxable profit is different from the profit on the income statement, due to the fact that it excludes the income and expense items, which can be taxed or deducted in the following periods and the items, which cannot be taxed or deducted, permanently. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax, related to items recognized directly in equity is also credited or charged directly to equity.

Deferred tax liability or asset is determined by calculating tax effects of temporary differences between the base amounts of the financial statement and legally enacted tax base amounts of liabilities and assets by using balance sheet method and considering legal tax rates. Deferred tax liabilities are calculated for all the temporary taxable differences, while the deferred tax assets composed of temporary deductible differences excluding general loan provisions, are calculated in case it is highly probable to use these differences in the future to gain taxable profit. Deferred tax liability is not calculated for temporary timing differences, which are arising from the initial entering of assets or liabilities, except for goodwill and mergers, and which do not affect either the commercial or financial profit or loss.

The book value of deferred tax liability is reviewed at each balance sheet date. The book value of the deferred tax is reduced as probability of gaining enough taxable profit decreases.

Deferred tax is calculated over the tax rates that are valid for the period in which the assets are incurred or the liabilities are fulfilled or close to the date of enactment and recorded as income or expense in the income statement. However, deferred tax is recognized directly in equity if the tax asset relates directly to equity in the same or different period. The corporation tax which is taken over the corporation earnings by being changed in the Law No. 7061 of the Law No. 91 of the Law and the Law of the Corporation Tax which is published in the Official Gazette dated 5 December 2017 and numbered 30261 and is applied to the profits of the corporations for the taxation periods of 2018, 2019 and 2020 from 20% to 22%. The Participation Bank makes deferred tax calculation using the related rates, considering the periods when the deferred tax assets and liabilities will be realized. Current tax payable is netted off as it relates to prepaid tax amounts.

Similarly, the deferred tax liability and the obligation are offset in the financial statements.

Also, by the Banking Regulation and Supervision Agency's notice, if there is a income balance after the deferred tax assets and clarified debt, deferred debt assets are not taken into account in the profit allocation and increased capital investments.

The corporate tax rate in Turkey is 20%. However, in accordance with the provisional article 10 added to the Corporate Tax Law, the corporate tax rate of 20% corresponds to the corporate earnings of the corporation's taxation periods of 2018, 2019 and 2020 (accounting periods for the institutions for which special account turnover has been set) 22%. Corporate tax rate is applied to the corporate income of the corporation to be added to expenses that are not accepted as discounts in accordance with the tax laws and to the deduction of the exemptions and discounts in the data laws. The corporation tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the year in which it is relevant and paid until the end of the relevant month.

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Corporations shall declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018,2019 and 2020) over their quarterly financial profits until the fourteenth day of the second month following that period and pay the till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount is left in spite of the deduction, such amount can be deducted as cash can be refunded.

XIX. Additional Explanations on Borrowings:

Borrowings are recognized in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". borrowings except derivatives financial liabilities held for trading are recorded at their purchase costs and discounted by using the internal rate of return. Derivatives financial liabilities held for trading are recorded at their fair value amounts as explained in the accounting policy numbered IV.

Funds obtained via the debt certificates issued by the asset leasing company has been presented under funds borrowed.

XX. Explanations on Share Certificates:

There are no share certificates issued by the Participation Bank as of December 31, 2017.

XXI. Explanations and Disclosures on Acceptances:

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in the off-balance sheet accounts.

XXII. Explanations and Disclosures on Government Incentives:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Participation Bank received government grant from TÜBİTAK amounting to TL 980 (December 31, 2016 - TL 610).

XXIII. Explanations and Disclosures on Segment Reporting:

The Participation Bank operates in individual banking, specific customer current accounts, profit sharing accounts, credit and ATM cards, consumer loans, long term housing and car loans and other individual bank services. The Participation Bank operates in automatic transfer services, internet banking services, current accounts, profit share accounts, cash/non cash loans, financial leasing, foreign trade transactions, insurance transactions and corporate banking services. There are not any economic, financial and political factors that affect segmenting of activities and investments. Due to fluctuations in economic situation, investments are affected from instability and available resources are evaluated as liquid.

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Information on the activity division is given below. This information has been prepared with the data obtained from the management reporting system of the Participation Bank.

Current Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	771,201	998,489	144,365	-	1,914,055
Net profit of segment (*)	167,776	254,592	35,274	-	457,642
Profit Before Tax	167,776	254,592	35,274	-	457,642
Tax Provision	-	-	-	82,282	82,282
Profit after tax	167,776	254,592	35,274	(82,282)	375,360
Net period profit	167,776	254,592	35,274	(82,282)	375,360
Assets of segment	5,952,308	21,689,203	9,547,066	1,892,320	39,080,897
Total Assets	5,952,308	21,689,203	9,547,066	1,892,320	39,080,897
Liabilities of segment	14,290,202	6,293,027	10,150,266	4,286,804	35,020,299
Equity	-	-	-	4,060,598	4,060,598
Total liabilities and equity	14,290,202	6,293,027	10,150,266	8,347,402	39,080,897

(*) Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

Prior Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	481,900	1,368,295	215,439	-	2,065,634
Net profit of segment (*)	119,418	221,176	28,481	-	369,075
Profit Before Tax	119,418	221,176	28,481	-	369,075
Tax Provision	-	-	-	72,832	72,832
Profit after tax	119,418	221,176	28,481	(72,832)	296,243
Net period profit	119,418	221,176	28,481	(72,832)	296,243
Assets of segment	3,754,599	23,935,004	9,716,365	1,401,749	38,807,717
Total Assets	3,754,599	23,935,004	9,716,365	1,401,749	38,807,717
Liabilities of segment	9,810,234	12,249,083	12,212,452	872,934	35,144,703
Equity	-	-	-	3,663,014	3,663,014
Total liabilities and equity	9,810,234	12,249,083	12,212,452	4,535,948	38,807,717

(*) Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

XXIV. Explanations on Other Matters

There are no explanations exist other than the accounting policies stated above.

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SECTION FOUR: INFORMATION ON FINANCIAL STRUCTURE

I. Explanations and Disclosures Related to the 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 December 31, 2017 Bank's total capital has been calculated as TL 5,070,837 (December 31, 2016: TL 4,633,734), capital adequacy ratio is 18.22% (December 31, 2016: 15.58%).

	Current Period (*) 31.12.2017	Prior Period (*) 31.12.2016
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,600,000	2,600,000
Share Premium	-	-
Legal Reserves	1,000,450	703,837
Gains recognized in equity as per TAS	14,504	8,623
Profit	471,321	392,204
Net Current Period Profit	375,360	296,243
Prior Period Profit	95,961	95,961
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-
Common Equity Tier 1 Capital Before Deductions	4,086,275	3,704,664
Deductions From Common Equity Tier I 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	16,073	16,965
Improvement costs for operating leasing	20,809	19,188
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage -servicing right (net of related tax liability)	52,846	42,021
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	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Portion of the total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Portion of the total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Portion of Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Portion of Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier 1 Capital	89,728	78,174
Total Common Equity Tier 1 Capital	3,996,547	3,626,490

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	Current Period ⁽¹⁾ 31.12.2017	Prior Period ⁽¹⁾ 31.12.2016
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by BRSA	-	-
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by BRSA (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Additional Core Capital before Deductions	-	-
Deductions from Additional Core Capital		
Direct and Indirect Investments of the Bank on its own Additional Core 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 Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	13,212	28,014
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
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	13,212	28,014
Total Additional Tier I Capital	(13,212)	(28,014)
Total Tier I Capital (Tier I = Common Equity + Additional Tier I Capital)	3,983,335	3,598,476
TIER II CAPITAL		
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency	952,600	882,950
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	134,902	154,918
Tier II Capital before Deductions	1,087,502	1,037,868
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.	-	-
Portion of the 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% of Common Equity of the Bank	-	-
Portion of the total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% of Common Equity of the Bank	-	-
Other items to be Defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1,087,502	1,037,868
Total Capital (The sum of Tier I Capital and Tier II Capital)	5,070,837	4,636,344
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 Sale but Retained more than five years	-	2,585
Other items to be Defined by the BRSA (-)	-	25

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In Transition from the Total Core Capital and Supplementary Capital (the Capital) to Continue to Download the Components	Current Period ⁽¹⁾ 31.12.2017	Prior Period ⁽¹⁾ 31.12.2016
The sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than %10 of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 Capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
EQUITY	5,070,837	4,633,734
Total Capital	5,070,837	4,633,734
Total risk weighted amounts	27,827,072	29,748,769
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	14.36	12.19
Tier 1 Capital Adequacy Ratio	14.32	12.10
Capital Adequacy Ratio	18.22	15.58
BUFFERS		
Total buffer requirement	1.250	0.625
Capital conservation buffer requirement	1.250	0.625
Bank specific counter-cyclical buffer requirement	-	-
Systematically important buffer requirement (%)	-	-
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	9.86	7.69
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	-	-
Limits related to provisions considered in Tier II calculation	-	-
Amount arising from deferred tax assets based on temporary differences	47,756	74,356
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	134,902	154,918
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	134,902	154,918
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 temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

⁽¹⁾ Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Participation Banks" and taken into consideration at the end of transition process.

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Information on debt instruments included in the calculation of equity:

Issuer	The National Commercial Bank	The National Commercial Bank
Instrument code (CUSIP, ISIN, etc.)	-	-
Governing Law(s) of the Instrument	Regulation on Equity of Banks	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Subordinated Loan	Subordinated Loan
Amount recognized in regulatory capital (as of most recent reporting date)	381.04	571.56
Par Value of Instrument (Million USD)	100	150
Accounting Classification	Liabilities/Subordinated Loan	Liabilities/Subordinated Loan
Original date of Issuance	31.3.2015	30.6.2015
Perpetual or dated	Dated	Dated
Maturity date	10 years	10 years
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year: Total repayment or minimum 10,000,000 USD	After 5th year: Total repayment or minimum 10,000,000 USD
Subsequent call dates	-	-
Profit Share/Dividends		
Fixed or floating profit share/dividend	Fixed	Fixed
Profit share rate and any related index	7.23%	7.78%
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	-	-
Convertible or Non-convertible		
If convertible, conversion trigger	-	-
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	-	-

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Write-down feature		
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 securities and additional core capital/after all borrowings	Before securities and additional core capital/after all borrowings
In compliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8,2,ğ	8,2,ğ

The difference between the equity costs on the cap table and the equity costs on the unconsolidated balance sheet is the tier capital which is caused by the subordinated costs. In a subordinated loan account, 1.25% of the general provisions that are shown in the costs and expenses account are taken into account as the tier capital. Losses from the protection operations of the cash flow risk set aside, operating lease costs on the tangible assets on the balance sheet, intangible assets and tax liabilities, deferred tax assets/liabilities are taken into consideration in the equity calculation as the values that need to be deducted from the capital.

II. Explanations and Disclosures Related to Credit Risk

Credit risk is the risk of a counter party with whom the Participation Bank has a commercial relation. This risk represents the losses of the Participation Bank when its counter party can not conform to a signed contract by disregarding the related obligations partially or totally in specified periods.

Credit worthiness of loan customers are monitored and reviewed by the Loan Allocation Department of the Participation Bank semiannually or annually in accordance with the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions". The account statements are obtained based on the prevailing regulations. Loan limits are determined by the Board of Directors, the Loan Committee of the Participation Bank and the Loan Administration. The Participation Bank obtains guarantees for its loans and other receivables. Guarantees received comprised of real and legal person sureties with a high credibility, bonds issued with guarantees of Treasury, Privatization Administration and Housing Development Administration of Turkey, securities issued with the guarantees of central governments and central banks of OECD countries, European Central Bank and securities issued with this Bank's guarantee, gold and other precious metals, investment equity shares listed on the stock exchange, asset based securities, private sector bonds, letters of guarantee and other guarantees by the banks, guarantees of banks operating in OECD countries, the guarantees of central governments and central banks of OECD countries, transfer or pledge of claims arise from public institutions, customer check, vehicle pledges, export documents, pledge of assets, hypothecs such as ship, aircraft and real estate and cash blockages.

When exposed to significant credit risk; It is not considered as the ways to reduce the overall risk by the term transactions, forwards, options, similar qualified agreements, using the rights, fulfillment of action or ending a short time through the sale.

Indemnified non-cash loans are subject to the same risk weight with the unpaid cash loans although their maturity was due.

The risk of the Participation Bank from its top 100 and top 200 cash loan customers share in total cash loans ratios are 22.38% and 30.73% (31 December 2016: 19.08% and 26.89%).

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The risk of the Participation Bank from its top 100 and top 200 non-cash loan customers share in total non-cash loan ratios are 33.99% and 44.31% (31 December 2016: 31.54 % and 41.85%).

The cash receivables of the Participation Bank from its top 100 and top 200 loan customers shares in total balance sheet assets are 14.93% and 20.50% (31 December 2016: 13.02% and 18.35%).

The non-cash receivables of the Participation Bank from its top 100 and top 200 loan customers shares in total noncash loan ratios are 0.64% and 0.83% (31 December 2016: 0.78% and 1.03%).

The Participation Bank's general provision amount for its credit risk is TL 203,151 (31 December 2016: TL 231,669).

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments or Central Banks	9,129,338	8,485,164
Conditional and unconditional receivables from regional or local governments	29	29
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	3,533	19,525
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,632,681	1,909,129
Conditional and unconditional receivables from corporates	12,788,672	12,580,054
Conditional and unconditional receivables from retail portfolios	6,839,616	6,887,104
Conditional and unconditional receivables secured by mortgages	6,769,830	7,288,131
Past due receivables	252,843	263,106
Receivables defined under high risk category by BRSA	122,478	138,579
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	-	-
Other receivables	2,702,765	2,823,588

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

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Profile of significant exposures in major regions

	Risk Classifications ⁽¹⁾				
	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates
Current Period					
1 Domestic	9,129,338	29	3,533	368,380	12,616,293
2 European Union Countries	-	-	-	1,134,998	8,402
3 OECD Countries ^(**)	-	-	-	8,726	-
4 Off- Shore Regions	-	-	-	-	9
5 USA, Canada	-	-	-	56,243	2
6 Other Countries	-	-	-	64,334	163,966
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-
8 Undistributed Assets/Liabilities	-	-	-	-	-
9 Total	9,129,338	29	3,533	1,632,681	12,788,672
Prior Period					
1 Domestic	8,496,373	26	30,144	792,491	13,068,105
2 European Union Countries	-	-	-	1,124,085	10,419
3 OECD Countries ^(**)	-	-	-	8,931	-
4 Off- Shore Regions	-	-	-	-	20,325
5 USA, Canada	-	-	-	62,210	2
6 Other Countries	-	-	-	122,949	249,816
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-
8 Undistributed Assets/Liabilities	-	-	-	-	-
9 Total	8,496,373	26	30,144	2,110,666	13,348,667

⁽¹⁾ Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks." Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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

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Risk Classifications (*)

Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Other receivables	Total
6,813,352	6,746,331	252,200	75,806	2,674,021	38,679,283
6,588	10,170	476	359	28,739	1,189,732
282	1,037	-	-	-	10,045
234	205	-	-	-	448
11	132	-	-	-	56,388
19,149	11,955	167	46,313	5	305,889
-	-	-	-	-	-
-	-	-	-	-	-
6,839,616	6,769,830	252,843	122,478	2,702,765	40,241,785
-	-	-	-	-	-
7,146,333	7,834,308	245,536	133,294	2,234,379	39,980,989
6,224	15,230	894	327	22,182	1,179,361
125	1,136	-	-	-	10,192
708	1,408	-	-	2	22,443
809	186	-	2,966	-	66,173
22,077	17,214	9,789	38,636	666	461,147
-	-	-	-	-	-
-	-	-	-	-	-
7,176,276	7,869,482	256,219	175,223	2,257,229	41,720,305

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Risk profile by sectors or counterparties

	Sectors/Counterparties	Risk Classifications (*)						
		1	2	3	4	5	6	7
1	Agricultural	-	-	-	-	297,285	99,766	75,471
1.1	Farming and raising livestock	-	-	-	-	297,285	99,766	75,471
1.2	Forestry	-	-	-	-	-	-	-
1.3	Fishing	-	-	-	-	-	-	-
2	Manufacturing	-	7	12	-	5,412,468	1,769,141	1,293,430
2.1	Mining	-	7	2	-	424,899	51,886	37,134
2.2	Production	-	-	8	-	3,992,109	1,672,458	1,206,822
2.3	Electricity, Gas, Water	-	-	2	-	995,460	44,797	49,474
3	Construction	-	-	-	-	1,848,597	802,881	1,509,551
4	Services	9,129,338	20	1,621	1,632,681	5,005,839	2,908,947	2,251,123
4.1	Wholesale and Retail Trade	-	-	1	-	2,912,535	2,121,039	1,420,019
4.2	Hotel, Food, Beverage Services	-	-	1	-	339,729	37,746	248,978
4.3	Transportation and Telecommunication	-	-	-	-	558,524	190,863	120,562
4.4	Financial Institutions	9,129,338	-	-	1,632,681	89,525	5,868	6,438
4.5	Real Estate and Lending Services	-	20	109	-	959,666	470,068	361,515
4.6	Self employment Service	-	-	-	-	-	-	-
4.7	Education Service	-	-	1,487	-	24,422	28,896	43,799
4.8	Health and social Services	-	-	23	-	121,438	54,467	49,812
5	Other	-	2	1,900	-	224,483	1,258,881	1,640,255
6	Total	9,129,338	29	3,533	1,632,681	12,788,672	6,839,616	6,769,830

1-Conditional and unconditional receivables from central governments and Central Banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from administrative bodies and non-commercial enterprises

4-Conditional and unconditional receivables from banks and brokerage houses

5-Conditional and unconditional receivables from corporates

6-Conditional and unconditional receivables from retail portfolios

7-Conditional and unconditional receivables secured by mortgages

8-Past due receivables

9-Receivables defined under high risk category by BRSA

10-Other receivables

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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Risk Classifications (*)					
8	9	10	TL	FC	Total
3,665	590	493	405,328	71,942	477,270
3,665	590	493	405,328	71,942	477,270
-	-	-	-	-	-
-	-	-	-	-	-
51,433	44,900	4,228	5,242,891	3,332,728	8,575,619
4,475	49	120	235,175	283,397	518,572
45,863	44,849	3,621	4,303,934	2,661,796	6,965,730
1,095	2	487	703,782	387,535	1,091,317
42,738	15,562	2,234	3,677,147	544,416	4,221,563
128,138	58,794	2,611,973	13,102,443	10,626,031	23,728,474
86,089	28,997	4,240	5,508,349	1,064,571	6,572,920
4,542	2,873	295	495,076	139,088	634,164
4,119	133	313	588,207	286,307	874,514
7	24,101	1,741,495	4,645,749	7,983,704	12,629,453
12,691	2,354	865,516	1,523,314	1,148,625	2,671,939
-	-	-	-	-	-
19,367	133	30	115,580	2,554	118,134
1,323	203	84	226,168	1,182	227,350
26,869	2,632	83,837	3,058,375	180,484	3,238,859
252,843	122,478	2,702,765	25,486,184	14,755,601	40,241,785

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Analysis of maturity-bearing exposures according to remaining maturities

Risk Categories ⁽¹⁾	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1 Conditional and unconditional receivables from central governments or Central Banks	4,017,226	947,061	99,518	1,388,176	3,440,619
2 Conditional and unconditional receivables from regional or local governments	29	-	-	-	-
3 Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	534	121	5	779	2,093
4 Conditional and unconditional receivables from banks and brokerage houses	162,967	2,090	1,074	1,047,160	1,099,249
5 Conditional and unconditional receivables from corporates	886,611	1,020,203	1,246,391	1,834,172	7,279,429
6 Conditional and unconditional receivables from retail portfolios	655,249	524,203	728,131	1,000,080	2,653,942
7 Conditional and unconditional receivables secured by mortgages	209,335	309,368	473,590	1,059,999	4,717,539
8 Past due receivables	252,779	-	-	-	-
9 Receivables defined under high risk category by BRSA	98,284	-	1,001	-	22,570
10 Other receivables	7,225	-	-	-	-
Total	6,290,239	2,803,046	2,549,710	6,330,366	19,215,441

⁽¹⁾ Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Risk amounts according to risk weights

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deducted from Equity
1 Amount Before Credit Risk Mitigation	6,806,036	-	2,252,083	2,614,395	130,150	8,392,997	19,923,645	122,478	-	-	20,809
2 Amount After Credit Risk Mitigation	8,872,628	-	2,435,435	2,616,806	4,335,078	5,255,536	16,620,113	106,188	-	-	-

Miscellaneous information regarding important sectors or counterparty type

Impaired Credits; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

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

Important Sectors/Counterparties	Credit Risks			
	Impaired Receivables	Past Due Receivables	Impairment	Specific Provision
1 Agricultural	29,725	50,605	3,626	23,970
1.1 Farming and raising livestock	29,725	50,605	3,626	23,970
1.2 Forestry	-	-	-	-
1.3 Fishing	-	-	-	-
2 Manufacturing	386,560	618,104	57,133	296,258
2.1 Mining	10,690	49,215	3,899	5,498
2.2 Production	365,151	503,891	45,962	281,316
2.3 Electricity, Gas, Water	10,719	64,998	7,272	9,444
3 Construction	200,695	531,668	30,920	124,155
4 Services	703,672	981,836	71,744	499,970
4.1 Wholesale and Retail Trade	500,377	538,084	44,520	352,757
4.2 Hotel, Food, Beverage Services	35,358	181,947	6,238	26,404
4.3 Transportation and Telecommunication	43,241	90,723	5,934	37,109
4.4 Financial Institutions	138	1,858	510	125
4.5 Real Estate and Lending Services	59,734	154,794	12,217	41,422
4.6 Self employment Service	-	-	-	-
4.7 Education Service	53,728	3,573	833	33,027
4.8 Health and social Services	11,096	10,857	1,492	9,126
5 Other	94,340	193,639	39,728	58,639
6 Total	1,414,992	2,375,852	203,151	1,002,992

Information related to impairment and loan loss provisions:

	Opening Balance	Provisions provided during the period	Provision Reversals(**)	Other Adjustments (*)	Closing Balance
1 Specific Provisions	857,194	515,766	(392,132)	22,164	1,002,992
2 General Provisions	231,669	3,678	(34,878)	2,682	203,151

(*) Determined according to exchange rate differences.

(**) The part of TL 392,132 amounting to TL 251,286 is write-off amount and loans sold to asset management company.

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The credit quality of financial assets as of 31 December 2017 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	5,089,049	-	5,089,049
Financial assets at fair value through profit and loss	16,548	-	16,548
Financial assets available for sale	3,724,381	-	3,724,381
Loans ^(*)	26,071,453	1,414,992	27,486,445
Corporate loans	11,282,932	426,735	11,709,667
Loans to SMEs	11,592,786	929,412	12,522,198
Consumer loans	3,195,735	58,845	3,254,580
Other	-	-	-
Total	34,901,431	1,414,992	36,316,423

^(*) Leasing receivables are also included in loans.

The credit quality of financial assets as of 31 December 2016 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	5,045,536	-	5,045,536
Financial assets at fair value through profit and loss	62,515	-	62,515
Financial assets available for sale	3,276,344	-	3,276,344
Loans ^(*)	26,479,612	1,394,324	27,873,936
Corporate loans	10,222,692	443,557	10,666,249
Loans to SMEs	12,395,120	892,484	13,287,604
Consumer loans	3,861,800	58,283	3,920,083
Other	-	-	-
Total	34,864,007	1,394,324	36,258,331

^(*) Leasing receivables are also included in loans.

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Explanations regarding risk categories

Fitch Rating are used by the Bank for risk classifications of receivables from countries or central banks, global credit rating institution, whereas other institutions remaining outside of Fitch Ratings are subject to the credit ratings country risk classification issued by Organization of Economic Corporation and Development. In case credit rating grades of institutions like Standard & Poor's (S&P), Moody's and Fitch Ratings are available, grades are in use together. Corporate receivables from counterparties are settled abroad with other risk classes, corporate receivables from residents and receivables from banks are accepted as "gradeless". Credit quality grades corresponding to score of Fitch Ratings, Moody's and Standard & Poor's are shown below

Ratings to be matched	Credit Quality Degrees	Fitch	Moody's	S&P
Ratings of long-term credits	1	AAA and AA-	Aaa and Aa3	AAA and AA-
	2	A+ and A-	A1 and A3	A+ and A-
	3	BBB+ and BBB-	Baa1 and Baa3	BBB+ and BBB-
	4	BB+ and BB-	Ba1 and Ba3	BB+ and BB-
	5	B+ and B-	B1 and B3	B+ and B-
	6	CCC+ and below	Caa1 and below	CCC+ and below
Ratings of short-term credits	1	F1+ and F1	P-1	A-1+ and A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	4	F3 below	NP	A-3 below
	5	—	—	—
	6	—	—	—
Long-term securitization position ratings	1	AAA and AA-	Aaa and Aa3	AAA and AA-
	2	A+ and A-	A1 and A3	A+ and A-
	3	BBB+ and BBB-	Baa1 and Baa3	BBB+ and BBB-
	4	BB+ and BB-	Ba1 and Ba3	BB+ and BB-
	5	B+ and below	B1 and below	B+ and below
Short-term securitization position ratings	1	F1+ and F1	P-1	A-1+ and A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	Others	Below F3	NP	Below A-3
Matchings regarding collective investment institutes	1	AAA and AA-	Aaa and Aa3	FCQR: AAAf and AA-f; PSFR: AAAm and AA-m
	2	A+ and A-	A1 and A3	FCQR: A+f and A-f; PSFR: A+m and A-m
	3	BBB+ and BBB-	Baa1 and Baa3	FCQR: BBB+f and BBB-f; PSFR: BBB+m and BBB-m
	4	BB+ and BB-	Ba1 and Ba3	FCQR: BB+f and BB-f; PSFR: BB+m and BB-m
	5	B+ and B-	B1 and B3	FCQR: B+f and B-f; PSFR: B+m and B-m
	6	CCC+ and below	Caa1 and below	FCQR: CCC+f and below; PSFR: CCC+m and below

FCQR: Fund Credit Quality Ratings.

PSFR: Principal Stability Fund Ratings.

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III. Risk involved in counter-cyclical capital buffer calculation:

Current Period			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	20,829,570	-	20,829,570
Saudi Arabia	74,735	-	74,735
Georgia	38,223	-	38,223
Marshall Islands	37,343	-	37,343
Bosnia-Herzegovina	35,613	-	35,613
Albania	33,855	-	33,855
Great Britain	29,716	-	29,716
United Arab Emirates	25,356	-	25,356
Other	23,873	-	23,873
Total	21,128,284	-	21,128,284
Prior Period			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	22,585,327	33,794	22,619,121
Saudi Arabia	88,400	-	88,400
Georgia	81,568	-	81,568
Marshall Islands	60,072	-	60,072
Bosnia-Herzegovina	33,985	-	33,985
Albania	31,696	-	31,696
Great Britain	26,258	-	26,258
United Arab Emirates	23,501	-	23,501
Other	61,390	-	61,390
Total	22,992,197	33,794	23,025,991

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IV. Explanations and Disclosures Related to Currency Risk:

Currency risk is included in foreign currency buying/selling portfolio so that how available position affects the general risk profile is calculated. Sensitivity analysis made by RMD results and stress tests are reported to top management.

The Participation Bank centralized currency risk and ensured the managing and bearing of all currency risk by Fund Management. Other profit centers transfers the currency risk on them to Fund Management and the risk is followed in foreign currency buying/selling portfolio.

The Participation Bank efforts not to take short position based on the foreign currency risk. When any currency risk is occurred due to customer transactions, currency risk is eliminated by taking reverse position. Foreign exchange buying rates of the Participation Bank at the date of the balance sheet and for the previous five working days are in the following table:

	EUR	USD
Buying Rate at Balance Sheet Date	4.5478	3.8104
December 29, 2017	4.5478	3.8104
December 28, 2017	4.5385	3.8197
December 27, 2017	4.5116	3.8029
December 26, 2017	4.5205	3.8087
December 25, 2017	4.5171	3.8113
December 22, 2017	4.5382	3.8223

The Participation Bank's average foreign currency buying rate over a period of thirty days preceding the date of the financial statement is in the table below:

1 USD	3,8477 TL
1 EUR	4,5525 TL

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Information on currency risk of the Participation Bank: Foreign Currencies (Thousands of TL)

	EUR	USD	Other FC ⁽¹⁾	Total
Current Period				
Assets				
Cash and Balances with the Central Bank of Turkey	634,235	3,912,988	975,675	5,522,898
Banks	44,035	240,888	21,339	306,262
Financial Assets at Fair Value through Profit/Loss (4)	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	233	1,975,610	-	1,975,843
Loans (1)	5,243,056	6,017,183	-	11,260,239
Investment in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Investments Held to Maturity	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (2)	7,644	74,945	390	82,979
Total Assets	5,929,203	12,221,614	997,404	19,148,221
Liabilities				
Funds Collected from Banks Via Current and Profit Sharing Accounts	138,108	39,233	823	178,164
Current and Profit Sharing Accounts	3,772,674	6,019,408	896,093	10,688,175
Money Market Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	896,533	7,266,319	1,093,031	9,255,883
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	30,006	203,986	8,047	242,039
Derivative Financial Liabilities Held for Risk Management (6)	-	-	-	-
Other Liabilities (3)	44,643	58,169	1,284	104,096
Total Liabilities	4,881,964	13,587,115	1,999,278	20,468,357
Net Balance Sheet Position	1,047,239	(1,365,501)	(1,001,874)	(1,320,136)
Net Off Balance Sheet Position	(1,093,059)	1,330,014	1,009,864	1,246,819
Financial Derivative Assets	953,676	3,840,404	1,385,702	6,179,782
Financial Derivative Liabilities	2,046,735	2,510,390	375,838	4,932,963
Non-Cash Loans (5)	1,490,456	2,199,733	180,617	3,870,806
Prior Period				
Total Assets	5,689,763	13,138,322	926,273	19,754,358
Total Liabilities	3,635,702	14,604,575	1,619,707	19,859,984
Net Balance Sheet Position	2,054,061	(1,466,253)	(693,434)	(105,626)
Net Off Balance Sheet Position	(2,056,847)	1,406,762	709,585	59,500
Financial Derivative Assets	779,173	3,686,143	1,145,075	5,610,391
Financial Derivative Liabilities	2,836,020	2,279,381	435,490	5,550,891
Non-Cash Loans (5)	1,881,077	3,151,344	301,291	5,333,712

⁽¹⁾ Other FC column includes precious metals and currency except USD and EUR.⁽¹⁾ Includes a foreign currency indexed credit amounting to TL 6,317,441 and a foreign currency indexed financial leasing amounting to TL 869,619, which are presented as Turkish Lira on the financial statements.⁽²⁾ FC that shown in the table, does not include prepaid expenses amounting to TL 125.⁽³⁾ Other liabilities include general loan loss provision amounting to TL 26,350. Besides, accrual of derivative financial liabilities held for trading amounting to TL 14,557 and rediscount on spot transaction amounting to TL 776, Risk management funds and securities fair value differences funds amounting to TL (9,262) are not included in the other liabilities.⁽⁴⁾ Accrual of derivative financial assets held for trading amounting to TL 8,177 is deducted from financial assets at fair value through profit or loss.⁽⁵⁾ No effect on net off balance sheet position.⁽⁶⁾ Derivative financial liabilities held for risk management does not include TL 256,796 which shown in foreign exchanges on financial statements.

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Foreign currency sensitivity

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

The following table details the Participation Bank's sensitivity to a 10% change in the TL against USD, EUR, and other foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of TL strengthens 10% against USD, EUR, and other foreign currencies. This analysis has been prepared with the assumption that all other variables remain constant.

	Change in exchange rate (*)	Effect on Profit/Loss		Effect on Equity	
		Current Period	Prior Period	Current Period	Prior Period
Usd	10%	(3,549)	(5,949)	(3,829)	(2,149)
Euro	10%	(4,582)	(279)	(4,582)	(279)
Other FC	10%	799	1,615	799	1,615

(*) Includes the profit/(loss) effect in the case of a change for 10% in currency rates.

V. Explanations and Disclosures Related to Interest Rate Risk

Since the Participation Bank has interest-free banking operations, it does not have any interest sensitive asset or liability and consequently, it does not have any interest rate risk.

VI. Explanations and Disclosures Related to Share Risk due from Banking Book:

The Bank doesn't have any subsidiaries and affiliates that are traded on "BIST".

VII. Explanations and Disclosures Related to Liquidity Risk and Liquidity Coverage Ratio:

Liquidity risk is the possibility of failing partly or completely to cover participation bank's liquid assets and receivables by its liabilities. Liquidity risk is one of the main risks which is undertaken by Participation Bank to fulfill its primary banking services. To manage the mentioned risk in a conservative manner, indicators related to liquidity risk are determined in structure of Participation Bank's risk appetite. Existing risk appetite structure includes Benchmark Deposits Rate and Total Liquidity Coverage Ratio. Participation Bank's risk appetite is approved by Board of Directors, monitored by Risk Management Division and reported to senior management. In case of overdraft of limits, the mentioned matters are reported to Audit Committee. In addition, on monthly basis, measurement and assessment is performed related to target and stimulant indicator which has been determined by Active Passive Management Committee. Target, alert, and trigger levels related to indicators of liquidity are determined and monitored by Active Passive Management Committee, in order to limit liquidity risk.

Participation Bank implements strategies aimed at diversification of fund sources, procuring of fund sources with longer maturities, and conformance on maturity between assets and liability in order to avoid liquidity risk. All balance sheet items which have an impact on liquidity, are decomposed on maturity basis and their liquidity situation is analyzed. "The Liquidity Coverage Ratio" and "Net Stable Funding Ratio" reports are prepared according to Basel III principles. The liquidity coverage ratio report is presented to BRSA according to the regulations, and Net Stable Funding Ratio report is prepared at present for information purposes.

In the case of liquidity squeeze which is sourced by The Participation Bank or The Market, the actions to be implemented according to the order of priority and the precautions to be taken is formed under the Liquidity Risk Management-Emergency Action Plan in which the roles and responsibilities are established. The liquidity contingency funding plan is a part of Participation Bank's Liquidity Risk Management Policy which is approved by Board of Directors and in the case of liquidity problem, identifies the precaution and actions to be taken.

Participation Bank apply stress testing for liquidity risk, as well as the other significant risk types. In stress testings related to liquidity risk, power of resistance to determined scenarios is tested with regard to liquidity structure. In other words, the capability of Participation Bank's completely and in time fulling of its liabilities under stress circumstances is tested.

To measure the capital requirement to cover imposed or possible risk and sustain its activities with adequate capital, Participation Bank's Risk Management Group prepares ICAAP report at least once a year by analysing Participation Bank's current and future capital requirements along with strategic goals and macroeconomic variables and the report is transmitted to BRSA.

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Under the ICAAP report, Participation Bank's possible losses and the capital adequacy level which will cover the losses are estimated with the help of stress test and scenario analysis which identify possible changes in market conditions and possible events which may affect The Participation Bank negatively. With the stress test and scenario analysis, The Participation Bank's liquidity adequacy and planning is evaluated and with these evaluations, the liquidity level of The Participation Bank needs to fulfill its obligations is identified.

Other than scenario analysis and stress tests realized by ICAAP additional stress tests are performed in monthly and quarterly periods. These additional stress tests which evaluate Market and counterparty credit risk and the Participation Bank's total liquidity risk are performed monthly within the 'Framework of Internal Systems of Banks and Internal Capital Adequacy Assessment Process.'

Liquidity Coverage Ratio:

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUIDITY ASSETS				
1 High Quality Liquidity Assets			7,543,681	5,454,440
CASH OUTFLOWS				
2 Retail and Small Business Customers' Deposits	17,013,962	7,346,633	1,685,886	721,525
3 Stable Deposits	2,588,426	772,794	129,421	38,640
4 Less Stable Deposits	14,425,536	6,573,839	1,556,465	682,885
Unsecured fundings besides retail and small business customers' deposits				
5 Operational Deposits	-	-	-	-
6 Non-Operational Deposits	4,509,622	2,768,392	2,149,224	1,291,852
7 Other unsecured fundings	1,779,977	909,448	1,101,397	759,361
8 Secured Fundings			-	-
9 Other Cash Outflows	6,601,554	4,063,895	5,913,135	3,876,847
10 Derivatives cash outflows and collateral outflows	5,503,467	3,794,395	5,503,467	3,794,395
11 Obligation related to structured financial products	-	-	-	-
12 Commitments related to debts to financial markets and other off-balance sheet obligations	1,098,087	269,500	409,668	82,452
Other revocable off-balance sheet commitments and contractual obligations				
13 Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
14 TOTAL CASH OUTFLOWS	8,555,516	1,961,120	772,408	222,671
15 TOTAL CASH OUTFLOWS			11,622,050	6,872,256
CASH INFLOWS				
16 Secured Lending	-	-	-	-
17 Unsecured Lending	2,204,718	952,425	2,204,718	952,425
18 Other Cash Inflows	5,519,726	4,753,161	5,519,726	4,753,161
19 TOTAL CASH INFLOWS	7,724,444	5,705,586	7,724,444	5,705,586
			Total Adjusted Value	
20 TOTAL HQLA STOCK			7,543,681	5,454,440
21 TOTAL NET CASH OUTFLOW			3,897,999	1,733,279
22 LIQUIDITY COVERAGE RATIO (%)			193.53	314.69

⁽¹⁾ The average calculation for the last three months of the liquidity coverage ratio is taken by the weekly simple arithmetic average.

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Prior Period	Total Unweighted Value (average) (*)		Total Weighted Value (average) (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUIDITY ASSETS				
1	High Quality Liquidity Assets		6,127,782	4,502,423
CASH OUTFLOWS				
2	Retail and Small Business Customers' Deposits		1,583,387	611,609
3	Stable Deposits		65,495	13,413
4	Less Stable Deposits		1,517,892	598,196
Unsecured fundings besides retail and small business customers' deposits				
5	Operational Deposits		3,614,424	1,916,758
6	Non-Operational Deposits		-	-
7	Other unsecured fundings		2,659,874	1,357,094
8	Secured Fundings		954,550	559,664
9	Other Cash Outflows		-	-
10	Derivatives cash outflows and collateral outflows		7,174,579	4,804,864
11	Obligation related to structured financial products		5,313,524	4,584,170
12	Commitments related to debts to financial markets and other off-balance sheet obligations		5,512,682	4,584,170
13	Other revocable off-balance sheet commitments and contractual obligations		1,661,897	220,694
14	Other irrevocable or conditionally revocable off-balance sheet obligations		-	-
15	TOTAL CASH OUTFLOWS		10,029,656	289,883
16	TOTAL CASH INFLOWS		12,230,033	7,623,114
CASH INFLOWS				
17	Secured Lending		-	-
18	Unsecured Lending		1,907,448	753,978
19	Other Cash Inflows		1,907,448	753,978
20	TOTAL CASH INFLOWS		5,617,415	4,343,901
21	TOTAL HQLA STOCK		7,524,863	5,097,879
22	TOTAL NET CASH OUTFLOW		-	-
23	LIQUIDITY COVERAGE RATIO (%)		130.24	177.98

Total Adjusted Value

(*) The average calculation for the last three months of the liquidity coverage ratio is taken by the weekly simple arithmetic average.

The most important effect on liquidity coverage ratio result is, the size of high quality liquid assets which is comprised of cash assets, assets in Central Bank and received debt instruments(Sukuk). the total liquidity coverage ratio increased 4.4% in the fourth quarter of 2017 compared to the third quarter of 2017. In comparison with the third quarter of 2017, high quality liquid assets has increased by 13.09%. Another factor cash outflows, consist of funds collected and unsecured other debt instruments and off-balance sheet transactions. The share of deposits in cash outflows is 42%, unsecured other debt instruments' share is 10% as of December 31, 2017. The increase in high liquid assets in the fourth quarter of 2017 compared to the third quarter of 2017 has been effective in increasing our ratio. The purchases and sales of derivative transactions are in balance, it is almost no impact on ratio.

Highest,lowest and the average Liquidity Coverage Ratio regarding last 3 months of the year 2017 is presented below:

Current Period	Highest	Date	Lowest	Date	Average
TL+FC	276.24	24.12.2017	156.56	21.11.2017	193.53
FC	412.89	29.12.2017	227.05	21.11.2017	314.69

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Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Unallocated (*)	Total
Current Period								
Assets								
Cash and Balances with the Central Bank of Turkey	2,338,018	3,746,183	-	-	-	-	-	6,084,201
Banks and Other Financial Institutions	307,436	-	-	-	-	-	-	307,436
Financial Assets at Fair Value through Profit/Loss	-	12,629	2,337	1,582	-	-	-	16,548
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available for Sale	4,967	23,941	690,854	978,834	1,436,048	594,704	-	3,729,348
Loans (**)	-	2,765,226	3,746,531	9,298,408	9,485,790	775,498	412,000	26,483,453
Investments Held to Maturity	-	-	268,337	202,191	200,000	-	-	670,528
Other Assets	670,248	-	-	-	147,489	-	971,646	1,789,383
Total Assets	3,320,669	6,547,979	4,708,059	10,481,015	11,269,327	1,370,202	1,383,646	39,080,897
Liabilities								
Funds Collected from Banks via Current and Profit Sharing Accounts	15,622	197,680	18	-	-	-	-	213,320
Current and Profit Sharing Accounts	6,890,093	13,383,357	1,076,793	460,636	6,283	14	-	21,817,176
Funds Provided from Other Financial Institutions	-	246,106	915,744	4,386,415	4,143,152	952,600	-	10,644,017
Money Market Deposits	-	510,534	-	-	-	-	-	510,534
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	532,367	275,135	-	-	-	-	-	807,502
Other Liabilities (***)	251,946	71,785	16,558	1,685	256,796	-	4,489,578	5,088,348
Total Liabilities	7,690,028	14,684,597	2,009,113	4,848,736	4,406,231	952,614	4,489,578	39,080,897
Liquidity Gap	(4,369,359)	(8,136,618)	2,698,946	5,632,279	6,863,096	417,588	(3,105,932)	-
Net Off Balance Sheet Position	-	(15,628)	2,766	978	(134,889)	-	-	(146,773)
Financial Derivative Assets	-	4,263,408	190,880	80,971	1,412,460	-	-	5,947,719
Financial Derivative Liabilities	-	4,279,036	188,114	79,993	1,547,349	-	-	6,094,492
Non-Cash Loans	3,396,616	620,063	975,426	3,183,075	1,448,129	142,465	-	9,765,774
Prior Period								
Total Assets	3,216,354	6,479,237	4,323,648	9,204,645	12,756,627	1,443,254	1,383,952	38,807,717
Total Liabilities	6,935,836	14,450,841	2,075,058	3,927,066	6,434,504	882,959	4,101,453	38,807,717
Liquidity Gap	(3,719,482)	(7,971,604)	2,248,590	5,277,579	6,322,123	560,295	(2,717,501)	-
Net Off-Balance sheet Position	-	17,964	5,380	3,884	(247,739)	-	-	(220,511)
Financial Derivative Assets	-	4,396,764	425,005	188,746	1,202,126	-	-	6,212,641
Financial Derivative Liabilities	-	4,378,800	419,625	184,862	1,449,865	-	-	6,433,152
Non-Cash Loans	4,587,906	716,320	1,028,915	3,598,964	2,212,332	216,686	-	12,361,123

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

(**) Loans include net finance lease receivables amounting to TL 1,145,634 and non-performing loans (net) amounting to TL 412,000.

(***) Shareholders' equity and provisions is included in "other liabilities" line under "unallocated" column.

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Analysis of financial liabilities based on the remaining contractual maturities:

The table below is drawn up based on the undiscounted contractual maturities and earliest payment dates of the financial liabilities. Profit share expenses to be paid on such liabilities are included in this table "Adjustments" column is the difference between the balance sheet values and undiscounted values of financial liabilities. These items are not included in the balance sheet value of such financial liabilities.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Funds Collected from Banks via Current and Profit Sharing Accounts	15,622	197,680	18	-	-	-	-	213,320
Other Current and Profit Sharing Accounts	6,890,093	13,383,357	1,076,793	460,636	6,283	14	-	21,817,176
Funds Provided from Other Financial Institutions	-	248,369	955,448	4,647,199	4,541,366	1,136,107	(884,472)	10,644,017
Money Market Deposits	-	510,713	-	-	-	-	(179)	510,534
Miscellaneous Payables	532,367	275,135	-	-	-	-	-	807,502
Other Liabilities	-	-	-	-	-	-	-	-
Total	7,438,082	14,615,254	2,032,259	5,107,835	4,547,649	1,136,121	(884,651)	33,992,549
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Funds Collected from Banks via Current and Profit Sharing Accounts	80,049	552,949	23,355	-	-	-	-	656,353
Other Current and Profit Sharing Accounts	5,693,828	12,753,470	1,486,360	470,358	4,403	9	-	20,408,428
Funds Provided from Other Financial Institutions	-	199,085	569,121	3,734,701	6,629,361	1,120,718	(1,105,913)	11,147,073
Money Market Deposits	-	548,049	-	-	-	-	(275)	547,774
Miscellaneous Payables	642,002	230,661	-	-	-	-	-	872,663
Other Liabilities	165,778	105,030	-	-	-	-	(259)	270,549
Total	6,581,657	14,389,244	2,078,836	4,205,059	6,633,764	1,120,727	(1,106,447)	33,902,840

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Maturity analysis of conditioned liabilities and commitments is as follows:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Sureties	3,396,616	620,063	975,426	3,183,075	1,448,129	142,465	9,765,774
Irrevocable commitments	2,031,045	1,429,376	11,446	683	5,374	350	3,478,274
Forward asset purchase and sale commitments	-	1,422,032	-	-	-	-	1,422,032
Share capital commitments to associates and subsidiaries	-	477	463	642	-	-	1,582
Commitments for cheque payments	1,252,959	-	-	-	-	-	1,252,959
Tax and fund obligations on export commitments	-	142	-	15	3,259	350	3,766
Commitments for credit card limits	776,371	-	-	-	-	-	776,371
Commitments for credit cards and banking services promotions	1,715	-	-	-	-	-	1,715
Other irrevocable commitments	-	6,725	10,983	26	2,115	-	19,849
Revocable commitments	-	-	-	-	-	-	-
Revocable loan granting commitments	-	-	-	-	-	-	-
Derivative financial instruments held for risk management	-	-	-	-	2,959,810	-	2,959,810
Fair value hedges	-	-	-	-	538,519	-	538,519
Cash flow hedges	-	-	-	-	2,421,291	-	2,421,291
Forward foreign currency buy/sell transactions	-	8,542,440	378,994	160,967	-	-	9,082,401
Forward foreign currency transactions-buy	-	4,105,780	190,876	80,974	-	-	4,377,630
Forward foreign currency transactions-sell	-	4,041,918	188,118	79,993	-	-	4,310,029
Other forward buy/sell transactions	-	394,742	-	-	-	-	394,742
Total	5,427,661	10,591,879	1,365,866	3,344,725	4,413,313	142,815	25,286,259

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Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Sureties	4,587,906	716,320	1,028,915	3,598,964	2,212,332	216,686	12,361,123
Irrevocable commitments	2,131,792	1,133,718	8,594	4,730	3,166	322	3,282,322
Forward asset purchase and sale commitments	-	1,130,334	-	-	-	-	1,130,334
Share capital commitments to associates and subsidiaries	-	1,381	1,298	2,548	-	-	5,227
Commitments for cheque payments	1,309,524	-	-	-	-	-	1,309,524
Tax and fund obligations on export commitments	-	289	-	62	2,202	322	2,875
Commitments for credit card limits	820,810	-	-	-	-	-	820,810
Commitments for credit cards and banking services promotions	1,458	-	-	-	-	-	1,458
Other irrevocable commitments	-	1,714	7,296	2,120	964	-	12,094
Revocable commitments	-	-	-	-	-	-	-
Revocable loan granting commitments	-	-	-	-	-	-	-
Derivative financial instruments held for risk management	-	-	-	-	2,651,987	-	2,651,987
Fair value hedges	-	-	-	-	501,720	-	501,720
Cash flow hedges	-	-	-	-	2,150,267	-	2,150,267
Forward foreign currency buy/sell transactions	-	8,775,593	844,651	373,562	-	-	9,993,806
Forward foreign currency transactions-buy	-	4,323,248	425,012	188,716	-	-	4,936,976
Forward foreign currency transactions-sell	-	4,092,140	419,639	184,846	-	-	4,696,625
Other forward buy/sell transactions	-	360,205	-	-	-	-	360,205
Total	6,719,698	10,625,631	1,882,160	3,977,256	4,867,485	217,008	28,289,238

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VIII. Explanations and Disclosures on Leverage Ratio:

In current period, total risk exposure was significantly decreased due to the decrease in off-balance sheet items. Besides items related to Tier I capital was increased, consequently leverage ratio increased comparing to prior period. On the other hand, it is above than 3% which is determined as legal constraint by authorities.

	On-Balance Sheet Items	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	39,148,541	38,335,528
2	Assets amounts deducted in determining Basel III Tier 1 capital	(82,192)	(82,844)
3	Total on balance sheet exposures	39,066,349	38,252,684
	Derivative exposures and credit derivatives	-	-
4	Replacement cost associated with derivative financial instruments and credit derivatives	190,710	194,459
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	135,650	129,161
6	The total amount of risk on derivative financial instruments and credit derivatives	326,360	323,620
	Investment securities or commodity collateral financing transactions	-	-
7	The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	157,675	256,439
8	Risk amount of exchange brokerage operations	-	-
9	Total risks related with securities or commodity financing transactions	157,675	256,439
	Off-Balance Sheet Items	-	-
10	Gross notional amount of off-balance sheet items	13,638,312	15,562,550
11	Adjustments for conversion to credit equivalent amounts	-	-
12	The total risk of off-balance sheet items	13,638,312	15,562,550
	Capital and Total Risk	-	-
13	Tier 1 Capital	3,953,735	3,608,244
14	Total Risk Exposure	53,188,696	54,395,293
	Leverage Ratio	-	-
15	Leverage Ratio	7.44	6.63

⁽¹⁾ The arithmetic average of the last 3 months in the related periods.

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IX. Explanations and Disclosures Related to Fair Values of Financial Assets and liabilities:

The table below shows the carrying value and the fair value of financial assets and liabilities of the Participation Bank:

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	33,138,585	33,497,711	32,987,481	33,545,898
Cash and Balances with the Central Bank of Turkey (*)	6,084,201	5,668,857	6,084,201	5,668,857
Equity Securities	-	-	-	-
Banks (*)	307,436	561,766	307,436	561,766
Financial Assets Available for Sale	4,967	4,923	4,967	4,923
Loans (**)	26,071,453	26,479,612	25,931,484	26,527,194
Investments Held to Maturity (****)	670,528	782,553	659,393	783,158
Financial Liabilities	33,992,549	33,632,291	34,151,083	33,637,388
Funds Collected from Banks via Current and Profit Sharing Accounts (***)	212,514	656,175	212,514	656,175
Current and Profit Sharing Accounts (***)	21,817,982	20,408,606	21,817,982	20,408,606
Funds Provided from Other Financial Institutions (****)	10,644,017	11,147,073	10,802,551	11,152,170
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	807,502	872,663	807,502	872,663
Money Market Deposits	510,534	547,774	510,534	547,774

(*) Because the demand, their carrying value and fair value is the same.

(**) In order to calculate the fair value of loans, current profit sharing rates are used as of the balance sheet date. Loan balance also includes finance lease receivables. For the Loans fair value level is level 2.

(***) Carrying value of the funds collected funds collected from banks via current and profit sharing accounts and current and profit sharing accounts equals to their fair value as it is revalued with the year-end unit value.

(****) Loan rates that valued as balance sheet date are used for fair value calculation of funds that provided by other financial

(*****) Fair value level 1 indicate of maturity period lock-up investments presentation

The table below analyses financial instruments carried at fair value, by valuation method:

	Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-For-Sale	-	-	3,724,381	-	3,724,381
Financial assets Held for Trading	-	-	1,631	-	1,631
Derivative Financial Assets Held for Trading	-	-	14,917	-	14,917
Derivative Financial Assets Held for Risk Management	-	-	147,489	-	147,489
Total Financial Assets at Fair Value	-	-	3,888,418	-	3,888,418
Derivative Financial Liabilities Held for Trading (*)	-	-	28,942	-	28,942
Derivative Financial Liabilities Held for Risk Management	-	-	256,796	-	256,796
Total Financial Liabilities at Fair Value	-	-	285,738	-	285,738

(*) Includes spot transaction valuations amounting to TL 1,424 which are classified in other provisions on balance sheet.

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Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-For-Sale	-	3,276,344	-	3,276,344
Financial assets Held for Trading	-	1,558	-	1,558
Derivative Financial Assets Held for Trading	-	60,957	-	60,957
Derivative Financial Assets Held for Risk Management	-	111,124	-	111,124
Total Financial Assets at Fair Value	-	3,449,983	-	3,449,983
Derivative Financial Liabilities Held for Trading (*)	-	32,771	-	32,771
Derivative Financial Liabilities Held for Risk Management	-	352,675	-	352,675
Total Financial Liabilities at Fair Value	-	385,446	-	385,446

(*) Includes spot transaction valuations amounting to TL 414 which are classified in other provisions on balance sheet.

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

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

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

Observable market prices such as the marketable security prices which are announced by CBRT and the prices obtained from foreign capital markets are used for fair value determination of financial assets and liabilities measured at fair value except derivative assets and derivative liabilities held for trading.

Real estate which the Bank registered at fair value under property, plant and equipment is classified at Level 3.

X. Explanations and Disclosures Related to Transactions Carried out on Behalf of Customers, Items Held in Trust

The Participation Bank does not provide buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank is not involved in trust activities.

XI. Explanations and Disclosure on Hedge Accounting:

The Participation Bank applies Cash Flow Hedge ("CFH") and Fair Value Hedge ("FVH") accounting models as of December 31, 2017.

Contractual amounts and the fair values as at December 31, 2017 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional (*)	Asset	Liability	Notional (*)	Asset	Liability
Hedging Instrument	-	-	-	-	-	-
Cross Currency Swap (CFH)	1,333,351	-	256,796	1,235,862	-	352,675
Cross Currency Swap (FVH)	214,000	147,489	-	214,000	111,124	-
Total	1,547,351	147,489	256,796	1,449,862	111,124	352,675

(*) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 1,412,459 (December 31, 2016: TL 1,202,125) the total notional of derivative financial assets amounting to TL 2,959,810 (December 31, 2016: TL 2,651,987) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

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In accordance with TAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

Fair value hedge accounting

Using the cross swap techniques, Participation Bank protects itself from the value risks that might be caused by the fixed incomes financial assets. As a part of the value risk protection accounting, hedged tools value change and hedged assets value change is presented in the income statement. Hedged assets realtime value changes are zeroed in the income statement.

The Participation Bank started fair value hedge accounting beginning from January, 1 2015 to hedge the profit share rate risk of the long term and fixed coupon private sector bond classified under available for sale portfolio which is amount to TL 214,000 with fixed rate and TL denominated sale leg of the cross currency swap. Also the EUR/TL,USD/TL currency risk of the EUR and USD denominated funds have been hedged by the EUR and USD buy leg of the cross currency swap in accordance with the hedge accounting explained.

The hedging instruments are cross currency swaps and the hedged item is the cash outflow due to the changes in exchange rates of marketable securities issued.

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds	Ineffective portion
			Asset	Liability		
Swap Transactions	Leasing Receivables and FC Funds	Cash flow risk due to the changes in the foreign exchange rates and fixed incomes	147,489	-	160,558	(13,069)
Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds	Ineffective portion
			Asset	Liability		
Swap Transactions	Leasing Receivables and FC Funds	Cash flow risk due to the changes in the foreign exchange rates and fixed incomes	111,124	-	112,388	(1,264)

The Participation Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies. Participation Bank's assumptions, which used for determining fair values of derivative instruments, were used while calculating fair value of hedged items on the effectiveness tests.

As of December 31, 2017 fair value hedge transactions have been determined as effective.

Cash flow hedge accounting

The Participation Bank, convert Malaysian Ringgit(MYR) 1,160,000 MYR securities to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on marketable securities issued and changes in USD/TL foreign exchange rates on profit share-yielding assets.

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The hedging instruments are cross currency swaps and the hedged item is the cash outflow due to the changes in exchange rates of marketable securities issued. And the hedged items are issued securities and profit share-yielding assets.

Current Period							
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/ (loss) recognized in hedging funds ^(*)	Net gain (loss) reclassified to income statement during the year	Ineffective portion recognized in income statement
			Asset	Liability			
Swap Transactions	Marketable securities issued and profit share-yielding assets	Cash flow risk due to the changes in the foreign exchange rates	-	256,796	(9,604)	-	-

^(*) Includes the deferred tax effect. As of December 31, 2017 deferred tax effect amounting to TL 2,709.

^(**) The securities issued by the Participation Bank's subsidiary TF Varlık Kiralama A.Ş., shown in funds borrowed line in the financial statements.

Prior Period							
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/ (loss) recognized in hedging funds ^(*)	Net gain (loss) reclassified to income statement during the year	Ineffective portion recognized in income statement
			Asset	Liability			
Swap Transactions	Marketable securities issued and profit share-yielding assets	Cash flow risk due to the changes in the foreign exchange rates	-	352,675	(24,685)	-	-

^(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 6,171.

^(**) The securities issued by the Participation Bank's subsidiary TF Varlık Kiralama A.Ş., shown in funds borrowed line in the financial statements.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CHF accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies.

As of December 31, 2017 fair value hedge transactions have been determined as effective.

XII. Explanations and Disclosures on Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette Nr. 29511 on October 23, 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. The Participation Bank does not have any credit derivatives, the Internal Model Method, CCP (Central Counter Party) and securitization positions as of December 31, 2017 herewith the related tables have not been presented.

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1. Risk Management Approach of Participation Bank and Information on Risk Weighted Amounts

1.1 Risk Management Approach of the Participation Bank

A prospective capital planning approach is adopted for the Participation Bank to carry out its operations if certain losses are incurred sourcing from unexpected events or deteriorations in markets. The best international implementations are benefited for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international implementations and analysis used by the Bank are updated in line with its business evolution.

A risk appetite framework, which is integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching determined budget target of the Bank and therefore an accurate risk position has been taken.

A risk appetite structure which is consistent with activities, risk profile, ICAAP results, strategic plan and capital planning. Macroeconomic conditions and expectations, industrial developments and expectations, political and economic developments based on the country and the region, strategies and objectives of rivals, position of the bank in the sector, expectations of legal authority and customers and shareholders, risk capacity of the bank, resources of the bank, activities, growth strategies and ICAAP results of the Bank are taken into consideration in order to determine risk appetite of the Bank. All departments of the Bank are obliged to provide all information and documents requested during the determination process of risk appetite. Risk appetite includes risk capacity based on risk types, risk limits and early warning levels. Risk appetite, approved by the Board of Directors, is taken into account during operational planning and budget studies.

Senior management of the Bank takes measures in required fields through comparing risk appetite and ICAAP results. Risk appetite is updated at least annually, when required, depending upon changes in activities and risk profile of the bank.

Compliance with risk matrix criteria determined in risk appetite is taken into account through making necessary changes in principles and procedures regarding establishment of asset-liability structure as well as risk appetite. Related business family is informed regarding the overflows occurring in risk appetite limits and required actions are taken under the supervision of business families in question. In addition, Audit Committee and Board of Directors is informed. Senior management of the Bank aims supporting of application of risk appetite throughout the bank and compliance with risk appetite through sufficient authorization and sources.

Departments, which are in scope of internal systems, are established subject to Board of Directors. Responsibility of internal systems belongs to Audit Committee, which do not have any executive duties in the bank. Audit Committee is established by Board of Directors in order to assist Board of Directors in its fulfillment of auditing and supervision activities through carrying out its activities in the framework of Banking Legislation in accordance with Banking Law. Audit Committee monitors efficiency and adequacy of risk management system and controls risk reviews, risk reports and documents submitted to the Committee. It monitors coordination of Supervision Board, Internal Control Department and Risk Management Center and provide information to Board of Directors with respect to aforementioned issues and submits policies, principles and procedures to the approval of Board of Directors.

Internal Control Department, working subject to Board of Directors, cooperates with executives in order to establish an effective internal control system. Internal control systems aims hedging of bank's assets, carrying out activities in accordance with Law, related legislation, internal policies and rules of bank and customs of banking in an effective and efficient manner, reliability and integrity of accounting and reporting system and timely availability of information.

Internal audit system, established within the body of Bank, aims to provide assurance to senior management on execution of operations of the bank in accordance with Law and related other legislation and internal strategy, policy, principles and objectives of the Bank and effectiveness and adequacy of internal control and risk management systems.

All activities of the Bank and domestic branches and departments of General Directorate are inspected and investigated periodically or based on risk without any intra-bank limitations through internal audit activities in order to ensure expected purpose of internal audit system and it gives opinion and recommendation for using sources of bank in an effective and efficient manner and through identifying deficiencies, errors and misconducts and reviews accuracy and reliability of information and reporting submitted to senior management.

The Compliance Department operates to ensure that the compliance risk is effectively managed and controlled within the framework of relevant legislation, regulations and standards and creates awareness across the bank. Implementation of the harmonization control activities in the Bank in the framework of the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process", Implementation of the Harmonization Program in line with the legislation for the Prevention of Terrorism Financing and Proceeds of Crime Revenues and the necessary measures for identification, measurement, reduction and monitoring of the risks in this context ensuring removal;

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The National and International Organization, the regional powers and the enforcement of the obligations under the FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards), the compliance with the legislative amendments coordination, monitoring and reporting of their work; The functions of the Compliance Department include the management of notifications from the Ethics Line and the establishment of ethical cultures within the Bank, as well as the training of the Compliance and Ethics Principles, the Prevention of Financing of Terrorism and the Laundering of Crime Income.

Risk management system ensures determination of internal capital requirement consistent with risk profiles and identification, measurement, reporting, controlling of exposed risks through policies, implementation procedures and limits determined towards monitoring, controlling and changing of risk-return structure included by future cash flows of the bank.

Risk Management Center Department carries out activities such as identification, measurement, monitoring, controlling and reporting of risks subject to Audit Committee. Risk Management Center Department consists of Risk Policies and Reporting Directorate and Risk Analysis Directorate.

- Establishment and monitoring of risk management process and related activities by Board of Directors,
- Establishment and development of policies and procedures in scope of forming of adequate policies, procedures and limits which can allow managing different aspects of risk sourcing from activities and determination and monitoring of risk appetite limits,
- To perform adequate and consistent risk measurement, analysis and monitoring activities through employing appropriate employees at Risk Management Center Department,
- Availability of access to reliable technology and management information system,
- Accuracy and integrity of data,
- Existence of risk models whose accuracy are approved as a result of test; are ensured in order to execute and maintain an effective, independent and strong risk management system within the framework of corporate risk culture.

The Bank is required to consider all risks related to its positions, legal requirements, credit portfolio and operations in an integrated manner as a result of confronting with different risks since it has an increasing bigger and more complex structure and increasing sensitivity of investors, rating agencies, regulators and capital markets with respect to management of risks. Measurement of credit risk, market risk, operational risk and all other significant risks is subject to different measurement techniques and taken into account in an integrated manner through an integrated risk management approach. The Bank approaches all its risk as a whole and determines capital requirements caused by those risks.

Risk policies and procedures with respect to those are prepared under the guidance of Audit Committee and introduced following the approval of Board of Directors. Risk Management Center ensures updating and revision of aforementioned policies and procedures, if required. Risk policies and procedures including written standards applied by senior management are announced to all personnel of the Bank by Risk Management Center Department. Risk Management Center Department gives opinion and recommendations with respect to risk point of view to other business lines, when required.

If there exists and overflow on the limits applied in scope of risk appetite, related departments are notified about related overflows and actions regarding overflows are taken.

Internal Capital Adequacy Assessment Process (ICAAP) report is annually prepared in scope of Communique on Internal Systems of Banks and Internal Capital Adequacy Assessment Process by Risk Management Center Department. In scope of ICAAP, it is aimed to demonstrate nature, size, risk profile, complexity level of activities of the Bank and identification, design, analysis and implementation studies of reviews made in compliance with strategic plans of the Bank and outputs obtained as a result of aforementioned studies and evaluations regarding prospective strategies and planning of the Bank and inclusion of ICAAP in the capital management of the Bank.

Studies made and results obtained in scope of ICAAP in line with policies, procedures, processes of the Bank are as follows:

With respect to intra-bank operations:

- Process regarding the determination of Bank's risk appetite is established.
- "ICAAP Management Process", including design, analysis, approval, review, application and compliance-monitoring phases related to ICAAP, is established and roles and responsibilities regarding the process in question are determined.

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- Controlling activities are determined for effective operation of ICAAP.
- Approaches adopted related to risk evaluation, liquidity and capital planning processes and interaction among those processes are determined.

With respect to content;

- All significant risks to which the Bank is exposed currently and can be exposed in the future in line with strategic plans are identified.
- Measurement processes of newly identified risks are determined.
- Financial structure and indicators, activity profile and capital structure, which are targeted in scope of current situation and corporate risk appetite and strategic plan, are evaluated.
- Capital adequacy calculations, required to meet risk exposed by the Bank and included in I. and II. Pillars, are made.
- Capital planning, based on results of current situation, strategic plan and scenario analysis, is established.
- Action plans towards liquidity management, liquidity planning and liquidity crisis.
- Scenario analysis and stress tests are applied for risks not covered by standard methods. Stress tests, which are performed, are prepared covering reverse stress tests including "going concern" and "gone concern" valuation identifications.
- Roles and responsibilities, which are considered as required in order to ensure adoption of ICAAP outputs throughout the Bank, are included in ICAAP Policy and ICAAP Procedure.

Roles and responsibilities related to activity and planning directly linked to capital management such as ICAAP management, determination of risk appetite, strategic plan, establishment of budget and activity plan, asset-liability management, scenario analysis and stress tests, capital and liquidity management are determined since the purpose of ICAAP is the application of management including results obtained through processes, authorizations and responsibilities generated in scope of ICAAP throughout all the departments, committees and processes of the Bank. In addition, all departments are expected to adopt revisions regarding processes, roles and responsibilities, generated in scope of ICAAP, at medium term.

In addition to the reports made in accordance with the Basel principles, reports are prepared for submission to the Audit Committee, the Board of Directors, the Credit Committee, the Credit Appropriation Committee, the Asset-Liability Committee and the Operational Risk Committee.

Internal System functions presents their reports to Audit Committee on a quarterly basis. Audit Committee submits its opinions on results of executed activities, measures which should be taken at the bank, implementations which should be performed and other issues which are considered as significant for the maintenance of Bank's activities to Board of Directors. Significant issues, which are determined through reviewing of findings and assurance of internal audit units of the Bank in scope of meetings, are submitted to Board of Directors. In this framework, issues brought by independent audit firm and BRSA are evaluated by the Committee and submitted to Board of Directors.

Credit Committee reports include risk appetite results of the Bank, credit performance evaluations such as follow-up, delay, restructuring, portfolio growth and sector comparisons and results of stress tests made on capital adequacy. Risk Committee covers evaluations related to liquidity, markets, operational risk and other risks in addition to Credit Committee. There exists monthly Risk Evaluation reports which are distributed throughout the Bank in addition to presentations made to Committees. Collection performance, credit performance analysis in commercial and individual products, portfolio concentrations, risk monitoring results regarding market and liquidity risk, stress test results and operational risk evaluations are included besides aforementioned report and abovementioned details of study. Liquidity early warning indicators limit compliance results, which are determined in scope of liquidity risk in order to contribute to evaluation of liquidity position of the bank with reporting made to ALCO, are reported.

Exchange rate simulations, monthly stress tests, quarterly stress tests, stress tests/scenario analysis and ad-hoc stress tests/scenario analysis in scope of ICAAP are performed for the purpose of having a complementary study for risk measurements at the Bank. Impact of changes in risk factors are measured through stress tests and scenario analysis and impact of unexpected market conditions to main activities is evaluated. The main reason behind stress tests applied throughout the Bank is the determination of macro-economic and market stress scenarios which shall affect whole Bank. Events, which shall form a basis to current, stressed and worst condition, are determined thanks to opinions of related departments during establishing a scenario.

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Stress test program is established at the Bank in order to measure and manager significant risks and vulnerabilities which may source from bank-specific negative developments or emerge in an economic and financial environments under stress and the aforementioned program covers sensitivity analysis and scenario analysis and stress tests, in a proportion to volume and complexity level of business and transactions, including reverse stress tests. The program includes purposes of stress tests; scenarios, assumptions, methodology, reporting designed to be aligned with activities of the bank and risks sourcing from those activities and reviewing of processes and management actions based on results of stress tests.

Stress test is mainly performed based on amounts basis to risk which constitutes capital adequacy ratio and through shock application. Risks are subject to sensitivity analysis through dividing into main groups while declines sourcing from deteriorations which may occur in equity as a result of realization of possible scenarios.

During the establishment process of scenarios which shall form a basis for stress test, it is aimed to determine macro-economic and market stress test scenarios considering all risk factors exposed by the Bank. In this scope, Treasury Department, Strategy and Business Development Department and Risk Policies and Reporting Departments work in cooperation. Scenarios are determined to cover at least a three years period. Economic condition assumptions, used in three years strategic plan studies, are accepted as "current" scenario. A prospective or multiple macro-economic stress scenarios are established covering at least a three years period. Scenarios, which are established, include stresses which may affect the Bank significantly.

Stress estimations regarding gross domestic product, rate of unemployment, consumer prices inflation rate, interest ratio level, current deficit and exchange rate indicators are expected to be included in scope of macro-economic stress scenarios. Prospective expectation questionnaires, market research reports and expert reviews are also used in this context as well as past data with respect to aforementioned indicators.

Statistical methods based on historical data and expert opinions are benefited during the implementation of stress test. Analysis made in scope stress test program are benefited during the review phase of risk appetite.

Board of Directors is responsible for establishment, execution in an effective manner, reviewing results of stress test program and taking appropriate management actions according to respective results. Roles and responsibilities with respect to stress tests are included in intra-bank procedures.

Committees established within the body of the Bank, in order to manage business risks sourcing from generating an income level lower than expected income or exposure to higher costs as a result of adoption problems in cost structure of the Bank, product positioning, pricing and or its activities due to unexpected changes occurring in economic and general business conditions related to legal arrangements, technological developments, customer behavior and competitive environment in an effective manner, are carrying out following activities.

Credit Risk Committee: Main purpose of Credit Risk Committee is to monitor credit portfolio, activities having credit risk and related processes end to end. It also makes evaluations on determination/recommendation and follow-up of improvement and risk mitigation actions in scope of its authorization depending upon the decision of the Committee.

Operation Risk Committee: It is established to review, discuss, ensure an action plan and solution schedule in an effective manner for findings and issues having significant/high risk level brought by Senior Management, Internal Systems Department, other Departments, Independent Audit and Regulatory Audit Authorities which may cause operation risk regarding the Bank.

Asset/Liability Management Committee: It is responsible for the management of assets and liabilities of the bank, taking decisions which shall be executed by related departments for the management of Bank's balance sheet through considering dividend risk, liquidity risk and market risk and taking strategies and competitive conditions of the Bank into account and monitoring respective executions.

Senior Management Committee: The primary purpose of Senior Management Committee is to monitor financial performance of the Bank, provide effective cooperation, observe customer experience, monitor execution of strategic priorities of the Bank and establish a form for Senior Management team in order solve issued submitted by other General Directorate Committees.

Information Security Committee: It is established in order manage Information Security activities of the Bank related to all processes.

Occupational Health and Safety Committee: It is established in order to ensure fulfillment of obligations and responsibilities mentioned in Occupational Health and Safety Law and regulations issued in scope of aforementioned law.

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1.2. Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	23,862,349	26,209,362	1,908,988
2 Standardised approach (SA)	23,862,349	26,209,362	1,908,988
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	526,782	495,633	42,143
5 Standardised approach for counterparty credit risk (SA-CCR)	526,782	495,633	42,143
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	499,275	529,125	39,942
17 Standardised approach (SA)	499,275	529,125	39,942
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	2,938,666	2,514,649	235,093
20 Basic Indicator Approach	2,938,666	2,514,649	235,093
21 Standart Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	27,827,072	29,748,769	2,226,166

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2. Linkages between financial statements and risk amounts

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

Current Period	a	b	c	d	e	f	g
	Carrying values in financial statements prepared as per TAS ^(*)	Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"	Subject to Credit Risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets	-	-	-	-	-	-	-
Cash and balances at central bank	-	6,084,201	6,084,201	-	-	5,522,898	-
Financial assets held for trading	-	16,548	-	16,548	-	8,177	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Banks	-	307,436	307,436	-	-	306,262	-
Receivables from money markets	-	-	-	-	-	-	-
Available for sale financial assets (net)	-	3,729,348	3,729,348	-	-	1,975,843	-
Loans and receivables	-	25,337,819	25,337,819	-	-	11,272,535	-
Factoring receivables	-	-	-	-	-	-	-
Held to maturity investments (net)	-	670,528	670,528	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-	-
Investments in subsidiaries (net)	-	100	100	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-	-
Leasing receivables	-	1,145,634	1,145,634	-	-	-	-
Derivative financial assets held for hedges	-	147,489	-	147,489	-	-	-
Tangible assets (net)	-	819,362	798,553	-	-	-	20,809
Intangible assets (net)	-	66,058	66,058	-	-	-	-
Investment properties (net)	-	-	-	-	-	-	-
Tax assets	-	47,756	47,756	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	263,623	263,623	-	-	-	-
Other assets	-	444,995	444,995	-	-	83,104	-
Total Assets	-	38,807,717	38,612,296	173,639	-	19,739,037	21,782
Liabilities	-	-	-	-	-	-	-
Deposits	-	22,030,496	-	-	-	10,866,339	-
Derivative financial liabilities held for trading	-	27,518	-	-	-	14,557	-
Loans	-	9,683,679	-	518,811	-	8,295,545	-
Debt to money markets	-	510,534	-	510,534	-	-	-
Debt securities in issue	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Various debts	-	807,502	-	-	-	242,039	-
Other liabilities	-	251,946	-	-	-	21,545	-
Factoring debts	-	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	256,796	-	-	-	256,796	-
Provisions	-	428,980	77,991	-	-	56,977	-
Tax liability	-	62,510	62,510	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-
Subordinated debts	-	960,338	-	-	-	960,338	-
Equity	-	4,060,598	-	-	-	-	-
Total Liabilities	-	38,807,717	137,130	1,066,384	-	20,193,746	-

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	a	b	c				f	g
			d					
Prior Period	Carrying values in financial statements prepared as per TAS(*)	Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"	Subject to Credit Risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital	
Assets	-	-	-	-	-	-	-	
Cash and balances at central bank	-	5,668,857	5,668,857	-	-	5,088,522	-	
Financial assets held for trading	-	62,515	-	62,515	-	27,275	-	
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	
Banks	-	561,766	561,766	-	-	561,018	-	
Receivables from money markets	-	-	-	-	-	-	-	
Available for sale financial assets (net)	-	3,281,267	3,281,267	-	-	1,750,429	-	
Loans and receivables	-	25,599,230	25,599,230	-	-	12,255,468	-	
Factoring receivables	-	-	-	-	-	-	-	
Held to maturity investments (net)	-	782,553	782,553	-	-	-	-	
Investments in associates (net)	-	-	-	-	-	-	-	
Investments in subsidiaries (net)	-	100	100	-	-	-	-	
Investments in joint ventures (net)	-	-	-	-	-	-	-	
Leasing receivables	-	1,417,512	1,417,512	-	-	-	-	
Derivative financial assets held for hedges	-	111,124	-	111,124	-	-	-	
Tangible assets (net)	-	671,274	652,086	-	-	-	19,188	
Intangible assets (net)	-	70,035	70,035	-	-	-	-	
Investment properties (net)	-	-	-	-	-	-	-	
Tax assets	-	74,356	74,356	-	-	-	-	
Non-current assets and disposal groups classified as held for sale (net)	-	95,655	95,655	-	-	-	-	
Other assets	-	411,473	408,879	-	-	56,325	2,594	
Total Assets	-	38,807,717	38,612,296	173,639	-	19,739,037	21,782	
Liabilities	-	-	-	-	-	-	-	
Deposits	-	21,064,781	-	-	-	9,219,019	-	
Derivative financial liabilities held for trading	-	32,357	-	-	-	7,003	-	
Loans	-	10,256,573	-	518,611	-	9,394,538	-	
Debt to money markets	-	547,774	-	547,773	-	-	-	
Debt securities in issue	-	-	-	-	-	-	-	
Funds	-	-	-	-	-	-	-	
Various debts	-	872,663	-	-	-	250,335	-	
Other liabilities	-	519,957	-	-	-	22,186	-	
Factoring debts	-	-	-	-	-	-	-	
Debts from leasing transactions	-	104,771	-	-	-	-	-	
Derivative financial liabilities held for hedges	-	352,675	-	-	-	352,675	-	
Provisions	-	438,439	72,917	-	-	57,490	-	
Tax liability	-	64,213	64,213	-	-	-	-	
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-	
Subordinated debts	-	890,500	-	-	-	890,500	-	
Equity	-	3,663,014	-	-	-	-	-	
Total Liabilities	-	38,807,717	137,130	1,066,384	-	20,193,746	-	

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2.2. Explanations of differences between accounting and regulatory exposure amounts

	a	b	c	d	e
Current Period	Total	Subject to Credit Risk framework	Subject to the securitisation framework	Subject to counterparty credit risk framework	Subject to market risk framework
1 Asset carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	58,228,907	38,896,051	-	164,037	19,168,819
2 Liabilities carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	(19,825,292)	(140,501)	-	1,029,345	(20,714,136)
3 Total Net Amount Under Regulatory Scope of Consolidation	38,403,615	38,755,550	-	1,193,382	(1,545,317)
4 Off-balance Sheet Amounts (**)	17,068,394	6,148,998	-	78,593	-
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 due to prudential filters	-	-	-	-	2,044,592
9 Differences due to execution of the Bank	-	(4,662,764)	-	584,054	-
10 Risk Amounts	-	40,241,784	-	1,856,029	499,275

	a	b	c	d	e
Prior Period	Total	Subject to Credit Risk framework	Subject to the securitisation framework	Subject to counterparty credit risk framework	Subject to market risk framework
1 Asset carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	58,524,972	38,612,296	-	173,639	19,739,037
2 Liabilities carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	(19,264,492)	(137,130)	-	1,066,384	(20,193,746)
3 Total Net Amount Under Regulatory Scope of Consolidation	39,260,480	38,475,166	-	1,240,023	(454,709)
4 Off-balance Sheet Amounts (**)	20,076,162	7,880,759	-	124,297	-
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 due to prudential filters	-	-	-	-	983,834
9 Differences due to execution of the Bank	-	(4,635,620)	-	426,785	-
10 Risk Amounts	-	41,720,305	-	1,791,105	529,125

2.3. Disclosures Regarding Differences between Amounts valued in accordance with TAS and risk exposures

There exist differences sourcing from issues mentioned in implementation of communique on measurement and evaluation of Bank's capital adequacy related to BRSA (e.g. not calculating credit risk for risks subject to discount from equity, considering alpha rate for participation accounts at risk amount etc.)

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3 Explanations and Disclosures regarding Credit Risk

3.1 Information on Credit Risk

3.1.1 General Qualitative Information regarding Credit Risk

Required management environment for credit risk, establishment of credit risk strategies and policies, determination of acceptable risk level and risk limits, avoidance of risk concentration, establishment of review processes related to credit risk in new product and service presentations, arrangement of delegation of authorization, ensuring of accountability are ensured through determination of qualifications requested for the personnel which shall be assigned.

Credit policies are determined in-written, approved by Board of Directors and updated in the framework of financial position of the Bank, market conditions and trends and equity level, if required.

Principles applied in evaluation, allocation and monitoring phases of credits are determined through credit policies and it is aimed to meet requirements of clients both in a precautionary and also competitive approach in line with policies. One of the main targets is the controlled growth of credit portfolio and risks taken during the credit relation with customers are determined through specific standards. Credit policies reveal main review criteria and risk parameters taking renewal of current credits or enhancing new credits in line with established standards.

Credit proposals are evaluated considering financial power and morality of the debtor and finally approved accordingly in credit management. It is evaluated whether debtors have repayment capacity or not through taking estimated cash flow of debtor, debt service level (repayment capacity) and expected return-risk relation into consideration as well as financial data. If it is difficult to obtain comprehensive financial data, credit review is made through analysis performed with available data receiving further information about purpose of the credit used.

Credit risk is measured through:

- Customer Preselection Criteria
- Risk grading systems (Rating and Scoring Models)
- NBSM Decision Support Systems

at banks.

Credit risk measurement in SME, Commercial and Corporate segments is performed through "Customer Preselection Criteria" policies and "Rating Models". The customer pre-selection criteria is determined by taking into account the Bank's risk appetite and best practices and other performance variables in the sector and applied in the credit approval process. In the determination of the criteria, the analysis is used for the probable customers who are likely to become problematic or problematic in the bank's loan portfolio.

In the rating models, the current portfolio data of the relevant segment is modeled by taking into account the expert opinions with statistical methods. The model assumptions and limitations used to measure risks the basic assumptions used, the adequacy and appropriateness of data sources and application procedures will be coordinated. Rating grade is a risk indicator summarizing cash flow, profitability and indebtedness, industry and activity history, management capability and other information of the credit debtor. The rating models are passed through the validation process annually unless otherwise requested. Depending on the results of the validation, the model can continue to be used as it is, updates can be made in the current model, or a new model can be created. These rating models are kept up-to-date to reflect changing market conditions. Rating grade and Default Rate value of a customer demonstrates possibility of default in 1 year period and used in order to determine creditability of the related customer.

Business, Entrepreneur, Credit Cards, Individual Loans and Micro Segment Scoring Models are models produced by using statistical methods and data mining/modeling tools for related segments and products over the customer data of the Bank's portfolio. At the time of application, they measure the risk grades of the customers and generate a risk score and a TO value. Model development work is carried out in coordination with the relevant business units. Scoring models are passed through the validation process annually unless otherwise requested. In this process, the predictive power of the model is evaluated by comparing the actual performance with the predicted performance over the customer data that has passed the application scoring model in the past and the performance of a certain period has occurred. Updates can be made in the model or a new model can be created if necessary at the end of the validation.

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The cut-off for customers is determined by Rating and Scoring Models, in-bank procedures.

Maximum risk amount which can be accepted by the Bank in a certain jurisdiction is determined by limits of related jurisdiction. This limit covers all risks of credit, market, counterparty and exchange risks undertaken by the Bank. Principles regarding country risk and limits are determined through related intra-bank procedures.

Limits regarding credit risk are determined within the risk appetite structure in order to manage credit risk in an effective and proactive manner at the Bank.

Main purpose of Credit Risk Committee is to monitor credit portfolio, activities having credit risk and related processes end to end. It also makes evaluations on determination/recommendation and follow-up of improvement and risk mitigation actions in scope of its authorization depending upon the decision of the Committee. In addition, Credit Committee, holding meetings at Board of Directors level, evaluates risk appetite reports (with respect to credit risk and related aspects of risk concentration) and internal performance indicator levels, policies, regulations, processes of credits, collections and provisions and course of credit activities and makes decisions, if required.

Except for the reporting made in line with Basel principles, Risk Management Center Directorate shares results of analysis and evaluation results performed in scope of credit risk management with senior management of the Bank on a monthly basis. Detailed analysis related to key risk indicators related to credit portfolio, evaluation results based on product related to commercial and individual credits, evaluation results related to concentration risk and collections through the performed study. In addition, results of analysis and evaluation results related to credit portfolio are presented to Audit Committee, Credit Committee and Credit Risk Committee. Results of risk appetite monitoring and action plans regarding overflows are shared.

In scope of credit risk, Supervisory Board Directorate and Internal Control Directorate carry out audits/controls towards whether appropriate transactions are made or not regarding credits provided in line with legal and bank legislation. Branch audits/controls are performed in the framework of annual audit/control program established based on risk.

3.1.2. Credit Quality of Assets

Current Period	a		b		c	
	Gross carrying values of (according to TAS)				Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures	Defaulted exposures	Non-defaulted exposures		
1 Loans	1,414,992	26,194,914	(1,126,453)			26,483,453
2 Debt Securities	-	4,389,942	-			4,389,942
3 Off-balance sheet exposures	-	11,822,016	(77,991)			11,744,025
4 Total	1,414,992	42,406,872	(1,204,444)			42,617,420

Prior Period	a		b		c	
	Gross carrying values of (according to TAS)				Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures	Defaulted exposures	Non-defaulted exposures		
1 Loans	1,394,324	26,633,590	(1,011,172)			27,016,742
2 Debt Securities	-	4,053,974	-			4,053,974
3 Off-balance sheet exposures	-	14,513,111	(72,929)			14,440,182
4 Total	1,394,324	45,200,675	(1,084,101)			45,510,898

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3.1.3. Changes in Stock of Defaulted Loans and Debt Securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	1,394,324	1,250,842
2 Loans and debt securities that have defaulted since the last reporting period	635,412	1,165,052
3 Returned to non-defaulted status	-	-
4 Amounts written off	251,286	592,044
5 Other changes	(363,458)	(429,526)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1,414,992	1,394,324

3.1.4. Additional disclosure related to the credit quality of assets

a) Our bank defines following credit and receivables as “illiquid claims” and classifies in non-performing loan accounts and makes provisions in accordance with “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Paid for These Loans” (“Provisioning Regulation”).

- The borrower’s credit worthiness has deteriorated or,
- If the net realizable of guarantees or insolvency of the debtor is insufficient to cover the payment of debts due to insolvency, it is probable that all of the receivables will be recoverable and are likely to result in a loss if the probable problems are not corrected,
- Delayed by more than ninety days from the date of receipt, payment or payment of the capital or interest or both,
- Considered to be delayed by more than ninety days from the date on which the principal or interest or both must be paid or paid for bankruptcy reasons, such as operating capital financing or difficulties in creating additional liquidity, due to macroeconomic conditions or unfavorable developments in the sectors in which the debtor operates,
- In the event that the principal and/or interest payment is delayed more than thirty days in a one-year follow-up period or is once again subject to restructuring within the period of this monitoring,
- Loans and receivables are classified as ‘nonperforming loans’ and are classified as problem loans, and a provision is made for these loans over the default loss rates (LGD). There is no difference between the definitions of ‘overdue’ and ‘specific provision’ in our bank.

b) Overdue receivables overdue more than 90 days in our bank are subject to special provisions.

c) In accordance with the provisions of the “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Forwarded” issued by the BRSA,

- Provision is made within the scope of TFRS 9.

Expected credit losses for life are deducted as special provisions due to the default of the debts.

d) In our Bank, in accordance with the provisions of the “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Reserved for Such Loans”

Restructuring that can be applied for both live and non-performing receivables refers to privileges that will not be recognized as a debt owed to the borrower due to financial difficulties encountered or likely to be encountered in the payment of the borrower’s debt and which will not suffer repayment problems.

The privileges granted to the borrower shall be for the benefit of the debtor who is unable or unwilling to meet his obligations due to financial difficulties,

- To change the terms of the loan agreement,
- The loan is partially or completely refinanced.

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Detailed explanations and tables are provided in Section 4 "II Credit Disclosure and Disclosures" for the credit quality of assets.

Breakdown of receivables by geographical area, sector and outstanding maturity

Current Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Domestic	1,396,802	985,505	251,286
European Union(EU) Countries	2,125	1,590	-
OECD Countries	232	232	-
Off-Shore Banking Regions	-	-	-
USA, Canada	-	-	-
Other Countries	15,833	15,665	-
Total	1,414,992	1,002,992	251,286

Prior Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Domestic	1,363,520	849,908	592,044
European Union(EU) Countries	2,855	1,728	-
OECD Countries	210	210	-
Off-Shore Banking Regions	-	-	-
USA, Canada	3,389	424	-
Other Countries	24,350	4,924	-
Total	1,394,324	857,194	592,044

Current Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Agricultural	29,725	23,970	7,050
Farming and raising livestock	29,725	23,970	7,050
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	386,560	296,258	102,880
Mining	10,690	5,498	6,144
Production	365,151	281,316	96,736
Electricity, Gas, Water	10,719	9,444	-
Construction	200,695	124,155	34,448
Services	703,672	499,970	106,082
Wholesale and Retail Trade	500,377	352,757	94,058
Hotel, Food, Beverage Services	35,358	26,404	745
Transportation and Telecommunication	43,241	37,109	7,349
Financial Institutions	138	125	41
Real Estate and Lending Services	59,734	41,422	3,718
Self employment Service	-	-	-
Education Service	53,728	33,027	40
Health and social Services	11,096	9,126	131
Other	94,340	58,639	826
Total	1,414,992	1,002,992	251,286

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Prior Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Agricultural	36,173	26,653	6,839
Farming and raising livestock	36,173	26,653	6,839
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	380,011	246,184	145,466
Mining	15,962	9,499	28,561
Production	351,769	227,034	116,905
Electricity, Gas, Water	12,280	9,651	-
Construction	196,683	106,168	104,288
Services	682,495	428,548	274,934
Wholesale and Retail Trade	495,615	329,742	245,282
Hotel, Food, Beverage Services	11,880	5,028	63
Transportation and Telecommunication	57,079	31,048	19,642
Financial Institutions	138	93	7
Real Estate and Lending Services	54,944	37,128	7,752
Self employment Service	-	-	-
Education Service	52,753	21,199	15
Health and social Services	10,086	4,310	2,173
Other	98,962	49,641	60,517
Total	1,394,324	857,194	592,044

Aging analysis for overdue receivables

Current Period	Up to 3	3-12	1-3 Years	3-5 Years	5 Years	Total
	Months	Months			and Over	
Corporate Loans	79,534	261,121	817,018	130,181	28,523	1,316,377
Retail Loans	1,230	10,303	25,273	4,178	138	41,122
Credit Cards	845	6,604	15,672	3,211	126	26,458
Others	653	4,090	17,775	4,142	4,375	31,035
Total	82,262	282,118	875,738	141,712	33,162	1,414,992

Prior Period	Up to 3	3-12	1-3 Years	3-5 Years	5 Years	Total
	Months	Months			and Over	
Corporate Loans	62,942	583,849	506,209	118,000	28,424	1,299,424
Retail Loans	2,367	28,672	18,339	1,120	6	50,504
Credit Cards	1,514	7,892	10,053	1,061	63	20,583
Others	451	6,457	10,550	2,578	3,777	23,813
Total	67,274	626,870	545,151	122,759	32,270	1,394,324

3.2. Credit Risk Mitigation

3.2.1. Qualitative information on Credit Risk Mitigation Techniques

The Bank carries out credit risk mitigation in line with simple financial guarantee method in accordance with article 38 of Communiqué on Credit Risk Mitigation Techniques. In-balance sheet and off-balance sheet offsetting is not included in credit risk mitigation techniques in scope of aforementioned method.

Repayment of credit extensions by the Bank with revenue obtained from the main activities of the client constitutes a basis. On the other hand, the bank has the right to demand various collaterals having different levels in order to provide a hedging for itself regarding provided credits. Risk mitigation function of collaterals are measured with their legal applicability in case of default and liquidation periods.

Main collaterals and supporting collaterals comprise collaterals of credits provided to our customers. Main collaterals are tangible collaterals which can easily be liquidated. These collaterals can be divided into two as liquid (can be easily liquidated) and other (can be liquidated

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in a longer time) collaterals. Collaterals, which are not in supportive nature, are intangible collaterals. It is more difficult to liquidate such collaterals compared to main collaterals.

There are Collaterals Policy and Collaterals Procedure prepared by the Bank. Procedures related to collateralizing are disclosed in related procedure while collaterals which can be obtained are disclosed in the policy with all its details.

A report, including definition, nature, valuation and collateralization and solution transactions of related collateral and submitted to approval of Credit Risk Committee in order to ensure acceptance of a new type of collateral by the Bank. Related collateral can be accepted by the Bank following the approval of aforementioned Committee. A briefing is made during the first Board of Directors meeting following the approval of the Committee and submitted to approval of Board of Directors through being updated upon the recommendation of Credit Committee.

Loan to value ratio is determined according to related asset price or volatility of its value in credits which are provided in return for collaterals whose value is continuously changing (gold, shares, other precious metals etc.) and foreign currency current/participation account pledge and aforementioned rates are determined in intra-bank procedures.

In determination of loan to value ratio, losses which can occur due to liquidation of collateral and risk regarding collateralized asset are taken into account.

Information systems of the Bank are developed in order to ensure compliance of monitoring of credit conditions and collaterals received from customers to extension conditions.

All collaterals received by the Bank for both individual and commercial credits are monitored and reported on the basis of group. Collaterals are divided into 4 main groups in the report and type of collaterals, segment based breakdowns of collaterals and cash and non-cash total risk and total collateral amount and collateral ratio with respect to aforementioned group of collaterals. Collateral risk development is examined based on segment and total collateral and collateral ratio is determined in this scope. Secured and unsecured risk ratios are calculated based on segment. The outcome of the report is submitted to related departments and senior management.

When the collaterals, considered for credit risk mitigation in capital adequacy calculations, are examined, it is observed that 52% and 48% of aforementioned collaterals consist of financial collaterals and guarantees respectively. 12.2% credit risk mitigation is performed through aforementioned financial collaterals.

3.2.2. Credit risk mitigation techniques – Overview

	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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
Current Period							
1 Loans	17,335,223	9,148,230	463,704	2,520,714	1,799,846	-	-
2 Debt securities	4,389,942	-	-	-	-	-	-
3 Total	21,725,165	9,148,230	463,704	2,520,714	1,799,846	-	-
4 Of which defaulted	221,492	190,508	687	-	-	-	-
Prior Period							
1 Loans	16,081,997	10,934,745	545,689	91,235	66,228	-	-
2 Debt securities	4,053,974	-	-	-	-	-	-
3 Total	20,135,971	10,934,745	545,689	91,235	66,228	-	-
4 Of which defaulted	273,776	263,354	483	-	-	-	-

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3.3. Credit Risk when Standard Approach is Used

3.3.1. Disclosures regarding Rating Grades used while calculating Credit Risk with Standard approach

Participation Bank uses ratings of Standart&Poor's (S&P), Moody's and Fitch Ratings rating agencies.

Ratings of Fitch Ratings international credit rating agency is taken into account for receivables risk classes from jurisdictions or central banks while credit ratings published by OECD are used in scope of country risk classification for those who are not rated by aforementioned rating agency. Ratings of Standart & Poor's (S&P), Moody's and Fitch Ratings are used for receivables risk classes from foreign banks and intermediary institutions all together, if available.

Participation Bank uses agency matching table. Credit rating agencies which are not included in agency matching table, are not used.

Credit quality level and matching with risk weights with respect to risk classes are shown in the table below.

Credit Quality Level	Fitch Ratings long term credit rating	Risk Classes			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

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3.3.2. Standardised Approach - Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		a	b	c	d	e	f
Asset Classes		Exposures before CCF and CRM	Exposures post-CCF and CRM	Exposures post-CCF and CRM	RWA and RWA density	RWA	
		On-balance sheet amount (*)	On-balance sheet amount	On-balance sheet amount			
1	Exposures to central governments or central banks	9,129,338	-	10,928,030	-	2,987,144	27%
2	Exposures to regional governments or local authorities	-	145	-	29	29	100%
3	Exposures to public sector entities	272	8,075	272	3,261	3,390	96%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to institutions	1,627,756	7,491	1,629,253	5,503	507,617	31%
7	Exposures to corporates	9,088,441	6,022,709	8,568,712	3,698,205	11,888,258	97%
8	Retail exposures	5,083,025	4,438,567	3,803,874	1,758,039	3,959,301	71%
9	Exposures secured by residential property	2,443,436	419,654	2,443,436	180,733	919,925	35%
10	Exposures secured by commercial real estate	3,643,792	846,089	3,643,792	501,868	2,072,830	50%
11	Past-due loans	252,843	-	252,779	-	192,843	76%
12	Higher-risk categories by the Agency Board	121,118	1,360	120,495	1,360	174,949	144%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	2,702,765	-	2,702,143	-	1,585,270	59%
17	Investments in equities	-	-	-	-	-	0%
18	Total	34,092,786	11,744,090	34,092,786	6,148,998	24,291,556	60%

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Asset Classes	Prior Period	a	b	c	d	e	f
		Exposures before CCF and CRM On-balance sheet amount (*)	Exposures before CCF and CRM On-balance sheet amount	Exposures post-CCF and CRM On-balance sheet amount	Exposures post-CCF and CRM On-balance sheet amount	RWA and RWA density RWA	RWA and RWA density RWA
1	Exposures to central governments or central banks	8,496,373	-	8,559,522	-	2,823,383	33%
2	Exposures to regional governments or local authorities	-	132	-	26	13	50%
3	Exposures to public sector entities	26,999	7,902	27,000	3,143	30,018	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to institutions	2,090,051	23,112	2,093,131	25,926	641,059	30%
7	Exposures to corporates	8,309,998	8,034,818	8,298,221	5,030,780	12,845,670	96%
8	Retail exposures	5,074,448	5,017,694	5,020,869	2,104,408	5,101,154	72%
9	Exposures secured by residential property	2,802,700	446,644	2,802,700	182,628	1,047,938	35%
10	Exposures secured by commercial real estate	4,351,408	908,773	4,351,408	532,746	2,442,077	50%
11	Past-due loans	256,219	-	256,181	-	196,974	77%
12	Higher-risk categories by the Agency Board	174,121	1,102	173,676	1,102	244,553	140%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	2,257,229	-	2,256,838	-	1,227,120	54%
17	Investments in equities	-	-	-	-	-	0%
18	Total	33,839,546	14,440,177	33,839,546	7,880,759	26,599,958	64%

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3.3.3. Standardised Approach - Exposures by asset classes and risk weights

Current Period													Total credit risk exposure amount (after CCF and CRM)
Asset classes/Risk weight*	0%	10%	20%	%35* (Secured by Real Estate Mortgage)	%50* (Secured by Real Estate Mortgage)	50%	75%	100%	150%	200%	Others		
1 Exposures to central governments or central banks	7,940,886	-	-	-	-	-	-	2,987,144	-	-	-	-	10,928,030
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	29	-	-	-	-	29
3 Exposures to public sector entities	143	-	-	-	-	-	-	3,390	-	-	-	-	3,533
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	1,372,091	-	1,514	57,419	-	203,732	-	-	-	-	1,634,756
7 Exposures to corporates	303,308	-	94,188	-	-	-	-	11,869,421	-	-	-	-	12,266,917
8 Retail exposures	218,133	-	88,244	-	-	-	5,255,536	-	-	-	-	-	5,561,913
9 Exposures secured by residential property	-	-	-	2,614,395	9,774	-	-	-	-	-	-	-	2,624,169
10 Exposures secured by commercial real estate	-	-	-	-	4,145,660	-	-	-	-	-	-	-	4,145,660
11 Past-due loans	-	-	-	-	119,873	-	-	132,906	-	-	-	-	252,779
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	15,667	106,188	-	-	-	121,855
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Other assets	410,158	-	880,912	2,411	837	-	-	1,407,825	-	-	-	-	2,702,143
18 Total	8,872,628	-	2,435,435	2,616,806	4,277,658	57,419	5,255,536	16,620,114	106,188	-	-	-	40,241,784

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Prior Period												Total credit risk exposure amount (after CCF and CRM)	
Asset classes/ Risk weight*	0%	10%	20%	%35" (Secured by Real Estate Mortgage)	%50" (Secured by Real Estate Mortgage)	50%	75%	100%	150%	200%	Others		
1	Exposures to central governments or central banks	2,874,866	-	63,149	-	-	5,621,507	-	-	-	-	-	8,559,522
2	Exposures to regional governments or local authorities	-	-	0	-	-	26	-	-	-	-	-	26
3	Exposures to public sector entities	125	-	-	-	-	-	-	30,018	-	-	-	30,143
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,450,885	-	570,327	64,253	-	33,592	-	-	-	2,119,057
7	Exposures to corporates	345,522	-	172,261	-	-	-	-	12,811,218	-	-	-	13,329,001
8	Retail exposures	246,354	-	105,524	-	-	-	6,773,399	-	-	-	-	7,125,277
9	Exposures secured by residential property	-	-	-	2,964,842	20,486	-	-	-	-	-	-	2,985,328
10	Exposures secured by commercial real estate	-	-	-	-	4,884,154	-	-	-	-	-	-	4,884,154
11	Past-due loans	-	-	-	-	118,415	-	-	137,766	-	-	-	256,181
12	Higherrisk categories by the Agency Board	-	-	-	-	-	-	-	35,228	139,550	-	-	174,778
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17	Other assets	415,313	-	763,196	4,360	2,029	-	-	1,071,940	-	-	-	2,256,838
18	Total	3,882,180	-	2,555,016	2,969,202	5,595,411	5,685,786	6,773,399	14,119,762	139,550	-	-	41,720,305

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4. Explanations and Disclosures on Counterparty Credit Risk (CCR)

4.1. Information on Counterparty Credit Risk

Internal legislations consisting of policy, process and procedures in which counterparty credit risks exposed by the Bank are defined and measurement, monitoring and control processes are detailed exists within the body of the Bank. Policies are at least annually updated while procedures are updated at required frequency considering legal or intra-bank changes.

Risk weighted amount calculations are made in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" in scope of Counterparty Credit Risk.

Nostro, foreign trade transactions, exchange, substitution exchange cost, usuary, precious metal nostro limits are determined for transactions made with domestic and foreign institutions. Additionally, forward and swap transactions made with customers are considered in counterparty credit risk.

Transactions are monitored whether they are made in line with limits by the limit owner or not. If there is overflow in aforementioned limits, related departments are informed and actions taken by departments are monitored.

In counterparty credit risk management, risk mitigation methods such as offset and collateralization. Controls of collaterals are performed on a daily basis. If there is a transactions with missing collateral branches are automatically informed via e-mail and it is requested to complete missing collateral.

Counterparty credit stress tests include risk sourcing due to expected loss effect caused by deteriorations occurring in creditability and concentration risk related to a single counterparty or group of counterparty. Stress tests, which shall be applied for counterparty credit risk, are performed based on scenarios included in related intra-bank procedures.

4.2. Counterparty credit risk (CCR) approach analysis

	a	b	c	d	e	f
Current Period	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standardised Approach (for derivatives) Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA	164,037	132,668		1.4	296,705	220,392
2 lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable				-	-	-
3 Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable					1,559,324	208,815
4 Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or						
5 borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						
6 Total						429,207

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Prior Period	a	b	c	d	e	f
	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standardised Approach (for derivatives) Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	173,639	121,888			295,527	200,917
2 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)				-	-	-
3 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					1,495,578	189,679
4 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						-
5 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						-
6 Total						390,596

4.3. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	296,705	97,575	295,527	105,037
4 Total amount of CVA capital adequacy	296,705	97,575	295,527	105,037

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4.4. Standardised approach of CCR exposures by regulatory portfolio and risk weights

Current Period	a	b	c	d	e	f	g	h	i	Total Credit Risk
Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	
1 Central governments and central banks receivables	515,251	-	-	-	-	-	-	-	-	515,251
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5 International Organisations receivables	-	-	-	-	-	-	-	-	-	-
6 Banks and Intermediary Institutions receivables	-	-	1,091,914	-	54,944	-	6,843	-	-	1,153,701
7 Corporate receivables	-	-	8,805	-	-	-	170,479	-	-	179,284
8 Retail receivables	-	-	1,884	-	-	4,101	-	-	-	5,985
9 Mortgage receivables	-	-	-	589	1,219	-	-	-	-	1,808
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	-	-	-	-
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitisation Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	-	-	-	-
18 Other assets	-	-	-	-	-	-	-	-	-	-
19 Total	515,251	-	1,102,603	589	56,163	4,101	177,322	-	-	1,856,029

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	Prior Period	a	b	c	d	e	f	g	h	i	
	Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total Credit Risk
1	Central governments and central banks receivables	547,181	-	-	-	-	-	-	-	-	547,181
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	International Organisations receivables	-	-	-	-	-	-	-	-	-	-
6	Banks and Intermediary Institutions receivables	-	-	1,014,478	-	56,793	-	-	-	-	1,071,271
7	Corporate receivables	-	-	4,029	-	-	-	151,624	-	-	155,653
8	Retail receivables	-	-	5,712	-	-	3,682	-	-	-	9,394
9	Mortgage receivables	-	-	-	5,551	2,055	-	-	-	-	7,606
10	Non performing receivables	-	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13	Securitisation Positions	-	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
18	Other assets	-	-	-	-	-	-	-	-	-	-
19	Total	547,181	-	1,024,219	5,551	58,848	3,682	151,624	-	-	1,791,105

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4.5. Collateral for CCR exposure

Current Period	a		b		c		d		e		f	
	Collaterals for Derivatives						Collaterals or Other Transactions					
	Collaterals Taken			Collaterals Given			Collaterals Taken			Collaterals Given		
	Reserved	Not Reserved	Reserved	Not Reserved	Reserved	Not Reserved	Collaterals Taken	Collaterals Given	Collaterals Taken	Collaterals Given	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	10	-	-	-	-	-	-	-	-	-	-
Cash-Foreign Currency	-	10,337	-	-	-	-	-	-	-	-	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	-	-	-	-	-	515,251	-
Government Bond/Bond-Other	-	-	-	-	-	-	-	-	-	-	1,044,073	-
Public Establishment Bond/Bond	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-	-	-	-	-	-	-
Other Collateral	-	1,808	-	-	-	-	-	-	-	-	-	-
Total	-	12,155	-	-	-	-	-	-	-	-	1,559,324	-

Prior Period	a		b		c		d		e		f	
	Collaterals for Derivatives						Collaterals or Other Transactions					
	Collaterals Taken			Collaterals Given			Collaterals Taken			Collaterals Given		
	Reserved	Not Reserved	Reserved	Not Reserved	Reserved	Not Reserved	Collaterals Taken	Collaterals Given	Collaterals Taken	Collaterals Given	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	231	-	-	-	-	-	-	-	-	-	-
Cash-Foreign Currency	-	9,510	-	-	-	-	-	-	-	-	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	-	-	-	-	-	547,181	-
Government Bond/Bond-Other	-	-	-	-	-	-	-	-	-	-	948,397	-
Public Establishment Bond/Bond	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-	-	-	-	-	-	-
Other Collateral	-	7,710	-	-	-	-	-	-	-	-	-	-
Total	-	17,451	-	-	-	-	-	-	-	-	1,495,578	-

5. Explanations and Disclosures on Market Risk

5.1. Information on Market Risk

Internal legislations consisting of policy, process and procedures in which counterparty credit risks exposed by the Bank are defined and measurement, monitoring and control processes are detailed exists within the body of the Bank. Policies are at least annually updated while procedures are updated at required frequency considering legal or intra-bank changes.

Studies related to market risk are performed by Risk Reporting Service subject to Risk Policies and Reporting Directorate under Risk Center Directorate. Related studies include legal market risk calculations, follow-up of compliance to limits determined by the bank and stress test calculations. There exists close collaboration with Asset Liability Management Directorate in scope of market risk management. Opinions and recommendations are received from aforementioned directorate on establishing and updating of intra-bank policy, procedure and process documents which may be considered in scope of market risk. In addition, if there exists non-compliance to limits monitored in scope of market risk, information is obtained from related Directorates under Treasury Business Family regarding reasons for overflows and actions which are/shall be taken.

Principal amount subject to market risk is calculated through using standard method in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy" at Bank. Interest (dividend) rate risk, calculated in accordance with standard method, is reached through multiplying total capital liabilities required for exchange rate risk (including gold), commodity risk, exchange risk and share risk.

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Measurement, monitoring and control of risks subject to market risk are performed through using "Treasury Transaction Limits" determined by Board of Directors of the Bank in addition to legal arrangements.

Treasury Transaction limits are as follows:

- Foreign currency limit for trading purposes
- Stop-loss limit (foreign exchange trading transactions)
- Strategic purposed Foreign Currency Position Limit
- Private sector Sukuk limit
- Sukuk limit issued by Undersecretariat of Treasury of Republic of Turkey

Foreign exchange trading open position limit and daily, monthly, annual stop-loss limits related to aforementioned limit are also determined based on title. Trading transactions are simultaneously compared to limits and responsible individuals are informed regarding related limits and current level of use. Corrective measures including those occurring due to temporary changes in risk positions are taken.

Positions related to foreign exchange transactions are subject to ad-hoc valuation and total risk position, valuation results and limit usage levels are reported to related departments periodically. In addition, early warning limits are determined for aforementioned transactions and related departments are automatically informed via e-mail if aforementioned limits are exceeded.

Firms, issuing sukuk products which shall be included in sukuk limit scope, should be firms having required criteria mentioned in related policy of the Bank.

On the other hand, RMD calculation is made for foreign exchange risk for informative purposes. RMD value for foreign currency position of the Bank is calculated through parametric RMD method and historical simulation method. Outputs of calculations are submitted to Treasury Directorate on a weekly basis.

Foreign exchange risk of the Bank is hedged with foreign currency transactions made with customers by Treasury Business Family or spot transactions between banks.

Market risk stress test is performed with the calculation method of maximum loss exposed through applying reverse shock based on two different scenarios (stressed and worst) to foreign currency net general position (structural fx position).

5.2 Market Risk Explanations-Standardised approach

	RWA	
	Current Period	Prior Period
Outright products		
1 Interest rate risk (general and specific)	6,988	8,400
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	371,988	449,163
4 Commodity risk	120,300	71,563
Options		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	499,275	529,125

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6. Explanations and Disclosures on Consolidated Operational Risk

6.1 Explanations on Operational Risk

"Basic Indicator Approach" is used for the operational risk calculation of the Participation Bank. Principal amount subject to operational risk is calculated through using gross income of Participation Bank for the last three years in accordance with 4th Section, 1st part of "Communique on Measurement and Evaluation of Bank's Capital Adequacy", published at Official Gazette dated October 23, 2015 and numbered 29511, titled "Calculation of Principal Amounts subject to Operational Risk".

The operational risks of the bank and the losses resulting from these risks are recorded in the loss database in accordance with the criteria laid down in the Basel standards and the best practices, and analyzes are conducted using such data to ensure risk reduction.

Operational risks and related losses are reported to the Operational Risk Committee, the Audit Committee and the Board of Directors. At the Operational Risk Committee, the Bank's operational risks at significant levels are monitored closely and the relevant directors are provided with the necessary actions to reduce operational risks.

6.2. Operational Risk: Basic Indicator Model

Current Year	2 PY	1 PY	CY	Total/Positive GI year number	Ratio (%)	Total
Gross income	1,312,873	1,605,111	1,783,881	1,567,288	15	235,093
Amount subject to Operational Risk (Amount*12,5)						2,938,666

Prior Year	2 PY	1 PY	CY	Total/Positive GI year number	Ratio (%)	Total
Gross income	1,105,454	1,312,873	1,605,112	1,341,146	15	201,172
Amount subject to Operational Risk (Amount*12,5)						2,514,649

7. Disclosures on Profit Share Rate Risk in Banking Accounts

Core deposit calculation based on TL, USD and EUR currencies is made for demand deposits on a monthly basis. Calculation is made through using Monte-Carlo Simulation and based on daily current deposit changes. The lowest value of current deposit on 99% trust level for the following month using historical daily change date during simulation phase. Core deposit rates are calculated through dividing calculated amount to deposit amount realized at the end of the month and aforementioned rates are used in the calculation of profit share rate risk sourcing from banking accounts.

Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains/Shareholders' Equity - Losses/ Shareholders' Equity
1 TRY	500	(487,096)	-9.61%
2 TRY	(400)	447,545	8.83%
3 EURO	200	(112,571)	-2.22%
4 EURO	(200)	121,804	2.40%
5 USD	200	56,899	1.12%
6 USD	(200)	(62,340)	-1.23%
- Total (for negative shocks)	-	507,009	10.00%
- Total (for positive shocks)	-	(542,769)	-10.70%

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Prior Period			
Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains/Shareholders' Equity - Losses/ Shareholders' Equity
1 TRY	500	(553,828)	-11.95%
2 TRY	(400)	519,096	11.20%
3 EURO	200	(120,149)	-2.59%
4 EURO	(200)	130,109	2.81%
5 USD	200	142,211	3.07%
6 USD	(200)	(156,658)	-3.38%
- Total (for negative shocks)	-	492,547	10.63%
- Total (for positive shocks)	-	(531,766)	-11.48%

SECTION FIVE: EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets of Financial Statements

1. Cash and Central Bank of Turkey:

1.1 Information on Cash and Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	195,907	187,028	185,099	187,658
Central Bank of Turkey	269,395	4,523,737	320,395	4,169,954
Other (*)	96,001	812,133	74,841	730,910
Total	561,303	5,522,898	580,335	5,088,522

(*) As of December 31, 2017, precious metal account amounts to TL 27,224 (December 31, 2016: TL 42,556).

1.2 Information on Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	269,395	777,554	320,395	674,691
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Other (*)	-	3,746,183	-	3,495,263
Total	269,395	4,523,737	320,395	4,169,954

(*) Reserve deposits that are kept as blockage in CBTR for foreign currency liabilities. As per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR between the rates of 4% and 24% respectively according to the maturity of the liabilities and it has been taken into consideration as of the report date.

2. Information on Financial Assets at Fair Value through Profit and Loss:

The other security line in the amount of TL 1,631 refers to fair value of spot derivative transactions of the Participation Bank, accounted based on the settlement date, between the trade date and the balance sheet date (December 31, 2016: TL 1,558).

2.1. Information on Financial Assets at Fair Value through Profit and Loss, Which are Given as Collateral or Blocked

None (December 31, 2016: None).

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2.2 Information on Financial Assets at Fair Value through Profit and Loss, Which are Subject to Repurchase Agreements

None (December 31, 2016: None)

2.3 Positive Differences Related to Derivative Financial Assets Held-for-Trading

Financial Derivative Assets Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	7,702	4,260	31,664	2,737
Swap Transactions	-	2,955	3,224	23,332
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	7,702	7,215	34,888	26,069

3. Information on Banks

Banks	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	1,103	193,318	712	380,166
Foreign	71	112,944	36	180,852
Branches and Head Offices Abroad	-	-	-	-
Total	1,174	306,262	748	561,018

4. Information on Financial Assets Available for Sale

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	43,394	108,985	-	-
USA and Canada	56,243	62,210	-	-
OECD Countries (*)	7,907	7,208	-	-
Off-Shore Banking Regions	3,071	526	-	-
Other	2,400	1,959	-	-
Total	113,015	180,888	-	-

4. Information on Financial Assets Available for Sale

	Current Period	Prior Period
Debt Securities	3,724,381	3,276,344
Quoted on a Stock Exchange (*)	3,724,381	3,276,344
Not Quoted	-	-
Share Certificates	4,967	4,923
Quoted on a Stock Exchange	-	-
Not Quoted (**)	4,967	4,923
Impairment Provision (-)	-	-
Other	-	-
Total	3,729,348	3,281,267

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

(**) As of December 31, 2017, not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4,719.

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As of December, 31 2017, the Participation Bank's "financial assets available-for-sale" portfolio includes the rent certificate at a total face value of TL 3,352,855 (December 31, 2016: TL 2,936,048), a total carrying value amounting to TL 3,361,727 (December 31, 2016: TL 2,907,449) which is issued by Republic of Turkey Under-Secretariat of Treasury.

4.1. Available-for-Sale Financial Assets Blocked/Given As Collateral or Subject to Repurchase Agreements

As of December 31, 2017, available-for-sale financial assets blocked/given as collateral or subject to repurchase agreements are amounting to TL 1,402,315 (December 31, 2016: TL 1,214,939).

4.2. Information on Financial Assets Available for Sale, Which are Subject to Repurchase Agreements

As of December 31, 2017, information on financial assets available for sale, which are subject to repurchase agreements are amounting to TL 423,981 (December 31, 2016: TL 291,645).

5. Information Related to Loans

5.1. Information on All Types of Loans and Advances Given to Shareholders and Employees of the Participation Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	56	-	46	11,871
Corporate Shareholders	-	-	-	11,871
Real Person Shareholders	56	-	46	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	12,063	-	15,079	-
Total	12,119	-	15,125	11,871

5.2. Information about the First And Second Group Loans and Other Receivables Including Loans That Have Been Restructured or Rescheduled

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Loans	22,549,967	506,838	8,464	2,375,852	1,583,873	194,775
Export Loans	3,864,883	36,630	-	143,584	9,042	46,092
Import Loans	-	-	-	-	-	-
Business Loans	15,219,199	464,421	7,902	2,041,009	1,532,707	129,981
Consumer Loans	3,005,108	5,126	562	164,230	40,864	18,702
Credit Cards	376,070	661	-	6,274	810	-
Loans Given to Financial Sector	82,754	-	-	450	450	-
Other	1,953	-	-	20,305	-	-
Other Receivables	-	-	-	-	-	-
Total	22,549,967	506,838	8,464	2,375,852	1,583,873	194,775

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The loans for which the amendments related to the extension of the payment plan made according to article 4 of first clause (a) and (b) of "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision" are stated below as of December 31, 2017.

	Number of amendments related to the extension of the payment plan	
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	506,838	1,577,737
Extended for 3, 4 or 5 times	-	5,221
Extended for more than 5 times	-	915

The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	80,447	119,266
6-12 Months	3,117	133,477
1-2 Years	57,380	343,660
2-5 Years	227,147	715,075
5 Years and More	138,747	272,395

According to article 12 of regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provision, there is no restructured loan as of December 31, 2017.

5.3. Maturity Analysis of Cash Loans

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	5,118,692	5,945	129,546	255,618
Loans	5,118,692	5,945	129,546	255,618
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	16,915,973	509,357	467,658	1,523,030
Loans	16,915,973	509,357	467,658	1,523,030
Other Receivables	-	-	-	-

5.4. Collaterals Received for Loans and Other Receivables under Close Monitoring

	Current Period	Prior Period
Loans Collateralized by Cash	60,592	33,292
Loans Collateralized by Mortgages	1,629,514	1,539,262
Loans Collateralized by Pledged Assets	44,701	58,639
Loans Collateralized by Cheques and Notes	422,248	291,375
Loans Collateralized by Collaterals	7,351	6,289
Unsecured Loans	354,575	322,156
Total	2,518,981	2,251,013

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5.5. Information on Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	22,509	3,109,885	3,132,394
Real Estate Loans	4,730	2,606,294	2,611,024
Auto Loans	4,176	138,322	142,498
General Purpose Consumer Loans	13,603	365,269	378,872
Other	-	-	-
Consumer Loans - FC Indexed	-	32,469	32,469
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	32,469	32,469
Other	-	-	-
Consumer Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	307,415	410	307,825
With Instalment	88,745	410	89,155
Without Instalment	218,670	-	218,670
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans -TL	377	3,866	4,243
Real Estate Loans	-	399	399
Auto Loans	53	1,671	1,724
General Purpose Consumer Loans	324	1,796	2,120
Other	-	-	-
Personnel Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7,799	21	7,820
With Instalment	2,242	21	2,263
Without Instalment	5,557	-	5,557
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	232	-	232
Overdraft Accounts - FC (real persons)	-	-	-
Total	338,332	3,146,651	3,484,983

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5.6. Installment Based Commercial Loans and Corporate Credit Cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	5,018	32,118	37,136
Business Loans	-	3,332	3,332
Auto Loans	572	25,770	26,342
General Purpose Consumer Loans	4,446	3,016	7,462
Other	-	-	-
Commercial Loans with Instalment - FC Indexed	-	871	871
Business Loans	-	451	451
Auto Loans	-	-	-
General Purpose Consumer Loans	-	420	420
Other	-	-	-
Commercial Loans with Instalments - FC	-	-	-
Business Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	66,579	120	66,699
With Instalment	6,923	120	7,043
Without Instalment	59,656	-	59,656
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	71,597	33,109	104,706

5.7. Loan Distribution According to Borrowers

	Current Period	Prior Period
Public	-	25,970
Private	24,925,819	25,036,130
Total	24,925,819	25,062,100

5.8. International and Domestic Loans

Loans excluding NPL is stated below.

	Current Period	Prior Period
Domestic Loans	24,647,161	24,657,618
International Loans	278,658	404,482
Total	24,925,819	25,062,100

5.9. Loans Granted to Subsidiaries and Participations

None (December 31, 2016: None).

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5.10. Specific Provisions Provided Against Loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	59,439	76,540
Loans and Receivables with Doubtful Collectibility	97,184	186,518
Uncollectible Loans and Receivables	846,369	594,136
Total	1,002,992	857,194

5.11. Information on Non-Performing Loans (Net)

5.11.1. Information on Loans and Other Receivables Included in Loans under Follow-Up Account, Which are Restructured or Rescheduled

	III. Group Loans and Receivables with Limited Collectibility	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:	598	3,237	2,290
(Gross Amount Before Specific Provisions)	598	3,237	2,290
Restructured Loans and Receivables	598	3,237	2,290
Rescheduled Loans and Receivables	-	-	-
Prior Period:	234	761	437
(Gross Amount Before Specific Provisions)	234	761	437
Restructured Loans and Receivables	234	761	437
Rescheduled Loans and Receivables	-	-	-

5.11.2. Information of Movements of Loans

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Prior Period Ending Balance	202,059	412,861	779,404
Additions (+) ^(*)	565,216	28,605	41,591
Transfers from Other Categories of Non-performing Loans (+)	-	576,259	653,906
Transfers to Other Categories of Non-performing Loans (-)	(576,259)	(653,906)	-
Collections (-)	(74,288)	(116,970)	(172,200)
Write-offs (-) (**)	(7,882)	(9,167)	(234,237)
Corporate and Commercial Loans	(7,882)	(9,167)	(230,049)
Retail Loans	-	-	(355)
Credit Cards	-	-	(1,148)
Other	-	-	(2,685)
Current Period Ending Balance	108,846	237,682	1,068,464
Specific Provisions (-)	(59,439)	(97,184)	(846,369)
Net Balance on Balance Sheet	49,407	140,498	222,095

(*) 30,569 TL of the amount transferred during the period is the exchange rate increase

(**) Participation Bank, has sold a portion of its non-performing loans amounting to TL 241,458 to asset management companies for TL 39,757.

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5.11.3. Information on Foreign Currency Loans and Other Receivables Included in Loans under Follow-Up Account

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
Current Period:			
Period Ending Balance	-	-	-
Specific Provisions (-)	-	-	-
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Prior Period Ending Balance	19,204	4,034	2,877
Specific Provisions (-)	(4,208)	(2,509)	(2,765)
Net Balance on Balance Sheet	14,996	1,525	112

The Participation Bank has decided to account the non-performing loans that were previously followed in foreign currency accounts in TL accounts and transfers the existing amounts to the TL accounts on September 24, 2017.

5.11.4. Information on Gross and Net Non-Performing Loans and Receivables as per Customer Categories:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Individuals and Corporates (Gross)	49,407	140,498	222,095
Specific Provisions (-)	(59,257)	(96,931)	(839,209)
Loans to Individuals and Corporates (Net)	49,328	140,253	221,425
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	261	498	7,830
Specific Provisions (-)	(182)	(253)	(7,160)
Other Loans and Receivables (Net)	79	245	670
Prior Period (Net)			
Loans to Individuals and Corporates (Gross)	125,519	226,343	185,268
Specific Provisions (-)	(76,467)	(185,649)	(589,744)
Loans to Individuals and Corporates (Net)	125,418	225,815	184,889
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	174	1,397	4,771
Specific Provisions (-)	(73)	(869)	(4,392)
Others Loans and Receivables (Net)	101	528	379

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5.11.5. Collaterals Received for Non-Performing Loans

	Current Period	Prior Period
Loans Collateralized by Cash	43,000	32,758
Loans Collateralized by Mortgages	513,129	577,156
Loans Collateralized by Pledged Assets	58,557	45,365
Loans Collateralized by Cheques and Notes	487,193	421,840
Loans Collateralized by Collaterals	8,655	12,923
Unsecured Loans	304,458	304,282
Total	1,414,992	1,394,324

5.11.6. Non-Performing Loans and Main Guidelines of Liquidation Process for Loans and Receivables

Related loans are classified as non-performing loans as per "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions" which was published in the Official Gazette No: 26333 on November 1, 2006.

5.11.7. Explanation on "Write-off" Policies

The loans and receivables whose collections are considered to be definitely uncollectible are collected by legal proceedings and enashing the guarantees or written-off by the decision of the Participation

Bank's management pursuant to the requirements in outstanding Turkish Tax Procedures Code In the current period the Participation Bank sold its non-performing loans amounting to TL 241,458 (31

December 2016: TL 587,835) to asset management companies and written off amounting to TL 9,828 (31 December 2016: 4,209).

5.12. Other Explanation and Disclosures

Aging analysis of past due but not impaired loans per classes of financial statements is stated as below:

Current Period (*)	0- 30 Day	31- 60 Day	61- 90 Day	Total
Loans and Receivables				
Corporate loans	43,969	8,040	4,038	56,047
Loans to SMEs	42,287	22,337	7,414	72,038
Consumer loans	12,344	10,159	2,470	24,973
Total	98,600	40,536	13,922	153,058

(*) Only past due loans are presented and the principals of unpaid loans.

Prior Period (*)	0- 30 Day	31- 60 Day	61- 90 Day	Total
Loans and Receivables				
Corporate loans	22,429	23,228	16,519	62,176
Loans to SMEs	29,891	22,506	14,488	66,885
Consumer loans	2,948	3,624	2,285	8,857
Total	55,268	49,358	33,292	137,918

(*) Only past due loans are presented and the principals of unpaid loans.

6. Investments Held-to-Maturity (Net)

6.1. Investments Subject to Repurchase Agreements and Given as Collateral/Blocked:

As of December 31, 2017, there is no held to maturity securities which is given as collateral (December 31, 2016: None).

Investments held-to-maturity subject to repurchase agreements are amounting to TL 101,868 (December 31, 2016: TL 243,064).

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6.2. Information on Securities Held-to-Maturity

	Current Period	Prior Period
Debt Securities	670,528	782,553
Quoted on a Stock Exchange	-	-
Not Quoted	670,528	782,553
Impairment Provision (-)	-	-
Total	670,528	782,553

6.3. Changes in Securities Held-to-Maturity

	Current Period	Prior Period
Opening Balance	782,553	888,893
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	200,000	450,000
Disposals Through Sales and Redemptions	(311,373)	(550,000)
Impairment Provision (-)	-	-
Income Accruals and Rediscounts (*)	(652)	(6,340)
Ending Balance	670,528	782,553

(*) As of December 31, 2017, securities held to maturity securities include income accruals and rediscounts amounting to TL 20,528 and the amount TL (652) represents the accrual change between two periods.

7. Information on Associates (Net)

None (December 31, 2016: None).

8. Information on Subsidiaries (Net)

According to a decision of the Parent Participation Bank's Board of Directors on October 22, 2012, asset rental company was established purposing rent certificate issues with the capital TL 50 as of February 11, 2013. Asset rental company named TF Varlık Kiralama A.Ş. was established with the authorizations of Banking Regulation and Supervision Agency dated December 20, 2012, Capital Markets Board dated February 1, 2013 and Ministry of Customs and Trade dated February 8, 2013. According to a decision of the Parent Participation Bank, second asset rental company was established purposing rent certificate issues with the capital of TL 50 as of July 8, 2014 named TFKB Varlık Kiralama A.Ş.

Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 TF Varlık Kiralama A.Ş.	İstanbul / Turkey	100.00	-
2 TFKB Varlık Kiralama AŞ	İstanbul / Turkey	100.00	-

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	5,630,834	59	-	-	-	1	2	-
2	317,380	376	-	-	-	(145)	(143)	-

9. Information on Entities under Common Control

None (December 31, 2016: None).

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10. Information on Finance Lease Receivables (Net)

10.1. Presentation of Finance Lease Investments According to Their Remaining Maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	579,622	527,205	639,227	576,920
1-4 Years	594,296	540,552	831,121	750,110
More Than 4 Years	85,620	77,877	100,254	90,482
Total	1,259,538	1,145,634	1,570,602	1,417,512

10.2. Financial Information on Net Investments Made in Finance Lease

	Current Period	Prior Period
Gross Finance Lease Receivables	1,259,538	1,570,602
Income Earned from Other Operations apart from Finance Lease (-)	(113,904)	(153,090)
Written off leasing amounts	-	-
Total	1,145,634	1,417,512

10.3 General Information on Criteria Used in Determination of Contingent Lease Installments, If Any, Updates About Available Situations and Contract Amounts Related to Renewal or Purchase Options and Constraints due to Leasing Contracts, Any Past Due Situations, Renewal of Contracts, If Renewaled, Conditions on It, Any Matter Caused to Constraints and Other Important Issues Related to Finance Lease Contracts

Finance lease contracts are realized in consistent with the Legislation of Finance Lease Nr. 6361. There is not any constraint due to finance lease contracts or any renewal that affects financial statements (December, 31 2016: None).

11. Derivative Financial Assets Held for Risk Management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	147,489	-	111,124	-
Cash Flow Hedge	-	-	-	-
Foreign net investment hedge	-	-	-	-
Total	147,489	-	111,124	-

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12. Information on Tangible Assets

	Real Estates	Leased Tangible Assets	Other Tangible Assets	Total
Cost				
Cost at the beginning of Current Period	575,362	5,782	273,883	855,027
Current Term Transactions	122,947	-	63,895	186,842
Additions	233,169	-	80,337	313,506
Disposals	(115,182)	-	(16,442)	(131,624)
Transferred	-	-	-	-
Reversal of Impairment Losses	344	-	-	344
Appreciation	4,616	-	-	4,616
Cost at the End of Current Period	698,309	5,782	337,778	1,041,869
Accumulated Depreciation				
Accumulated Depreciation at the beginning of Current Period	(1,949)	(5,782)	(176,022)	(183,753)
Reversal of Accumulated Depreciation	-	-	-	-
Current Term Transactions	(5,381)	-	(33,373)	(38,754)
Depreciation Expense	(5,191)	-	(38,270)	(43,461)
Appreciation	-	-	-	-
Transferred	(190)	-	190	-
Disposals	-	-	4,707	4,707
Accumulated Depreciation at the End of Current Period	(7,330)	(5,782)	(209,395)	(222,507)
Net Book Value at the End of Prior Period	573,413	-	97,861	671,274
Net Book Value at the End of Current Period	690,979	-	128,383	819,362

13. Information on Intangible Assets

13.1. Useful Life or Depreciation Rates Used

It is explained in the footnote numbered XIII in the Section 3.

13.2. Depreciation Methods Used for Intangible Assets

Intangible assets are depreciated by straight-line depreciation method.

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13.3. Movement Table Between the Current and Prior Period

	Intangible Assets
Cost	
Cost at the beginning of Current Period	199,650
Current Term Transactions	36,190
Additions	43,906
Disposals (-)	(7,716)
Transferred	-
Impairment Losses	-
Cost at the End of Current Period	235,840
Accumulated Depreciation	-
Accumulated Depreciation at the beginning of Current Period	(129,615)
Current Term Transactions	(40,167)
Amortisation Expense (-)	(40,378)
- Value Increase	-
Transferred	-
Disposals	211
Accumulated Depreciation at the End of Current Period	(169,782)
Net Book Value at the End of Prior Period	70,035
Net Book Value at the End of Current Period	66,058

14. Information on Investment Property

None. (December, 31 2016: None).

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15. Explanations Related to the Deferred Tax Asset

The Participation Bank calculated deferred tax liability amounting to TL 51,608 (December 31, 2016: TL 32,680) from the difference between book values of assets and liabilities, and the tax based amounts which are going to be added to the financial profit or loss in the following periods. The Participation Bank net-off calculated deferred tax asset amounting to TL 99,364 (December 31, 2016: TL 107,036) and deferred tax liability, and booked deferred tax asset amounting to TL 47,756 in the current period (December 31, 2016 TL 74,356).

	Current Period	
	Deferred Tax Assessment	Deferred Tax Asset/ (Liability)
Employment Termination Benefit	56,516	11,415
Short Term Employee Benefits	12,651	2,530
Provisions for Credit Cart Promotion	1,120	246
Provision for Lawsuits	17,838	3,568
Revaluation Surplus on Fair Value	(208)	(46)
Rediscount Difference	(436)	(96)
Fair Value Difference on Derivative Transactions	109,595	24,111
Fixed Asset Depreciation Difference	(83,901)	(16,780)
Revaluation Increase on Tangible Assets	(8,058)	(1,612)
Commission Rediscounts	95,469	19,094
Hedging Funds	12,313	2,709
Revaluation Profit/Loss on Precious Metals	7,619	1,676
Other (Net)	2,563	941
Deferred Tax Asset (Net)		47,756

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	Prior Period	
	Deferred Tax Assessment	Deferred Tax Asset/ (Liability)
Employment Termination Benefit	46,836	9,367
Short Term Employee Benefits	11,826	2,365
Provisions for Credit Cart Promotion	1,568	314
Provision for Lawsuits	14,209	2,842
Revaluation Surplus on Fair Value	(1,144)	(229)
Rediscount Difference	243	49
Fair Value Difference on Derivative Transactions	182,094	36,419
Fixed Asset Depreciation Difference	(66,780)	(13,356)
Revaluation Increase on Tangible Assets	(2,269)	(454)
Commission Rediscounts	102,070	20,414
Hedging Funds	30,857	6,171
Revaluation Profit/Loss on Precious Metals	(1,812)	(362)
Other (Net)	54,081	10,816
Deferred Tax Asset (Net)		74,356

Movement of the deferred tax asset is stated as below:

	Current Period	Prior Period
Opening Balance	74,356	83,474
Current Period Gain/Loss	(21,757)	(6,982)
Effect of Tax Rate Changes	-	257
Deferred Tax Asset Accounted Under Equity	(4,843)	(2,393)
Deferred Tax Asset	47,756	74,356

16. Information on Assets Held for Sale

As of December 31, 2017, information on assets held for sale is amounting to TL 263,623 (December 31, 2016: TL 95,655).

17. Information on Other Assets

Other assets do not exceed 10% of total assets as of December 31, 2017 and December 31, 2016.

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II. Explanations Related to the Liabilities of Financial Statements

1. Information on Funds Collected

1.1 The Maturity Structure of Funds Collected

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
I. Real Persons Current Accounts-TL	1,517,494	-	-	-	-	-	-	-	1,517,494
II. Real Persons Profit Sharing Accounts-TL	-	3,058,637	3,261,301	60,740	-	123,872	89,854	115	6,594,519
III. Other Current Accounts-TL	1,690,431	-	-	-	-	-	-	-	1,690,431
Public Sector	3,213	-	-	-	-	-	-	-	3,213
Commercial Sector	1,627,805	-	-	-	-	-	-	-	1,627,805
Other Institutions	46,972	-	-	-	-	-	-	-	46,972
Commercial and Other Institutions	185	-	-	-	-	-	-	-	185
Banks and Finance Houses	12,256	-	-	-	-	-	-	-	12,256
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	12,178	-	-	-	-	-	-	-	12,178
Bank	77	-	-	-	-	-	-	-	77
Other	1	-	-	-	-	-	-	-	1
IV. Profit Sharing Accounts-TL	-	448,769	875,952	11,538	-	15,352	10,102	-	1,361,713
Public Sector	-	2	14	-	-	-	-	-	16
Commercial Sector	-	410,569	784,068	10,486	-	14,789	7,360	-	1,227,272
Other Institutions	-	36,129	68,970	1,052	-	563	2,742	-	109,456
Commercial and Other Institutions	-	2,069	-	-	-	-	-	-	2,069
Banks	-	-	22,900	-	-	-	-	-	22,900
V. Real Persons Current Accounts-FC	1,527,475	-	-	-	-	-	-	-	1,527,475
VI. Real Persons Profit Sharing Accounts-FC	-	1,995,071	2,481,905	53,806	-	276,012	89,961	16	4,896,771
VII. Other Current Accounts-FC	1,648,537	-	-	-	-	-	-	-	1,648,537
Commercial Residents in Turkey	1,578,914	-	-	-	-	-	-	-	1,578,914
Commercial Residents in Abroad	67,063	-	-	-	-	-	-	-	67,063
Banks	2,560	-	-	-	-	-	-	-	2,560
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	665	-	-	-	-	-	-	-	665
Banks	1,895	-	-	-	-	-	-	-	1,895
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	419,528	1,479,213	63,109	-	12,571	10,029	-	1,984,450
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	398,452	1,186,753	63,099	-	10,317	432	-	1,659,053
Other Institutions	-	14,862	24,421	10	-	2,207	56	-	41,556
Commercial and Other Institutions	-	6,214	93,241	-	-	47	9,541	-	109,043
Banks and Participation Banks	-	-	174,798	-	-	-	-	-	174,798
IX. Precious Metal Accounts	521,778	-	-	263,087	-	24,161	80	-	809,106
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+....+IX+X+XI)	6,905,715	5,922,005	8,098,371	452,280	-	451,968	200,026	131	22,030,496

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Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
I. Real Persons Current Accounts-TL	1,413,571	-	-	-	-	-	-	-	1,413,571
II. Real Persons Profit Sharing Accounts-TL	-	2,829,917	3,719,233	66,517	-	135,255	105,269	81	6,856,272
III. Other Current Accounts-TL	1,926,411	-	-	-	-	-	-	-	1,926,411
Public Sector	4,302	-	-	-	-	-	-	-	4,302
Commercial Sector	1,864,029	-	-	-	-	-	-	-	1,864,029
Other Institutions	54,140	-	-	-	-	-	-	-	54,140
Commercial and Other Institutions	915	-	-	-	-	-	-	-	915
Banks and Finance Houses	3,025	-	-	-	-	-	-	-	3,025
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	2,887	-	-	-	-	-	-	-	2,887
Bank	138	-	-	-	-	-	-	-	138
Other	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TL	-	514,710	1,066,356	7,561	-	47,041	13,840	-	1,649,508
Public Sector	-	10	1	-	-	-	-	-	11
Commercial Sector	-	474,771	958,355	4,746	-	45,648	11,083	-	1,494,603
Other Institutions	-	30,550	67,158	2,815	-	1,393	2,757	-	104,673
Commercial and Other Institutions	-	9,379	1,070	-	-	-	-	-	10,449
Banks	-	-	39,772	-	-	-	-	-	39,772
V. Real Persons Current Accounts-FC	908,049	-	-	-	-	-	-	-	908,049
VI. Real Persons Profit Sharing Accounts-FC	-	1,520,932	2,487,331	45,797	-	229,995	103,570	12	4,387,637
VII. Other Current Accounts-FC	1,120,998	-	-	-	-	-	-	-	1,120,998
Commercial Residents in Turkey	910,856	-	-	-	-	-	-	-	910,856
Commercial Residents in Abroad	133,296	-	-	-	-	-	-	-	133,296
Banks	76,846	-	-	-	-	-	-	-	76,846
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	24,010	-	-	-	-	-	-	-	24,010
Foreign Banks	603	-	-	-	-	-	-	-	603
Banks	52,233	-	-	-	-	-	-	-	52,233
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	374,211	1,719,133	34,735	-	13,514	50,855	-	2,192,448
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	293,081	1,082,310	34,731	-	11,433	6,618	-	1,428,173
Other Institutions	-	5,580	22,809	4	-	2,043	-	-	30,436
Commercial and Other Institutions	-	75,550	77,482	-	-	38	44,237	-	197,307
Banks and Participation Banks	-	-	536,532	-	-	-	-	-	536,532
IX. Precious Metal Accounts	404,848	-	-	189,560	-	15,442	37	-	609,887
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+....+IX+X+XI)	5,773,877	5,239,770	8,992,053	344,170	-	441,247	273,571	93	21,064,781

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1.2. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund

	Under the Guarantee of insurance		Exceeding the Limit of insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real Persons Current and Profit Sharing Accounts that are not Subject to the Commercial Activities	6,920,866	6,387,569	8,373,803	7,735,302
TL Accounts	4,662,715	4,710,292	3,448,380	3,558,921
FC Accounts	2,258,151	1,677,277	4,925,423	4,176,381
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

1.3. Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

	Current Period	Prior Period
Foreign Branches' Profit Share Funds and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts held by Shareholders and Their Relatives	-	-
Profit Sharing Accounts and Other Accounts of the Chairman and Board of Directors, Chief Executive Officer, Senior Executive Officers and Their Relatives	1,136	954
Profit Sharing Accounts and Other Accounts Held as Assets Subject to the Crime defined in the Article 282 of the Turkish Criminal Code No. 5237 dated 26/9/2004	-	-
Off Shore banking Regions' Profit Sharing Accounts	-	-

1.4. Information on the Current and Profit Sharing Accounts of the Participation Bank with Head Office Abroad, if the Saving Deposits in the Branches of the Participation Bank Located in Turkey are Under the Guarantee of Saving Deposit Insurance in that Country Abroad

The center of the Participation Bank is in Turkey and under the guarantee of Saving Deposits Insurance Fund of Turkey.

1.5. Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

Total of current and profit sharing accounts which are not under the guarantee of Deposit Insurance Fund is TL 1,136 (December, 31 2016: TL 954).

2. Negative Differences on Derivative Financial Liabilities Held for Trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading				
Forward Transaction	4,841	1,187	22,573	1,652
Swap Transaction	8,120	13,370	2,781	5,351
Future	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	12,961	14,557	25,354	7,003

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3. Information on Borrowings

3.1. Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from the Central Bank of Turkey	-	-	-	-
Funds Borrowed from Domestic Banks and Institutions	739,092	5,240,655	343,424	4,939,252
Funds Borrowed from Foreign Banks, Institutions and Funds	649,042	3,054,890	518,611	4,455,286
Total	1,388,134	8,295,545	862,035	9,394,538

3.2. Maturity Analysis of Funds Borrowed

	Current Period		Prior Period	
	TP	YP	TL	FC
Short-Term	1,258,833	4,281,694	349,927	3,829,221
Medium and Long-Term	129,301	4,013,851	512,108	5,565,317
Total	1,388,134	8,295,545	862,035	9,394,538

4. Other Liabilities Exceeding 10% of the Balance Sheet Total and the Breakdown of Such Liabilities Constituting at Least 20% of the Grand Total

Other liabilities do not exceed 10% of total liabilities as of December 31, 2017 and December, 31 2016.

5. Information on Finance Lease Payables (Net)

5.1 The General Explanations on Criteria Used in Determining Installments of Financial Lease Agreements, Renewal and Purchasing Options and Restrictions in the Agreements that Create Significant Obligations to the Participation Bank

None (December, 31 2016: None).

5.2. The Explanation on Modifications in Agreements and New Obligations Resulting from such Modifications

There is no change in financial leasing agreements in the current period.

	Current Period		Prior Period	
	Gross	Net	Gross	Net
less than 1 Year	-	-	105,030	104,771
1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	-	-	105,030	104,771

6. Information on Derivative Financial Liabilities Held for Risk Management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	-	256,796	-	352,675
Foreign net investment hedge	-	-	-	-
Total	-	256,796	-	352,675

Derivative financial liabilities held for risk management are presented in detail in Section 4, footnote XI.

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7. Information on Provisions

7.1. Information on General Provisions

	Current Period	Prior Period
General Provisions	203,151	231,669
Provision for Group 1. Loans and Receivables (Total)	141,347	170,919
Profit Sharing Accounts' Share	58,147	62,682
The Bank's Share	83,200	108,237
Other	-	-
Additional provisions for Group 1. loans with extended payment plan (*)	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provision for Group 2. Loans and Receivables (Total)	44,857	41,025
Profit Sharing Accounts' Share	10,102	14,068
The Bank's Share	34,755	26,957
Other	-	-
Additional provisions for Group 2. loans with extended payment plan (*)	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provision for Non Cash Loans	16,947	19,725
Other	-	-

(*) The amount includes the effect of the amendment to the regulation on procedures and principles for the determination of the qualifications of loans and other receivables and the provisions made on September 27, 2016.

7.2. Information on Foreign Exchange Losses on the Foreign Currency Indexed Loans and Finance Lease Receivables

Foreign exchange differences on foreign currency indexed loans amounting to TL 9,557 are netted with loans on the asset side as of balance sheet date (December, 31 2016: TL 889).

7.3 Information on Employee Termination Benefits

The Participation Bank's provision amount for unused vacation is TL12,973 (December, 31 2016: TL 11,826), provision amount for performance premium is TL 22,027 (December, 31 2016: TL 17,607) and provision amount for severance indemnities is TL 56,516 (December, 31 2016: TL 46,836) as of December 31, 2017.

Employee Termination Movement Statements

	Current Period	Prior Period
Opening Balance	46,836	41,044
Service Cost	4,072	6,134
Profit Share Cost	4,792	4,387
Actuarial Loss (*)	5,078	(1,581)
Recognised Gain/Loss	846	1,550
Benefits Paid	(5,108)	(4,698)
Total Employment Termination Benefit Liability	56,516	46,836

(*) Actuarial losses of employee termination benefits amount to TL 17,024 (December,31 2016: TL 11,946) are accounted under other capital reserves net amount to TL 3,405 (December,31 2016: TL 2,389) which is net off deferred tax amount to TL 13,619 (December,31 2016: TL 9,557).

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7.4. Information on Other Provisions

7.4.1. Information on Provisions for possible risks

None (December, 31 2016: None).

7.4.2. Other Provisions Exceeding 10% of Total Provisions and Name, Amount and Breakdown of Such Provisions

	Current Period	Prior Period
Specific Provision for Cheques	7,740	9,535
Specific Provision for Non Cash Loans not Indemnified or not Converted into Cash	70,251	63,394
Provision for Lawsuits against Participation Bank	17,838	14,209
Provision for Decrease in Value Spot Derivative Transactions	1,424	414
Provision for Profits will be Allocated to Participation Accounts (*)	27,755	34,671
Provision for Credit Cards Promotion Commitments	1,120	1,568
Other	8,185	6,710
Total	134,313	130,501

(*) According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, the amount is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

8. Information on Tax Liability

8.1. Explanations Related to Current Tax Liability

8.1.1. Information on Tax Provision

The Participation Bank has corporate tax liability amounting to TL 60,525 (December, 31 2016: TL 65,850) and prepaid tax amounting to TL 44,584 (December, 31 2016: TL 49,158) as of December 31, 2016. The remaining corporate tax liability after the deduction of the prepaid tax amount is reflected to financial statements.

8.1.2. Information on Taxes Payable

	Current Period	Prior Period
Corporate Tax Payables	15,941	16,692
Tax on Securities Income	11,596	10,357
Tax on Real Estate Income	1,118	1,069
Banking Insurance Transaction Tax	15,012	16,277
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payables	2,969	4,911
Other	7,636	7,409
Total	54,272	56,715

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8.1.3. Information on Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	3,540	3,240
Social Security Premiums-Employer	3,769	3,509
Bank Pension Fund Premiums- Employees	-	-
Bank Pension Fund Premiums- Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employers	-	-
Unemployment Insurance- Employees	253	231
Unemployment Insurance- Employer	506	463
Other	170	55
Total	8,238	7,498

8.2. Information on Deferred Tax Liabilities

None (December, 31 2016: None).

9. Information on Liabilities Regarding Assets Held for Sale and Discontinued Operations

None (31 December 2016: None).

10. Information on Sub-Ordinated Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	960,338	-	890,500
Other Foreign Institutions	-	-	-	-
Total	-	960,338	-	890,500

The Participation Bank provided sub-ordinated loans amounting to 100,000,000 USD and 150,000,000 USD, in terms of a 7.23%,7.78% profit share rates and ten years maturity, on March 31, 2015 and June 30, 2015 respectively. In accordance with article of BRSA dated March 26, 2015, to include loans amounting to 250,000,000 USD into calculation of additional capital since the date when sub-ordinated loan is recorded into Bank's accounts in cash.

11. Information on Shareholders' Equity

11.1. Presentation of Paid-in Capital

	Current Period	Prior Period
Common Stock	2,600,000	2,600,000
Preferred Stock	-	-

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11.2. Paid-in Capital Amount, Explanation as to Whether the Registered Share Capital System is Applicable at Participation Bank if so Amount of Registered Share Capital Ceiling

Registered share capital system is not applied in Participation Bank.

11.2.1. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in Current Period

There is no increasing in share capital in current period. (December, 31 2016:None).

11.2.2. Information on Capital Reserves Transferred to the Capital During the Period

During the current period there are no capital reserves transferred to the capital (December, 31 2016: None).

No balance has been added to capital reserves from revaluation fund in the current period (December, 31 2016: None).

11.2.3. Capital Commitments in the Last Fiscal Year and at the end of the Following Year-End Period, the General Purpose of These Commitments and Projected Resources Required Meeting These Commitments

None. (December, 31 2016: None).

11.3. Indicators of the Participation Bank's Income, Profitability and Liquidity for the Previous Periods and Possible Effects of These Future Assumptions on the Participation Bank's Equity Due to the Uncertainty of These Indicators

None.

11.4. Information on Preferred Shares

None (December, 31 2016: None).

11.5. Information on Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Securities Available for Sale	(5,505)	3,051	22,830	(30,238)
Valuation Differences	(5,505)	3,051	22,830	(30,238)
Exchange Rate Differences	-	-	-	-
Total	(5,505)	3,051	22,830	(30,238)

11.6. Other Information on Shareholders' Equity

By a decision taken in the Participation Bank's General Assembly dated March 31, 2017, the profit of the year 2016 that is amounting to TL 296,243 was transferred to statutory reserves, extraordinary reserves and other reserves amounting to TL 15,161, TL 279,954 and TL 1,128 respectively.

III. Explanations Related to the Off-Balance Sheet Items

1. Information on Off-Balance Sheet Liabilities

1.1. Types and Amounts of Irrevocable Loan Commitments

	Current Period	Prior Period
Asset purchase-sale commitments	1,422,032	1,130,334
Commitments for Subsidiaries and Affiliates	1,582	5,227
Commitments for Check Payments	1,252,959	1,309,524
Tax and Fund Liabilities from Export Commitments	3,766	2,875
Commitments for Credit Card Expenditure Limits	776,371	820,810
Commitments for Credit Cards and Banking Services Promotions	1,715	1,458
Other	19,849	12,094
Total	3,478,274	3,282,322

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1.2 Information on the Nature and the Amount of Possible Losses and Commitments Stemmed from Off-Balance Sheet Items

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantee and Other Letters of Credits

	Current Period	Prior Period
Guarantees	9,055,835	11,246,095
Acceptances	142,663	386,249
Letter of Credits	567,276	727,037
Other guarantees	-	1,742
Total	9,765,774	12,361,123

1.2.2. Permanent Guarantees, Temporary Guarantees, Suretyships and Similar Transactions

	Current Period	Prior Period
	659,426	917,602
Permanent Guarantee Letters	5,523,155	6,477,487
Advance Guarantee Letters	447,657	557,807
Guarantee Letters Given to Duties	374,203	495,006
Guarantee Letters for Cash Loan Coverage	1,445,869	1,837,347
Other Guarantee Letters	605,525	960,846
Total	9,055,835	11,246,095

1.2.3. Total Non Cash Loans

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	1,445,869	1,837,347
With maturity of 1 year or less than 1 year	43,920	70,543
With maturity more than 1 year	1,401,949	1,766,804
Other non cash loans	8,319,905	10,523,776
Total	9,765,774	12,361,123

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1.2.4. Information on Sectoral Risk Concentration of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	54,823	0.93	47,457	1.23	84,520	1.20	89,872	1.68
Farming and raising livestock	54,823	0.93	47,457	1.23	84,413	1.20	89,872	1.68
Forestry	-	0.00	-	0.00	5	0.00	-	0.00
Fishing	-	0.00	-	0.00	102	0.00	-	0.00
Manufacturing	917,657	15.57	2,042,448	52.77	1,161,000	16.52	2,694,748	50.53
Mining	67,804	1.15	9,939	0.26	68,940	0.98	31,826	0.60
Production	723,263	12.27	1,787,861	46.19	930,720	13.24	2,314,086	43.39
Electricity, Gas, Water	126,590	2.15	244,648	6.32	161,340	2.30	348,836	6.54
Construction	2,150,508	36.48	503,453	13.01	2,629,132	37.43	985,650	18.48
Services	2,709,857	45.97	1,250,267	32.29	3,073,734	43.73	1,529,605	28.68
Wholesale and Retail Trade	1,258,546	21.35	641,012	16.56	1,566,203	22.29	872,625	16.36
Hotel, Food, Beverage Services	42,573	0.72	55,095	1.42	30,715	0.44	61,679	1.16
Transportation and Telecommunication	180,876	3.07	319,461	8.25	208,135	2.96	351,176	6.58
Financial Institutions	22,591	0.38	6,532	0.17	26,223	0.37	23,881	0.45
Real Estate and Lending Services	1,090,432	18.50	220,702	5.70	1,112,758	15.83	213,660	4.01
Self employment Service	-	0.00	-	0.00	-	0.00	-	0.00
Education Service	27,505	0.47	5,108	0.13	30,527	0.43	4,292	0.08
Health and social Services	87,334	1.48	2,357	0.06	99,173	1.41	2,292	0.04
Other	62,123	1.05	27,181	0.70	79,025	1.12	33,837	0.63
Total	5,894,968	100.00	3,870,806	100.00	7,027,411	100.00	5,333,712	100.00

1.2.5. Information on Ist and IInd Group Non-Cash Loans

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-Cash Loans	5,624,217	3,632,662	270,751	238,144
Letters of Guarantee	5,616,742	2,944,489	270,751	223,853
Endorsement and Acceptances	5,958	136,705	-	-
Letters of Credit	1,517	551,468	-	14,291
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

2. Explanations Related to the Derivative Financial Instruments

	Current Period	Prior Period
Type of Trading Transactions		
Foreign Currency Related Derivative Transactions (I) :	11,647,469	12,285,588
Forward Transactions	3,003,060	3,437,652
Swap Transactions	8,644,409	8,847,936
Futures Transactions	-	-
Option Transactions	-	-
Other Trading Derivative Transactions (II)	394,742	360,205
A. Total Trading Derivative Transactions (I+II)	12,042,211	12,645,793

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3. Explanations Related to the Contingent Liabilities and Assets

None (31 December 2016: None).

4. Services Rendered on Behalf of Third Parties

None (31 December 2016: None).

IV. Explanations Related to the Income Statement

1. Profit Share Income

1.1. Information on Profit Share on Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit Share on Loans ^(*)	2,223,666	170,308	2,418,978	134,698
Short Term Loans	542,228	21,656	625,604	18,928
Medium and Long Term Loans	1,667,114	148,650	1,781,754	115,767
Profit Share on Non Performing Loans	14,324	2	11,620	3
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	2,223,666	170,308	2,418,978	134,698

(*) Profit Share on Loans includes commission income on cash loans.

1.2. Information on Profit Share on Participation Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	19,610	20,132	17,363	11,137
Domestic Banks	-	-	-	-
Foreign Banks	10	1,959	59	559
Branches and Head Office Abroad	-	-	-	-
Total	19,620	22,091	17,422	11,696

1.3. Information on Profit Share on Marketable Securities Portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Financial Assets Available for Sale	192,291	77,821	125,797	55,368
Investments Held to Maturity	69,452	-	69,157	-
Total	261,743	77,821	194,954	55,368

1.4. Information on Profit Share Income Received from Associates and Subsidiaries

None (December 31, 2016: None).

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2. Profit Share Expenses

2.1. Information on Profit Share on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	71,837	131,653	67,214	142,994
Central Bank of Turkey	12,189	-	-	-
Domestic Banks	95	10,017	9,716	9,477
Foreign Banks (*)	59,553	121,636	57,498	133,517
Branches and Head Office Abroad	-	-	-	-
Other Institutions	60,895	234,398	41,572	196,577
Total	132,732	366,051	108,786	339,571

(*) Profit Share on Funds Borrowed includes commission expense on cash loans.

2.2. Information on Profit Share Expense Given to Associates and Subsidiaries

	Current Period	Prior Period
Profit Share Expense Given to Associates and Subsidiaries	297,337	248,193

2.3. Information on Profit Share Expense to Marketable Securities Issued

None (31 December 2016: None).

2.4. Distribution of Profit Share Expense on Funds Collected Based on Maturity of Funds Collected

Account Name	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulated	Total
						Profit Sharing Accounts	
Turkish Lira							
Funds Collected from Banks via Current and Profit Sharing Accounts	15	2,710	-	-	-	-	2,725
Real Person's Non Commercial Profit Sharing Accounts	213,838	324,930	6,145	11,516	7,806	7	564,242
Public Sector Profit Sharing Accounts	1	-	-	-	-	-	1
Commercial Sector Profit Sharing Accounts	37,727	80,106	799	2,300	739	-	121,671
Other Institutions Profit Sharing Accounts	2,517	6,050	112	78	241	-	8,998
Total	254,098	413,796	7,056	13,894	8,786	7	697,637
Foreign Currency							
Banks	1,644	2,119	-	-	-	-	3,763
Real Person's Non Commercial Profit Sharing Accounts	32,362	55,381	1,335	6,005	1,513	-	96,596
Public Sector Profit Sharing Accounts	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Accounts	7,639	24,158	809	162	87	-	32,855
Other Institutions Profit Sharing Accounts	975	1,845	-	47	596	-	3,463
Precious Metal Accounts	-	-	1,780	167	1	-	1,948
Total	42,620	83,503	3,924	6,381	2,197	-	138,625
Grand Total	296,718	497,299	10,980	20,275	10,983	7	836,262

3. Information on Dividend Income

None (31 December 2016: None).

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4. Information on Trading Income/Losses (Net)

	Current Period	Prior Period
Income	65,087,226	31,859,704
Trading Account Income	1,172	1,874
Derivative Financial Instruments	827,306	1,251,103
Foreign Exchange Gains	64,258,748	30,606,727
Loss	(65,065,102)	(31,760,534)
Trading Account Losses	(362)	(860)
Derivative Financial Instruments	(995,574)	(1,174,646)
Foreign Exchange Losses	(64,069,166)	(30,585,028)

5. Information on Other Operating Income

	Current Period	Prior Period
Communication Expense Charged to Customers	5,489	7,841
Gain on Sale of Assets	56,137	17,495
Checkbook Expenses	4,895	7,214
Reversals Related to Prior Year's Expenses	224,649	267,455
Other	13,544	13,908
Total	304,714	313,913

6. Provision Expenses Related To Loans and Other Receivables of the Participation Bank

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	519,643	778,638
III. Group	86,889	93,306
IV. Group	140,363	290,143
V. Group	278,004	380,175
Doubtful Commission, Fee and Other Receivables	14,387	15,014
General Provision Expenses	3,678	7,112
Provision Expenses for Possible Losses	-	-
Marketable Securities Impairment Losses	11,432	12,705
Financial Assets at Fair Value Through Profit and Losses	-	-
Investment Securities Available for Sale	11,432	12,705
Impairment Provision Expenses	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Investments Held to Maturity	-	-
Other (*)	46,062	51,964
Total	580,815	850,419

(*) Other provision expenses amounting to TL 46,062 comprised of specific provision expenses for cheques amounting to TL 6,653, specific provision expenses for non cash loans not indemnified or not converted into cash amounting to TL 21,198 specific provision expenses allocated to participation accounts amounting to TL 10,965 provision expenses for law suits amounting to TL 5,860 and other expenses amounting to TL 1,476. (December 31, 2016: Other provision expenses amounting to TL 51,964 comprised of specific provision expenses for cheques amounting to TL 8,641, specific provision expenses for non cash loans not indemnified or not converted into cash amounting to TL 29,548, specific provision expenses allocated to participation accounts amounting to TL 4,809 other expenses amounting to TL 3,101 and provision expense for law suits amounting to TL 5,865).

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7. Information on Other Operating Expenses

	Current Period	Prior Period
Personel Expenses	411,462	413,728
Reserve for Employee Termination Benefits	6,103	7,373
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	2,422	-
Depreciation Expenses of Tangible Assets	43,461	34,118
Impairment Losses on Intangible Assets	-	-
Amortization Expenses of Goodwill	-	-
Depreciation Expenses of Intangible Assets	40,378	38,181
Impairment Provision for Investments Accounted for Under Equity Method	-	-
Impairment Losses on Assets to be Disposed	438	1,661
Depreciation Expenses of Assets to be Disposed	-	1,644
Impairment Losses on Assets Held for Sale	2,220	-
Other Operating Expenses	222,057	213,291
Operating Lease Expenses	87,223	81,247
Repair and Maintenance Expenses	9,195	6,601
Advertisement Expenses	10,278	20,264
Other Expenses	115,361	105,179
Loss on Sales of Assets	1,162	238
Other	145,895	135,906
Total	875,598	846,140

8. Explanations Related to the Profit/Loss Before Taxes Including Profit/Loss from Discontinued Operations

The Participation Bank's profit before taxes realized at TL 457,642 (December 31, 2016: TL 369,075). The profit before taxes includes a net profit share income of TL 1,451,436 (December 31, 2016: TL 1,509,539) a net fees and commission income of TL 135,781 (December 31, 2016: TL 143,012). Operating expenses are amounted to TL 875,598 (December 31, 2016: TL 846,140)

9. Information on Provision for Taxes

The Participation Bank tax reconciliation is listed below:

	Current Period	Prior Period
Profit Before Tax	457,642	369,075
Corporate Tax Ratio	% 20	% 20
Calculated Tax	91,528	73,815
Deductions	(67,061)	(75,501)
Other	57,815	74,518
Income Tax Expense	82,282	72,832

10. Explanations Related to the Net Profit/Loss Including Profit/Loss From Discontinued Operations

Net period profit is TL 375,360 (31 December 2016: TL 296,243)

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11. Explanation on Net Period Profit/Loss

11.1. The Nature and Amount of Certain Income and Expense Items from Ordinary Operations is Disclosed If the Disclosure for Nature, Amount and Repetition Rate of Such Items is Required for the Complete Understanding of the Participation Bank's Performance for the Period

Profit share income on regular banking operations is TL 2,902,629 and profit share expenses are TL 1,451,193 (December 31, 2016: profit share income; TL 2,981,301 profit share expenses: TL 1,471,762).

11.2. Effect of Changes in Accounting Estimates on Income Statement for the Current and, If Any, for Subsequent Periods

None (December 31, 2016: None).

11.3 Nature and Amount of Changes in Accounting Estimates which Have Material Effects on the Current Period or Expected to Have Material Effects on the Subsequent Periods

None (31 December 2016: None).

12. If the Other Items in the Income Statement Exceed 10% of the Income Statement Total, Accounts Amounting to At Least 20% of These Items are shown below

Other Fees and Commissions Received	Current Period	Prior Period
Commissions of Letters of Credit on Imports	486	679
Commission of Collection Note/Check	1,701	3,033
Commissions on Remittance	11,879	12,267
Insurance Commissions	21,917	23,401
Credit Letter Commissions	1,526	2,115
Expert Fees	12,163	18,607
Credit Card Fees and Commissions	37,402	36,286
Commissions on Member Firm -POS	60,137	49,854
Cash Import Commissions	2,728	3,173
Other Commissions and Fees	24,990	22,722
Total	174,929	172,137

Other Fees and Commissions Given	Current Period	Prior Period
POS Transaction Commission Expense	99,042	88,104
7/24 Card Domestic ATM Commission Given	1,291	1,534
Credit Card Service and Usage Expense	12,528	9,617
Commissions and Fees Given for Remittance	3,377	3,391
Expertise Fees	11,000	14,961
Other Commissions and Fees	29,731	27,672
Total	156,969	145,279

V. Explanations and Disclosures Related to the Statements of Shareholders' Equity Movement

1. Information on Any Increases Arising from Application of Accounting for Financial Instruments in the Current Period

1.1. Increases from Valuation of Financial Assets Available-for-Sale

The increase after the revaluation of available-for-sale investments in the current period is TL 4,954 (31 December 2016: None).

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1.2. Increases Due to Cash Flow Hedges

As of 31 December 2017 total increase due to cash flow hedges is amounting to TL 15,081 (31 December 2016: TL 16,898).

1.3. Increases Due to the Revaluation of Tangible Fixed Assets

The increase after the revaluation of available-for-sale investments in the current period is TL 5,881 (31 December 2016: None).

2. Information on Any Decreases Arising from Application of Accounting for Financial Instruments in the Current Period

2.1. Decreases from Valuation of Financial Assets Available-for-Sale

None (31 December 2016: 8,425).

2.2. Decreases Due to Cash Flow Hedges

None (31 December 2016: None).

3. Information on Dividend

3.1. Dividends Declared Subsequent to the Balance Sheet Date, but Before the Announcement of the Financial Statements

None.

3.2. Dividends per Share Proposed Subsequent to the Balance Sheet Date

None.

4. Amounts Transferred to Legal Reserves

In the current period, the amount transferred to legal reserves is TL 15,161 and amount transferred to extraordinary reserves TL 279,954 (31 December 2016: to the legal reserves is TL 11,294 to the extraordinary reserves is TL 249,782).

5. Information on Shares Issued

5.1. For All Capital Share Classes of the Participation Bank; Rights, Priorities and Restrictions about This Item Including Distribution of Dividend and Restrictions related to Repayment of Capital

None (31 December 2016: None).

5.2. Explanations Related to Other Capital Increase Items in the Statements of Shareholders' Equity Movement

None.

VI. Explanations Related to Statement of Cash Flows

1. Disclosures for "other" items and "effect of change in foreign currency rates cash and cash equivalents" in statement of cash flows

The "other" item amounting to a loss of TL 1,025,771 under operating profit before changes in operating assets and liabilities composes of fees and commissions paid, other operating expenses excluding employee costs and depreciation expense, provision expense (31 December 2016: TL 1,247,644 loss).

The "net increase in other liabilities" amounting to TL 390,335 under the changes in operating assets and liabilities is resulted from the changes in the miscellaneous payables and other external funding payables (31 December 2016: TL 891,556).

As of 31 December 2017, the effect of change in the exchange rate on cash and cash equivalents calculated a gain of TL 501,973 (31 December 2016: TL 783,251 gain).

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

2. Cash outflows from Acquisition of Associates, Subsidiaries and Joint-ventures

None. (31 December 2016: None.)

3. Cash Inflows from Acquisition of Associates, Subsidiaries and Joint-ventures

None (31 December 2016: None).

4. Information on Cash and Cash Equivalents at Beginning and End of Periods

	Current Period	Prior Period
Cash	2,299,276	2,124,459
Cash in TL and Foreign Currency	382,935	372,757
Central Bank of Turkey	1,035,430	988,506
Other	880,911	763,196
Cash Equivalents	307,436	561,766
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	307,436	561,766
Total Cash and Cash Equivalents	2,606,712	2,686,225

5. Restricted Cash and Cash Equivalents of the Participation Bank Due to Legal Requirements or Other Reasons

The placements at Central Bank of Turkey include blocked accounts with a total principal balance of TL 3,746,183 (31 December 2016: TL 3,495,263) which is kept as reserve deposits for foreign currency liabilities.

VII. Explanations on the Risk Group of the Parent Participation Bank

1. Information on the volume of transactions relating to the Participation Bank's risk group, incomplete loan and funds collected transactions and period's profit and loss

1.1. Information on loans and other receivables of the Participation Bank's risk group Current Period

Bank's Risk Group (**)	Associates, Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Others Receivables						
Balance at the beginning of the period	368,895	-	46	11,871	232,051	84,299
Balance at the end of the period (*)	362,667	-	56	-	95,939	33,915
Profit Share and Commission Income	50,042	-	138	-	14,602	268

(*) Lease receivables from the Participation Bank's risk group are included in cash balances amounting to TL 1,082.

(**) The information given in the table includes credits and securities.

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

Prior Period

Bank's Risk Group (**)	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Others Receivables						
Balance at the beginning of the period	387,157	-	138	10,573	169,073	90,291
Balance at the end of the period (*)	368,895	-	46	11,871	232,051	84,299
Profit Share and Commission Income	50,804	-	4,078	-	26,126	486

(*) Lease receivables from the Participation Bank's risk group are included in cash balances amounting to TL 1,790.

(**) The information given in the table includes credits and securities.

1.2 Information on Current and Profit Sharing Accounts Related to Risk Group of the Participation Bank

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and Profit Sharing Accounts						
Balance at the beginning of the period	561	696	77,229	253,138	81,782	213,718
Balance at the end of the period	403	561	13,724	77,229	40,359	81,782
Profit Share Expenses	-	-	1,207	9,291	1,148	5,568

1.3. Forward Transactions, Option Contracts and Other Similar Contracts Made With the Participation Bank's

Risk Group

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Transactions at fair value through profit/loss						
Balance at the beginning of the period	-	-	42,401	67,795	-	-
Balance at the end of the period	-	-	-	42,401	-	-
Total Profit/Loss	-	-	(883)	3,327	-	-
Derivative Instruments Held for Risk Management						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

1.4. Funds Borrowed from the Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans Received						
Balance at the Beginning of the period	4,929,125	4,134,365	1,607,509	1,321,788	-	-
Balance at the End of the period	5,675,057	4,929,125	1,734,621	1,607,509	-	-
Profit Share and Commission Expense	297,337	248,193	107,045	89,268	-	-

1.5 Information Regarding Benefits Provided to The Bank's Top Management:

Salaries and benefits paid to the Bank's top management amount to TL 10,706 as of December 31, 2017 (December 31, 2016 – TL 15,021).

VIII. Explanations on the Participation Bank's Domestic Branches, Branches Abroad and Off-shore Branches or Associates and Agencies

1. Explanations on the Participation Bank's Domestic Branches, Agencies an Branches Abroad and Off-shore

	Number of Branches	Number of Employees (*)				
Domestic Branches	286	2,313				
				Country		
Foreign Representative Offices				1-		
				2-		
					Total Assets	Legal Capital
Foreign Branches	1	1	1-Bahreyn	-	-	
				2-		
Off-Shore Banking Branches				1-		
				2-		

(*) Employee's number consists of branch employees. As of 31 December 2017, 1,453 employees work at the head office.

2. Explanations on Branch and Agency Openings or Closings of the Participation Bank

Participation Bank opened one branch in 2017

IX. Explanations Related to Subsequent Events

None

Unconsolidated Financial Report as of and For the Year Ended December 31, 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 1 in Third Section

SECTION SIX : OTHER EXPLANATIONS

I. Other Explanations Related to Participation Bank's Operations

Information of the Participation Bank related to rating given by international rating agencies:

FC	
Long Term	BBB-
Short Term	F3
Outlook	Stable
TL	
Long Term	BBB-
Short Term	F3
Outlook	Stable
NSR	
Long Term	AAA(tur)
Financial Capacity	bb-
Support	2
Outlook	Stable

International credit rating agency Fitch Ratings, on January 27, 2017 Turkey's credit rating to AFollowing the download stage, on February 2, 2017 Turkey's long-term local and foreign currency Financeto "BBB-" level from "BBB" level and to "negative"as "static". In addition, Fitch Ratings raised Turkey's short-term local and Financethe Bank has lowered foreign currency credit ratings from "F2" level to "F3" level.

Fitch Ratings, 03 November 2017 in Turkey Finance notes and a change in the rating outlookhe did not go and confirmed all its notes

SECTION SEVEN: INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements of the Participation Bank for the year ended December 31, 2017 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member firm of Ernst & Young Global Limited) and Auditors' Report dated February 15, 2018 is presented in the introduction of this report.

II. Explanations and Notes Prepared by Independent Auditors

None.

Türkiye Finans Katılım Bankası A.Ş.

Publicly Announced Consolidated Financial Statements and Related Disclosures at December 31, 2017 together with Auditor's Review Report

(Convenience translation of publicly announced consolidated financial statements and Independent Auditor's Report originally issued in Turkish, See Note.1 of Section three.)
With Independent Auditors' Report Thereon

Independent Auditor's Report



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To the Board of Directors of Türkiye Finans Katılım Bankası A.Ş

Report on the Financial Statements

Opinion

We have audited the accompanying consolidated Financial statements of Türkiye Finans Katılım Bankası A.Ş. (the "bank"), which comprise the statement of consolidated balance sheet as at 31 December 2017, consolidated income statement, consolidated statement of income and expense item under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated Financial statements present fairly, in all material respects, the consolidated Financial position of the Bank as at 31 December 2017, and its consolidated Financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and 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 BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards ("ISA") which is a part of Turkish Auditing Standards promulgated 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 within the meaning of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

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

Key Audit Matter

Allowance for Impairment on Loans and Advances to Customers

Loans and advances to customer is a key area of judgement for the management. There is a potential risk that loans and advances are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation as determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgment for the management. Accordingly, carrying amount of loans and customers might be greater than the estimated recoverable amounts, therefore the impairment test of these loans of advances is a key audit matter. Therefore, impairment of the loans and receivables is considered as a key audit matter. Refer Note VIII of explanations and disclosures related to the assets relating to the impairment of loans and advances.

How our audit addressed the Key Audit Matter

Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and advances. We also assessed whether impairment losses for loans and advances 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 advances and the required provisions against them.

Hedge Accounting

As explained in Note XI, the Bank enters into hedge relationships to manage exposures to interest rate and foreign currency risks and applies hedge accounting. The Bank uses of derivatives and other hedge relationships to hedge the financial risk of its financial risks of leasing receivables and foreign currency funds and securities issued and dividends.

Hedge accounting is considered as a key audit matter due to the potential risks in complying the eligibility criteria defined in TAS 39: "Financial instruments: Recognition and Measurement", calculation of fair value of financial instruments, documentation and effectiveness of hedge accounting.

Our audit procedures includes among others involve reviewing policies regarding fair value measurement accepted by the bank 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 the assessment of operating effectiveness of the key controls in the process of fair value determination.

Independent Auditor's Report

Responsibilities of Management and Directors for the Consolidated Financial Statements

Bank 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Bank's financial reporting process.

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 consolidated 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 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

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

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

From the matters communicated with the directors, 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.

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 for the period January 1 – December 31, 2017 are not in compliance with the code 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 on the audit resulting in this independent auditor's report is Cem Uçarlar.

Additional paragraph for convenience translation to English

As explained in detail in Note I.b. of Section Three, accounting principles and standards set out by regulations in conformity with BRSB 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.

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

Cem Uçarlar SMMM
Sorumlu Beraber



February 22, 2018
İstanbul, Türkiye

Türkiye Finans Katılım Bankası A.Ş.

The Consolidated Year-End Financial Report of Türkiye Finans Katılım Bankası A.Ş. as of and for the Year Ended 31 December 2017

Address of the Headquarter of the Bank
Phone and Fax Numbers of the Bank:
Website of the Bank:
Electronic Mail Address to Contact:

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The Consolidated Year-End Financial Report for the year ended 31 December 2017 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

GENERAL INFORMATION ABOUT THE BANK

CONSOLIDATED YEAR-END FINANCIAL STATEMENTS OF THE BANK

EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK

INFORMATION ON FINANCIAL STRUCTURE OF THE BANK

EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

OTHER EXPLANATORY AND OTHER FOOTNOTES

INDEPENDENT AUDITORS' REPORT

Subsidiaries of the Bank included in the consolidation are as follows:

1. TF Varlık Kiralama AŞ
2. TFKB Varlık Kiralama AŞ

The Consolidated Year-End Financial Statements for the year ended 31 December 2017 and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Saeed Mohammed A. Alghamdi
Chairman of the Board of Directors

Wael Abdulaziz A. Raies
General Manager

Mete M. KANAT
Financial Executive Vice
President

Eyüp ASKER
Legal Reporting & Financial
Control Dep. Vice President

Eren GÜRA
Chairman of the Audit Committee

Faisal Omar A. ALSAGGAF
Member of the Audit Committee

Müge ÖNER
Member of the Audit Committee

Information on the authorized personnel to whom questions may be directed related to this financial report:

Name-Surname/Title: Sefa SEYHAN/Manager

Phone Nr: 0216 676 28 25

Fax Nr: 0216676 29 17

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

SECTION ONE: GENERAL INFORMATION

I. Explanations on the date of establishment and the initial status of the Parent Participation Bank, and the history including the changes in the former status

Participation banks started their operations in accordance with the Provision on Establishment of Participation Banks of Decree No. 83/7506 dated December 16, 1983, and the related Communiqués issued by Prime Ministry Undersecretariat of Treasury and by Central Bank of Turkish Republic. Participation banks then continued their operations in accordance with Banking Act Nr. 4389, dated June 18, 1999, with the change declared in Act Nr. 4491, dated December 17, 1999. In the Provisional Article Nr. 3, of Act Nr. 4491, a transition period of two years is stated to complete the compliance to Banking Act. The Parent Participation Bank is now operating in accordance with Banking Act Nr. 5411.

The Parent Participation Bank began its operations on November 4, 1991 in accordance with the regulation nr. 83/7506 published on December 16, 1983.

According to the decision made by Board of Directors' meeting of Anadolu Finans Kurumu AŞ nr. 1047 on May 31, 2005, it is decided that Anadolu Finans Kurumu AŞ is merged with Family Finans Kurumu AŞ.

The merger was realized by transferring all assets, liabilities and off-balance sheet items of Family Finans Kurumu AŞ to Anadolu Finans Kurumu AŞ. Banking Regulation and Supervision Agency ("BRSA") affirmed both the transfer agreement signed between Anadolu Finans Kurumu AŞ and Family Finans Kurumu AŞ and alterations in primary contract of Anadolu Finans Kurumu AŞ on October 20, 2005. The decision related to merger, which was taken on both Participation Banks' General Assembly Meetings on December 23, 2005, approved by the decree nr. 1764 dated December 28, 2005 of BRSA.

BRSA approved the title of the Parent Participation Bank to be Türkiye Finans Katılım Bankası AŞ ("the Participation Bank"), during the merger process, with the decision dated November 30, 2005 and Nr. 1747, in compliance with Article 48 of Turkish Commercial Code, and subject to the approval of Council of Ministers. The change in title of the Participation Bank was registered by T.R. Istanbul Trade Registry Office on December 30, 2005, in compliance with Turkish Commercial Code Nr. 6762.

As of December 31, 2017 the Parent Bank operates through 287 (December 31, 2016:286) branches with 3,767 (December 31, 2016:3,989) employees.

II. Explanations regarding Participation Bank's shareholder structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current period, if any and explanations on the controlling group of the Parent Participation Bank

The shareholder structure of the Parent Participation Bank is presented in note IV.

With the authorization of BRSA, numbered 2489 and dated 28 February 2008, 60% of the Parent Participation Bank was acquired by the National Commercial Bank. The Parent Participation Bank increased its capital from TL 292,047 to TL 800,000 with the capital increase in 2008 and from TL 800,000 to TL 1,775,000 with the capital increase in 2012. As per decision has taken by the Extraordinary General Assembly on 29 August 2014, the Parent Participation Bank's share capital increased by TL 825,000 from TL 1,775,000 to 2,600,000. The part of this increase amounting to TL 600,000 was transferred from general reserve and the remaining part amounting to TL 225,000 was paid in cash. Cash commitment amounting to TL 100,000 recorded into capital accounts on 24 October 2014, and remaining part amounting to TL 125,000 recorded into capital accounts on 19 November 2014 with the approval of Banking Regulation and Supervision Agency.

As of December 31, 2017, the Parent Participation Bank's paid-in-capital consists of 2,600,000,000 shares of TL 1 nominal each.

The Parent Participation Bank is controlled by the National Commercial Bank group.

The National Commercial Bank (NCB) established as the first and the biggest bank of Saudi Arabia. The Bank is performing its banking operations through cross-border in Bahrain and Lebanon. The headquarter of The National Commercial Bank is located in Jeddah.

III. Explanations regarding the Chairman and the Members of Board of Directors, Audit Committee, Chief Executive Officer and Assistants, if any, their shares and responsibilities in the Parent Participation Bank

Saeed Mohammed A. Alghamdi, Majed Hamdan A. Alghamdi, Faisal Omar A. Alsaggaf, Eren Güra, Meriç Uluşahin and Bekir Berk Çektir has been chosen as Members of the Board for 3 years besides the General Manager who is the natural member of the board, at the Ordinary General Meeting dated March 31, 2017.

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

Saeed Mohammed A.Alghamdi has been appointed as Chairman of the Board of Directors, and Faisal Omar A.Alsaggaf as the Member of the Audit Committee by the BOD meeting decision dated March 31, 2017.

Title	Name and Surname	Educational Degree	Responsibilities	Ownership percentage %
Chairman of the Board of Directors	Saeed Mohammed A. Alghamdi	University	Chairman of the Board of Directors Member of the Board and Chairman of the Audit Committee	-
Members of the Board	Eren Güra	Master	Member of the Board	-
	Majed Hamdan A. Alghamdi	Master	Member of the Board	-
	Meriç Uluşahin	University	Member of the Board and the Audit Committee	-
	Faisal Omar A. Alsaggaf	Master	Member of the Board and the Audit Committee	-
Members of the Audit Committee	Müge Öner	University	Member of the Board and General Manager	-
	Wael Abdulaziz A. Raies	Master	Member of the Board and Chairman of the Audit Committee	-
	Eren Güra	Master	Member of the Board and the Audit Committee	-
	Faisal Omar A. Alsaggaf	Master	Member of the Board and the Audit Committee	-
Presidents	Müge Öner	University	Internal Systems Senior EVP	-
	Abdüllatif Özkaynak	University	Treasury	-
	Hakan Uzun	Master	Credit	-
	Özer Baran	Master	Credit Quality and Collections	-
	Ahmet Mert	University	Information Technology and Operation	-
	Fahri Öbek	Master	Finance And Strategy	-
	Mete M. Kanat	Master	Human Resources	-
	Züleyha Büyükyıldırım	University	Commercial Banking	-
	Murat Akşam	Master	Retail Banking	-
Mehmet Necati Özdeniz	University			

Cengiz Gülhan as the Deputy Vice General Manager of Commercial Banking department has resigned from his duties on March 2, 2017. İsmail Vural as the Deputy Vice General Manager of Retail Banking and Distribution Channel department has resigned from his duties on March 17, 2017.

On April 3,2017 Mehmet Necati Özdeniz has been appointed as Deputy General Manager Responsible for the Retail Banking department, on April 18,2017 Özgür Kutlay appointed as Assistant General Manager in Charge of Credits department and on April 2,2017 Murat Akşam has been appointed as Assistant General Manager in Charge of Commercial Banking.

Özgür Kutay as the Deputy General Manager in Charge of Credits department has resigned from his duties on July 13, 2017 and Özer Baran Deputy General Manager in Charge of Risk department has been appointed on August 2, 2017. Board member Bekir Berk Çektir has resigned on August 11, 2017.

Müge Öner was appointed as a member of the board of directors and audit committee by the decision of the board of directors dated October 26, 2017.

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

IV. Explanations on the people and institutions that have qualified shares of the Parent Participation Bank

Name Surname/Commercial Name	Share Amounts	Share Ratio %	Paid Up Shares	Unpaid Shares
THE NATIONAL COMMERCIAL BANK	1,742,676	67.03	1,742,676	-
GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI AŞ	274,838	10.57	274,838	-

V. Summary on the Parent Participation Bank's functions and areas of activity

The Parent Participation Bank operates in accordance with the principles of interest-free banking as a participation bank, by collecting funds through current accounts and profit sharing accounts, and lending such funds through production support, finance lease and profit/loss sharing partnership.

The Parent Participation Bank has two ways of collecting funds; current accounts and profit sharing accounts. The Participation Bank classifies current accounts and profit sharing accounts in accordance with their maturities in its accounting system. Profit sharing accounts are categorized into five different maturity groups; one month, up to three months (three months included), up to six months (six months included), up to one year and one year and more than one year (one month, three months, six months and one year profit share payment).

The Parent Participation Bank could determine the participation rates on profit/loss sharing accounts with respect to the maturity group of Turkish Lira and foreign currency accounts, separately under the limitation that the participation rate on loss shall not be less than 50%, for different currency type, amount and maturity groups specifically.

The Parent Participation Bank constitutes specific fund pools, allocated to the individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are distinguished from others with respect to the terms, accounted separately from the others and it is not allowed to make any transfers from these accounts to any other maturity groups. Specific fund pools are clarified at the end of the financing period.

In addition to ordinary banking activities, the Parent Participation Bank has services through branches. It has insurance agency operations through Eureka Sigorta, Bereket Sigorta, Unico Sigorta, Neova Sigorta, HDI Sigorta, Groupama Sigorta, Groupama Emeklilik, Vakıf Emeklilik, Bereket Emeklilik, Metlife Emeklilik. Besides, it has private pension insurance agency operations on behalf of Garanti Emeklilik. In addition, it provides stock intermediation of delivery of orders to investment product transactions, intermediation of portfolio and transaction services on behalf of Oyak Yatırım Menkul Değerler AŞ.

On the other hand Parent Participation Bank mainly has services such as letters of guarantee, import credits and acceptance credits and other kind of non-cash credits as well.

The Parent Participation Bank's operations are not limited as mentioned above. In case of any transaction else made, not mentioned above, and considered as in favor of participating bank, upon the request of the board of directors, this case is adjudicated by general meeting and is proceeded to be got required approval from competent authority and depends on the approval of Ministry of commerce and customs. Thus, the approved decision is added on main agreement.

TF Varlık Kiralama AŞ and TFKB Varlık Kiralama AŞ which are wholly owned by the Parent Participation Bank have been established to generate (leasing/rental) income by leasing assets back to the originating company which were taken over from the originating company; by issuing leasing certificate related to aforementioned leasing (rental) income and then transferring the related assets back to the originating company.

Consolidated Year-End Financial Report as of and For the Year Ended 31 December 2017

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods

TF Varlık Kiralama AŞ, which was established on February 11, 2013 and the subsidiary of the Parent Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank starting from June 30, 2013. TFKB Varlık Kiralama AŞ, which was established on July 8, 2014 and the subsidiary of the Parent Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from December 31, 2014.

VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Parent Bank and Its Subsidiaries or the Reimbursement of Liabilities

The transfer of shareholder's equity between the Parent Bank and its subsidiaries is not in question.

There is no restriction on existing or potential, actual or legal obstacles on the Reimbursement of Liabilities between the Parent Bank and its subsidiaries. The Parent Bank can receive or pay the amounts regarding rendering and getting services from its subsidiaries within the framework service agreements.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet (Statement of Financial Position)
Consolidated Off-Balance Sheet Items
Consolidated Income Statement
Consolidated Statement of Income/Expense Items Accounted Under Shareholders' Equity
Consolidated Statement of Cash Flows
Consolidated Statement of Changes in Shareholders' Equity
Profit Distribution Table

Consolidated Balance Sheet (Statement of Financial Position)

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

		THOUSAND TURKISH LIRA						
		CURRENT PERIOD Audited (31/12/2017)			PRIOR PERIOD Audited (31/12/2016)			
		Footnotes	TL	FC	Total	TL	FC	Total
ASSETS		(5)						
I.	CASH AND BALANCES WITH CENTRAL BANK	(1)	561,303	5,522,898	6,084,201	580,335	5,088,522	5,668,857
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	8,371	8,177	16,548	35,240	27,275	62,515
2.1	Financial assets held for trading		8,371	8,177	16,548	35,240	27,275	62,515
2.1.1	Government debt securities		-	-	-	-	-	-
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		7,702	7,215	14,917	34,888	26,069	60,957
2.1.4	Other marketable securities		669	962	1,631	352	1,206	1,558
2.2	Financial assets at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Government debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	BANKS	(3)	1,174	306,262	307,436	748	561,018	561,766
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	1,410,555	1,956,139	3,366,694	1,180,313	1,732,059	2,912,372
5.1	Equity securities		4,734	233	4,967	4,734	189	4,923
5.2	Government debt securities		1,405,821	1,955,906	3,361,727	1,175,579	1,731,870	2,907,449
5.3	Other marketable securities		-	-	-	-	-	-
VI.	LOANS	(5)	21,365,131	4,073,179	25,438,310	21,972,781	3,726,902	25,699,683
6.1	Loans		20,953,131	4,073,179	25,026,310	21,452,284	3,710,269	25,162,553
6.1.1	Loans to the Bank's Risk Group		33,403	61,510	94,913	103,205	127,102	230,307
6.1.2	Government debt securities		-	-	-	-	-	-
6.1.3	Other		20,919,728	4,011,669	24,931,397	21,349,079	3,583,167	24,932,246
6.2	Non-performing loans		1,414,992	-	1,414,992	1,368,209	26,115	1,394,324
6.3	Specific provisions (-)		(1,002,992)	-	(1,002,992)	(847,712)	(9,482)	(857,194)
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	670,528	-	670,528	782,553	-	782,553
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
8.1	Consolidated under equity method		-	-	-	-	-	-
8.2	Unconsolidated associates		-	-	-	-	-	-
8.2.1	Financial investments		-	-	-	-	-	-
8.2.2	Non-financial investments		-	-	-	-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
9.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
X.	JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	(9)	-	-	-	-	-	-
10.1	Consolidated under equity method		-	-	-	-	-	-
10.2	Unconsolidated associates		-	-	-	-	-	-
10.2.1	Financial investments		-	-	-	-	-	-
10.2.2	Non-Financial investments		-	-	-	-	-	-
XI.	LEASE RECEIVABLES (Net)	(10)	1,312,211	-	1,312,211	1,620,815	-	1,620,815
11.1	Finance lease receivables		1,543,025	-	1,543,025	1,909,358	-	1,909,358
11.2	Operating lease receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned income (-)		(230,814)	-	(230,814)	(288,543)	-	(288,543)
XII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(11)	147,489	-	147,489	111,124	-	111,124
12.1	Fair value hedges		147,489	-	147,489	111,124	-	111,124
12.2	Cash flow hedges		-	-	-	-	-	-
12.3	Net foreign investment hedges		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	(12)	835,240	-	835,240	687,152	-	687,152
XIV.	INTANGIBLE ASSETS (Net)	(13)	66,058	-	66,058	70,035	-	70,035
14.1	Goodwill		-	-	-	-	-	-
14.2	Other intangibles		66,058	-	66,058	70,035	-	70,035
XV.	INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVI.	TAX ASSET		50,414	-	50,414	77,828	-	77,828
16.1	Current tax asset		-	-	-	-	-	-
16.2	Deferred tax asset	(15)	50,414	-	50,414	77,828	-	77,828
XVII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	263,623	-	263,623	95,655	-	95,655
17.1	Assets held for sale		263,623	-	263,623	95,655	-	95,655
17.2	Assets of discontinued operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	361,968	83,104	445,072	355,205	56,325	411,530
TOTAL ASSETS			27,054,065	11,949,759	39,003,824	27,569,784	11,192,101	38,761,885

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Consolidated Balance Sheet (Statement of Financial Position)

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

		THOUSAND TURKISH LIRA						
		CURRENT PERIOD Audited (31/12/2017)			PRIOR PERIOD Audited (31/12/2016)			
LIABILITIES AND EQUITY		Footnotes (5-III)	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(1)	11,163,755	10,866,339	22,030,094	11,845,201	9,219,019	21,064,220
1.1	Funds from risk group of the Bank		23,525	30,558	54,083	29,097	129,914	159,011
1.2	Other		11,140,230	10,835,781	21,976,011	11,816,104	9,089,105	20,905,209
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	12,961	14,557	27,518	25,354	7,003	32,357
III.	FUNDS BORROWED	(3)	649,042	3,359,580	4,008,622	518,611	4,913,608	5,432,219
IV.	MONEY MARKET BALANCES		510,534	-	510,534	547,774	-	547,774
V.	MARKETABLE SECURITIES ISSUED (Net)	(4)	704,233	4,916,266	5,620,499	447,029	4,462,671	4,909,700
VI.	MISCELLANEOUS PAYABLES		565,501	242,039	807,540	622,362	250,335	872,697
VII.	OTHER LIABILITIES	(5)	229,274	21,545	250,819	496,643	22,186	518,829
VIII.	LEASE PAYABLES (Net)	(6)	-	-	-	-	-	-
8.1	Finance lease payables		-	-	-	-	-	-
8.2	Operating lease payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(7)	-	256,796	256,796	-	352,675	352,675
9.1	Fair value hedges		-	-	-	-	-	-
9.2	Cash flow hedges		-	256,796	256,796	-	352,675	352,675
9.3	Net foreign investment hedges		-	-	-	-	-	-
X.	PROVISIONS	(8)	372,003	56,977	428,980	380,949	57,490	438,439
10.1	General loan loss provision		203,151	-	203,151	231,669	-	231,669
10.2	Provision for Restructuring		-	-	-	-	-	-
10.3	Reserve for employee benefits		91,516	-	91,516	76,269	-	76,269
10.4	Insurance technical reserves (Net)		-	-	-	-	-	-
10.5	Other provisions		77,336	56,977	134,313	73,011	57,490	130,501
XI.	TAX LIABILITY	(9)	62,516	-	62,516	64,218	-	64,218
11.1	Current tax liability		62,516	-	62,516	64,218	-	64,218
11.2	Deferred tax liability		-	-	-	-	-	-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(10)	-	-	-	-	-	-
12.1	Assets held for sale		-	-	-	-	-	-
12.2	Assets of discontinued operations		-	-	-	-	-	-
XIII.	SUBORDINATED DEBTS	(11)	-	960,338	960,338	-	890,500	890,500
XIV.	SHAREHOLDERS' EQUITY	(12)	4,049,033	(9,465)	4,039,568	3,693,383	(55,126)	3,638,257
14.1	Paid-in capital		2,600,000	-	2,600,000	2,600,000	-	2,600,000
14.2	Capital reserves		72,640	(9,465)	63,175	92,732	(55,126)	37,606
14.2.1	Share premium		-	-	-	-	-	-
14.2.2	Share cancellation profits		-	-	-	-	-	-
14.2.3	Securities value increase fund		(38,273)	2,848	(35,425)	(13,653)	(30,441)	(44,094)
14.2.4	Tangible assets revaluation reserve		121,823	-	121,823	115,942	-	115,942
14.2.5	Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6	Investment property revaluation reserve		-	-	-	-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Ventures)		-	-	-	-	-	-
14.2.8	Hedging reserves (effective portion)		2,709	(12,313)	(9,604)	-	(24,685)	(24,685)
14.2.9	Accumulated revaluation reserves on assets held for sale and discontinued operations		-	-	-	-	-	-
14.2.10	Other capital reserves		(13,619)	-	(13,619)	(9,557)	-	(9,557)
14.3	Profit reserves		1,001,072	-	1,001,072	704,457	-	704,457
14.3.1	Legal reserves		130,964	-	130,964	115,803	-	115,803
14.3.2	Statutory reserves		-	-	-	-	-	-
14.3.3	Extraordinary reserves		868,000	-	868,000	588,044	-	588,044
14.3.4	Other profit reserves		2,108	-	2,108	610	-	610
14.4	Profit or loss		375,321	-	375,321	296,194	-	296,194
14.4.1	Prior years' profit/loss		(51)	-	(51)	-	-	-
14.4.2	Current period net profit/loss		375,372	-	375,372	296,194	-	296,194
14.5	Non-controlling interest		-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			18,318,852	20,684,972	39,003,824	18,641,524	20,120,361	38,761,885

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Consolidated Off-Balance Sheet Items

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

	Footnotes (5-III) (5-III)	THOUSAND TURKISH LIRA					
		CURRENT PERIOD Audited (31/12/2017)			PRIOR PERIOD Audited (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		10,302,708	14,983,551	25,286,259	11,794,244	16,494,994	28,289,238
I. GUARANTEES AND SURETIES	(1)	5,894,968	3,870,806	9,765,774	7,027,411	5,333,712	12,361,123
1.1. Letters of guarantee		5,887,493	3,168,342	9,055,835	7,025,194	4,220,901	11,246,095
1.1.1. Guarantees subject to State Tender Law		181,057	-	181,057	213,025	-	213,025
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		5,706,436	3,168,342	8,874,778	6,812,169	4,220,901	11,033,070
1.2. Bank acceptances		5,958	136,705	142,663	2,217	384,032	386,249
1.2.1. Import letter of acceptance		5,958	136,705	142,663	2,217	384,032	386,249
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		1,517	565,759	567,276	-	727,037	727,037
1.3.1. Documentary letters of credit		1,517	565,759	567,276	-	727,037	727,037
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	-	-	-	1,742	1,742
1.7. Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(1),(3)	2,253,164	1,225,110	3,478,274	2,383,441	898,881	3,282,322
2.1. Irrevocable commitments		2,253,164	1,225,110	3,478,274	2,383,441	898,881	3,282,322
2.1.1. Forward asset purchase and sale commitments		196,922	1,225,110	1,422,032	231,453	898,881	1,130,334
2.1.2. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.3. Loan granting commitments		1,582	-	1,582	5,227	-	5,227
2.1.4. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Commitments for cheque payments		1,252,959	-	1,252,959	1,309,524	-	1,309,524
2.1.7. Tax and fund obligations on export commitments		3,766	-	3,766	2,875	-	2,875
2.1.8. Commitments for credit card limits		776,371	-	776,371	820,810	-	820,810
2.1.9. Commitments for credit cards and banking services promotions		1,715	-	1,715	1,458	-	1,458
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		19,849	-	19,849	12,094	-	12,094
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	2,154,576	9,887,635	12,042,211	2,383,392	10,262,401	12,645,793
3.1. Derivative financial instruments held for risk management		214,000	2,745,810	2,959,810	214,000	2,437,987	2,651,987
3.1.1. Fair value hedges		214,000	324,519	538,519	214,000	287,720	501,720
3.1.2. Cash flow hedges		-	2,421,291	2,421,291	-	2,150,267	2,150,267
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		1,940,576	7,141,825	9,082,401	2,169,392	7,824,414	9,993,806
3.2.1. Forward foreign currency buy/sell transactions		1,940,576	6,747,083	8,687,659	2,169,392	7,464,209	9,633,601
3.2.1.1. Forward foreign currency transactions-buy		377,412	4,000,218	4,377,630	1,038,125	3,898,851	4,936,976
3.2.1.2. Forward foreign currency transactions-sell		1,563,164	2,746,865	4,310,029	1,131,267	3,565,358	4,696,625
3.2.2. Other forward buy/sell transactions		-	394,742	394,742	-	360,205	360,205
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		439,943,500	55,168,769	495,112,269	426,882,215	46,614,436	473,496,651
IV. ITEMS HELD IN CUSTODY		4,188,713	2,426,609	6,615,322	4,285,205	1,481,789	5,766,994
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		-	-	-	-	-	-
4.3. Checks received for collection		2,606,878	226,935	2,833,813	2,838,773	301,236	3,140,009
4.4. Commercial notes received for collection		1,054,465	136,171	1,190,636	911,664	287,780	1,199,444
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received through public offering		-	-	-	-	-	-
4.7. Other items under custody		1,517	136,769	138,286	-	435,608	435,608
4.8. Custodians		525,853	1,926,734	2,452,587	534,768	457,165	991,933
V. PLEDGED ITEMS		435,754,787	52,684,550	488,439,337	422,597,010	45,062,214	467,659,224
5.1. Securities		17,495	-	17,495	22,053	1,970	24,023
5.2. Guarantee notes		149,114,216	9,768,123	158,882,339	137,670,996	7,879,090	145,550,086
5.3. Commodities		4,471,615	861,981	5,333,596	4,130,593	695,221	4,825,814
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		77,112,778	895,120	78,007,898	81,290,516	302,842	81,593,358
5.6. Other pledged items		204,946,812	41,151,384	246,098,196	199,378,438	36,094,166	235,472,604
5.7. Pledged items-depository		91,871	7,942	99,813	104,414	88,925	193,339
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	57,610	57,610	-	70,433	70,433
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		450,246,208	70,152,320	520,398,528	438,676,459	63,109,430	501,785,889

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Consolidated Income Statement

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

		THOUSAND TURKISH LIRA		
			Audited	Audited
			CURRENT PERIOD	PRIOR PERIOD
			1 January- 31 December	1 January- 31
			2017	December 2016
INCOME AND EXPENSE ITEMS		Footnotes		
		(5-IV)		
I.	PROFIT SHARE INCOME	(1)	2,896,490	2,978,046
1.1	Profit share on loans		2,394,012	2,553,752
1.2	Profit share on reserve deposits		39,742	28,500
1.3	Profit share on banks		1,969	618
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		289,522	199,518
1.5.1	Financial assets held for trading		-	-
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available for sale		220,070	130,361
1.5.4	Investments held to maturity		69,452	69,157
1.6	Finance lease income		142,158	159,197
1.7	Other profit share income		29,087	36,461
II.	PROFIT SHARE EXPENSE	(2)	1,445,054	1,468,506
2.1	Expense on profit sharing accounts		836,262	881,559
2.2	Profit share expense on funds borrowed		204,627	211,347
2.3	Profit share expense on money market borrowings		42,304	70,290
2.4	Expense on securities issued		290,951	244,095
2.5	Other profit share expense		70,910	61,215
III.	NET PROFIT SHARE INCOME/EXPENSE (I - II)		1,451,436	1,509,540
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		135,780	143,011
4.1	Fees and commissions received		292,750	288,291
4.1.1	Non-Cash loans		117,821	116,154
4.1.2	Other	(12)	174,929	172,137
4.2	Fees and commissions paid		156,970	145,280
4.2.1	Non-Cash loans		-	-
4.2.2	Other	(12)	156,970	145,280
V.	DIVIDEND INCOME	(3)	-	-
VI.	TRADING INCOME/EXPENSES (Net)	(4)	22,125	99,170
6.1	Gains/Losses on securities trading		810	1,014
6.2	Derivative financial transactions gains/losses		(168,268)	76,457
6.3	Foreign exchange gains/losses		189,583	21,699
VII.	OTHER OPERATING INCOME	(5)	304,622	313,914
VIII.	TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		1,913,963	2,065,635
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(580,567)	(850,327)
X.	OTHER OPERATING EXPENSES (-)	(7)	(875,739)	(846,281)
XI.	NET OPERATING INCOME/EXPENSE (VIII-IX-X)		457,657	369,027
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-
XIV.	NET MONETARY POSITION GAIN/LOSS		-	-
XV.	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	(8)	457,657	369,027
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(9)	(82,285)	(72,833)
16.1	Current tax provision		(60,528)	(65,851)
16.2	Deferred tax provision		(21,757)	(6,982)
XVII.	NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(10)	375,372	296,194
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
18.3	Income on other discontinued operations		-	-
XIX.	EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-
19.1	Expense on assets held for sale		-	-
19.2	Expense on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-
19.3	Expense on other discontinued operations		-	-
XX.	PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(11)	375,372	296,194
23.1	Group's Profit/Loss		375,372	296,194
23.2	Non-controlling Interest (-)		-	-

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Consolidated Statement of Income/Expense Items Accounted Under Shareholders' Equity

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

	THOUSAND TURKISH LIRA	
	CURRENT PERIOD	PRIOR PERIOD
	Audited	Audited
INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	(01/01/2017 - 31/12/2017)	(01/01/2016 - 31/12/2016)
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	10,721	(30,532)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	7,039	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	18,544	21,122
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(4,708)	1,857
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(5,657)	1,525
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	25,939	(6,028)
XI. CURRENT PERIOD PROFIT/LOSSES	375,372	296,194
1.1 Net changes in fair value of securities (transferred to income statement)	(386)	1,196
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	375,758	294,998
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	401,311	290,166

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Consolidated Statement of Cash Flows

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

		THOUSAND TURKISH LIRA	
		CURRENT PERIOD	PRIOR PERIOD
		Audited	Audited
Footnotes		(01/01/2017 - 31/12/2017)	(01/01/2016 - 31/12/2016)
(5-VI)			
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	383,548	373,525
1.1.1	Profit share income received	2,776,914	2,937,522
1.1.2	Profit share expense paid	(1,437,651)	(1,447,725)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	292,750	288,291
1.1.5	Other income	79,721	46,459
1.1.6	Collections from previously written off loans and other receivables	403,215	521,949
1.1.7	Cash payments to personnel and service suppliers	(633,568)	(627,055)
1.1.8	Taxes paid	(62,039)	(83,132)
1.1.9	Other	(1,035,794)	(1,262,784)
		(1)	
1.2	Changes in Operating Assets and Liabilities	(834,629)	547,545
1.2.1	Net (Increase) Decrease in financial assets held for trading	-	-
1.2.2	Net(Increase) Decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (Increase) Decrease in due from banks and other financial institutions	(250,919)	206,987
1.2.4	Net (Increase) Decrease in loans	493,101	1,493,096
1.2.5	Net (Increase) Decrease in other assets	(229,637)	(41,069)
1.2.6	Net Increase (Decrease) in bank deposits	(442,428)	180,035
1.2.7	Net Increase (Decrease) in other deposits	1,403,274	(1,292,764)
1.2.8	Net Increase (Decrease) in funds borrowed	(1,418,502)	897,847
1.2.9	Net Increase (Decrease) in due payables	-	-
1.2.10	Net Increase (Decrease) in other liabilities	(389,518)	(896,587)
		(1)	
I.	Net cash provided from banking operations	(451,081)	921,070
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities	(385,675)	(934,403)
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-
2.3	Purchases of tangible assets	(242,230)	(301,949)
2.4	Sales of tangible assets	19,240	1,558
2.5	Cash paid for purchase of financial assets available for sale	(640,698)	(1,139,070)
2.6	Cash obtained from sale of financial assets available for sale	366,640	405,058
2.7	Cash paid for purchase of investment securities	(200,000)	(450,000)
2.8	Cash obtained from sale of investment securities	311,373	550,000
2.9	Other	(1)	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities	255,270	46,981
3.1	Cash obtained from funds borrowed and securities issued	1,258,000	1,219,932
3.2	Cash used for repayment of funds borrowed and securities issued	(1,003,100)	(1,173,227)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for financial leases	-	-
3.6	Others	370	276
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	501,973
V.	Net increase/(decrease) in cash and cash equivalents	(79,513)	816,899
VI.	Cash and cash equivalents at beginning of period	(4)	2,686,225
VII.	Cash and cash equivalents at end of period	(4)	2,606,712

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Consolidated Statement of Changes in Shareholders' Equity

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		THOUSAND TURKISH LIRA					
		Footnotes	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves
PRIOR PERIOD							
Audited							
(01.01-31.12.2016)							
I.	Balances at beginning of the period		2,600,000	-	-	-	104,498
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 the period (I+II)		2,600,000	-	-	-	104,498
	Changes during the period		-	-	-	-	-
IV.	Mergers		-	-	-	-	-
V.	Market value changes of securities		-	-	-	-	-
VI.	Hedging reserves		-	-	-	-	-
6.1	Cash flow hedge		-	-	-	-	-
6.2	Hedge of net investment in foreign operations		-	-	-	-	-
VII.	Revaluation surplus on tangible assets		-	-	-	-	-
VIII.	Revaluation surplus on intangible assets		-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-
X.	Translation differences		-	-	-	-	-
XI.	Changes resulted from disposal of assets		-	-	-	-	-
XII.	Changes resulted from reclassification of assets		-	-	-	-	-
XIII.	Effect of change in equities of associates on bank's equity		-	-	-	-	-
XIV.	Capital increase		-	-	-	-	-
14.1	Cash		-	-	-	-	-
14.2	Internal sources		-	-	-	-	-
XV.	Share issuance		-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-
XVIII.	Others		-	-	-	-	-
XIX.	Current period net profit/loss		-	-	-	-	-
XX.	Profit distribution		-	-	-	-	11,305
20.1	Dividends		-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	11,305
20.3	Others		-	-	-	-	-
	Balances at the end of the period (I+II+III+...+XVI+XVII+XVIII)		2,600,000	-	-	-	115,803

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

THOUSAND TURKISH LIRA

Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedge Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discant. Op.s	Total Shareholders' Equity
-	337,653	(10,488)	261,498	198	(19,627)	115,942	-	(41,583)	-	3,348,091
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	337,653	(10,488)	261,498	198	(19,627)	115,942	-	(41,583)	-	3,348,091
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(24,467)	-	-	-	-	(24,467)
-	-	-	-	-	-	-	-	16,898	-	16,898
-	-	-	-	-	-	-	-	16,898	-	16,898
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	1,541	198	(198)	-	-	-	-	-	1,541
-	-	-	296,194	-	-	-	-	-	-	296,194
-	250,391	-	(261,696)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	250,391	-	(261,696)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	588,044	(8,947)	296,194	-	(44,094)	115,942	-	(24,685)	-	3,638,257

Consolidated Statement of Changes in Shareholders' Equity

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

THOUSAND TURKISH LIRA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes (5-V)	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves
CURRENT PERIOD							
Audited							
(01.01-31.12.2017)							
I. Balances at beginning of the period		2,600,000	-	-	-	115,803	-
Changes during the period							
II. Mergers		-	-	-	-	-	-
III. Market value changes of securities	(1),(2)	-	-	-	-	-	-
IV. Hedging reserves		-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	-	-
IX. Changes resulted from disposal of assets		-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-
XVI. Others	(5)	-	-	-	-	-	-
XVII. Current period net profit/loss		-	-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	15,161	-
18.1 Dividends	(3)	-	-	-	-	-	-
18.2 Transfers to reserves	(4)	-	-	-	-	15,161	-
18.3 Others		-	-	-	-	-	-
Balances at end of the period (I+II+III+...+XVI+XVII+XVIII)		2,600,000	-	-	-	130,964	-

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

Profit Distribution Table

(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

	THOUSAND TURKISH LIRA	
	CURRENT PERIOD Audited (31/12/2017)	PRIOR PERIOD Audited (31/12/2016)
I. DISTRIBUTION OF CURRENT PERIOD PROFIT ⁽¹⁾		
1.1 CURRENT PERIOD PROFIT	457,657	369,027
1.2 TAXES AND DUES PAYABLE (-)	(82,285)	(72,833)
1.2.1 Corporate Tax (Income Tax)	(60,528)	(65,851)
1.2.2 Income Tax Withholding	-	-
1.2.3 Other Taxes and Dues Payable ^(**)	(21,757)	(6,982)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	375,372	296,194
1.3 PRIOR YEAR'S LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(15,161)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]	-	281,033
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit and loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit/loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	281,033
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Owners of the profit/loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF STOCKS	0.14	0.11
3.2 TO OWNERS OF STOCKS (%)	14	11
3.3 TO OWNERS OF PREFERRED STOCKS	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF STOCKS	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

⁽¹⁾ Authorized unit is general assembly on current period profit distribution. Ordinary General assembly of the Participation Bank is not held as of the date of report.^(**) Other tax and duties include deferred tax Gains/(Losses) amounts.

Ekteki dipnotlar bu finansal tabloların tamamlayıcısıdır.

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SECTION THREE: ACCOUNTING POLICIES

I. Basis of Presentation

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The consolidated financial statements have been prepared in accordance with 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 November 1, 2006, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("KGK"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated June 28, 2012, and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities and properties classified as revalued tangible assets carried at fair value. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

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 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.

Public Oversight Accounting and Auditing Standards Institution, TFRS 9 Financial Instruments Standard for Classification and Measurement of Financial Instruments published in the Official Gazette dated January 19, 2017 and numbered 29953 is effective from 1 January 2018.

TAS 39 Financial Instruments: will be apply instead of Accounting and Measurement Standards

As of January 1, 2018, the Participation Bank has reflected the effects of the transition to IFRS 9 in its opening statements. Information on the main differences introduced by IFRS 9 are included in the following headings.

Classification and Measurement of Financial Instruments:

Financial assets in accordance with IFRS 9, based on the business model and contractual cash flow characteristics, and the amortized cost, change in fair value is reflected in other comprehensive income or the change in value is classified as being measured by reflecting profit or loss. The management model is determined by the Participation Bank the management of assets and the reporting of their performance. Classification of financial liabilities and for the measurement, the current practice (TAS 39) remains the same at a large portion.

Given the contractual cash flow characteristics of the principal and profit share, receivables are expected to be monitored at amortized cost. Benevolent loans that do not have any profit shares do not have a regular cash flow so that they are not valued with its fair value and are classified to financial assets at fair value through profit and loss.

Considering the ratio of these loans to total loan portfolio, it is not expected to create a material effect. On the other hand, the securities in the Bank's portfolio are subject to the contract the associated cash flow characteristics do not require any change in the pre-transition classification. For this reason, models and cash flows of existing contracts are taken into account, the transition of IFRS 9 to the application of financial instruments classification is not expected to have a significant effect.

Impairment on Financial Instruments:

As of January 1, 2018; the Participation Bank started to calculate provision for their loans and other receivables by the application of IFRS 9 which is published in the Official Gazette dated 22.06.2016 and numbered 29750, within the expected credit loss model.

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The amortized cost or fair value change in IFRS 9 application is recognized in other comprehensive income financial assets and loan commitments to which the impairment provisions are applied and financial guarantee contracts loss reserve for expected credit losses is allocated.

Under TFRS 9, the expected credit loss is determined according to a 'three-stage' impairment model based on the change in the credit quality of financial assets after initial accounting.

First Stage

In this context, in the first reporting period, for the financial instruments that have not experienced a significant increase in the credit risk since the first take-off of the financial statements, provision for impairment is applied for expected credit losses amounting to 12 months.

Second Stage

In the second phase, if the credit risk has increased substantially since the first time it has to be taken in the financial statements, the allowance for impairment of the related financial asset is allocated for the expected life credit loss for life.

Third Stage

In stage 3, all defaulted financial assets are classified and the expected lifetime loan loss is calculated.

The Participation Bank makes assessments collectively or individually for the 2nd and 3rd stage loans.

With the application of IFRS 9, the Participation Bank updated its policies, processes and audit principles.

It is expected that the Participation Bank, due to the increase in the amount of the general provision, with the transition to the new application, to reduce its own funds at the time of transition. It is expected a decrease, but not significant, in the amount of special provisions. The effects of IFRS 9 on the previous financial statements are being evaluated and when the deferred tax effect of the related effect is taken into consideration, it is expected to effect the shareholders equity by 2.4% in a decreasing manner.

With the application of IFRS 9, the Participation Bank calculated its deferred tax from the provision that is being calculated from the expected loss of the financial instruments that is classified in stage 1 and stage 2.

b. Additional paragraph for convenience translation to English

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

c. Accounting policies and valuation principles applied in the presentation of consolidated financial statements:

The accounting policies and valuation principles applied in the preparation of consolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2017. The aforementioned accounting policies and valuation principles are explained in Notes II to XXIV below.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Participation Bank receives profit share accounts on the basis of taking share from both profit and loss. These profit loss based accounts are generally evaluated as Corporate Financing Support, Individual Financing Support, Financial Leasing and Profit Loss Joint Project. Yields of these funds are fixed.

Active credit risk management procedures are applied due to fixed yields of funds. The rating and scoring systems applied by the Participation Bank, includes detailed company analysis realized in annually or semi-annually and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system and if acceptable, loan limits are revised.

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In order to maintain the ratio of liquid assets to total assets (except statutory reserves) around 15%-17% is adopted as liquidity principle by the Participation Bank. Equity profitability is maximized by evaluating this liquidity opportunity in short maturity transactions in international markets.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Central Bank of Turkey's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

As of December 31, 2017 USD and EURO rates that converted TL on foreign currency transactions and reflected on financials are 3.8104 and 4.5478 respectively.

Net foreign currency position is followed in legal limits and ensured that the ratio is within +-20% level. Besides, different policies and strategies are settled according to macroeconomic situations about foreign currency position. However, the Parent Participation Bank avoids taking positions that expose high level of currency risk.

III. Explanations on Consolidated Subsidiaries

Türkiye Finans Katılım Bankası A.Ş. and its subsidiaries TF Varlık Kiralama A.Ş. and TFKB Varlık Kiralama A.Ş. are consolidated by full consolidation method in the accompanying consolidated Year-End financial statements. The consolidated year-end financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated November 8, 2006. The Parent Participation Bank and the consolidated subsidiary are referred to as together "the Group".

Basis of consolidation of the subsidiary:

A subsidiary is an entity that is controlled directly or indirectly by the Parent Participation Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Participation Bank's returns.

In full consolidation method, 100% of the assets, liabilities, income and expenses and off-balance sheet items of subsidiary are combined with the Parent Participation Bank's assets, liabilities and income, expense and off-balance sheet items. The carrying amount of the Group's investment in subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. All significant transactions and balances between the Parent Participation Bank and its consolidated subsidiary are eliminated reciprocally.

When there are differences between the accounting policies of the subsidiary with the Parent Participation Bank, the financial statements are adjusted in accordance with the principle of materiality.

TF Varlık Kiralama A.Ş., which was established on 11 February 2013, has been fully consolidated in the consolidated financial statements of the Participation Bank from 30 June 2013. TFKB Varlık Kiralama A.Ş., which was established on 8 July 2014, has been fully consolidated in the consolidated financial statements of the Participation Bank from 31 December 2014.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Parent Participation Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements. The Parent Participation Bank has no derivative products that are detached from the host contract.

Derivatives are initially recorded in off-balance sheet accounts at their contract values.

Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. Subsequent fair value changes for trading derivatives are recorded under income statement.

The Parent Participation Bank hedges its cash flow risk arising from foreign currency liabilities by using cross currency swap. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items impact the income statement.

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In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, discontinuing or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of the hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities.

The Group enters into hedging transactions in order to manage the risks of fixed rate of return and exchange rate changes, the Group recognizes lease receivables, foreign currency funds and securities issued and profit fair value hedge accounting and cash in order to hedge against the financial risks of the share.

V. Explanations on Profit Share Income and Expenses

Profit share income and expenses are recognized in the income statement on an accrual basis.

Realized and unrealized profit share accruals of the non-performing loans are reversed and profit share income in connection with these loans is recorded as profit share income only when they are collected.

VI. Explanations and Disclosures on Fees and Commission Income and Expenses

Banking service revenues are recognized as income only when they are collected while only the current portion of the prepaid commission income obtained from corporate loans is recorded as income on an accrual basis.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses and calculated based on internal rate of return method.

VII. Explanations and Disclosures on Financial Assets

Financial instruments comprise of financial assets, financial liabilities and derivative instruments. Basically, financial assets form majority of the commercial activities and operations of the Participation Bank. Risks due to these instruments are substantial portion of the total risk taken by the Participation Bank. Financial instruments expose, change or reduce the liquidity, credit and market risks of the Participation Bank's financial statements. Buying/selling of these financial instruments is carried out in the name of customers and on behalf and account of the Participation Bank.

Basically, financial instruments generate commercial operations of the Participation Bank. These instruments reveal, affect and decrease liquidity and credit risk on financial statements.

Buying/selling of financial instruments is recognized on settlement date basis. It is the date which an asset is delivered to the Participation Bank or by the Participation Bank. Settlement date accounting requires (a) recognizing of the asset in purchase date, and (b) to exclude the asset from balance sheet as of delivery date and recognizing profit or loss due to disposal of the assets as of the same date. Changes in fair value of the assets between trading date and settlement date are recognized for the financial assets at fair value through profit and loss and financial assets available for sale.

Ordinary purchase and sale generally supposed to purchase or sale of an asset based on a contract that requires the delivery of the asset in legal procedures and market precedents. Changes in fair value of the asset acquired between trading date and settlement date are recognized as the same in assets purchased. Changes in fair value of the asset are not recognized if it is recorded with its purchase or amortized cost. Gain or loss due to a financial asset at fair value is recorded in profit or loss, gain or loss due to an asset available for sale is recorded in equity.

Marketable securities at fair value through profit or loss are classified in two categories; i) marketable securities classified as trading securities: acquired or incurred principally for the purpose of selling or repurchasing it in the near term in order to benefit from short-term profit opportunities; ii) marketable securities classified as marketable securities at fair value through profit or loss at initial recognition. The Participation Bank uses the above-mentioned classification when permitted, or for the purposes of providing a more appropriate presentation.

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In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair value of debt securities traded in an active market is determined based on the quoted prices or current market prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to profit share income or diminution in value of marketable securities accounts. Profit share income from financial assets at fair value through profit and loss is reflected in profit share income.

Investments held to maturity include securities with fixed or determinable payments and fixed maturity when there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. Subsequent to initial recognition, held to maturity investments are measured at amortized cost by using the internal rate of return method less impairment losses, if any.

The Participation Bank has no financial assets acquired and classified as held to maturity investments that cannot be subject to such classification for two years because of the non-performance of tainting rules.

The profit share income received from held to maturity investments is recorded as profit share income in the income statement.

Marketable securities classified as available for sale are initially recognized at fair valued acquisition cost including the transaction costs. After initial recognition, available for sale securities are measured at fair value and unrealized gains/losses originating from the difference between the amortized cost and the fair value are recorded in "marketable securities valuation differences" under equity. At the disposal of available for sale financial assets, value increase/decrease recorded in "Securities Value Increase Fund" under equity is transferred to the income statement.

Loans

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

Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted 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.

Individual and corporate loans followed in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects based on loans' contents.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date; they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

VIII.Explanations on Impairment on Financial Instruments

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

A financial asset or a group of financial assets are impaired and have impairment loss if, and only if, there is an objective indicator of a single or multiple event ("event of loss") occurring after the initial recognition of the related asset and that the expected future cash flows of financial asset or group of financial assets are adversely affected by that event (or events). The losses expected to incur due to future events are not accounted regardless of high probability.

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Value drops in the financial assets with amortized costs is calculated as the difference in the expected cash flows chargeable efficiency ratio and the upgraded value. For the financial assets ready for allocation with impairment costs deducted from the cap table, the difference from acquisition costs and real time values is the remainder from the said assets previous profit and loss accounts and impairment losses. This amount is shown in the expense accounts as required by THP

Loan portfolio is analyzed by management of the Group, periodically. Loans considered as non-performing are classified in accordance with the "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision", published on the Official Gazette nr.26333 dated November 1, 2006.

The provisions released in the same year are accounted by crediting the Provision Expenses Account and the released parts of the previous years' provisions are recorded to the Collections from Prior Years Expense account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Participation Bank records general loan loss provisions for loans and other receivables.

Participation costs of the special and general provision expenses that are delimited by the Participation Banks are catered in Participation accounts.

IX. Explanations on Offsetting of Financial Instruments

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

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

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

The Participation Bank does not have any repurchase agreements or lending of securities.

XI. Explanations on Assets Held For Sale and Discontinued Operations and Debts due to These Assets

The principles on accounting, assessment and disposal of assets held for sale of the Group are determined based on the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale" published on November 1, 2006 in the Official Gazette numbered 26333.

If assets acquired due to receivables of the Group are under a plan, they are followed in assets held for sale account.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for the said assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or the group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan. Furthermore, the asset (or the group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is enough evidence that the related delay has occurred beyond the Group's control and that the Group's plans for selling the related asset (or the group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a part of a bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. There is not a discontinued operation of the Group in the current period.

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XII. Explanations and Disclosures on Goodwill and Other Intangible Assets

As of the balance sheet date, The Group does not have any goodwill in its accompanying consolidated year-end financial statements.

Intangible assets purchased before January 1, 2005, are presented with their inflation adjusted historical acquisition cost as of December 31, 2004 and intangible assets purchased in the subsequent periods, are presented with their acquisition cost less the accumulated amortization, and impairment provisions. Intangible assets are amortized by the straight-line method, considering their useful life. The amortization method and period are periodically reviewed at the end of each year. Intangible assets are comprised of computer software.

XIII. Explanations and Disclosures on Tangible Assets

Tangible assets are accounted for at acquisition cost plus any other direct costs incurred to bring the asset for ready to use. Tangible assets are remeasured at their acquisition cost less accumulated depreciation and impairment loss, if any. The Parent Participation Bank adopted a revaluation method in 2006 for its real estates in tangible assets due to (TAS 16) Standard for Tangible Assets. Expert values determined an independent expert company are reflected to the consolidated financial statements. Such revaluation increase is realized net TL 121,823 after deferred tax as of balance sheet date (December 31, 2016: TL 115,942).

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Gains/losses arising from the disposal of tangible assets or the inactivation of a tangible asset are recognized in the income statement by taking into account the difference between the net book value and the net proceeds.

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

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

The estimated useful lives of the tangible assets used by the Group are as follows:

Tangible Assets	Estimated Useful Lives
Safety Boxes	5-50 years
Office equipment	3-10 years
Leasehold Improvements	2-10 years
Other Movables	3-15 years
Furniture and Fixtures	3-10 years
Vehicles	5 years
Real Estates	50 years

XIV. Explanations and Disclosures on Leasing Transactions

The Group as a Lessor;

The Group acts as a Lessor in leasing transactions. Assets subject to leasing are accounted in the Group's financials as receivables that equal to net leasing investment amount. Total of rental payments including profit shares and principals are recorded under "finance lease receivables" as gross. The difference, i.e. the profit share, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "finance lease receivables"; and the profit share is recorded as finance lease income in the income statement.

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The Group as a Lessee;

Assets held under finance leases are recognized as assets of the Participation Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. While the corresponding liability to the lessor is included in the balance sheet as a finance lease obligation, profit share amounts are accounted as deferred profit share amounts. Leased assets are followed in tangible assets account and subjected to the same accounting policy.

XV. Explanations on Provisions and Contingent Liabilities

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Participation Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle.

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

The Parent Participation Bank set TL 17,838 provision for ongoing suits filed against to the Participation Bank for which cash outflow is probable and measurable (December 31, 2016: TL 14,209).

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 Liabilities Regarding Employee Benefits

a) Defined benefit Plans:

Under the existing Labor Law, the Company is required to pay termination benefits to each employee who earned the right to receive termination indemnities with the end of their employment contract. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated March 6, 1981, No. 2422 and August 25, 1999, No. 4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined employee plans. IAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after January 1, 2013. In accordance with the revised standard, actuarial gain/loss related to employee benefits shall be recognized in other comprehensive income.

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Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The average discount rate is 7% and share rate is 11.80% at the respective balance sheet date (December 31, 2016: 6.50% and 11.40%).

b) Defined contribution plans:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Participation Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

c) Short term benefits to employees

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

XVIII. Explanations on Taxation

Tax expense is the total amount of current tax expense and deferred tax expense.

Taxable profit is different from the profit on the income statement, due to the fact that it excludes the income and expense items, which can be taxed or deducted in the following periods and the items, which cannot be taxed or deducted, permanently. Liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax, related to items recognized directly in equity is also credited or charged directly to equity.

Deferred tax liability or asset is determined by calculating tax effects of temporary differences between the base amounts of the financial statement and legally enacted tax base amounts of liabilities and assets by using balance sheet method and considering legal tax rates. Deferred tax liabilities are calculated for all the temporary taxable differences, while the deferred tax assets composed of temporary deductible differences excluding general loan provisions, are calculated in case it is highly probable to use these differences in the future to gain taxable profit. Deferred tax liability is not calculated for temporary timing differences, which are arising from the initial entering of assets or liabilities, except for goodwill and mergers, and which do not affect either the commercial or financial profit or loss.

The book value of deferred tax liability is reviewed at each balance sheet date. The book value of the deferred tax is reduced as probability of gaining enough taxable profit decreases.

Deferred tax is calculated over the tax rates that are valid for the period in which the assets are incurred or the liabilities are fulfilled or close to the date of enactment and recorded as income or expense in the income statement. However, deferred tax is recognized directly in equity if the tax asset relates directly to equity in the same or different period. The corporation tax which is taken over the corporation earnings by being changed in the Law No. 7061 of the Law No. 91 of the Law and the Law of the Corporation Tax which is published in the Official Gazette dated 5 December 2017 and numbered 30261 and is applied to the profits of the corporations for the taxation periods of 2018, 2019 and 2020 from 20% to 22%. The Participation Bank makes deferred tax calculation using the related rates, considering the periods when the deferred tax assets and liabilities will be realized. Current tax payable is netted off as it relates to prepaid tax amounts

Similarly, the deferred tax liability and the obligation are offset in the financial statements.

Also, by the Banking Regulation and Supervision Agency's notice, if there is income balance after the deferred tax assets and clarified debt, deferred debt assets are not taken into account in the profit allocation and increased capital investments.

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The corporate tax rate in Turkey is 20%. However, in accordance with the provisional article 10 added to the Corporate Tax Law, the corporate tax rate of 20% corresponds to the corporate earnings of the corporation's taxation periods of 2018, 2019 and 2020 (accounting periods for the institutions for which special account turnover has been set) 22%. Corporate tax rate is applied to the corporate income of the corporation to be added to expenses that are not accepted as discounts in accordance with the tax laws and to the deduction of the exemptions and discounts in the data laws. The corporation tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the year in which it is relevant and paid until the end of the relevant month.

Corporations shall declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) over their quarterly financial profits until the fourteenth day of the second month following that period and pay the till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the temporary tax amount is left in spite of the deduction, such amount can be deducted as cash can be refunded.

XIX. Additional Explanations on Borrowings

Borrowings are recognized in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings except derivatives financial liabilities held for trading are recorded at their purchase costs including transaction costs and discounted by using the internal rate of return. Derivatives financial liabilities held for trading are recorded at their fair value amounts as explained in the accounting policy numbered IV.

Funds obtained via the debt certificates issued by the asset leasing company has been presented under securities issued.

XX. Explanations on Share Certificates

There are no share certificates issued by the Group as of balance sheet date.

XXI. Explanations and Disclosures on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in the off-balance sheet accounts.

XXII. Explanations and Disclosures on Government Incentives

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Participation Bank received government grant from TÜBİTAK amounting to TL 980. (December 31, 2016 - TL 610)

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XXIII. Explanations and Disclosures on Segment Reporting

The Group operates in individual banking, specific customer current accounts, profit sharing accounts, credit and ATM cards, consumer loans, long term housing and car loans and other individual bank services. The Group operates in automatic transfer services, internet banking services, current accounts, profit share accounts, cash/non cash loans, financial leasing, foreign trade transactions, insurance transactions and corporate banking services. There are not any economic, financial and political factors that affect segmenting of activities and investments. Due to fluctuations in economic situation, investments are affected from instability and available resources are evaluated as liquid.

Information on the activity division is given below. This information has been prepared with the data obtained from the management reporting system of the Participation Bank.

Current Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	771,164	998,441	144,358	-	1,913,963
Net profit of segment ^(*)	167,782	254,600	35,275	-	457,657
Profit Before Tax	167,782	254,600	35,275	-	457,657
Tax Provision	-	-	-	82,285	82,285
Profit after tax	167,782	254,600	35,275	(82,285)	375,372
Net period profit	167,782	254,600	35,275	(82,285)	375,372
Assets of segment	5,940,569	21,646,429	9,528,238	1,888,588	39,003,824
Total Assets	5,940,569	21,646,429	9,528,238	1,888,588	39,003,824
Liabilities of segment	14,267,334	6,282,956	10,134,022	4,279,944	34,964,256
Equity	-	-	-	4,039,568	4,039,568
Total liabilities and equity	14,267,334	6,282,956	10,134,022	8,319,512	39,003,824

^(*) Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

Prior Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Operating Income	481,900	1,368,296	215,439	-	2,065,635
Net profit of segment ^(*)	119,418	221,128	28,481	-	369,027
Profit Before Tax	119,418	221,128	28,481	-	369,027
Tax Provision	-	-	-	72,833	72,833
Profit after tax	119,418	221,128	28,481	(72,833)	296,194
Net period profit	119,418	221,128	28,481	(72,833)	296,194
Assets of segment	3,754,599	23,889,172	9,716,365	1,401,749	38,761,885
Total Assets	3,754,599	23,889,172	9,716,365	1,401,749	38,761,885
Liabilities of segment	9,810,234	12,228,008	12,212,452	872,934	35,123,628
Equity	-	-	-	3,638,257	3,638,257
Total liabilities and equity	9,810,234	12,228,008	12,212,452	4,511,191	38,761,885

^(*) Personnel and administrative expenses are allocated according to ratio of asset and liabilities of the segments.

XXIV. Explanations on Other Matters

There are no explanations exist other than the accounting policies stated above

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SECTION FOUR: INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE

I. Explanations and Disclosures Related to the 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 December 31, 2017 Bank's total capital has been calculated as TL 5,049,807. Capital adequacy ratio is 18.20%. (As of December 31, 2016, Bank's total capital amounted to TL 4,608,977). Capital adequacy ratio was 15.52% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

	Current Period (*) 31.12.2017	Prior Period (*) 31.12.2016
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,600,000	2,600,000
Share Premium	-	-
Legal Reserves	1,001,021	704,457
Gains recognized in equity as per TAS	121,823	115,942
Profit	375,372	296,194
Net Current Period Profit	375,372	296,194
Prior Period Profit	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-
Minority Shareholders	-	-
Common Equity Tier 1 Capital Before Deductions	4,098,216	3,716,593
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	49,044	53,651
Improvement costs for operating leasing	20,809	19,188
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage -servicing right (net of related tax liability)	52,846	42,021
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	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Portion of the total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Portion of the total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Portion of Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Portion of Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions From Common Equity Tier 1 Capital	122,699	114,860
Total Common Equity Tier 1 Capital	3,975,517	3,601,733

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	Current Period ^(*) 31.12.2017	Prior Period ^(*) 31.12.2016
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by BRSA	-	-
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by BRSA (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Third Parties Shares in Additional Core Capital	-	-
Third Parties Shares in Additional Core Capital (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Additional Core Capital before Deductions	-	-
Deductions from Additional Core Capital		
Direct and Indirect Investments of the Bank on its own Additional Core 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 Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	13,212	28,014
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
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	13,212	28,014
Total Additional Tier I Capital	(13,212)	(28,014)
Total Tier I Capital (Tier I = Common Equity + Additional Tier I Capital)	3,962,305	3,573,719
TIER II CAPITAL		
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency	952,600	882,950
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Third Parties Shares in Additional Core Capital	-	-
Third Parties Shares in Additional Core Capital (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	134,902	154,918
Tier II Capital before Deductions	1,087,502	1,037,868
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.	-	-
Portion of the 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% of Common Equity of the Bank	-	-
Portion of the total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% of Common Equity of the Bank	-	-
Other items to be Defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1,087,502	1,037,868
Total Capital (The sum of Tier I Capital and Tier II Capital)	5,049,807	4,611,587
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 Sale but Retained more than five years	-	2,585
Other items to be Defined by the BRSA (-)	-	25

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	Current Period ⁽¹⁾ 31.12.2017	Prior Period ⁽¹⁾ 31.12.2016
In Transition from the Total Core Capital and Supplementary Capital (the Capital) to Continue to Download the 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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 Capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
EQUITY	5,049,807	4,608,977
Total Capital	5,049,807	4,608,977
Total risk weighted amounts	27,751,502	29,704,506
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	14.33	12.13
Tier 1 Capital Adequacy Ratio (%)	14.28	12.03
Capital Adequacy Ratio (%)	18.20	15.52
BUFFERS		
Total buffer 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) Systemically important buffer requirement (%)	-	-
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	9.83	7.63
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 the rights of presenting security services	-	-
Amount arising from deferred tax assets based on temporary differences	50,414	77,828
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	134,902	154,918
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	134,902	154,918
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 temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

⁽¹⁾ Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Participation Banks" and taken into consideration at the end of transition pr

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Information on debt instruments included in the calculation of equity:

Issuer	The National Commercial Bank	The National Commercial Bank
Unique Identifier	-	-
Governing Law(s) of the Instrument	Regulation on Equity of Banks	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Subordinated Loan	Subordinated Loan
Amount recognized in regulatory capital (as of most recent reporting date)	381.04	571.56
Par Value of Instrument (Million USD)	100	150
Accounting Classification	Liabilities/Subordinated Loan	Liabilities/Subordinated Loan
Original date of Issuance	31.3.2015	30.6.2015
Perpetual or dated	Dated	Dated
Maturity date	10 years	10 years
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year: Total repayment or minimum 10,000,000 USD	After 5th year: Total repayment or minimum 10,000,000 USD
Subsequent call dates	-	-
Profit Share/Dividends		
Fixed or floating profit share/dividend	Fixed	Fixed
Profit share rate and any related index	7.23%	7.78%
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	-	-
Convertible or Non-convertible		
If convertible, conversion trigger	-	-
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	-	-

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	Write-down feature	
	Before securities and additional core capital/after all borrowings	Before securities and additional core capital/after all borrowings
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 securities and additional core capital/after all borrowings	Before securities and additional core capital/after all borrowings
In compliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8,2,ğ	8,2,ğ

The difference between the equity costs on the cap table and the equity costs on the consolidated balance sheet is the tier capital which is caused by the subordinated costs. In a subordinated loan account, 1.25% of the general provisions that are shown in the costs and expenses account are taken into account as the tier capital. Losses from the protection operations of the cash flow risk set aside, operating lease costs on the tangible assets on the balance sheet, intangible assets and tax liabilities, deferred tax assets/liabilities are taken into consideration in the equity calculation as the values that need to be deducted from the capital.

II. Explanations and Disclosures Related to Consolidated Credit Risk

Credit risk is the risk of a counter party with whom the Group has a commercial relation. This risk represents the losses of the Group when its counter party can not conform to a signed contract by disregarding the related obligations partially or totally in specified periods.

Credit worthiness of loan customers are monitored and reviewed by the Loan Allocation Department of the Participation Bank semiannually or annually in accordance with the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions". The account statements are obtained based on the prevailing regulations. Loan limits are determined by the Board of Directors, the Loan Committee of the Participation Bank and the Loan Administration. The Participation Bank obtains guarantees for its loans and other receivables. Guarantees received comprised of real and legal person sureties with a high credibility, bonds issued with guarantees of Treasury, Privatization Administration and Housing Development Administration of Turkey, securities issued with the guarantees of central governments and central banks of OECD countries, European Central Bank and securities issued with this Bank's guarantee, gold and other precious metals, investment equity shares listed on the stock exchange, asset based securities, private sector bonds, letters of guarantee and other guarantees by the banks, guarantees of banks operating in OECD countries, the guarantees of central governments and central banks of OECD countries, transfer or pledge of claims arise from public institutions, customer check, vehicle pledges, export documents, pledge of assets, hypothecs such as ship, aircraft and real estate and cash blockages.

When exposed to significant credit risk; It is not considered as the ways to reduce the overall risk by the term transactions, forwards, options, similar qualified agreements, using the rights, fulfillment of action or ending a short time through the sale.

Indemnified non-cash loans are subject to the same risk weight with the unpaid cash loans although their maturity was due.

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The risk of the Group from its top 100 and top 200 cash loan customers share in total cash loans ratios are 23.03% and 31.39% (31 December 2016: 19.61% and 27.46%).

The risk of the Group from its top 100 and top 200 non-cash loan customers share in total non-cash loan ratios are 33.99% and 44.31% (31 December 2016: 31.54 % and 41.85%).

The cash receivables of the Group from its top 100 and top 200 loan customers shares in total balance sheet assets are 15.55% and 21.20% (31 December 2016: 13.55% and 18.98%).

The non-cash receivables of the Group from its top 100 and top 200 loan customers shares in total noncash loan ratios are 0.64% and 0.83% (31 December 2016: 0.78% and 1.03%).

The Group's general provision amount for its credit risk is TL 203,151 (31 December 2016: TL 231,669).

Risk Classifications	Current Period Risk	Average Risk Amount
	Amount ⁽¹⁾	
Conditional and unconditional receivables from central governments or Central Banks	9,129,338	8,485,164
Conditional and unconditional receivables from regional or local governments	29	29
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	3,533	19,525
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,632,681	1,909,129
Conditional and unconditional receivables from corporates	12,693,086	12,466,916
Conditional and unconditional receivables from retail portfolios	6,839,616	6,887,104
Conditional and unconditional receivables secured by mortgages	6,769,830	7,288,131
Past due receivables	252,843	263,106
Receivables defined under high risk category by BRSA	122,478	138,579
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	-	-
Other receivables	2,721,278	2,842,678

⁽¹⁾ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

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Profile on significant risks in significant regions

	Risk Classifications ⁽¹⁾				
	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates
Current Period					
1 Domestic	9,129,338	29	3,533	368,380	12,520,707
2 European Union Countries	-	-	-	1,134,998	8,402
3 OECD Countries ^(**)	-	-	-	8,726	-
4 Off- Shore Regions	-	-	-	-	9
5 USA, Canada	-	-	-	56,243	2
6 Other Countries	-	-	-	64,334	163,966
Investment and associates, subsidiaries and					
7 joint ventures	-	-	-	-	-
8 Undistributed Assets/Liabilities ^(***)	-	-	-	-	-
9 Total	9,129,338	29	3,533	1,632,681	12,693,086
Prior Period					
1 Domestic	8,496,373	26	30,144	792,491	13,002,966
2 European Union Countries	-	-	-	1,124,085	10,419
3 OECD Countries ^(**)	-	-	-	8,931	-
4 Off- Shore Regions	-	-	-	-	20,325
5 USA, Canada	-	-	-	62,210	2
6 Other Countries	-	-	-	122,949	249,816
Investment and associates, subsidiaries and					
7 joint ventures	-	-	-	-	-
8 Undistributed Assets/Liabilities ^(***)	-	-	-	-	-
9 Total	8,496,373	26	30,144	2,110,666	13,283,528

⁽¹⁾ Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."^(**) EU countries, OECD countries other than USA and Canada^(***) Assets and liabilities that are not distributed according to a consistent principle

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Risk Classifications (*)

Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Other receivables	Total
6,813,352	6,746,331	252,200	75,806	2,692,534	38,602,210
6,588	10,170	476	359	28,739	1,189,732
282	1,037	-	-	-	10,045
234	205	-	-	-	448
11	132	-	-	-	56,388
19,149	11,955	167	46,313	5	305,889
-	-	-	-	-	-
-	-	-	-	-	-
6,839,616	6,769,830	252,843	122,478	2,721,278	40,164,712
7,146,332	7,834,308	245,536	133,294	2,253,686	39,935,156
6,224	15,230	894	327	22,182	1,179,361
125	1,136	-	-	-	10,192
708	1,408	-	-	2	22,443
809	186	-	2,966	-	66,173
22,077	17,214	9,789	38,636	666	461,147
-	-	-	-	-	-
-	-	-	-	-	-
7,176,275	7,869,482	256,219	175,223	2,276,536	41,674,472

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Risk Profile according to sectors and counterparties

Sectors/Counterparties	Risk Classifications (*)						
	1	2	3	4	5	6	7
1 Agricultural	-	-	-	-	297,285	99,766	75,471
1.1 Farming and raising livestock	-	-	-	-	297,285	99,766	75,471
1.2 Forestry	-	-	-	-	-	-	-
1.3 Fishing	-	-	-	-	-	-	-
2 Manufacturing	-	7	12	-	5,412,468	1,769,141	1,293,430
2.1 Mining	-	7	2	-	424,899	51,886	37,134
2.2 Production	-	-	8	-	3,992,109	1,672,458	1,206,822
2.3 Electricity, Gas, Water	-	-	2	-	995,460	44,797	49,474
3 Construction	-	-	-	-	1,848,597	802,881	1,509,551
4 Services	9,129,338	20	1,621	1,632,681	5,005,839	2,908,947	2,251,123
4.1 Wholesale and Retail Trade	-	-	1	-	2,912,535	2,121,039	1,420,019
4.2 Hotel, Food, Beverage Services	-	-	1	-	339,729	37,746	248,978
4.3 Transportation and Telecommunication	-	-	-	-	558,524	190,863	120,562
4.4 Financial Institutions	9,129,338	-	-	1,632,681	89,525	5,868	6,438
4.5 Real Estate and Lending Services	-	20	109	-	959,666	470,068	361,515
4.6 Self employment Service	-	-	-	-	-	-	-
4.7 Education Service	-	-	1,487	-	24,422	28,896	43,799
4.8 Health and social Services	-	-	23	-	121,438	54,467	49,812
5 Other	-	2	1,900	-	128,897	1,258,881	1,640,255
6 Total	9,129,338	29	3,533	1,632,681	12,693,086	6,839,616	6,769,830

1-Conditional and unconditional receivables from central governments and Central Banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from administrative bodies and non-commercial enterprises

4-Conditional and unconditional receivables from banks and brokerage houses

5-Conditional and unconditional receivables from corporates

6-Conditional and unconditional receivables from retail portfolios

7-Conditional and unconditional receivables secured by mortgages

8-Past due receivables

9-Receivables defined under high risk category by BRSA

10-Other receivables

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

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Risk Classifications (*)			TL	FC	Total
8	9	10			
3,665	590	493	405,328	71,942	477,270
3,665	590	493	405,328	71,942	477,270
-	-	-	-	-	-
-	-	-	-	-	-
51,433	44,900	4,228	5,242,891	3,332,728	8,575,619
4,475	49	120	235,175	283,397	518,572
45,863	44,849	3,621	4,303,934	2,661,796	6,965,730
1,095	2	487	703,782	387,535	1,091,317
42,738	15,562	2,234	3,677,147	544,416	4,221,563
128,138	58,794	2,611,973	13,102,443	10,626,031	23,728,474
86,089	28,997	4,240	5,508,349	1,064,571	6,572,920
4,542	2,873	295	495,076	139,088	634,164
4,119	133	313	588,207	286,307	874,514
7	24,101	1,741,495	4,645,749	7,983,704	12,629,453
12,691	2,354	865,516	1,523,314	1,148,625	2,671,939
-	-	-	-	-	-
19,367	133	30	115,580	2,554	118,134
1,323	203	84	226,168	1,182	227,350
26,869	2,632	102,350	3,001,006	160,780	3,161,786
252,843	122,478	2,721,278	25,428,815	14,735,897	40,164,712

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Analysis of maturity-bearing exposures according to remaining maturities

Risk Categories ⁽¹⁾	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1 Conditional and unconditional receivables from central governments or Central Banks	4,017,226	947,061	99,518	1,388,176	3,440,619
2 Conditional and unconditional receivables from regional or local governments	29	-	-	-	-
3 Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	534	121	5	779	2,093
4 Conditional and unconditional receivables from banks and brokerage houses	162,967	2,090	1,074	1,047,160	1,099,249
5 Conditional and unconditional receivables from corporates	886,611	1,020,203	1,246,391	1,834,172	7,183,843
6 Conditional and unconditional receivables from retail portfolios	655,249	524,203	728,131	1,000,080	2,653,942
7 Conditional and unconditional receivables secured by mortgages	209,335	309,368	473,590	1,059,999	4,717,539
8 Past due receivables	252,779	-	-	-	-
9 Receivables defined under high risk category by BRSA	98,284	-	1,001	-	22,570
10 Other receivables	9,960	-	-	-	-
Total	6,292,974	2,803,046	2,549,710	6,330,366	19,119,855

⁽¹⁾ Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deducted from Equity
Amount Before											
1 Credit Risk Mitigation	6,806,036	-	2,252,083	2,614,395	130,150	8,392,997	19,846,572	122,478	-	-	20,809
Amount After											
2 Credit Risk Mitigation	8,872,628	-	2,435,435	2,616,806	4,335,078	5,255,536	16,543,040	106,188	-	-	-

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Risk amounts according to risk weights

Miscellaneous information regarding important sectors or counterparty type

Impaired Credits; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

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

Important Sectors/Counterparties	Credit Risks			
	Impaired Receivables	Past Due Receivables	Impairment	Specific Provision
1 Agricultural	29,725	50,605	3,626	23,970
1.1 Farming and raising livestock	29,725	50,605	3,626	23,970
1.2 Forestry	-	-	-	-
1.3 Fishing	-	-	-	-
2 Manufacturing	386,560	618,104	57,133	296,258
2.1 Mining	10,690	49,215	3,899	5,498
2.2 Production	365,151	503,891	45,962	281,316
2.3 Electricity, Gas, Water	10,719	64,998	7,272	9,444
3 Construction	200,695	531,668	30,920	124,155
4 Services	703,672	981,836	71,744	499,970
4.1 Wholesale and Retail Trade	500,377	538,084	44,520	352,757
4.2 Hotel, Food, Beverage Services	35,358	181,947	6,238	26,404
4.3 Transportation and Telecommunication	43,241	90,723	5,934	37,109
4.4 Financial Institutions	138	1,858	510	125
4.5 Real Estate and Lending Services	59,734	154,794	12,217	41,422
4.6 Self employment Service	-	-	-	-
4.7 Education Service	53,728	3,573	833	33,027
4.8 Health and social Services	11,096	10,857	1,492	9,126
5 Other	94,340	193,639	39,728	58,639
6 Total	1,414,992	2,375,852	203,151	1,002,992

Information related to impairment and loan loss provisions

	Opening Balance	Provisions provided during the period	Provision Reversals ^(**)	Other Adjustments ^(*)	Closing Balance
1 Specific Provisions	857,194	515,766	(392,132)	22,164	1,002,992
2 General Provisions	231,669	3,678	(34,878)	2,682	203,151

^(*) Includes foreign exchange differences.

^(**) The part of TL 392,132 amounting to TL 251,286 is write-off amount and loans sold to asset management company.

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The credit quality of financial assets as of 31 December 2017 is as follows

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	5,089,049	-	5,089,049
Financial assets at fair value through profit and loss	16,548	-	16,548
Financial assets available for sale	3,361,727	-	3,361,727
Loans ^(*)	26,338,521	1,414,992	27,753,513
Corporate loans	11,550,000	426,735	11,976,735
Loans to SMEs	11,592,786	929,412	12,522,198
Consumer loans	3,195,735	58,845	3,254,580
Other	-	-	-
Total	34,805,845	1,414,992	36,220,837

^(*) Loans include financial leasing receivables.

The credit quality of financial assets as of 31 December 2016 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Banks	5,045,536	-	5,045,536
Financial assets at fair value through profit and loss	62,515	-	62,515
Financial assets available for sale	2,907,449	-	2,907,449
Loans ^(*)	26,783,368	1,394,324	28,177,692
Corporate loans	10,526,448	443,557	10,970,005
Loans to SMEs	12,395,120	892,484	13,287,604
Consumer loans	3,861,800	58,283	3,920,083
Other	-	-	-
Total	34,798,868	1,394,324	36,193,192

^(*) Loans include financial leasing receivables.

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Explanations regarding risk categories

Fitch Rating are used by the Bank for risk classifications of receivables from countries or central banks, global credit rating institution, whereas other institutions remaining outside of Fitch Ratings are subject to the credit ratings country risk classification issued by Organization of Economic Corporation and Development. In case credit rating grades of institutions like Standard & Poor's (S&P), Moody's and Fitch Ratings are available, grades are in use together. Corporate receivables from counterparties are settled abroad with other risk classes, corporate receivables from residents and receivables from banks are accepted as "gradeless". Credit quality grades corresponding to score of Fitch Ratings, Moody's and Standard & Poor's are shown below.

Ratings to be matched	Credit Quality			
	Degrees	Fitch	Moody's	S&P
Ratings of long-term credits	1	AAA ilâ AA-	Aaa ilâ Aa3	AAA ilâ AA-
	2	A+ ilâ A-	A1 ilâ A3	A+ ilâ A-
	3	BBB+ ilâ BBB-	Baa1 ilâ Baa3	BBB+ ilâ BBB-
	4	BB+ ilâ BB-	Ba1 ilâ Ba3	BB+ ilâ BB-
	5	B+ ilâ B-	B1 ilâ B3	B+ ilâ B-
	6	CCC+ and below	Caa1 and below	CCC+ and below
Ratings of short-term credits	1	F1+ ilâ F1	P-1	A-1+ ilâ A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	4	F3 below	NP	A-3 below
	5	—	—	—
	6	—	—	—
Long-term securitization position ratings	1	AAA ilâ AA-	Aaa ilâ Aa3	AAA ilâ AA-
	2	A+ ilâ A-	A1 ilâ A3	A+ ilâ A-
	3	BBB+ ilâ BBB-	Baa1 ilâ Baa3	BBB+ ilâ BBB-
	4	BB+ ilâ BB-	Ba1 ilâ Ba3	BB+ ilâ BB-
	5	B+ and below	B1 and below	B+ and below
Short-term securitization position ratings	1	F1+ ilâ F1	P-1	A-1+ ilâ A-1
	2	F2	P-2	A-2
	3	F3	P-3	A-3
	Others	F3 aşâğısı	NP	A-3 aşâğısı
Matchings regarding collective investment institutes	1	AAA ilâ AA-	Aaa ilâ Aa3	FCQR: AAAf ilâ AAf; PSFR: AAAm ilâ AA-m
	2	A+ ilâ A-	A1 ilâ A3	FCQR: A+f ilâ Af; PSFR: A+m ilâ A-m
	3	BBB+ ilâ BBB-	Baa1 ilâ Baa3	FCQR: BBB+f ilâ BBB-f; PSFR: BBB+m ilâ BBB-m
	4	BB+ ilâ BB-	Ba1 ilâ Ba3	FCQR: BB+f ilâ BB-f; PSFR: BB+m ilâ BB-m
	5	B+ ilâ B-	B1 ilâ B3	FCQR: B+f ilâ B-f; PSFR: B+m ilâ B-m
	6	CCC+ and below	Caa1 and below	FCQR: CCC+f and below; PSFR: CCC+m and below

FCQR: Fund Credit Quality Ratings

PSFR: Principal Stability Fund Ratings

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III. Risk involved in counter-cyclical capital buffer calculation

Current Period			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	20,829,570	-	20,829,570
Saudi Arabia	74,735	-	74,735
Georgia	38,223	-	38,223
Marshall Islands	37,343	-	37,343
Bosnia Herzegovina	35,613	-	35,613
Albania	33,855	-	33,855
Great Britain	29,716	-	29,716
United Arab Emirates	25,356	-	25,356
Other	23,873	-	23,873
Total	21,128,284	-	21,128,284
Prior Period			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	22,631,160	33,794	22,664,954
United Arab Emirates	88,400	-	88,400
Saudi Arabia	81,568	-	81,568
Marshall Islands	60,072	-	60,072
Georgia	33,985	-	33,985
Bosnia-Herzegovina	31,696	-	31,696
Albania	26,258	-	26,258
Great Britain	23,501	-	23,501
Other	61,390	-	61,390
Total	23,038,030	33,794	23,071,824

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IV. Explanations and Disclosures Related to Consolidated Currency Risk

Currency risk is included in foreign currency buying/selling portfolio so that how available position affects the general risk profile is calculated. Sensitivity analysis made by RMD results and stress tests are reported to top management.

The Group centralized currency risk and ensured the managing and bearing of all currency risk by Fund Management. Other profit centers transfers the currency risk on them to Fund Management and the risk is followed in foreign currency buying/selling portfolio.

The Group efforts not to take short position based on the foreign currency risk. When any currency risk is occurred due to customer transactions, currency risk is eliminated by taking reverse position.

Foreign exchange buying rates of the Parent Participation Bank at the date of the consolidated balance sheet and for the previous five working days are in the following table:

	EUR	USD
Buying Rate at Balance Sheet Date	4.5478	3.8104
December 29, 2017	4.5478	3.8104
December 28, 2017	4.5385	3.8197
December 27, 2017	4.5116	3.8029
December 26, 2017	4.5205	3.8087
December 25, 2017	4.5171	3.8113
December 22, 2017	4.5382	3.8223

The Parent Participation Bank's average foreign currency buying rate over a period of thirty days preceding the date of the financial statement is in the table below:

1 USD	3,8477 TL
1 EUR	4,5525 TL

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Information on currency risk of the Group: Foreign Currencies (Thousand of TL)

	EUR	USD	Other FC ⁽¹⁾	Total
Current Period				
Assets				
Cash and Balances with the Central Bank of Turkey	634,235	3,912,988	975,675	5,522,898
Banks	44,035	240,888	21,339	306,262
Financial Assets at Fair Value through Profit/Loss (4)	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	233	1,955,906	-	1,956,139
Loans (1)	5,243,056	6,017,183	-	11,260,239
Investment in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Investments Held to Maturity	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (2)	7,644	74,945	390	82,979
Total Assets	5,929,203	12,201,910	997,404	19,128,517
Liabilities				
Funds Collected from Banks Via Current and Profit Sharing Accounts	138,108	39,233	823	178,164
Current and Profit Sharing Accounts	3,772,674	6,019,408	896,093	10,688,175
Money Market Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	896,533	2,330,354	1,093,031	4,319,918
Marketable Securities Issued	-	4,916,266	-	4,916,266
Miscellaneous Payables	30,006	203,986	8,047	242,039
Derivative Financial Liabilities Held for Risk Management (6)	-	-	-	-
Other Liabilities (3)	44,643	58,169	1,284	104,096
Total Liabilities	4,881,964	13,567,416	1,999,278	20,448,658
Net Balance Sheet Position	1,047,239	(1,365,506)	(1,001,874)	(1,320,141)
Net Off Balance Sheet Position	(1,093,059)	1,330,014	1,009,864	1,246,819
Financial Derivative Assets	953,676	3,840,404	1,385,702	6,179,782
Financial Derivative Liabilities	2,046,735	2,510,390	375,838	4,932,963
Non-Cash Loans (5)	1,490,456	2,199,733	180,617	3,870,806
Prior Period				
Total Assets	5,689,763	13,119,952	926,273	19,735,988
Total Liabilities	3,635,702	14,586,316	1,619,707	19,841,725
Net Balance Sheet Position	2,054,061	(1,466,364)	(693,434)	(105,737)
Net Off Balance Sheet Position	(2,056,847)	1,406,762	709,585	59,500
Financial Derivative Assets	779,173	3,686,143	1,145,075	5,610,391
Financial Derivative Liabilities	2,836,020	2,279,381	435,490	5,550,891
Non-Cash Loans(5)	1,881,077	3,151,344	301,291	5,333,712

⁽¹⁾ Other FC column includes precious metals and currency except USD and EUR

(1) Beating indexed loans amounting to TRY 6,317,441 and TRY denominated beats amounting TRY 869,619, which are presented as Turkish Lira in the financial statements indexed financial lease.

(2) FC that shown in the table, does not include prepaid expenses amounting to TL 125 .

(3) Other liabilities include general loan loss provision amounting to TL 26,350. Besides, accrual of derivative financial liabilities held for trading amounting to TL 14,557 and rediscount on spot transaction amounting to TL 776, risk management funds and securities fair value differences funds amounting to (9,465) are not included in the other liabilities.

(4) Accrual of derivative financial assets held for trading amounting to TL 8,177 is deducted from financial assets at fair value through profit or loss.

(5) No effect on net off balance sheet position.

(6) Derivative financial liabilities held for risk management does not include TL 256,796 which shown in foreign exchanges on financial statements.

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Foreign currency sensitivity

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

The following table details the Participation Bank's sensitivity to a 10% change in the TL against USD, EUR, and other foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of TL strengthens 10% against USD, EUR, and other foreign currencies. This analysis has been prepared with the assumption that all other variables remain constant.

	Change in exchange rate ^(*)	Effect on Profit/Loss		Effect on Equity	
		Current Period	Prior Period	Current Period	Prior Period
		USD	10%	(3,549)	(5,960)
Euro	10%	(4,582)	(279)	(4,582)	(279)
Other FC	10%	799	1,615	799	1,615

^(*) Includes the profit/(loss) effect in the case of a change for 10% in currency rates.

V. Explanations and Disclosures on Consolidated Interest Rate Risk

Since the Participation Bank has interest-free banking operations, it does not have any interest sensitive asset or liability and consequently, it does not have any interest rate risk.

VI. Explanations and Disclosures Related to Share Risk due from Banking Book

None.

VII. Explanations and Disclosures Related to Consolidated Liquidity Risk

Liquidity risk is the possibility of failing of partly or completely cover to Group's liquid assets and receivables via liquid liabilities. Liquidity risk is one of the main risk which is undertaken by Group to fulfill its primary banking services. To manage the mentioned risk in a conservative manner, indicators related to liquidity risk are determined in structure of Participation Bank's risk appetite. Existing risk appetite structure includes Benchmark Deposits Rate and Total Liquidity Coverage Ratio. Group's risk appetite is approved by Board of Directors, monitored by Risk Management Division and reported to senior management. In case of overdraft of limits, the mentioned matters are informed to Audit Committee. In addition, on monthly basis, measurement and assessment is performed related to target and stimulant indicator has been determined by Active Passive Management Committee. Target, alert, and trigger levels related to indicators of liquidity are determined and monitored by Active Passive Management Committee, in order to limit liquidity risk.

Parent Participation Bank implements strategies aimed at diversification of fund sources, procuring of fund sources with longer maturities, and conformance on maturity between assets and liability in order to avoid liquidity risk. All balance sheet items which have an impact on liquidity, are decomposed on maturity basis and their liquidity situation is analyzed. "The Liquidity Coverage Ratio" and "Net Stable Funding Ratio" reports are prepared according to Basel III principles. The liquidity coverage ratio report is presented to BRSA according to the regulations, and Net Stable Funding Ratio report is prepared at present for information purposes.

In the case of liquidity squeeze which is sourced by The Participation Bank or The Market, the actions to be implemented according to the order of priority and the precautions to be taken is formed under the Liquidity Risk Management-Emergency Action Plan in which the roles and responsibilities are established. The liquidity contingency funding plan is a part of Participation Bank's Liquidity Risk Management Policy which is approved by Board of Directors and in the case of liquidity problem, identifies the precaution and actions to be taken.

Parent Participation Bank apply stress testing for liquidity risk, as well as the other significant risk types. In stress testings related to liquidity risk, power of resistance to determined scenarios is tested with regard to liquidity structure. In other words, the capability of Participation Bank's completely and in time fulling of its liabilities under stress circumstances is tested.

To measure the capital requirement to cover imposed or possible risk and sustain its activities with adequate capital, Participation Bank's Risk Management Group prepares ICAAP report at least once a year by analysing Participation Bank's current and future capital requirements along with strategical goals and macroeconomic variables and the report is transmitted to BRSA.

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Under the ICAAP report, Parent Participation Bank's possible losses and the capital adequacy level which will cover the losses are estimated with the help of stress test and scenario analysis which identify possible changes in market conditions and possible events which may affect The Participation Bank negatively. With the stress test and scenario analysis, The Participation Bank's liquidity adequacy and planning is evaluated and with these evaluations, the liquidity level of The Participation Bank needs to fulfill its obligations is identified.

Other than scenario analysis and stress tests realized by ICAAP additional stress tests are performed in monthly and quarterly periods. These additional stress tests which evaluate Market and counterparty credit risk and the Participation Bank's total liquidity risk are performed monthly within the 'Framework of Internal Systems of Banks and Internal Capital Adequacy Assessment Process.'

Liquidity Coverage Ratio:

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUIDITY ASSETS				
1 High Quality Liquidity Assets			8,345,958	6,035,349
CASH OUTFLOWS				
2 Retail and Small Business Customers' Deposits	16,781,983	7,445,217	1,549,390	705,732
3 Stable Deposits	2,576,147	775,787	128,807	38,789
4 Less Stable Deposits	14,205,836	6,669,430	1,420,583	666,943
5 Unsecured fundings besides retail and small business customers' deposits	7,151,961	3,896,438	3,585,947	2,140,708
6 Operational Deposits	-	-	-	-
7 Non-Operational Deposits	4,611,435	2,893,747	2,200,817	1,352,726
8 Other unsecured fundings	2,540,526	1,002,691	1,385,130	787,982
9 Secured Fundings			-	-
10 Other Cash Outflows	6,582,929	4,084,189	5,909,842	3,882,378
11 Derivatives cash outflows and collateral outflows	5,494,647	3,793,235	5,494,647	3,793,235
12 Obligation related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	1,088,282	290,954	415,195	89,143
14 Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet obligations	3,618,380	374,986	754,797	221,457
16 TOTAL CASH OUTFLOWS			11,799,976	6,950,275
CASH INFLOWS				
17 Secured Lending	-	-	-	-
18 Unsecured Lending	2,025,766	588,791	2,025,766	588,791
19 Other Cash Inflows	5,489,639	4,822,318	5,489,639	4,822,316
20 TOTAL CASH INFLOWS	7,515,405	5,411,109	7,515,405	5,411,107
			Total Adjusted Value	
21 TOTAL HQLA STOCK			8,345,958	6,035,349
22 TOTAL NET CASH OUTFLOW			4,281,748	1,737,569
23 LIQUIDITY COVERAGE RATIO (%)			194.92	347.34

⁽¹⁾ Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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Prior Period	Total Unweighted Value (average) ^(*)		Total Weighted Value (average) ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUIDITY ASSETS				
1 High Quality Liquidity Assets			6,515,635	4,829,168
CASH OUTFLOWS				
2 Retail and Small Business Customers' Deposits	14,956,159	6,008,050	1,430,714	587,242
3 Stable Deposits	1,298,033	271,260	64,902	13,563
4 Less Stable Deposits	13,658,126	5,736,790	1,365,812	573,679
5 Unsecured fundings besides retail and small business customers' deposits	7,826,952	3,502,945	3,989,368	1,976,760
6 Operational Deposits	-	-	-	-
7 Non-Operational Deposits	5,075,332	2,707,642	2,646,622	1,420,587
8 Other unsecured fundings	2,751,620	795,303	1,342,746	556,173
9 Secured Fundings			-	-
10 Other Cash Outflows	7,085,368	5,325,485	6,092,342	4,867,261
11 Derivatives cash outflows and collateral outflows	5,527,663	4,667,788	5,527,663	4,667,788
12 Obligation related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	1,557,705	657,697	564,679	199,473
14 Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet obligations	3,762,860	343,434	911,049	293,187
16 TOTAL CASH OUTFLOWS			12,423,473	7,724,450
CASH INFLOWS				
17 Secured Lending	-	-	-	-
18 Unsecured Lending	2,015,526	555,848	2,015,526	555,848
19 Other Cash Inflows	5,611,943	4,398,562	5,611,943	4,398,560
20 TOTAL CASH INFLOWS	7,627,469	4,954,410	7,627,469	4,954,408
			Total Adjusted Value	
21 TOTAL HQLA STOCK			6,515,635	4,829,168
22 TOTAL NET CASH OUTFLOW			4,780,207	2,770,042
23 LIQUIDITY COVERAGE RATIO (%)			136.30	174.34

^(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

The most important affect on liquidity coverage ratio result, cash assets, assets in Central Bank and high quality liquid assets' size occurred by received debt instruments (Sukuk). Total liquidity coverage ratio was %194.92 in the fourth quarter of 2017. In comparison with the third quarter of 2017, high quality liquid assets has increased by 17.95%. Another factor cash outflows, consist of funds collected and unsecured other debt instruments and off-balance sheet transactions. The share of deposits in cash outflows is 44%, unsecured other debt instruments' share is 10% as of December 31, 2017. The increase in high liquid assets in the fourth quarter of 2017 compared to the third quarter of 2017 has been effective in increasing our ratio. The purchases and sales of derivative transactions are in balance, it is almost no impact on ratio.

Consolidated Liquidity Coverage Ratio regarding last 3 months of the year 2017 is presented below.

Current Period	TL+FC	FC
October 31, 2017	200.50	349.79
November 30, 2017	174.75	304.44
December 31, 2017	215.55	399.55

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Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Unallocated (*)	Total
Current Period								
Assets								
Cash and Balances with the Central Bank of Turkey	2,338,018	3,746,183	-	-	-	-	-	6,084,201
Banks and Other Financial Institutions	307,436	-	-	-	-	-	-	307,436
Financial Assets at Fair Value through Profit/Loss	-	12,629	2,337	1,582	-	-	-	16,548
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available for Sale	4,967	10,674	670,865	974,138	1,111,346	594,704	-	3,366,694
Loans (**)	-	2,765,226	3,749,638	9,298,408	9,749,751	775,498	412,000	26,750,521
Investments Held to Maturity	-	-	268,337	202,191	200,000	-	-	670,528
Other Assets	670,325	-	-	-	147,489	-	990,082	1,807,896
Total Assets	3,320,746	6,534,712	4,691,177	10,476,319	11,208,586	1,370,202	1,402,082	39,003,824
Liabilities								
Funds Collected from Banks via Current and Profit Sharing Accounts	15,622	197,680	18	-	-	-	-	213,320
Current and Profit Sharing Accounts	6,889,691	13,383,357	1,076,793	460,636	6,283	14	-	21,816,774
Funds Provided from Other Financial Institutions	-	140,991	707,320	2,018,038	1,150,011	952,600	-	4,968,960
Money Market Deposits	-	510,534	-	-	-	-	-	510,534
Marketable Securities Issued	-	91,836	191,541	2,363,681	2,973,441	-	-	5,620,499
Miscellaneous Payables	532,405	275,135	-	-	-	-	-	807,540
Other Liabilities (***)	250,819	71,791	16,558	1,685	256,796	-	4,468,548	5,066,197
Total Liabilities	7,688,537	14,671,324	1,992,230	4,844,040	4,386,531	952,614	4,468,548	39,003,824
Liquidity Gap	(4,367,791)	(8,136,612)	2,698,947	5,632,279	6,822,055	417,588	(3,066,466)	-
Net Off Balance Sheet Position	-	(15,628)	2,766	978	(134,889)	-	-	(146,773)
Financial Derivative Assets	-	4,263,408	190,880	80,971	1,412,460	-	-	5,947,719
Financial Derivative Liabilities	-	4,279,036	188,114	79,993	1,547,349	-	-	6,094,492
Non-Cash Loans	3,396,616	620,063	975,426	3,183,075	1,448,129	142,465	-	9,765,774
Prior Period								
Total Assets	3,216,411	6,478,887	4,323,305	9,204,135	12,692,691	1,443,254	1,403,202	38,761,885
Total Liabilities	6,934,181	14,450,531	2,074,716	3,926,556	6,416,246	882,959	4,076,696	38,761,885
Liquidity Gap	(3,717,770)	(7,971,644)	2,248,589	5,277,579	6,276,445	560,295	(2,673,494)	-
Net Off-Balance sheet Position	-	17,964	5,380	3,884	(247,739)	-	-	(220,511)
Financial Derivative Assets	-	4,396,764	425,005	188,746	1,202,126	-	-	6,212,641
Financial Derivative Liabilities	-	4,378,800	419,625	184,862	1,449,865	-	-	6,433,152
Non-Cash Loans	4,587,906	716,320	1,028,915	3,598,964	2,212,332	216,686	-	12,361,123

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

(**) Other assets include net finance lease receivables amounting to TL 1,312,211 and non-performing loans (net) amounting to TL 412,000.

(***) Shareholders' equity and provisions is included in "other liabilities" line under "unallocated" column.

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Analysis of financial liabilities based on the remaining contractual maturities:

The table below is drawn up based on the undiscounted contractual maturities and earliest payment dates of the financial liabilities. Profit share expenses to be paid on such liabilities are included in this table "Adjustments" column is the difference between the balance sheet values and undiscounted values of financial liabilities. These items are not included in the balance sheet value of such financial liabilities.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Funds Collected from Banks via Current and Profit Sharing Accounts	15,622	197,680	18	-	-	-	-	213,320
Other Current and Profit Sharing Accounts	6,889,691	13,383,357	1,076,793	460,636	6,283	14	-	21,816,774
Funds Provided from Other Financial Institutions	-	141,665	709,396	2,074,009	1,336,094	1,136,107	(428,311)	4,968,960
Money Market Deposits	-	510,713	-	-	-	-	(179)	510,534
Marketable Securities Issued	-	93,424	200,694	2,540,295	3,076,142	-	(290,056)	5,620,499
Miscellaneous Payables	532,405	275,135	-	-	-	-	-	807,540
Other Liabilities	-	6	-	-	-	-	-	6
Total	7,437,718	14,601,980	1,986,901	5,074,940	4,418,519	1,136,121	(718,546)	33,937,633

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
Funds Collected from Banks via Current and Profit Sharing Accounts	80,049	552,949	23,355	-	-	-	-	656,353
Other Current and Profit Sharing Accounts	5,693,267	12,753,470	1,486,360	470,358	4,403	9	-	20,407,867
Funds Provided from Other Financial Institutions	-	199,085	460,596	3,269,531	1,908,024	1,120,718	(635,235)	6,322,719
Money Market Deposits	-	548,049	-	-	-	-	(275)	547,774
Marketable Securities Issued	-	104,715	108,183	464,660	4,703,078	-	(470,936)	4,909,700
Miscellaneous Payables	642,036	230,661	-	-	-	-	-	872,697
Other Liabilities	165,778	5	-	-	-	-	-	165,783
Total	6,581,130	14,388,934	2,078,494	4,204,549	6,615,505	1,120,727	(1,106,446)	33,882,893

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Maturity analysis of conditioned liabilities and commitments is as follows:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Sureties	3,396,616	620,063	975,426	3,183,075	1,448,129	142,465	9,765,774
Irrevocable commitments	2,031,045	1,429,376	11,446	683	5,374	350	3,478,274
Forward asset purchase and sale commitments	-	1,422,032	-	-	-	-	1,422,032
Share capital commitments to associates and subsidiaries	-	477	463	642	-	-	1,582
Commitments for cheque payments	1,252,959	-	-	-	-	-	1,252,959
Tax and fund obligations on export commitments	-	142	-	15	3,259	350	3,766
Commitments for credit card limits	776,371	-	-	-	-	-	776,371
Commitments for credit cards and banking services promotions	1,715	-	-	-	-	-	1,715
Other irrevocable commitments	-	6,725	10,983	26	2,115	-	19,849
Revocable commitments	-	-	-	-	-	-	-
Revocable loan granting commitments	-	-	-	-	-	-	-
Derivative financial instruments held for risk management	-	-	-	-	2,959,810	-	2,959,810
Fair value hedges	-	-	-	-	538,519	-	538,519
Cash flow hedges	-	-	-	-	2,421,291	-	2,421,291
Forward foreign currency buy/sell transactions	-	8,542,440	378,994	160,967	-	-	9,082,401
Forward foreign currency transactions-buy	-	4,105,780	190,876	80,974	-	-	4,377,630
Forward foreign currency transactions-sell	-	4,041,918	188,118	79,993	-	-	4,310,029
Other forward buy/sell transactions	-	394,742	-	-	-	-	394,742
Total	5,427,661	10,591,879	1,365,866	3,344,725	4,413,313	142,815	25,286,259

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Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Sureties	4,587,906	716,320	1,028,915	3,598,964	2,212,332	216,686	12,361,123
Irrevocable commitments	2,131,792	1,133,718	8,594	4,730	3,166	322	3,282,322
Forward asset purchase and sale commitments	-	1,130,334	-	-	-	-	1,130,334
Share capital commitments to associates and subsidiaries	-	1,381	1,298	2,548	-	-	5,227
Commitments for cheque payments	1,309,524	-	-	-	-	-	1,309,524
Tax and fund obligations on export commitments	-	289	-	62	2,202	322	2,875
Commitments for credit card limits	820,810	-	-	-	-	-	820,810
Commitments for credit cards and banking services promotions	1,458	-	-	-	-	-	1,458
Other irrevocable commitments	-	1,714	7,296	2,120	964	-	12,094
Revocable commitments	-	-	-	-	-	-	-
Revocable loan granting commitments	-	-	-	-	-	-	-
Derivative financial instruments held for risk management	-	-	-	-	2,651,987	-	2,651,987
Fair value hedges	-	-	-	-	501,720	-	501,720
Cash flow hedges	-	-	-	-	2,150,267	-	2,150,267
Forward foreign currency buy/sell transactions	-	8,775,593	844,651	373,562	-	-	9,993,806
Forward foreign currency transactions-buy	-	4,323,248	425,012	188,716	-	-	4,936,976
Forward foreign currency transactions-sell	-	4,092,140	419,639	184,846	-	-	4,696,625
Other forward buy/sell transactions	-	360,205	-	-	-	-	360,205
Total	6,719,698	10,625,631	1,882,160	3,977,256	4,867,485	217,008	28,289,238

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VIII. Explanations and Disclosures On Consolidated Leverage Ratio

In current period, total risk exposure was significantly decreased due to the decrease in off-balance sheet items. Besides items related to Tier I capital was increased, consequently leverage ratio increased comparing to prior period. On the other hand, it is above than 3% which is determined as legal constraint by authorities.

There is no difference between the consolidated financial statements of the Bank held by the consolidated financial statements in accordance with IAS regulated under the Communiqué on the Regulation of the Bank's Consolidated Financial Statements.

	On-Balance Sheet Items	Current Period (*)	Prior Period (*)
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	39,078,991	38,232,130
2	Assets amounts deducted in determining Basel III Tier 1 capital	(82,192)	(82,844)
3	Total on balance sheet exposures	38,996,798	38,149,285
	Derivative exposures and credit derivatives	-	-
4	Replacement cost associated with derivative financial instruments and credit derivatives	190,710	194,459
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	135,650	129,161
6	The total amount of risk on derivative financial instruments and credit derivatives	326,361	323,620
	Investment securities or commodity collateral financing transactions	-	-
7	The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	157,675	256,439
8	Risk amount of exchange brokerage operations	-	-
9	Total risks related with securities or commodity financing transactions	157,675	256,439
	Off-Balance Sheet Items	-	-
10	Gross notional amount of off-balance sheet items	13,638,312	15,562,550
11	Adjustments for conversion to credit equivalent amounts	-	-
12	The total risk of off-balance sheet items	13,638,312	15,562,550
	Capital and Total Risk	-	-
13	Tier 1 Capital	3,932,289	3,582,028
14	Total Risk Exposure	53,119,146	54,291,894
	Leverage Ratio	-	-
15	Leverage Ratio	7.40	6.60

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

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IX. Explanations and Disclosures related to fair values of consolidated financial assets and liabilities

The table below shows financial assets and liabilities which is presented at carrying value at consolidated financial statements of The Participation Bank at their fair value.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	33,405,653	33,801,467	33,254,058	33,849,201
Cash and Balances with the Central Bank of Turkey (*)	6,084,201	5,668,857	6,084,201	5,668,857
Equity Securities	-	-	-	-
Banks (*)	307,436	561,766	307,436	561,766
Financial Assets Available for Sale	4,967	4,923	4,967	4,923
Loans (**)	26,338,521	26,783,368	26,198,061	26,830,497
Investments Held to Maturity (*****)	670,528	782,553	659,393	783,158
Financial Liabilities	33,937,627	33,717,110	34,092,296	33,717,270
Funds Collected from Banks via Current and Profit Sharing Accounts (***)	212,514	656,175	212,514	656,175
Current and Profit Sharing Accounts (***)	21,817,580	20,408,045	21,817,580	20,408,045
Funds Provided from Other Financial Institutions (****)	4,968,960	6,322,719	5,025,580	6,327,872
Marketable Securities Issued	5,620,499	4,909,700	5,718,548	4,904,707
Miscellaneous Payables	807,540	872,697	807,540	872,697
Money Market Deposits	510,534	547,774	510,534	547,774

(*) Because due from banks are demand deposits, their carrying value and fair value is the same.

(**) In order to calculate the fair value of loans, current profit sharing rates are used as of the balance sheet date. Loan balance also includes finance lease receivables. Fair value of loans determines as level 2.

(***) Carrying value of the funds collected funds collected from banks via current and profit sharing accounts and current and profit sharing accounts equals to their fair value as it is revalued with the year end unit value.

(****) Loan rates that valued as balance sheet date are used for fair value calculation of funds that provided by other financial corporation.

(*****) Presentational fair values of investments which are held to maturity determines as level 1.

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The table below analyses financial instruments carried at fair value, by valuation method.

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-For-Sale	-	3,361,727	-	3,361,727
Financial assets Held for Trading	-	1,631	-	1,631
Derivative Financial Assets Held for Trading	-	14,917	-	14,917
Derivative Financial Assets Held for Risk Management	-	147,489	-	147,489
Total Financial Assets at Fair Value	-	3,525,764	-	3,525,764
Derivative Financial Liabilities Held for Trading (*)	-	28,942	-	28,942
Derivative Financial Liabilities Held for Risk Management	-	256,796	-	256,796
Total Financial Liabilities at Fair Value	-	285,738	-	285,738

(*) Includes spot transaction valuations amounting to TL 1,424 which are classified in other provisions on balance sheet.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-For-Sale	-	2,907,449	-	2,907,449
Financial assets Held for Trading	-	1,558	-	1,558
Derivative Financial Assets Held for Trading	-	60,957	-	60,957
Derivative Financial Assets Held for Risk Management	-	111,124	-	111,124
Total Financial Assets at Fair Value	-	3,081,088	-	3,081,088
Derivative Financial Liabilities Held for Trading (*)	-	32,771	-	32,771
Derivative Financial Liabilities Held for Risk Management	-	352,675	-	352,675
Total Financial Liabilities at Fair Value	-	385,446	-	385,446

(*) Includes spot transaction valuations amounting to TL 414 which are classified in other provisions on balance sheet.

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

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

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

Observable market prices such as the marketable security prices which are announced by CBRT and the prices obtained from foreign capital markets are used for fair value determination of financial assets and liabilities measured at fair value except derivative assets and derivative liabilities held for trading.

If the Participation Bank records its fair value under tangible assets real estates are classified in Level 3.

X. Explanations and Disclosures related to transactions carried out on behalf of customers, items held in trust

The Group does not provide buying, selling and custody services and management and financial advisory services in the name of the third parties. The Group is not involved in trust activities.

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XI. Explanations and Disclosures on Consolidated Hedge Accounting

The Participation Bank applies Cash Flow Hedge ("CFH") and Fair Value Hedge ("FVH") accounting models..

Contractual amounts and the fair values as at December 31, 2017 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional (*)	Asset	Liability	Notional (*)	Asset	Liability
Hedging Instrument	-	-	-	-	-	-
Cross Currency Swap (CFH)	1,333,351	-	256,796	1,235,862	-	352,675
Cross Currency Swap (FVH)	214,000	147,489	-	214,000	111,124	-
Total	1,547,351	147,489	256,796	1,449,862	111,124	352,675

(*) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 1,412,459 (31 December 2016: TL 1,202,125) the total notional of derivative financial assets amounting to TL 2,959,810 (31 December 2016: TL 2,651,987) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

Fair value hedge accounting

Using the cross swap techniques, Katilim Bank protects itself from the value risks that might be caused by the fixed incomes financial assets. As a part of the value risk protection accounting, hedged tools value change and hedged assets value change is presented in the income statement. Hedged assets realtime value changes are zeroed in the income statement.

The Participation Bank started fair value hedge accounting beginning from 1 January 2015 to hedge the profit share rate risk of the long term and fixed coupon private sector bond classified under available for sale portfolio which is amount to TL 214,000 thousands with fixed rate and TL denominated sale leg of the cross currency swap. Also the EUR/TL currency risk of the EUR denominated funds have been hedged by the EUR buy leg of the cross currency swap in accordance with the hedge accounting explained.

Fair Value Hedge ("FVH") accounting effect is presented in table below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds	Ineffective portion
			Asset	Liability		
Swap Transactions	Leasing Receivables and FC Funds	Cash flow risk due to the changes in the foreign exchange rates and fixed incomes	147,489	-	160,558	(13,069)

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Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds	Ineffective portion
			Asset	Liability		
Swap Transactions	Leasing Receivables and FC Funds	Cash flow risk due to the changes in the foreign exchange rates and fixed incomes	111,124	-	112,388	(1,264)

The Participation Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies. Participation Bank's assumptions, which used for determining fair values of derivative instruments, were used while calculating fair value of hedged items on the effectiveness tests.

As of December 31, 2017, after performed measurements effectiveness of the Fair Value Hedge ("FVH") is determined.

Cash flow hedge accounting

The Participation Bank, convert Malaysian Ringgit 1,160,000 securities to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on marketable securities issued and changes in USD/TL foreign exchange rates on profit share-yielding assets.

The hedging instruments are cross currency swaps and the hedged item is the cash outflow due to the changes in exchange rates of marketable securities issued. And the hedged items are issued securities and profit share-yielding assets.

Current Period							
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds (*)	Net gain (loss) reclassified to income statement during the year	Ineffective portion recognized in income statement
			Asset	Liability			
Swap Transactions	Marketable securities issued and profit share-yielding assets	Cash flow risk due to the changes in the foreign exchange rates	-	256,796	(9,604)	-	-

(*) Includes the deferred tax effect. As of December 31, 2017 deferred tax effect amounting to TL 2,709.

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Prior Period							
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ^(*)	Net gain (loss) reclassified to income statement during the year	Ineffective portion recognized in income statement
			Asset	Liability			
Swap Transactions	Marketable securities issued and profit share-yielding assets	Cash flow risk due to the changes in the foreign exchange rates	-	352,675	(24,685)	-	-

^(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL 6,171.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CHF accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies.

As of December 31, 2017 fair value hedge transactions have been determined as effective.

XII. Explanations and Disclosures on Consolidated Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette Nr. 29511 on October 23, 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. The Participation Bank does not have any credit derivatives, the Internal Model Method, CCP (Central Counter Party) and securitization positions as of December 31, 2017 herewith the related tables have not been presented.

1. Risk Management Approach of Participation Bank and Information on Risk Weighted Amounts

1.1. Risk Management Approach of the Participation Bank

A prospective capital planning approach is adopted for the Participation Bank to carry out its operations if certain losses are incurred sourcing from unexpected events or deteriorations in markets. The best international implementations are benefited for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international implementations and analysis used by the Bank are updated in line with its business evolution.

A risk appetite framework, which is integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching determined budget target of the Bank and therefore an accurate risk position has been taken.

A risk appetite structure which is consistent with activities, risk profile, ICAAP results, strategic plan and capital planning. Macroeconomic conditions and expectations, industrial developments and expectations, political and economic developments based on the country and the region, strategies and objectives of rivals, position of the bank in the sector, expectations of legal authority and customers and shareholders, risk capacity of the bank, resources of the bank, activities, growth strategies and ICAAP results of the Bank are taken into consideration in order to determine risk appetite of the Bank. All departments of the Bank are obliged to provide all information and documents requested during the determination process of risk appetite. Risk appetite includes risk capacity based on risk types, risk limits and early warning levels. Risk appetite, approved by the Board of Directors, is taken into account during operational planning and budget studies.

Senior management of the Bank takes measures in required fields through comparing risk appetite and ICAAP results. Risk appetite is updated at least annually, when required, depending upon changes in activities and risk profile of the bank.

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Compliance with risk matrix criteria determined in risk appetite is taken into account through making necessary changes in principles and procedures regarding establishment of asset-liability structure as well as risk appetite. Related business family is informed regarding the overflows occurring in risk appetite limits and required actions are taken under the supervision of business families in question. In addition, Audit Committee and Board of Directors in informed.

Senior management of the Bank aims supporting of application of risk appetite throughout the bank and compliance with risk appetite through sufficient authorization and sources.

Departments, which are in scope of internal systems, are established subject to Board of Directors. Responsibility of internal systems belongs to Audit Committee, which do not have any executive duties in the bank. Audit Committee is established by Board of Directors in order to assist Board of Directors in its fulfillment of auditing and supervision activities through carrying out its activities in the framework of Banking Legislation in accordance with Banking Law. Audit Committee monitors efficiency and adequacy of risk management system and controls risk reviews, risk reports and documents submitted to the Committee. It monitors coordination of Supervision Board, Internal Control Department and Risk Management Center and provide information to Board of Directors with respect to aforementioned issues and submits policies, principles and procedures to the approval of Board of Directors.

Internal Control Department, working subject to Board of Directors, cooperates with executives in order to establish an effective internal control system. Internal control systems ensures hedging of bank's assets, carrying out activities in accordance with Law, related legislation, internal policies and rules of bank and customs of banking in an effective and efficient manner, reliability and integrity of accounting and reporting system and timely availability of information.

Internal audit system, established within the body of Bank, aims to provide assurance to senior management on execution of operations of the bank in accordance with law and related other legislation and internal strategy, policy, principles and objectives of the Bank and effectiveness and adequacy of internal control and risk management systems.

All activities of the Bank and domestic branches and departments of General Directorate are inspected and investigated periodically or based on risk without any intra-bank limitations through internal audit activities in order to ensure expected purpose of internal audit system and it gives opinion and recommendation for using sources of bank in an effective and efficient manner and through identifying deficiencies, errors and misconducts and reviews accuracy and reliability of information and reporting submitted to senior management.

The Compliance Department operates to ensure that the compliance risk is effectively managed and controlled within the framework of relevant legislation, regulations and standards and creates awareness across the bank. Implementation of the harmonization control activities in the Bank in the framework of the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process", Implementation of the Harmonization Program in line with the legislation for the Prevention of Terrorism Financing and Proceeds of Crime Revenues and the necessary measures for identification, measurement, reduction and monitoring of the risks in this context ensuring removal; The National and International Organization, the regional powers and the enforcement of the obligations under the FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards), the compliance with the legislative amendments coordination, monitoring and reporting of their work; The functions of the Compliance Department include the management of notifications from the Ethics Line and the establishment of ethical cultures within the Bank, as well as the training of the Compliance and Ethics Principles, the Prevention of Financing of Terrorism and the Laundering of Crime Income.

Risk management system ensures determination of internal capital requirement consistent with risk profiles and identification, measurement, reporting, controlling of exposed risks through policies, implementation procedures and limits determined towards monitoring, controlling and changing of risk-return structure included by future cash flows of the bank.

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Risk Management Center Department carries out activities such as identification, measurement, monitoring, controlling and reporting of risks subject to Audit Committee. Risk Management Center Department consists of Risk Policies and Reporting Directorate and Risk Analysis Directorate.

- Establishment and monitoring of risk management process and related activities by Board of Directors,
- Establishment and development of policies and procedures in scope of forming of adequate policies, procedures and limits which can allow managing different aspects of risk sourcing from activities and determination and monitoring of risk appetite limits,
- To perform adequate and consistent risk measurement, analysis and monitoring activities through employing appropriate employees at Risk Management Center Department,
- Availability of access to reliable technology and management information system,
- Accuracy and integrity of data,
- Existence of risk models whose accuracy are approved as a result of test; are ensured in order to execute and maintain an effective, independent and strong risk management system within the framework of corporate risk culture.

The Bank is required to consider all risks related to its positions, legal requirements, credit portfolio and operations in an integrated manner as a result of confronting with different risks since it has an increasing bigger and more complex structure and increasing sensitivity of investors, rating agencies, regulators and capital markets with respect to management of risks.

Measurement of credit risk, market risk, operational risk and all other significant risks is subject to different measurement techniques and taken into account in an integrated manner through an integrated risk management approach. The Bank approaches all its risk as a whole and determines capital requirements caused by those risks.

Risk policies and procedures with respect to those are prepared under the guidance of Audit Committee and introduced following the approval of Board of Directors. Risk Management Center ensures updating and revision of aforementioned policies and procedures, if required. Risk policies and procedures including written standards applied by senior management are announced to all personnel of the Bank by Risk Management Center Department. Risk Management Center Department gives opinion and recommendations with respect to risk point of view to other business lines, when required.

If there exists and overflow on the limits applied in scope of risk appetite, related departments are notified about related overflows and actions regarding overflows are taken.

Internal Capital Adequacy Assessment Process (ICAAP) report is annually prepared in scope of Communique on Internal Systems of Banks and Internal Capital Adequacy Assessment Process by Risk Management Center Department. In scope of ICAAP, it is aimed to demonstrate nature, size, risk profile, complexity level of activities of the Bank and identification, design, analysis and implementation studies of reviews made in compliance with strategic plans of the Bank and outputs obtained as a result of aforementioned studies and evaluations regarding prospective strategies and planning of the Bank and inclusion of ICAAP in the capital management of the Bank.

Studies made and results obtained in scope of ICAAP in line with policies, procedures, processes of the Bank are as follows:

With respect to intra-bank operations:

- Process regarding the determination of Bank's risk appetite is established.
- "ICAAP Management Process", including design, analysis, approval, review, application and compliance-monitoring phases related to ICAAP, is established and roles and responsibilities regarding the process in question are determined.
- Controlling activities are determined for effective operation of ICAAP.
- Approaches adopted related to risk evaluation, liquidity and capital planning processes and interaction among those processes are determined.

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With respect to content;

- All significant risks to which the Bank is exposed currently and can be exposed in the future in line with strategic plans are identified.
- Measurement processes of newly identified risks are determined.
- Financial structure and indicators, activity profile and capital structure, which are targeted in scope of current situation and corporate risk appetite and strategic plan, are evaluated.
- Capital adequacy calculations, required to meet risk exposed by the Bank and included in I. and II. Pillars, are made.
- Capital planning, based on results of current situation, strategic plan and scenario analysis, is established.
- Action plans towards liquidity management, liquidity planning and liquidity crisis.
- Scenario analysis and stress tests are applied for risks not covered by standard methods. Stress tests, which are performed, are prepared covering reverse stress tests including "going concern" and "gone concern" valuation identifications.
- Roles and responsibilities, which are considered as required in order to ensure adoption of ICAAP outputs throughout the Bank, are included in ICAAP Policy and ICAAP Procedure.

Roles and responsibilities related to activity and planning directly linked to capital management such as ICAAP management, determination of risk appetite, strategic plan, establishment of budget and activity plan, asset-liability management, scenario analysis and stress tests, capital and liquidity management are determined since the purpose of ICAAP is the application of management including results obtained through processes, authorizations and responsibilities generated in scope of ICAAP throughout all the departments, committees and processes of the Bank. In addition, all departments are expected to adopt revisions regarding processes, roles and responsibilities, generated in scope of ICAAP, at medium term.

In addition to the reports made in accordance with the Basel principles, reports are prepared for submission to the Audit Committee, the Board of Directors, the Credit Committee, the Credit Appropriation Committee, the Asset-Liability Committee and the Operational Risk Committee.

Internal System functions presents their reports to Audit Committee on a quarterly basis. Audit Committee submits its opinions on results of executed activities, measures which should be taken at the bank, implementations which should be performed and other issues which are considered as significant for the maintenance of Bank's activities to Board of Directors. Significant issues, which are determined through reviewing of findings and assurance of internal audit units of the Bank in scope of meetings, are submitted to Board of Directors. In this framework, issues brought by independent audit firm and BRSA are evaluated by the Committee and submitted to Board of Directors.

Credit Committee reports include risk appetite results of the Bank, credit performance evaluations such as follow-up, delay, restructuring, portfolio growth and sector comparisons and results of stress tests made on capital adequacy. Risk Committee covers evaluations related to liquidity, markets, operational risk and other risks in addition to Credit Committee. There exists monthly Risk Evaluation reports which are distributed throughout the Bank in addition to presentations made to Committees. Collection performance, credit performance analysis in commercial and individual products, portfolio concentrations, risk monitoring results regarding market and liquidity risk, stress test results and operational risk evaluations are included besides aforementioned report and abovementioned details of study. Liquidity early warning indicators limit compliance results, which are determined in scope of liquidity risk in order to contribute to evaluation of liquidity position of the bank with reporting made to ALCO, are reported.

Exchange rate simulations, monthly stress tests, quarterly stress tests, stress tests/scenario analysis and ad-hoc stress tests/scenario analysis in scope of ICAAP are performed for the purpose of having a complementary study for risk measurements at the Bank. Impact of changes in risk factors are measured through stress tests and scenario analysis and impact of unexpected market conditions to main activities is evaluated. The main reason behind stress tests applied throughout the Bank is the determination of macro-economic and market stress scenarios which shall affect whole Bank. Events, which shall form a basis to current, stressed and worst condition, are determined thanks to opinions of related departments during establishing a scenario.

Stress test program is established at the Bank in order to measure and manager significant risks and vulnerabilities which may source from bank-specific negative developments or emerge in an economic and financial environments under stress and the aforementioned program covers sensitivity analysis and scenario analysis and stress tests, in a proportion to volume and complexity level of business and transactions, including reverse stress tests. The program includes purposes of stress tests; scenarios, assumptions, methodology, reporting designed to be

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aligned with activities of the bank and risks sourcing from those activities and reviewing of processes and management actions based on results of stress tests.

Stress test is mainly performed based on amounts basis to risk which constitutes capital adequacy ratio and through shock application. Risks are subject to sensitivity analysis through dividing into main groups while declines sourcing from deteriorations which may occur in equity as a result of realization of possible scenarios.

During the establishment process of scenarios which shall form a basis for stress test, it is aimed to determine macro-economic and market stress test scenarios considering all risk factors exposed by the Bank. In this scope, Treasury Department, Strategy and Business Development Department and Risk Policies and Reporting Departments work in cooperation. Scenarios are determined to cover at least a three years period. Economic condition assumptions, used in three years strategic plan studies, are accepted as "current" scenario. A prospective or multiple macro-economic stress scenarios are established covering at least a three years period. Scenarios, which are established, include stresses which may affect the Bank significantly.

Stress estimations regarding gross domestic product, rate of unemployment, consumer prices inflation rate, interest ratio level, current deficit and exchange rate indicators are expected to be included in scope of macro-economic stress scenarios. Prospective expectation questionnaires, market research reports and expert reviews are also used in this context as well as past data with respect to aforementioned indicators.

Statistical methods based on historical data and expert opinions are benefited during the implementation of stress test. Analysis made in scope stress test program are benefited during the review phase of risk appetite.

Board of Directors is responsible for establishment, execution in an effective manner, reviewing results of stress test program and taking appropriate management actions according to respective results. Roles and responsibilities with respect to stress tests are included in intra-bank procedures.

Committees established within the body of the Bank, in order to manage business risks sourcing from generating an income level lower than expected income or exposure to higher costs as a result of adoption problems in cost structure of the Bank, product positioning, pricing and or its activities due to unexpected changes occurring in economic and general business conditions related to legal arrangements, technological developments, customer behavior and competitive environment in an effective manner, are carrying out following activities.

Credit Risk Committee: Main purpose of Credit Risk Committee is to monitor credit portfolio, activities having credit risk and related processes end to end. It also makes evaluations on determination/recommendation and follow-up of improvement and risk mitigation actions in scope of its authorization depending upon the decision of the Committee.

Operation Risk Committee: It is established to review, discuss, ensure an action plan and solution schedule in an effective manner for findings and issues having significant/high risk level brought by Senior Management, Internal Systems Department, other Departments, Independent Audit and Regulatory Audit Authorities which may cause operation risk regarding the Bank.

Asset/Liability Management Committee: It is responsible for the management of assets and liabilities of the bank, taking decisions which shall be executed by related departments for the management of Bank's balance sheet through considering dividend risk, liquidity risk and market risk and taking strategies and competitive conditions of the Bank into account and monitoring respective executions.

Senior Management Committee: The primary purpose of Senior Management Committee is to monitor financial performance of the Bank, provide effective cooperation, observe customer experience, monitor execution of strategic priorities of the Bank and establish a form for Senior Management team in order solve issued submitted by other General Directorate Committees.

Information Security Committee: It is established in order manage Information Security activities of the Bank related to all processes.

Occupational Health and Safety Committee: It is established in order to ensure fulfillment of obligations and responsibilities mentioned in Occupational Health and Safety Law and regulations issued in scope of aforementioned law.

In addition, Business risks which can be met by the Bank are managed in a pro-active manner through MIS (Management Information Systems) reports issued on a monthly basis.

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1.2 Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	23,785,276	26,163,530	1,902,822
2 Standardised approach (SA)	23,785,276	26,163,530	1,902,822
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	526,782	495,633	42,143
5 Standardised approach for counterparty credit risk (SA-CCR)	526,782	495,633	42,143
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	499,275	529,125	39,942
17 Standardised approach (SA)	499,275	529,125	39,942
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	2,940,169	2,516,218	235,214
20 Basic Indicator Approach	2,940,169	2,516,218	235,214
21 Standart Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	27,751,502	29,704,506	2,220,120

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2. Linkages between Financial Statements and Risk Amounts

2.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Current Period	a	b	c	d	e	f	g
		Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"	Subject to Credit Risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS*)						
Assets	-	-	-	-	-	-	-
Cash and balances at central bank	-	6,084,201	6,084,201	-	-	5,522,898	-
Financial assets held for trading	-	16,548	-	16,548	-	8,177	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Banks	-	307,436	307,436	-	-	306,262	-
Receivables from money markets	-	-	-	-	-	-	-
Available for sale financial assets (net)	-	3,366,694	3,366,694	-	-	1,956,139	-
Loans and receivables	-	25,438,310	25,438,310	-	-	11,272,535	-
Factoring receivables	-	-	-	-	-	-	-
Held to maturity investments (net)	-	670,528	670,528	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-	-
Leasing receivables	-	1,312,211	1,312,211	-	-	-	-
Derivative financial assets held for hedges	-	147,489	-	147,489	-	-	-
Tangible assets (net)	-	835,240	814,431	-	-	-	20,809
Intangible assets (net)	-	66,058	66,058	-	-	-	-
Investment properties (net)	-	-	-	-	-	-	-
Tax assets	-	50,414	50,414	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	263,623	263,623	-	-	-	-
Other assets	-	445,072	445,072	-	-	83,104	-
Total Assets	-	39,003,824	38,818,978	164,037	-	19,149,115	20,809
Liabilities	-	-	-	-	-	-	-
Deposits	-	22,030,094	-	-	-	10,866,339	-
Derivative financial liabilities held for trading	-	27,518	-	-	-	14,557	-
Loans	-	4,008,622	-	518,811	-	3,359,580	-
Debt to money markets	-	510,534	-	510,534	-	-	-
Debt securities in issue	-	5,620,499	-	-	-	4,916,266	-
Funds	-	-	-	-	-	-	-
Various debts	-	807,540	-	-	-	242,039	-
Other liabilities	-	250,819	-	-	-	21,545	-
Factoring debts	-	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	256,796	-	-	-	256,796	-
Provisions	-	428,980	77,991	-	-	56,977	-
Tax liability	-	62,516	62,516	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-
Subordinated debts	-	960,338	-	-	-	960,338	-
Equity	-	4,039,568	-	-	-	-	-
Total Liabilities	-	39,003,824	140,507	1,029,345	-	20,694,437	-

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Prior Period	a	b	c	d	e	f	g
		Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"	Subject to Credit Risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets	-	-	-	-	-	-	-
Cash and balances at central bank	-	5,668,857	5,668,857	-	-	5,088,522	-
Financial assets held for trading	-	62,515	-	62,515	-	27,275	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
Banks	-	561,766	561,766	-	-	561,018	-
Receivables from money markets	-	-	-	-	-	-	-
Available for sale financial assets (net)	-	2,912,372	2,912,372	-	-	1,750,429	-
Loans and receivables	-	25,699,683	25,699,683	-	-	12,255,468	-
Factoring receivables	-	-	-	-	-	-	-
Held to maturity investments (net)	-	782,553	782,553	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-	-
Leasing receivables	-	1,620,815	1,620,815	-	-	-	-
Derivative financial assets held for hedges	-	111,124	-	111,124	-	-	-
Tangible assets (net)	-	687,152	652,086	-	-	-	35,066
Intangible assets (net)	-	70,035	70,035	-	-	-	-
Investment properties (net)	-	-	-	-	-	-	-
Tax assets	-	77,828	77,828	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	95,655	95,655	-	-	-	-
Other assets	-	411,530	408,879	-	-	56,325	2,651
Total Assets	-	38,761,885	38,550,529	173,639	-	19,739,037	37,717
Liabilities	-	-	-	-	-	-	-
Deposits	-	21,064,220	-	-	-	9,219,019	-
Derivative financial liabilities held for trading	-	32,357	-	-	-	7,003	-
Loans	-	5,432,219	-	518,611	-	9,394,538	-
Debt to money markets	-	547,774	-	547,773	-	-	-
Debt securities in issue	-	4,909,700	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Various debts	-	872,697	-	-	-	250,335	-
Other liabilities	-	518,829	-	-	-	22,186	-
Factoring debts	-	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	352,675	-	-	-	352,675	-
Provisions	-	438,439	72,917	-	-	57,490	-
Tax liability	-	64,218	64,218	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-	-
Subordinated debts	-	890,500	-	-	-	890,500	-
Equity	-	3,638,257	-	-	-	-	-
Total Liabilities	-	38,761,885	137,135	1,066,384	-	20,193,746	-

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2.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Current Period	a	b	c	d	e
	Total	Subject to Credit Risk framework	Subject to the securitisation framework	Subject to counterparty credit risk framework	Subject to market risk framework
1 Asset carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	58,132,130	38,818,978	-	164,037	19,149,115
2 Liabilities carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	(19,805,599)	(140,507)	-	1,029,345	(20,694,437)
3 Total Net Amount Under Regulatory Scope of Consolidation	38,326,531	38,678,471	-	1,193,382	(1,545,322)
4 Off-balance Sheet Amounts (**)	17,068,394	6,148,998	-	78,593	-
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 due to prudential filters	-	-	-	-	2,044,597
9 Differences due to execution of the Bank	-	(4,662,758)	-	584,054	-
10 Risk Amounts	-	40,164,711	-	1,856,029	499,275

Prior Period	a	b	c	d	e	Prior Period
	Total	Subject to Credit Risk framework	Subject to the securitisation framework	Subject to counterparty credit risk framework	Subject to market risk framework	
1 Asset carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	58,463,205	38,550,529	-	173,639	19,739,037	
2 Liabilities carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	(19,264,497)	(137,135)	-	1,066,384	(20,193,746)	
3 Total Net Amount Under Regulatory Scope of Consolidation	39,198,708	38,413,394	-	1,240,023	(454,709)	
4 Off-balance Sheet Amounts (**)	20,076,162	7,880,759	-	124,297	-	
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 due to prudential filters	-	-	-	426,785	983,834	
9 Differences due to execution of the Bank	-	(4,619,681)	-	-	-	
10 Risk Amounts	-	41,674,472	-	1,791,105	529,125	

2.3 Disclosures Regarding Differences between Amounts valued in accordance with TAS and risk exposures

There exist differences sourcing from issues mentioned in implementation of communique on measurement and evaluation of Bank's capital adequacy related to BRSA (e.g. not calculating credit risk for risks subject to discount from equity, considering alpha rate for participation accounts at risk amount etc.)

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3. Explanations and Disclosures regarding Consolidated Credit Risk

3.1 Information on Consolidated Credit Risk

3.1.1 General Qualitative Information regarding Credit Risk

Required management environment for credit risk, establishment of credit risk strategies and policies, determination of acceptable risk level and risk limits, avoidance of risk concentration, establishment of review processes related to credit risk in new product and service presentations, arrangement of delegation of authorization, ensuring of accountability are ensured through determination of qualifications requested for the personnel which shall be assigned.

Credit policies are determined in-written, approved by Board of Directors and updated in the framework of financial position of the Bank, market conditions and trends and equity level, if required.

Principles applied in evaluation, allocation and monitoring phases of credits are determined through credit policies and it is aimed to meet requirements of clients both in a precautionary and also competitive approach in line with policies. One of the main targets is the controlled growth of credit portfolio and risks taken during the credit relation with customers are determined through specific standards. Credit policies reveal main review criteria and risk parameters taking renewal of current credits or enhancing new credits in line with established standards.

Credit proposals are evaluated considering financial power and morality of the debtor and finally approved accordingly in credit management. It is evaluated whether debtors have repayment capacity or not through taking estimated cash flow of debtor, debt service level (repayment capacity) and expected return-risk relation into consideration as well as financial data. If it is difficult to obtain comprehensive financial data, credit review is made through analysis performed with available data receiving further information about purpose of the credit used.

Credit risk is measured through:

- Customer Pre-selection Criteria
- Risk grading systems (Rating and Scoring Models)
- NBSM Decision Support Systems

at banks.

Credit risk measurement in SME, Commercial and Corporate segments is performed through "Customer Preselection Criteria" policies and "Rating Models". The customer pre-selection criteria is determined by taking into account the Bank's risk appetite and best practices and other performance variables in the sector and applied in the credit approval process. In the determination of the criteria, the analysis is used for the probable customers who are likely to become problematic or problematic in the bank's loan portfolio.

In the rating models, the current portfolio data of the relevant segment is modeled by taking into account the expert opinions with statistical methods. The model assumptions and limitations used to measure risks the basic assumptions used, the adequacy and appropriateness of data sources and application procedures will be coordinated. Rating grade is a risk indicator summarizing cash flow, profitability and indebtedness, industry and activity history, management capability and other information of the credit debtor. The rating models are passed through the validation process annually unless otherwise requested. Depending on the results of the validation, the model can continue to be used as it is, updates can be made in the current model, or a new model can be created. These rating models are kept up-to-date to reflect changing market conditions. Rating grade and Default Rate value of a customer demonstrates possibility of default in 1 year period and used in order to determine creditability of the related customer.

Business, Entrepreneur, Credit Cards, Individual Loans and Micro Segment Scoring Models are models produced by using statistical methods and data mining/modeling tools for related segments and products over the customer data of the Bank's portfolio. At the time of application, they measure the risk grades of the customers and generate a risk score and a TO value. Model development work is carried out in coordination with the relevant business units. Scoring models are passed through the validation process annually unless otherwise requested. In this process, the predictive power of the model is evaluated by comparing the actual performance with the predicted performance over the customer data that has passed the application scoring model in the past and the performance of a certain period has occurred. Updates can be made in the model or a new model can be created if necessary at the end of the validation.

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The cut-off for customers is determined by Rating and Scoring Models, in-bank procedures.

Maximum risk amount which can be accepted by the Bank in a certain jurisdiction is determined by limits of related jurisdiction. This limit covers all risks of credit, market, counterparty and exchange risks undertaken by the Bank. Principles regarding country risk and limits are determined through related intra-bank procedures.

Limits regarding credit risk are determined within the risk appetite structure in order to manage credit risk in an effective and proactive manner at the Bank.

Main purpose of Credit Risk Committee is to monitor credit portfolio, activities having credit risk and related processes end to end. It also makes evaluations on determination/recommendation and follow-up of improvement and risk mitigation actions in scope of its authorization depending upon the decision of the Committee. In addition, Credit Committee, holding meetings at Board of Directors level, evaluates risk appetite reports (with respect to credit risk and related aspects of risk concentration) and internal performance indicator levels, policies, regulations, processes of credits, collections and provisions and course of credit activities and makes decisions, if required.

Except for the reporting made in line with Basel principles, Risk Management Center Directorate shares results of analysis and evaluation results performed in scope of credit risk management with senior management of the Bank on a monthly basis. Detailed analysis related to key risk indicators related to credit portfolio, evaluation results based on product related to commercial and individual credits, evaluation results related to concentration risk and collections through the performed study. In addition, results of analysis and evaluation results related to credit portfolio are presented to Audit Committee, Credit Committee and Credit Risk Committee. Results of risk appetite monitoring and action plans regarding overflows are shared.

In scope of credit risk, Supervisory Board Directorate and Internal Control Directorate carry out audits/controls towards whether appropriate transactions are made or not regarding credits provided in line with legal and bank legislation. Branch audits/controls are performed in the framework of annual audit/control program established based on risk

3.1.2 Credit Quality of Assets

	a		b		c	
	Gross carrying values of (according to TAS)					
Current Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)		
1 Loans	1,414,992	26,578,892	(1,243,363)	26,750,521		
2 Debt Securities	-	4,027,288	-	4,027,288		
3 Off-balance sheet exposures	-	11,822,016	(77,991)	11,744,025		
4 Total	1,414,992	42,428,196	(1,321,354)	42,521,834		

	a		b		c	
	Gross carrying values of (according to TAS)					
Prior Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)		
1 Loans	1,394,324	27,072,799	(1,146,625)	27,320,498		
2 Debt Securities	-	3,685,079	-	3,685,079		
3 Off-balance sheet exposures	-	14,513,111	(72,929)	14,440,182		
4 Total	1,394,324	45,270,989	(1,219,554)	45,445,759		

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3.1.3 Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	1,394,324	1,250,842
2 Loans and debt securities that have defaulted since the last reporting period	635,412	1,165,052
3 Returned to non-defaulted status	-	-
4 Amounts written off	251,286	592,044
5 Other changes	-363,458	(429,526)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1,414,992	1,394,324

3.1.4 Additional disclosure related to the credit quality of assets

a) Our bank defines following credit and receivables as “illiquid claims” and classifies in non-performing loan accounts and makes provisions in accordance with “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Paid for These Loans” (“Provisioning Regulation”).

- The borrower’s credit worthiness has deteriorated or,
- If the net realizable of guarantees or insolvency of the debtor is insufficient to cover the payment of debts due to insolvency, it is probable that all of the receivables will be recoverable and are likely to result in a loss if the probable problems are not corrected,
- Delayed by more than ninety days from the date of receipt, payment or payment of the capital or interest or both,
- Considered to be delayed by more than ninety days from the date on which the principal or interest or both must be paid or paid for bankruptcy reasons, such as operating capital financing or difficulties in creating additional liquidity, due to macroeconomic conditions or unfavorable developments in the sectors in which the debtor operates,
- In the event that the principal and/or interest payment is delayed more than thirty days in a one-year follow-up period or is once again subject to restructuring within the period of this monitoring,
- Loans and receivables are classified as ‘nonperforming loans’ and are classified as problem loans, and a provision is made for these loans over the default loss rates (LGD). There is no difference between the definitions of ‘overdue’ and ‘specific provision’ in our bank.

b) Overdue receivables overdue more than 90 days in our bank are subject to special provisions.

c) In accordance with the provisions of the “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Forwarded” issued by the BRSA,

- Provision is made within the scope of TFRS 9.

Expected credit losses for life are deducted as special provisions due to the default of the debts.

d) In our Bank, in accordance with the provisions of the “Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Reserved for Such Loans”

Restructuring that can be applied for both live and non-performing receivables refers to privileges that will not be recognized as a debt owed to the borrower due to financial difficulties encountered or likely to be encountered in the payment of the borrower’s debt and which will not suffer repayment problems.

The privileges granted to the borrower shall be for the benefit of the debtor who is unable or unwilling to meet his obligations due to financial difficulties,

- To change the terms of the loan agreement,
- The loan is partially or completely refinanced.

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Detailed explanations and tables are provided in Section 4 "II Credit Disclosure and Disclosures" for the credit quality of assets.

Breakdown of receivables by geographical area, sector and outstanding maturity

Current Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Domestic	1,396,802	985,505	251,286
European Union(EU) Countries	2,125	1,590	-
OECD Countries	232	232	-
Off-Shore Banking Regions	-	-	-
USA, Canada	-	-	-
Other Countries	15,833	15,665	-
Total	1,414,992	1,002,992	251,286

Prior Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Domestic	1,363,520	849,908	592,044
European Union(EU) Countries	2,855	1,728	-
OECD Countries	210	210	-
Off-Shore Banking Regions	-	-	-
USA, Canada	3,389	424	-
Other Countries	24,350	4,924	-
Total	1,394,324	857,194	592,044

Current Period	Non-performing		
	Loans	Specific Provisions	Write-Offs
Agricultural	29,725	23,970	7,050
Farming and raising livestock	29,725	23,970	7,050
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	386,560	296,258	102,880
Mining	10,690	5,498	6,144
Production	365,151	281,316	96,736
Electricity, Gas, Water	10,719	9,444	-
Construction	200,695	124,155	34,448
Services	703,672	499,970	106,082
Wholesale and Retail Trade	500,377	352,757	94,058
Hotel,Food,Beverage Services	35,358	26,404	745
Transportation and Telecommunication	43,241	37,109	7,349
Financial Institutions	138	125	41
Real Estate and Lending Services	59,734	41,422	3,718
Self employment Service	-	-	-
Education Service	53,728	33,027	40
Health and social Services	11,096	9,126	131
Other	94,340	58,639	826
Total	1,414,992	1,002,992	251,286

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Prior Period	Non-performing Loans	Specific Provisions	Write-Offs
Agricultural	36,173	26,653	6,839
Farming and raising livestock	36,173	26,653	6,839
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	380,011	246,184	145,466
Mining	15,962	9,499	28,561
Production	351,769	227,034	116,905
Electricity, Gas, Water	12,280	9,651	-
Construction	196,683	106,168	104,288
Services	682,495	428,548	274,934
Wholesale and Retail Trade	495,615	329,742	245,282
Hotel, Food, Beverage Services	11,880	5,028	63
Transportation and Telecommunication	57,079	31,048	19,642
Financial Institutions	138	93	7
Real Estate and Lending Services	54,944	37,128	7,752
Self employment Service	-	-	-
Education Service	52,753	21,199	15
Health and social Services	10,086	4,310	2,173
Other	98,962	49,641	60,517
Total	1,394,324	857,194	592,044

Aging analysis for overdue receivables

Current Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over	Total
Corporate Loans	79,534	261,121	817,018	130,181	28,523	1,316,377
Retail Loans	1,230	10,303	25,273	4,178	138	41,122
Credit Cards	845	6,604	15,672	3,211	126	26,458
Others	653	4,090	17,775	4,142	4,375	31,035
Total	82,262	282,118	875,738	141,712	33,162	1,414,992

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over	Total
Corporate Loans	62,942	583,849	506,209	118,000	28,424	1,299,424
Retail Loans	2,367	28,672	18,339	1,120	6	50,504
Credit Cards	1,514	7,892	10,053	1,061	63	20,583
Others	451	6,457	10,550	2,578	3,777	23,813
Total	67,274	626,870	545,151	122,759	32,270	1,394,324

3.2 Credit Risk Mitigation

3.2.1 Qualitative information on Credit Risk Mitigation Techniques

The Bank carries out credit risk mitigation in line with simple financial guarantee method in accordance with article 38 of Communiqué on Credit Risk Mitigation Techniques. In-balance sheet and off-balance sheet offsetting is not included in credit risk mitigation techniques in scope of aforementioned method.

Repayment of credit extensions by the Bank with revenue obtained from the main activities of the client constitutes a basis. On the other hand, the bank has the right to demand various collaterals having different levels in order to provide a hedging for itself regarding provided credits. Risk mitigation function of collaterals are measured with their legal applicability in case of default and liquidation periods.

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Main collaterals and supporting collaterals comprise collaterals of credits provided to our customers. Main collaterals are tangible collaterals which can easily be liquidated. These collaterals can be divided into two as liquid (can be easily liquidated) and other (can be liquidated in a longer time) collaterals. Collaterals, which are not in supportive nature, are intangible collaterals. It is more difficult to liquidate such collaterals compared to main collaterals.

There are Collaterals Policy and Collaterals Procedure prepared by the Bank. Procedures related to collateralizing are disclosed in related procedure while collaterals which can be obtained are disclosed in the policy with all its details.

A report, including definition, nature, valuation and collateralization and solution transactions of related collateral and submitted to approval of Credit Risk Committee in order to ensure acceptance of a new type of collateral by the Bank. Related collateral can be accepted by the Bank following the approval of aforementioned Committee. A briefing is made during the first Board of Directors meeting following the approval of the Committee and submitted to approval of Board of Directors through being updated upon the recommendation of Credit Committee.

Loan to value ratio is determined according to related asset price or volatility of its value in credits which are provided in return for collaterals whose value is continuously changing (gold, shares, other precious metals etc.) and foreign currency current/participation account pledge and aforementioned rates are determined in intra-bank procedures.

In determination of loan to value ratio, losses which can occur due to liquidation of collateral and risk regarding collateralized asset are taken into account.

Information systems of the Bank are developed in order to ensure compliance of monitoring of credit conditions and collaterals received from customers to extension conditions.

All collaterals received by the Bank for both individual and commercial credits are monitored and reported on the basis of group. Collaterals are divided into 4 main groups in the report and type of collaterals, segment based breakdowns of collaterals and cash and non-cash total risk and total collateral amount and collateral ratio with respect to aforementioned group of collaterals. Collateral risk development is examined based on segment and total collateral and collateral ratio is determined in this scope. Secured and unsecured risk ratios are calculated based on segment. The outcome of the report is submitted to related departments and senior management.

When the collaterals, considered for credit risk mitigation in capital adequacy calculations, are examined, it is observed that 52% and 48% of aforementioned collaterals consist of financial collaterals and guarantees respectively. 12.2% credit risk mitigation is performed through aforementioned financial collaterals.

3.2.2 Credit risk mitigation techniques – overview

	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by	Exposures secured by	Exposures secured by	Exposures secured by
Current Period							
1 Loans	17,602,291	9,148,230	463,704	2,520,714	1,799,846	-	-
2 Debt securities	4,027,288	-	-	-	-	-	-
3 Total	21,629,579	9,148,230	463,704	2,520,714	1,799,846	-	-
4 Of which defaulted	221,492	190,508	687	-	-	-	-

	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by	Exposures secured by	Exposures secured by	Exposures secured by
Prior Period							
1 Loans	16,385,753	10,934,745	545,689	91,235	66,228	-	-
2 Debt securities	3,685,079	-	-	-	-	-	-
3 Total	20,070,832	10,934,745	545,689	91,235	66,228	-	-
4 Of which defaulted	273,776	263,354	483	-	-	-	-

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3.3 Credit Risk when Standard Approach is Used

3.3.1 Disclosures regarding Rating Grades used while calculating Credit Risk with Standard approach

Participation Bank uses ratings of Standart&Poor's (S&P), Moody's and Fitch Ratings rating agencies.

Ratings of Fitch Ratings international credit rating agency is taken into account for receivables risk classes from jurisdictions or central banks while credit ratings published by OECD are used in scope of country risk classification for those who are not rated by aforementioned rating agency. Ratings of Standart & Poor's (S&P), Moody's and Fitch Ratings are used for receivables risk classes from foreign banks and intermediary institutions all together, if available.

Participation Bank uses agency matching table. Credit rating agencies which are not included in agency matching table, are not used.

Credit quality level and matching with risk weights with respect to risk classes are shown in the table below.

Credit Quality Level	Fitch Ratings long term credit rating	Risk Classes			
		Exposures to Central Governments or Cenral Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA and AA-	0%	20%	20%	20%
2	A+ and A-	20%	20%	50%	50%
3	BBB+ and BBB-	50%	20%	50%	100%
4	BB+ and BB-	100%	50%	100%	100%
5	B+ and B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

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3.3.2 Standardised Approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period	Asset Classes	a		b		c		d		e		f	
		Exposures before CCF and CRM (*)		Exposures post-CCF and CRM		Off-balance sheet		RWA and RWA density		RWA		RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	RWA	RWA density	RWA	RWA density
1	Exposures to central governments or central banks	9,129,338	-	10,928,030	-	2,987,144	27%						
2	Exposures to regional governments or local authorities	-	145	-	29	29	100%						
3	Exposures to public sector entities	272	8,075	272	3,261	3,390	96%						
4	Exposures to multilateral development banks	-	-	-	-	-	0%						
5	Exposures to international organisations	-	-	-	-	-	0%						
6	Exposures to institutions	1,627,756	7,491	1,629,253	5,503	507,617	31%						
7	Exposures to corporates	8,992,855	6,022,709	8,473,126	3,698,205	11,792,672	97%						
8	Retail exposures	5,083,025	4,438,567	3,803,874	1,758,039	3,959,301	71%						
9	Exposures secured by residential property	2,443,436	419,654	2,443,436	180,733	919,925	35%						
10	Exposures secured by commercial real estate	3,643,792	846,089	3,643,792	501,869	2,072,830	50%						
11	Past-due loans	252,843	-	252,779	-	192,843	76%						
12	Higher-risk categories by the Agency Board	121,118	1,360	120,495	1,360	174,949	144%						
13	Exposures in the form of covered bonds	-	-	-	-	-	0%						
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%						
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%						
16	Other assets	2,721,278	-	2,720,656	-	1,603,783	59%						
17	Investments in equities	-	-	-	-	-	0%						
18	Total	34,015,713	11,744,090	34,015,713	6,148,998	24,214,483	60%						

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Prior Period	a		b		c		d		e		f	
	Exposures before CCF and CRM (*)		Exposures post-CCF and CRM		RWA and RWA density		RWA and RWA density		RWA and RWA density		RWA and RWA density	
Asset Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	RWA	RWA density	RWA	RWA density
1 Exposures to central governments or central banks	8,496,373	-	8,559,522	-	8,559,522	-	2,823,383	33%				
2 Exposures to regional governments or local authorities	-	132	-	26	-	26	13	50%				
3 Exposures to public sector entities	26,999	7,902	27,000	3,143	27,000	3,143	30,018	100%				
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	0%				
5 Exposures to international organisations	-	-	-	-	-	-	-	0%				
6 Exposures to institutions	2,090,051	23,112	2,093,131	25,926	2,093,131	25,926	641,059	30%				
7 Exposures to corporates	8,244,859	8,034,818	8,233,082	5,030,780	8,233,082	5,030,780	12,780,531	96%				
8 Retail exposures	5,074,447	5,017,694	5,020,868	2,104,408	5,020,868	2,104,408	5,101,154	72%				
9 Exposures secured by residential property	2,802,700	446,644	2,802,700	182,628	2,802,700	182,628	1,047,938	35%				
10 Exposures secured by commercial real estate	4,351,408	908,773	4,351,408	532,746	4,351,408	532,746	2,442,077	50%				
11 Past-due loans	256,219	-	256,181	-	256,181	-	196,974	77%				
12 Higher-risk categories by the Agency Board	174,121	1,102	173,676	1,102	173,676	1,102	244,553	140%				
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	0%				
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	0%				
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	0%				
16 Other assets	2,276,536	-	2,276,145	-	2,276,145	-	1,246,427	55%				
17 Investments in equities	-	-	-	-	-	-	-	0%				
18 Total	33,793,713	14,440,177	33,793,713	7,880,759	33,793,713	7,880,759	26,554,126	64%				

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3.3.3 Standardised Approach – Exposures by asset classes and risk weights

Current Period	a	b	c	d		e	f	g	h	i	j	
Asset classes/Risk weight*	0%	10%	20%	%35" (Secured by Real Estate Mortgage)	%50" (Secured by Real Estate Mortgage)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
1 Exposures to central governments or central banks	7,940,886	-	-	-	-	-	-	2,987,144	-	-	-	10,928,030
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	29	-	-	-	29
3 Exposures to public sector entities	143	-	-	-	-	-	-	3,390	-	-	-	3,533
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	1,372,091	-	1,514	57,419	-	203,732	-	-	-	1,634,756
7 Exposures to corporates	303,308	-	94,188	-	-	-	-	11,773,835	-	-	-	12,171,331
8 Retail exposures	218,133	-	88,244	-	-	-	5,255,536	-	-	-	-	5,561,913
9 Exposures secured by residential property	-	-	-	2,614,395	9,774	-	-	-	-	-	-	2,624,169
10 Exposures secured by commercial real estate	-	-	-	-	4,145,661	-	-	-	-	-	-	4,145,661
11 Past-due loans	-	-	-	-	119,873	-	-	132,906	-	-	-	252,779
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	15,667	106,188	-	-	121,855
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17 Other assets	410,158	-	880,912	2,411	837	-	-	1,426,338	-	-	-	2,720,656
18 Total	8,872,628	-	2,435,435	2,616,806	4,277,659	57,419	5,255,536	16,543,041	106,188	-	-	40,164,711

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Prior Period	a	b	c	d		e	f	g	h	i	j	
Asset classes/Risk weight*	0%	10%	20%	%35" (Secured by Real Estate Mortgage)	%50" (Secured by Real Estate Mortgage)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
1 Exposures to central governments or central banks	2,874,866	-	63,149	-	-	5,621,507	-	-	-	-	-	8,559,522
2 Exposures to regional governments or local authorities	-	-	0	-	-	26	-	-	-	-	-	26
3 Exposures to public sector entities	125	-	-	-	-	-	-	30,018	-	-	-	30,143
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	1,450,885	-	570,327	64,253	-	33,592	-	-	-	2,119,057
7 Exposures to corporates	345,522	-	172,261	-	-	-	-	12,746,079	-	-	-	13,263,862
8 Retail exposures	246,354	-	105,524	-	-	-	6,773,398	-	-	-	-	7,125,276
9 Exposures secured by residential property	-	-	-	2,964,842	20,486	-	-	-	-	-	-	2,985,328
10 Exposures secured by commercial real estate	-	-	-	-	4,884,154	-	-	-	-	-	-	4,884,154
11 Past-due loans	-	-	-	-	118,415	-	-	137,766	-	-	-	256,181
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	35,228	139,550	-	-	174,778
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17 Other assets	415,313	-	763,196	4,360	2,029	-	-	1,091,247	-	-	-	2,276,145
18 Total	3,882,180	-	2,555,016	2,969,202	5,595,411	5,685,786	6,773,398	14,073,930	139,550	-	-	41,674,472

4. Explanations and Disclosures on Counterparty Credit Risk(CCR)

4.1. Information on Counterparty Credit Risk

Internal legislations consisting of policy, process and procedures in which counterparty credit risks exposed by the Bank are defined and measurement, monitoring and control processes are detailed exists within the body of the Bank. Policies are at least annually updated while procedures are updated at required frequency considering legal or intra-bank changes.

Risk weighted amount calculations are made in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" in scope of Counterparty Credit Risk.

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Nostro, foreign trade transactions, exchange, substitution exchange cost, usuary, precious metal nostro limits are determined for transactions made with domestic and foreign institutions. Additionally, forward and swap transactions made with customers are considered in counterparty credit risk.

Transactions are monitored whether they are made in line with limits by the limit owner or not. If there is overflow in aforementioned limits, related departments are informed and actions taken by departments are monitored.

In counterparty credit risk management, risk mitigation methods such as offset and collateralization. Controls of collaterals are performed on a daily basis. If there is a transactions with missing collateral branches are automatically informed via e-mail and it is requested to complete missing collateral.

Counterparty credit stress tests include risk sourcing due to expected loss effect caused by deteriorations occurring in creditability and concentration risk related to a single counterparty or group of counterparty. Stress tests, which shall be applied for counterparty credit risk, are performed based on scenarios included in related intra-bank procedures.

4.2 Analysis of counterparty credit risk exposure by approach

	a	b	c	d	e	f
	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Period						
1 Standardised Approach (for derivatives) Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA	164,037	132,668			1.4 296,705	220,392
2 lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable				-	-	-
3 Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable					1,559,324	208,815
4 Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or						-
5 borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						-
6 Total						429,207

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	a	b	c	d	e	f	
Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE(1)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts	
1 Standardised Approach (for derivatives) Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA	173,639	121,888			1.4	295,527	200,917
2 lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable				-	-	-	-
3 Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable					1,495,578	189,679	
4 Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or						-	-
5 borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						-	-
6 Total							390,596

4.3. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	296,705	97,575	295,527	105,037
4 Total amount of CVA capital adequacy	296,705	97,575	295,527	105,037

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4.4. Standardised approach of CCR exposures by regulatory portfolio and risk weights

Current Period		a	b	c	d	e	f	g	h	i	
Risk Weights/Risk Classes		0%	10%	20%	35%	50%	75%	100%	150%	Other	Total Credit Risk
1	Central governments and central banks receivables	515,251	-	-	-	-	-	-	-	-	515,251
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	International Organisations receivables	-	-	-	-	-	-	-	-	-	-
6	Banks and Intermediary Institutions receivables	-	-	1,091,914	-	54,944	-	6,843	-	-	1,153,701
7	Corporate receivables	-	-	8,805	-	-	-	170,479	-	-	179,284
8	Retail receivables	-	-	1,884	-	-	4,101	-	-	-	5,985
9	Mortgage receivables	-	-	-	589	1,219	-	-	-	-	1,808
10	Non performing receivables	-	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13	Securitisation Positions	-	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
18	Other assets	-	-	-	-	-	-	-	-	-	-
19	Total	515,251	-	1,102,603	589	56,163	4,101	177,322	-	-	1,856,029

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Prior Period	a	b	c	d	e	f	g	h	i	
Risk Weights/Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total Credit Risk
1 Central governments and central banks receivables	547,181	-	-	-	-	-	-	-	-	547,181
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5 International Organisations receivables	-	-	-	-	-	-	-	-	-	-
6 Banks and Intermediary Institutions receivables	-	-	1,014,478	-	56,793	-	-	-	-	1,071,271
7 Corporate receivables	-	-	4,029	-	-	-	151,624	-	-	155,653
8 Retail receivables	-	-	5,712	-	-	3,682	-	-	-	9,394
9 Mortgage receivables	-	-	-	5,551	2,055	-	-	-	-	7,606
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	-	-	-	-
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitisation Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity investments	-	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	-	-	-	-
18 Other assets	-	-	-	-	-	-	-	-	-	-
19 Total	547,181	-	1,024,219	5,551	58,848	3,682	151,624	-	-	1,791,105

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4.5. Collateral for CCR exposure

Current Period	a	b	c	d	e	f
	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	10	-	-	-	-
Cash-Foreign Currency	-	10,337	-	-	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	515,251
Government Bond/Bond-Other	-	-	-	-	-	1,044,073
Public Establishment Bond/Bond	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Collateral	-	1,808	-	-	-	-
Total	-	12,155	-	-	-	1,559,324

Prior Period	a	b	c	d	e	f
	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	231	-	-	-	-
Cash-Foreign Currency	-	9,510	-	-	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	547,181
Government Bond/Bond-Other	-	-	-	-	-	948,397
Public Establishment Bond/Bond	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Collateral	-	7,710	-	-	-	-
Total	-	17,451	-	-	-	1,495,578

5. Explanations and Disclosures on Consolidated market risk

5.1 Explanations on Market Risk

Internal legislations consisting of policy, process and procedures in which counterparty credit risks exposed by the Bank are defined and measurement, monitoring and control processes are detailed exists within the body of the Bank. Policies are at least annually updated while procedures are updated at required frequency considering legal or intra-bank changes.

Studies related to market risk are performed by Risk Reporting Service subject to Risk Policies and Reporting Directorate under Risk Center Directorate. Related studies include legal market risk calculations, follow-up of compliance to limits determined by the bank and stress test calculations. There exists close collaboration with Asset Liability Management Directorate in scope of market risk management. Opinions and recommendations are received from aforementioned directorate on establishing and updating of intra-bank policy, procedure and process documents which may be considered in scope of market risk. In addition, if there exists non-compliance to limits monitored in scope of market risk, information is obtained from related Directorates under Treasury Business Family regarding reasons for overflows and actions which are/shall be taken.

Principal amount subject to market risk is calculated through using standard method in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy" at Bank. Interest (dividend) rate risk, calculated in accordance with standard method, is reached through multiplying total capital liabilities required for exchange rate risk (including gold), commodity risk, exchange risk and share risk.

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Measurement, monitoring and control of risks subject to market risk are performed through using "Treasury Transaction Limits" determined by Board of Directors of the Bank in addition to legal arrangements.

Treasury Transaction limits are as follows:

- Foreign currency limit for trading purposes
- Stop-loss limit (foreign exchange trading transactions)
- Strategic purposed Foreign Currency Position Limit
- Private sector Sukuk limit
- Sukuk limit issued by Undersecretariat of Treasury of Republic of Turkey

Foreign exchange trading open position limit and daily, monthly, annual stop-loss limits related to aforementioned limit are also determined based on title. Trading transactions are simultaneously compared to limits and responsible individuals are informed regarding related limits and current level of use. Corrective measures including those occurring due to temporary changes in risk positions are taken.

Positions related to foreign exchange transactions are subject to ad-hoc valuation and total risk position, valuation results and limit usage levels are reported to related departments periodically. In addition, early warning limits are determined for aforementioned transactions and related departments are automatically informed via e-mail if aforementioned limits are exceeded.

Firms, issuing sukuk products which shall be included in sukuk limit scope, should be firms having required criteria mentioned in related policy of the Bank.

On the other hand, RMD calculation is made for foreign exchange risk for informative purposes. RMD value for foreign currency position of the Bank is calculated through parametric RMD method and historical simulation method. Outputs of calculations are submitted to Treasury Directorate on a weekly basis.

Foreign exchange risk of the Bank is hedged with foreign currency transactions made with customers by Treasury Business Family or spot transactions between banks.

Market risk stress test is performed with the calculation method of maximum loss exposed through applying reverse shock based on two different scenarios (stressed and worst) to foreign currency net general position (structural fx position).

5.2. Market Risk Explanations-Standardised approach

		RWA	
		Current Period	Prior Period
Outright products			
1	Interest rate risk (general and specific)	6,988	8,400
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	371,988	449,163
4	Commodity risk	120,300	71,563
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	499,275	529,125

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6. Explanations and Disclosures on Consolidated Operational Risk

6.1 Explanations on Operational Risk

"Basic Indicator Approach" is used for the operational risk calculation of the Participation Bank. Principal amount subject to operational risk is calculated through using gross income of Participation Bank for the last three years in accordance with 4th Section, 1st part of "Communique on Measurement and Evaluation of Bank's Capital Adequacy", published at Official Gazette dated October 23, 2015 and numbered 29511, titled "Calculation of Principal Amounts subject to Operational Risk".

The operational risks of the bank and the losses resulting from these risks are recorded in the loss database in accordance with the criteria laid down in the Basel standards and the best practices, and analyzes are conducted using such data to ensure risk reduction.

Operational risks and related losses are reported to the Operational Risk Committee, the Audit Committee and the Board of Directors. At the Operational Risk Committee, the Bank's operational risks at significant levels are monitored closely and the relevant directors are provided with the necessary actions to reduce operational risks.

6.2. Operational Risk: Basic Indicator Model

Current Period				Total/Positive	Ratio (%)	Total
	31.12.2013	31.12.2014	31.12.2015	GI year number		
Gross income	1,783,872	1,605,016	1,315,383	3	15	235,214
Amount subject to Operational Risk (Amount*12,5)						2,940,169

Prior Period				Total/Positive	Ratio (%)	Total
	31.12.2013	31.12.2014	31.12.2015	GI year number		
Gross income	1,105,454	1,315,383	1,605,112	1,341,983	15	201,297
Amount subject to Operational Risk (Amount*12,5)						2,516,218

7. Disclosures on Profit Share Ratio in Banking Accounts

Core deposit calculation based on TL, USD and EUR currencies is made for demand deposits on a monthly basis. Calculation is made through using Monte-Carlo Simulation and based on daily current deposit changes. The lowest value of current deposit on 99% trust level for the following month using historical daily change date during simulation phase. Core deposit rates are calculated through dividing calculated amount to deposit amount realized at the end of the month and aforementioned rates are used in the calculation of interest rate risk sourcing from banking accounts.

Current Period				
Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains/Shareholders' Equity - Losses/Shareholders' Equity	
1 TRY	500	(487,096)	-9.61%	
2 TRY	(400)	447,545	8.83%	
3 EURO	200	(112,571)	-2.22%	
4 EURO	(200)	121,804	2.40%	
5 1105454	200	56,899	1.12%	
6 USD	(200)	(62,340)	-1.23%	
- Total (for negative shocks)	-	507,009	10.00%	
- Total (for positive shocks)	-	(542,769)	-10.70%	

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Prior Period				
Currency		Applied Shock (+/- x basis points)*	Gains/Losses	Gains/Shareholders' Equity - Losses/Shareholders' Equity
1	TRY	500	(553,828)	-11.95%
2	TRY	(400)	519,096	11.20%
3	EURO	200	(120,149)	-2.59%
4	EURO	(200)	130,109	2.81%
5	1105454	200	142,211	3.07%
6	USD	(200)	(156,658)	-3.38%
-	Total (for negative shocks)	-	492,547	10.63%
-	Total (for positive shocks)	-	(531,766)	-11.48%

SECTION FIVE: EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets of Consolidated Financial Statements

1. Cash and Central Bank of Turkey:

1.1. Information on Cash and Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	195,907	187,028	185,099	187,658
Central Bank of Turkey	269,395	4,523,737	320,395	4,169,954
Other (*)	96,001	812,133	74,841	730,910
Total	561,303	5,522,898	580,335	5,088,522

(*) As of December 31, 2017, precious metal account amounts to TL 27,224 (31 December 2016: TL 42,556).

1.2. Information on Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	269,395	777,554	320,395	674,691
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Other (*)	-	3,746,183	-	3,495,263
Total	269,395	4,523,737	320,395	4,169,954

(*) Reserve deposits that are kept as blockage in CBTR for foreign currency liabilities. As per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey. The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR between the rates of 4% and 24% respectively according to the maturity of the liabilities and it has been taken into consideration as of the report date.

2. Information on Financial Assets at Fair Value through Profit and Loss

The other security line in the amount of TL 1,631 refers to fair value of spot derivative transactions of the Group, accounted based on the settlement date, between the trade date and the balance sheet date (December 31, 2016: TL 1,558).

2.1. Information on Financial Assets at Fair Value through Profit and Loss, Which are Given as Collateral or Blocked

None (December 31, 2016: None).

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2.2. Information on Financial Assets at Fair Value through Profit and Loss, Which are Subject to Repurchase Agreements

None (December 31, 2016: None).

2.3. Positive Differences Related to Derivative Financial Assets Held-for-Trading

Financial Derivative Assets Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	7,702	4,260	31,664	2,737
Swap Transactions	-	2,955	3,224	23,332
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	7,702	7,215	34,888	26,069

3. Information on Banks

Banks	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	1,103	193,318	712	380,166
Foreign	71	112,944	36	180,852
Branches and Head Offices Abroad	-	-	-	-
Total	1,174	306,262	748	561,018

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	43,394	108,985	-	-
USA and Canada	56,243	62,210	-	-
OECD Countries (*)	7,907	7,208	-	-
Off-Shore Banking Regions	3,071	526	-	-
Other	2,400	1,959	-	-
Total	113,015	180,888	-	-

* OECD countries other than the EU countries, USA and Canada

4. Information on Financial Assets Available for Sale

	Current Period	Prior Period
Debt Securities	3,361,727	2,907,449
Quoted on a Stock Exchange (*)	3,361,727	2,907,449
Not Quoted	-	-
Share Certificates	4,967	4,923
Quoted on a Stock Exchange	-	-
Not Quoted (**)	4,967	4,923
Impairment Provision (-)	-	-
Other	-	-
Total	3,366,694	2,912,372

(*) Although the related debt securities are quoted on a Stock Exchange, they have been presented as not quoted since the market transactions are not deep enough as of balance sheet date.

(**) As of December 31, 2017, not quoted on a stock exchange includes Kredi Garanti fund amounting to TL 4,719.

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As of December 31, 2017, the Group's "financial assets available-for-sale" portfolio includes the rent certificate at a total face value of TL 3,352,855 (December 31, 2016: TL 2,936,048), a total carrying value amounting to TL 3,361,727 (December 31, 2016: TL 2,907,449) which is issued by Republic of Turkey Undersecretariat of Treasury.

4.1. Available-for-Sale Financial Assets Blocked/Given As Collateral or Subject to Repurchase Agreements

As of December 31, 2017, available-for-sale financial assets blocked/given as collateral or subject to repurchase agreements are amounting to TL 1,402,315 (December 31, 2016: TL 1,214,939).

4.2. Information on Financial Assets Available for Sale, Which are Subject to Repurchase Agreements

As of December 31, 2017, information on financial assets available for sale, which are subject to repurchase agreements are amounting to TL 423,981 (31 December 2016: TL 291,645).

5. Information Related to Loans

5.1. Information on All Types of Loans and Advances Given to Shareholders and Employees of the Participation Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	56	-	46	11,871
Corporate Shareholders	-	-	-	11,871
Real Person Shareholders	56	-	46	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	12,063	-	15,079	-
Total	12,119	-	15,125	11,871

5.2. Information about the First And Second Group Loans and Other Receivables Including Loans That Have Been Restructured or Rescheduled

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plan	Other		Amendments related to the extension of the payment plan	Other
Loans	22,650,458	506,838	8,464	2,375,852	1,583,873	194,775
Export Loans	3,864,882	36,630	-	143,584	9,042	46,092
Import Loans	-	-	-	-	-	-
Business Loans	15,319,691	464,421	7,902	2,041,009	1,532,707	129,981
Consumer Loans	3,005,108	5,126	562	164,230	40,864	18,702
Credit Cards	376,070	661	-	6,274	810	-
Loans Given to Financial Sector	82,754	-	-	450	450	-
Other	1,953	-	-	20,305	-	-
Other Receivables	-	-	-	-	-	-
Total	22,650,458	506,838	8,464	2,375,852	1,583,873	194,775

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The loans for which the amendments related to the extension of the payment plan made according to article 4 of first clause (a) and (b) of "Regulation on Procedures and Principles Determination of Qualifications of Loans and Other Receivables by Banks and Provision" are stated below as of December 31, 2017.

	Number of amendments related to the extension of the payment plan	
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	506,838	1,577,737
Extended for 3, 4 or 5 times	-	5,221
Extended for more than 5 times	-	915

The time extended via the amendment on payment plan	Loans and Other Receivables Under Close Monitoring	
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	80,447	119,266
6-12 Months	3,117	133,477
1-2 Years	57,380	343,660
2-5 Years	227,147	715,075
5 Years and More	138,747	272,395

According to article 12 of regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provision, there is no restructured loan as of December 31, 2017.

5.3 Breakdown of loans according to their maturities

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	5,219,183	5,945	129,546	255,618
Loans	5,219,183	5,945	129,546	255,618
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	16,915,973	509,357	467,658	1,523,030
Loans	16,915,973	509,357	467,658	1,523,030
Other Receivables	-	-	-	-

5.4. Collaterals received for close monitoring loans

	Current Period	Prior Period
Loans Collateralized by Cash	60,592	33,292
Loans Collateralized by Mortgages	1,629,514	1,539,262
Loans Collateralized by Pledged Assets	44,701	58,639
Loans Collateralized by Cheques and Notes	422,248	291,375
Loans Collateralized by Collaterals	7,351	6,289
Unsecured Loans	354,575	322,156
Total	2,518,981	2,251,013

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5.5. Information on Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	22,509	3,109,885	3,132,394
Real Estate Loans	4,730	2,606,294	2,611,024
Auto Loans	4,176	138,322	142,498
General Purpose Consumer Loans	13,603	365,269	378,872
Other	-	-	-
Consumer Loans - FC Indexed	-	32,469	32,469
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	32,469	32,469
Other	-	-	-
Consumer Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	307,415	410	307,825
With Instalment	88,745	410	89,155
Without Instalment	218,670	-	218,670
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans -TL	377	3,866	4,243
Real Estate Loans	-	399	399
Auto Loans	53	1,671	1,724
General Purpose Consumer Loans	324	1,796	2,120
Other	-	-	-
Personnel Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Real Estate Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7,799	21	7,820
With Instalment	2,242	21	2,263
Without Instalment	5,557	-	5,557
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	232	-	232
Overdraft Accounts - FC (real persons)	-	-	-
Total	338,332	3,146,651	3,484,983

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5.6. Installment Based Commercial Loans and Corporate Credit Cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	5,018	32,118	37,136
Business Loans	-	3,332	3,332
Auto Loans	572	25,770	26,342
General Purpose Consumer Loans	4,446	3,016	7,462
Other	-	-	-
Commercial Loans with Instalment - FC Indexed	-	871	871
Business Loans	-	451	451
Auto Loans	-	-	-
General Purpose Consumer Loans	-	420	420
Other	-	-	-
Commercial Loans with Instalments - FC	-	-	-
Business Loans	-	-	-
Auto Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	66,579	120	66,699
With Instalment	6,923	120	7,043
Without Instalment	59,656	-	59,656
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	71,597	33,109	104,706

5.7. Loans according to types of borrowers

	Current Period	Prior Period
Public	-	25,970
Private	25,026,310	25,136,583
Total	25,026,310	25,162,553

5.8. International and Domestic Loans

	Current Period	Prior Period
Domestic Loans	24,747,652	24,758,071
International Loans	278,658	404,482
Total	25,026,310	25,162,553

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5.9. Loans Granted to Subsidiaries and Participations

None (31 December 2016: None).

5.10. Specific Provisions Provided Against Loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	59,439	76,540
Loans and Receivables with Doubtful Collectibility	97,184	186,518
Uncollectible Loans and Receivables	846,369	594,136
Total	1,002,992	857,194

5.11. Information on Non-Performing Loans (Net)

5.11.1. Information on Loans and Other Receivables Included in Loans under Follow-Up Account, Which are Restructured or Rescheduled

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Current Period:	598	3,237	2,290
(Gross Amount Before Specific Provisions)	598	3,237	2,290
Restructured Loans and Receivables	598	3,237	2,290
Rescheduled Loans and Receivables	-	-	-
Prior Period:	234	761	437
(Gross Amount Before Specific Provisions)	234	761	437
Restructured Loans and Receivables	234	761	437
Rescheduled Loans and Receivables	-	-	-

5.11.2. Information of Movements of Loans

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Prior Period Ending Balance	202,059	412,861	779,404
Additions (+) ^(*)	565,216	28,605	41,591
Transfers from Other Categories of Non-performing Loans (+)	-	576,259	653,906
Transfers to Other Categories of Non-performing Loans (-)	(576,259)	(653,906)	-
Collections (-)	(74,288)	(116,970)	(172,200)
Write-offs (-) (**)	(7,882)	(9,167)	(234,237)
Corporate and Commercial Loans	(7,882)	(9,167)	(230,049)
Retail Loans	-	-	(355)
Credit Cards	-	-	(1,148)
Other	-	-	(2,685)
Current Period Ending Balance	108,846	237,682	1,068,464
Specific Provisions (-)	(59,439)	(97,184)	(846,369)
Net Balance on Balance Sheet	49,407	140,498	222,095

(*) 30,569 TL of the amount transferred during the period is the exchange rate increase

(**) Participation Bank, has sold a portion of its non-performing loans amounting to TL 241,458 to asset management companies for TL 39,757.

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5.11.3. Information on Foreign Currency Loans and Other Receivables Included in Non-Performing Loans

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Current Period:			
Period Ending Balance	-	-	-
Specific Provisions (-)	-	-	-
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Prior Period Ending Balance	19,204	4,034	2,877
Specific Provisions (-)	(4,208)	(2,509)	(2,765)
Net Balance on Balance Sheet	14,996	1,525	112

The Participation Bank has decided to account the non-performing loans that were previously followed in foreign currency accounts in TL accounts and transfers the existing amounts to the TL accounts on September 24, 2017.

5.11.4. Information on Gross and Net Non-Performing Loans and Receivables as per Customer Categories

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Individuals and Corporates (Gross)	108,585	237,184	1,060,634
Specific Provisions (-)	(59,257)	(96,931)	(839,209)
Loans to Individuals and Corporates (Net)	49,328	140,253	221,425
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	261	498	7,830
Specific Provisions (-)	(182)	(253)	(7,160)
Other Loans and Receivables (Net)	79	245	670
Prior Period (Net)			
Loans to Individuals and Corporates (Gross)	201,885	411,464	774,633
Specific Provisions (-)	(76,467)	(185,649)	(589,744)
Loans to Individuals and Corporates (Net)	125,418	225,815	184,889
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	174	1,397	4,771
Specific Provisions (-)	(73)	(869)	(4,392)
Others Loans and Receivables (Net)	101	528	379

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5.11.5 Collaterals received for non-performing loans

	Current Period	Prior Period
Loans Collateralized by Cash	43,000	32,758
Loans Collateralized by Mortgages	513,129	577,156
Loans Collateralized by Pledged Assets	58,557	45,365
Loans Collateralized by Cheques and Notes	487,193	421,840
Loans Collateralized by Collaterals	8,655	12,923
Unsecured Loans	304,458	304,282
Total	1,414,992	1,394,324

5.11.6. Non-Performing Loans and Main Guidelines of Liquidation Process for Loans and Receivables

Related loans are classified as non-performing loans as per "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions" which was published in the Official Gazette No: 26333 on November 1, 2006.

5.11.7. Explanation on "Write-off" Policies

The loans and receivables whose collections are considered to be definitely uncollectible are collected by legal proceedings and enashing the guarantees or written-off by the decision of the Participation Bank's management pursuant to the requirements in outstanding Turkish Tax Procedures Code In the current period the Participation Bank sold its non-performing loans amounting to TL 241,458 (31 December 2016: TL 587,835) to asset management companies and written off amounting to TL 9,828.(31 December 2016: 4,209).

5.12. Other Explanation and Disclosures

Aging analysis of past due but not impaired loans per classes of financial statements is stated as below:

Current Period (*)	0- 30 Day	31- 60 Day	61- 90 Day	Total
Loans and Receivables				
Corporate loans	43,969	8,040	4,038	56,047
Loans to SMEs	42,287	22,337	7,414	72,038
Consumer loans	12,344	10,159	2,470	24,973
Total	98,600	40,536	13,922	153,058

(*) Only past due loans are presented and the principals of unpaid loans.

Prior Period (*)	0- 30 Day	31- 60 Day	61- 90 Day	Total
Loans and Receivables				
Corporate loans	22,429	23,228	16,519	62,176
Loans to SMEs	29,891	22,506	14,488	66,885
Consumer loans	2,948	3,624	2,285	8,857
Total	55,268	49,358	33,292	137,918

(*) Only past due loans are presented and the principals of unpaid loans.

6. Investments Held-to-Maturity (Net)

6.1. Investments Subject to Repurchase Agreements and Given as Collateral/Blocked:

As of December 31, 2017, there is none, held to maturity securities which is given as collateral. (31 December 2016: None).

Investments held-to-maturity subject to repurchase agreements are amounting to TL 101,868 (31 December 2016: 243,064).

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6.2. Information on Securities Held-to-Maturity

	Current Period	Prior Period
Debt Securities	670,528	782,553
Quoted on a Stock Exchange	-	-
Not Quoted	670,528	782,553
Impairment Provision (-)	-	-
Total	670,528	782,553

6.3. Changes in Securities Held-to-Maturity

	Current Period	Prior Period
Opening Balance	782,553	888,893
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	200,000	450,000
Disposals Through Sales and Redemptions	(311,373)	(550,000)
Impairment Provision (-)	-	-
Income Accruals and Rediscounts (*)	(652)	(6,340)
Ending Balance	670,528	782,553

(*) As of December 31, 2017, securities held to maturity securities include income accruals and rediscounts amounting to TL 20,528 and the amount TL (652) represents the accrual change between two periods.

7. Information on Associates (Net)

None (31 December 2016: None).

8. Information on Subsidiaries (Net)

According to a decision of the Parent Participation Bank's Board of Directors on 22 October 2012, asset rent company was established purposing rent certificate issues with the capital TL 50 as at 11 February 2013. Asset rent company named TF Varlık Kiralama A.Ş. was established with the authorizations of Banking Regulation and Supervision Agency dated 20 December 2012, Capital Markets Board dated 1 February 2013 and Ministry of Customs and Trade dated 8 February 2013. According to a decision of the Parent Participation Bank, second asset rent company was established purposing rent certificate issues with the capital of TL 50 as at 8 July 2014 named TFKB Varlık Kiralama A.Ş.

Information on the Consolidated Subsidiaries

	Associate	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	TF Varlık Kiralama A.Ş.	İstanbul/Turkey	100.00	-
2	TFKB Varlık Kiralama AŞ	İstanbul/Turkey	100.00	-

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	5,630,834	59	-	-	-	1	2	-
2	317,380	376	-	-	-	(145)	(143)	-

9. Information on Entities under Common Contr

None (31 December 2016: None).

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10. Information on Finance Lease Receivables (Net)

10.1. Presentation of Finance Lease Investments According to Their Remaining Maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	711,977	605,475	799,121	678,358
1-4 Years	726,397	617,739	990,730	841,010
More Than 4 Years	104,651	88,997	119,507	101,447
Total	1,543,025	1,312,211	1,909,358	1,620,815

10.2. Financial Information on Net Investments Made in Finance Lease

	Current Period	Prior Period
Gross Finance Lease Receivables	1,543,025	1,909,358
Income Earned from Other Operations apart from Finance Lease (-)	(230,814)	(288,543)
Written off leasing amounts	-	-
Total	1,312,211	1,620,815

10.3. General Information on Criteria Used in Determination of Contingent Lease Installments, If Any, Updates About Available Situations and Contract Amounts Related to Renewal or Purchase Options and Constraints due to Leasing Contracts, Any Past Due Situations, Renewal of Contracts, If Renewed, Conditions on It, Any Matter Caused to Constraints and Other Important Issues Related to Finance Lease Contracts

Finance lease contracts are realized in consistent with the Legislation of Finance Lease nr. 6361. There is not any constraint due to finance lease contracts or any renewal that affects consolidated financial statements (31 December 2016: None).

11. Derivative Financial Assets Held for Risk Management

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	147,489	-	111,124	-
Cash Flow Hedge	-	-	-	-
Foreign net investment hedge	-	-	-	-
Total	147,489	-	111,124	-

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12. Information on Tangible Assets

	Real Estates	Leased Tangible Assets	Other Tangible Assets	Total
Cost				
Cost at the beginning of Current Period	593,825	5,782	273,883	873,490
Current Term Transactions	122,947	-	63,895	186,842
Additions	117,987	-	80,337	198,324
Disposals	-	-	(16,442)	(16,442)
Transferred	-	-	-	-
Reversal of Impairment Losses	344	-	-	344
Appreciation	4,616	-	-	4,616
Cost at the End of Current Period	716,772	5,782	337,778	1,060,332
Accumulated Depreciation				
Accumulated Depreciation at the beginning of Current Period	(4,534)	(5,782)	(176,022)	(186,338)
Reversal of Accumulated Depreciation	-	-	-	-
Current Term Transactions	(5,381)	-	(33,373)	(38,754)
Depreciation Expense	(5,191)	-	(38,270)	(43,461)
Appreciation	-	-	-	-
Transferred	(190)	-	190	-
Disposals	-	-	4,707	4,707
Accumulated Depreciation at the End of Current Period	(9,915)	(5,782)	(209,395)	(225,092)
Net Book Value at the End of Prior Period	589,291	-	97,861	687,152
Net Book Value at the End of Current Period	706,857	-	128,383	835,240

13. Information on Intangible Assets

13.1. Useful Life or Depreciation Rates Used

It is explained in the footnote numbered XI in the Section 3.

13.2 Depreciation Methods Used for Intangible Assets

Intangible assets are depreciated by straight-line depreciation method

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13.3 Movement of Balances at the beginning and end of the current period

	Intangible Assets
Cost	
Cost at the beginning of Current Period	199,650
Current Term Transactions	36,190
Additions	43,906
Disposals (-)	(7,716)
Transferred	-
Impairment Losses	-
	-
Cost at the End of Current Period	235,840
Accumulated Depreciation	-
Accumulated Depreciation at the beginning of Current Period	(129,615)
Current Term Transactions	(40,167)
Amortisation Expense (-)	(40,378)
- Value Increase	-
Transferred	-
Disposals	211
Accumulated Depreciation at the End of Current Period	(169,782)
Net Book Value at the End of Prior Period	70,035
Net Book Value at the End of Current Period	66,058

14. Information on Investment Property

None (31 December 2016: None).

15. Explanations Related to the Deferred Tax Asset

The Group is calculated deferred tax liability amounting to TL 48,950 (31 December 2016: TL 29,208) from the difference between book values of assets and liabilities, and the tax based amounts which are going to be added to the financial profit or loss in the following periods. The Group net-off calculated deferred tax asset amounting to TL 99,364 (31 December 2016: TL 107,036) and deferred tax liability, and booked deferred tax asset amounting to TL 50,414 in the current period (31 December 2016: TL 77,828).

	Current Period	
	Deferred Tax Assessment	Deferred Tax Asset/ (Liability)
Employment Termination Benefit	56,516	11,415
Short Term Employee Benefits	12,651	2,530
Provisions for Credit Card Promotion	1,120	246
Provision for Lawsuits	17,838	3,568
Revaluation Surplus on Fair Value	(208)	(46)
Rediscount Difference	(436)	(96)
Fair Value Difference on Derivative Transactions	109,595	24,111
Fixed Asset Depreciation Difference	(83,901)	(16,780)
Revaluation Increase on Tangible Assets	(36,300)	(7,260)
Commission Rediscounts	95,469	19,094
Hedging Funds	12,313	2,709
Revaluation Profit/Loss on Precious Metals	7,619	1,676
Other (Net)	44,091	9,247
Deferred Tax Asset (Net)		50,414

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	Prior Period	
	Deferred Tax Assessment	Deferred Tax Asset/ (Liability)
Employment Termination Benefit	46,836	9,367
Short Term Employee Benefits	11,826	2,365
Provisions for Credit Cart Promotion	1,568	314
Provision for Lawsuits	14,209	2,842
Revaluation Surplus on Fair Value	(1,144)	(229)
Rediscount Difference	243	49
Fair Value Difference on Derivative Transactions	182,094	36,419
Fixed Asset Depreciation Difference	(66,780)	(13,356)
Revaluation Increase on Tangible Assets	(30,511)	(6,102)
Commission Rediscounts	102,070	20,414
Hedging Funds	30,857	6,171
Revaluation Profit/Loss on Precious Metals	(1,812)	(362)
Other (Net)	99,682	19,936
Deferred Tax Asset (Net)		77,828

Movement of the deferred tax asset is stated as below:

	Current Period	Prior Period
Opening Balance	77,828	83,028
Current Period Gain/Loss	(21,757)	(6,982)
Effect of Tax Rate Changes	-	257
Deferred Tax Asset Accounted Under Equity	(5,657)	1,525
Deferred Tax Asset	50,414	77,828

16. Information on Assets Held for Sale

As of December 31, 2017, information on assets held for sale is amounting to TL 263,623 (31 December 2016: TL 95,655).

17. Information on Other Assets

Other assets do not exceed 10% of total assets as of December 31, 2017 and 31 December 2016.

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II. Explanations Related to the Liabilities of Consolidated Financial Statements

1. Information on funds collected

1.1. The Maturity Structure of Funds Collected

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
I. Real Persons Current Accounts-TL	1,517,494	-	-	-	-	-	-	-	1,517,494
II. Real Persons Profit Sharing Accounts-TL	-	3,058,637	3,261,301	60,740	-	123,872	89,854	115	6,594,519
III. Other Current Accounts-TL	1,690,029	-	-	-	-	-	-	-	1,690,029
Public Sector	3,213	-	-	-	-	-	-	-	3,213
Commercial Sector	1,627,403	-	-	-	-	-	-	-	1,627,403
Other Institutions	46,972	-	-	-	-	-	-	-	46,972
Commercial and Other Institutions	185	-	-	-	-	-	-	-	185
Banks and Finance Houses	12,256	-	-	-	-	-	-	-	12,256
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	12,178	-	-	-	-	-	-	-	12,178
Bank	77	-	-	-	-	-	-	-	77
Other	1	-	-	-	-	-	-	-	1
IV. Profit Sharing Accounts-TL	-	448,769	875,952	11,538	-	15,352	10,102	-	1,361,713
Public Sector	-	2	14	-	-	-	-	-	16
Commercial Sector	-	410,569	784,068	10,486	-	14,789	7,360	-	1,227,272
Other Institutions	-	36,129	68,970	1,052	-	563	2,742	-	109,456
Commercial and Other Institutions	-	2,069	-	-	-	-	-	-	2,069
Banks	-	-	22,900	-	-	-	-	-	22,900
V. Real Persons Current Accounts-FC	1,527,475	-	-	-	-	-	-	-	1,527,475
VI. Real Persons Profit Sharing Accounts-FC	-	1,995,071	2,481,905	53,806	-	276,012	89,961	16	4,896,771
VII. Other Current Accounts-FC	1,648,537	-	-	-	-	-	-	-	1,648,537
Commercial Residents in Turkey	1,578,914	-	-	-	-	-	-	-	1,578,914
Commercial Residents in Abroad	67,063	-	-	-	-	-	-	-	67,063
Banks	2,560	-	-	-	-	-	-	-	2,560
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	665	-	-	-	-	-	-	-	665
Banks	1,895	-	-	-	-	-	-	-	1,895
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	419,528	1,479,213	63,109	-	12,571	10,029	-	1,984,450
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	398,452	1,186,753	63,099	-	10,317	432	-	1,659,053
Other Institutions	-	14,862	24,421	10	-	2,207	56	-	41,556
Commercial and Other Institutions	-	6,214	93,241	-	-	47	9,541	-	109,043
Banks and Participation Banks	-	-	174,798	-	-	-	-	-	174,798
IX. Precious Metal Accounts	521,778	-	-	263,087	-	24,161	80	-	809,106
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	6,905,313	5,922,005	8,098,371	452,280	-	451,968	200,026	131	22,030,094

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Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
I. Real Persons Current Accounts-TL	1,413,571	-	-	-	-	-	-	-	1,413,571
II. Real Persons Profit Sharing Accounts-TL	-	2,829,917	3,719,233	66,517	-	135,255	105,269	81	6,856,272
III. Other Current Accounts-TL	1,925,850	-	-	-	-	-	-	-	1,925,850
Public Sector	4,302	-	-	-	-	-	-	-	4,302
Commercial Sector	1,863,468	-	-	-	-	-	-	-	1,863,468
Other Institutions	54,140	-	-	-	-	-	-	-	54,140
Commercial and Other Institutions	915	-	-	-	-	-	-	-	915
Banks and Finance Houses	3,025	-	-	-	-	-	-	-	3,025
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	2,887	-	-	-	-	-	-	-	2,887
Bank	138	-	-	-	-	-	-	-	138
Other	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TL	-	514,710	1,066,356	7,561	-	47,041	13,840	-	1,649,508
Public Sector	-	10	1	-	-	-	-	-	11
Commercial Sector	-	474,771	958,355	4,746	-	45,648	11,083	-	1,494,603
Other Institutions	-	30,550	67,158	2,815	-	1,393	2,757	-	104,673
Commercial and Other Institutions	-	9,379	1,070	-	-	-	-	-	10,449
Banks	-	-	39,772	-	-	-	-	-	39,772
V. Real Persons Current Accounts-FC	908,049	-	-	-	-	-	-	-	908,049
VI. Real Persons Profit Sharing Accounts-FC	-	1,520,932	2,487,331	45,797	-	229,995	103,570	12	4,387,637
VII. Other Current Accounts-FC	1,120,998	-	-	-	-	-	-	-	1,120,998
Commercial Residents in Turkey	910,856	-	-	-	-	-	-	-	910,856
Commercial Residents in Abroad	133,296	-	-	-	-	-	-	-	133,296
Banks	76,846	-	-	-	-	-	-	-	76,846
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	24,010	-	-	-	-	-	-	-	24,010
Foreign Banks	603	-	-	-	-	-	-	-	603
Banks	52,233	-	-	-	-	-	-	-	52,233
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	374,211	1,719,133	34,735	-	13,514	50,855	-	2,192,448
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	293,081	1,082,310	34,731	-	11,433	6,618	-	1,428,173
Other Institutions	-	5,580	22,809	4	-	2,043	-	-	30,436
Commercial and Other Institutions	-	75,550	77,482	-	-	38	44,237	-	197,307
Banks and Participation Banks	-	-	536,532	-	-	-	-	-	536,532
IX. Precious Metal Accounts	404,848	-	-	189,560	-	15,442	37	-	609,887
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	5,773,316	5,239,770	8,992,053	344,170	-	441,247	273,571	93	21,064,220

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1.2 Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund

	Under the Guarantee of insurance		Exceeding the Limit of insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real Persons Current and Profit Sharing Account that are not Subject to the commercial Activities	6,920,866	6,387,569	8,373,803	7,735,302
TL A Accounts	4,662,715	4,710,292	3,448,380	3,558,921
FC A Accounts	2,258,151	1,677,277	4,925,423	4,176,381
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

1.3 Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

	Current Period	Prior Period
Foreign Branches' Profit Share Funds and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts held by Shareholders and Their Relatives	-	-
Profit Sharing Accounts and Other Accounts of the Chairman and Board of Directors, Chief Executive Officer, Senior Executive Officers and Their Relatives	1,136	954
Profit Sharing Accounts and Other Accounts Held as Assets Subject to the Crime defined in the Article 282 of the Turkish Criminal Code No. 5237 dated 26/9/2004	-	-
Off Shore banking Regions' Profit Sharing Accounts	-	-

1.4. Information on the Current and Profit Sharing Accounts of the Parent Participation Bank with Head Office Abroad, if the Saving Deposits in the Branches of the Participation Bank Located in Turkey are Under the Guarantee of Saving Deposit Insurance in that Country Abroad

The center of the Parent Participation Bank is in Turkey and under the guarantee of Saving Deposits Insurance Fund of Turkey.

1.5. Current and Profit Sharing Accounts which are not Under the Guarantee of Deposit Insurance Fund

Total of current and profit sharing accounts which are not under the guarantee of Deposit Insurance Fund is TL 1,136 (31 December 2016: TL 954).

2. Negative Differences on Derivative Financial Liabilities Held for Trading

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transaction	4,841	1,187	22,573	1,652
Swap Transaction	8,120	13,370	2,781	5,351
Future	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	12,961	14,557	25,354	7,003

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3. Information on Borrowings

3.1. Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TP	YP	TL	FC
Funds Borrowed from the Central Bank of Turkey	-	-	-	-
Funds Borrowed from Domestic Banks and Institutions	-	304,689	-	458,323
Funds Borrowed from Foreign Banks, Institutions and Funds	649,042	3,054,891	518,611	4,455,285
Total	649,042	3,359,580	518,611	4,913,608

3.2. Maturity Analysis of Funds Borrowed

	Current Period		Prior Period	
	TP	YP	TL	FC
Short-Term	519,741	2,338,870	6,503	3,794,496
Medium and Long-Term	129,301	1,020,710	512,108	1,119,112
Total	649,042	3,359,580	518,611	4,913,608

4. Information on Securities Issued

	Current Period		Prior Period	
	TP	YP	TP	YP
Rent Certificate	704,233	4,916,266	447,029	4,462,671
Total	704,233	4,916,266	447,029	4,462,671

Group, issues TL 1,258,000 amounted securities and paid TL 968,000.

5. Other Liabilities Exceeding 10% of the Balance Sheet Total and the Breakdown of Such Liabilities Constituting at Least 20% of the Grand Total

Other liabilities do not exceed 10% of total liabilities as of December 31, 2017 and 31 December 2016.

6. Information on Finance Lease Payables (Net)

6.1 The General Explanations on Criteria Used in Determining Installments of Financial Lease Agreements, Renewal and Purchasing Options and Restrictions in the Agreements that Create Significant Obligations to the Participation Bank

None (31 December 2016: None).

6.2. The Explanation on Modifications in Agreements and New Obligations Resulting from such Modifications

None (31 December 2016: None).

7. Information on Derivative Financial Liabilities Held for Risk Management

Derivative financial liabilities held for risk management are explained in detail in Section 4, footnote XI.

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	-	256,796	-	352,675
Foreign net investment hedge	-	-	-	-
Total	-	256,796	-	352,675

Derivative financial liabilities held for risk management are presented in detail in Section 4, footnote XI.

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8. Information on Provisions

8.1 Information on General Provisions

	Current Period	Prior Period
General Provisions	203,151	231,669
Provision for Group 1. Loans and Receivables (Total)	141,347	170,919
Profit Sharing Accounts' Share	58,147	62,682
The Bank's Share	83,200	108,237
Other	-	-
Additional provisions for Group 1. loans with extended payment plan (*)	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provision for Group 2. Loans and Receivables (Total)	44,857	41,025
Profit Sharing Accounts' Share	10,102	14,068
The Bank's Share	34,755	26,957
Other	-	-
Additional provisions for Group 2. loans with extended payment plan (*)	-	-
Profit Sharing Accounts' Share	-	-
The Bank's Share	-	-
Other	-	-
Provision for Non Cash Loans	16,947	19,725
Other	-	-

(*) The amount includes the effect of the amendment to the regulation on procedures and principles for the determination of the qualifications of loans and other receivables and the provisions made on 27 September 2016.

8.2. Information on Foreign Exchange Losses on the Foreign Currency Indexed Loans and Finance Lease Receivables

Foreign exchange differences on foreign currency indexed loans amounting to TL 9,557 are netted with loans on the asset side as of balance sheet date (31 December 2016: TL 889).

8.3. Information on Employee Termination Benefits

The Group's provision amount for unused vacation is TL 12,973 (31 December 2016: TL 11,826), provision amount for performance premium is TL 22,027 (31 December 2016: TL 17,607) and provision amount for severance indemnities is TL 56,516 (31 December 2016: TL 46,836) as of December 31, 2017.

	Current Period	Prior Period
Opening Balance	46,836	41,044
Service Cost	4,072	6,134
Profit Share Cost	4,792	4,387
Actuarial Loss (*)	5,078	(1,581)
Recognised Gain/Loss	846	1,550
Benefits Paid	(5,108)	(4,698)
Total Employment Termination Benefit Liability	56,516	46,836

(*) Actuarial loss calculated as TL 17,024 (December 31, 2016: TL 11,946) related to severance pay provisions is recognized as TL 13,619 (December 31, 2016: TL 9,557) after deducting TL 3,405 (December 31, 2016: TL 2,389) which is the deferred tax impact in other capital reserves item under shareholder's equity

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8.4. Information on Other Provisions

8.4.1. Information on Provisions for possible risks

None (31 December 2016: None)

8.4.2. Other Provisions Exceeding 10% of Total Provisions and Name, Amount and Breakdown of Such Provisions

	Current Period	Prior Period
Specific Provision for Cheques	7,740	9,535
Specific Provision for Non Cash Loans not Indemnified or not Converted into Cash	70,251	63,394
Provision for Lawsuits against Participation Bank	17,838	14,209
Provision for Decrease in Value Spot Derivative Transactions	1,424	414
Provision for Profits will be Allocated to Participation Accounts (*)	27,755	34,671
Provision for Credit Cards Promotion Commitments	1,120	1,568
Other	8,185	6,710
Total	134,313	130,501

(*) According to article 14 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, the amount is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

9. Information on Tax Liability

9.1. Explanations Related to Current Tax Liability

9.1.1. Information on Tax Provision

The Parent Participation Bank has corporate tax liability amounting to TL 60,528 (31 December 2016: TL: 65,851) and prepaid tax amounting to TL 44,587 (31 December 2016: TL 49,159) as of December 31, 2017. The remaining corporate tax liability after the deduction of the prepaid tax amount is reflected to financial statements.

9.1.2. Information on Taxes Payable

	Current Period	Prior Period
Corporate Tax Payables	15,941	16,692
Tax on Securities Income	11,596	10,357
Tax on Real Estate Income	1,118	1,069
Banking Insurance Transaction Tax	15,012	16,277
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payables	2,970	4,912
Other	7,641	7,413
Total	54,278	56,720

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9.1.3. Information on Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	3,540	3,240
Social Security Premiums-Employer	3,769	3,509
Bank Pension Fund Premiums- Employees	-	-
Bank Pension Fund Premiums- Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employers	-	-
Unemployment Insurance- Employees	253	231
Unemployment Insurance- Employer	506	463
Other	170	55
Total	8,238	7,498

9.2. Information on Deferred Tax Liabilities

None (31 December 2016: None).

10. Information on Liabilities Regarding Assets Held for Sale and Discontinued Operations

None. (31 December 2016: None).

11. Information on Sub-Ordinated Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	960,338	-	890,500
Other Foreign Institutions	-	-	-	-
Total	-	960,338	-	890,500

The Participation Bank provided sub-ordinated loans amounting to 100,000,000 USD and 150,000,000 USD, in terms of a 7.23%,7.78% profit share rates and ten years maturity, on 31 March 2015 and 30 June 2015 respectively. In accordance with article of BRSA dated 26 March 2015, to include loans amounting to 250,000,000 USD into calculation of additional capital since the date when sub-ordinated loan is recorded into Bank's accounts in cash.

12. Information on Shareholders' Equity

12.1. Presentation of Paid-in Capital

	Current Period	Prior Period
Common Stock	2,600,000	2,600,000
Preferred Stock	-	-

12.2. Paid-in Capital Amount, Explanation as to Whether the Registered Share Capital System is Applicable at Participation Bank if so Amount of Registered Share Capital Ceiling

Registered share capital system is not applied in Group.

12.2.1 Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in Current Period

None (31 December 2016: None).

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12.2.2. Information on Capital Reserves Transferred to the Capital During the Period

During the current period there are no capital reserves transferred to the capital (31 December 2016: None).

No balance has been added to capital reserves from revaluation fund in the current period (31 December 2016: None).

12.2.3. Capital Commitments in the Last Fiscal Year and at the end of the Following Year-End Period, the General Purpose of These Commitments and Projected Resources Required Meeting These Commitments

None (31 December 2016: None).

12.3. Indicators of the Group's Income, Profitability and Liquidity for the Previous Periods and Possible Effects of These Future Assumptions on the Participation Bank's Equity Due to the Uncertainty of These Indicators

None.

12.4. Information on Preferred Shares

None (31 December 2016: None).

12.5. Information on Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Securities Available for Sale	(38,273)	2,848	(13,653)	(30,441)
Valuation Differences	(38,273)	2,848	(13,653)	(30,441)
Exchange Rate Differences	-	-	-	-
Total	(38,273)	2,848	(13,653)	(30,441)

12.6 Other Information on Shareholders' Equity

By a decision taken in the Participation Bank's General Assembly dated March 31, 2017, the profit of the year 2016 that is amounting to TL 296,243 was transferred to statutory reserves, extraordinary reserves and other reserves amounting to TL 15,161, TL 279,954 and TL 1,128 respectively.

III.Explanations Related to the Consolidated Off-Balance Sheet Items

1. Information on Off-Balance Sheet Liabilities

1.1. Types and Amounts of Irrevocable Loan Commitments

	Current Period	Prior Period
Asset purchase-sale commitments	1,422,032	1,130,334
Commitments for Subsidiaries and Affiliates	1,582	5,227
Commitments for Check Payments	1,252,959	1,309,524
Tax and Fund Liabilities from Export Commitments	3,766	2,875
Commitments for Credit Card Expenditure Limits	776,371	820,810
Commitments for Credit Cards and Banking Services Promotions	1,715	1,458
Other	19,849	12,094
Total	3,478,274	3,282,322

1.2. Information on the Nature and the Amount of Possible Losses and Commitments Stemmed from Off-Balance Sheet Items

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantee and Other Letters of Credits

	Current Period	Prior Period
Guarantees	9,055,835	11,246,095
Acceptances	142,663	386,249
Letter of Credits	567,276	727,037
Other guarantees	-	1,742
Total	9,765,774	12,361,123

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1.2.2. Permanent Guarantees, Temporary Guarantees, Suretyships and Similar Transactions

	Current Period	Prior Period
Temporary Guarantee Letters	659,426	917,602
Permanent Guarantee Letters	5,523,155	6,477,487
Advance Guarantee Letters	447,657	557,807
Guarantee Letters Given to Duties	374,203	495,006
Guarantee Letters Given for the Collaterals of Cash Loans	1,445,869	1,837,347
Other Guarantee Letters	605,525	960,846
Total	9,055,835	11,246,095

1.2.3. Total Non Cash Loans

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	1,445,869	1,837,347
With maturity of 1 year or less than 1 year	43,920	70,543
With maturity more than 1 year	1,401,949	1,766,804
Other non cash loans	8,319,905	10,523,776
Total	9,765,774	12,361,123

1.2.4. Information on Sectoral Risk Concentration of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	54,823	0.93	47,457	1.23	84,520	1.20	89,872	1.68
Farming and raising livestock	54,823	0.93	47,457	1.23	84,413	1.20	89,872	1.68
Forestry	-	0.00	-	0.00	5	0.00	-	0.00
Fishing	-	0.00	-	0.00	102	0.00	-	0.00
Manufacturing	917,657	15.57	2,042,448	52.77	1,161,000	16.52	2,694,748	50.53
Mining	67,804	1.15	9,939	0.26	68,940	0.98	31,826	0.60
Production	723,263	12.27	1,787,861	46.19	930,720	13.24	2,314,086	43.39
Electricity, Gas, Water	126,590	2.15	244,648	6.32	161,340	2.30	348,836	6.54
Construction	2,150,508	36.50	503,453	13.01	2,629,132	37.43	985,650	18.48
Services	2,709,857	45.97	1,250,267	32.29	3,073,734	43.73	1,529,605	28.68
Wholesale and Retail Trade	1,258,546	21.35	641,012	16.56	1,566,203	22.29	872,625	16.36
Hotel, Food, Beverage Services	42,573	0.72	55,095	1.42	30,715	0.44	61,679	1.16
Transportation and								
Telecommunication	180,876	3.07	319,461	8.25	208,135	2.96	351,176	6.58
Financial Institutions	22,591	0.38	6,532	0.17	26,223	0.37	23,881	0.45
Real Estate and Lending Services	1,090,432	18.50	220,702	5.70	1,112,758	15.83	213,660	4.01
Self employment Service	-	0.00	-	0.00	-	0.00	-	0.00
Education Service	27,505	0.47	5,108	0.13	30,527	0.43	4,292	0.08
Health and social Services	87,334	1.48	2,357	0.06	99,173	1.41	2,292	0.04
Other	62,123	1.05	27,181	0.70	79,025	1.12	33,837	0.63
Total	5,894,968	100.02	3,870,806	100.00	7,027,411	100.00	5,333,712	100.00

1.2.5. Information on Ist and IInd Group Non-Cash Loans

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-Cash Loans	5,624,217	3,632,662	270,751	238,144
Letters of Guarantee	5,616,742	2,944,489	270,751	223,853
Endorsement and Acceptances	5,958	136,705	-	-
Letters of Credit	1,517	551,468	-	14,291
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

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2. Explanations Related to the Derivative Financial Instruments

	Current Period	Prior Period
Type of Trading Transactions		
Foreign Currency Related Derivative Transactions (I) :	11,647,469	12,285,588
Forward Transactions	3,003,060	3,437,652
Swap Transactions	8,644,409	8,847,936
Futures Transactions	-	-
Option Transactions	-	-
Other Trading Derivative Transactions (II)	394,742	360,205
A. Total Trading Derivative Transactions (I+II)	12,042,211	12,645,793

3. Explanations Related to the Contingent Liabilities and Assets

None (31 December 2016: None).

4. Services Rendered on Behalf of Third Parties

None (31 December 2016: None).

IV. Explanations Related to the Consolidated Income Statement

1. Profit Share Income

1.1. Information on Profit Share on Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit Share on Loans (*)	2,223,704	170,308	2,419,054	134,698
Short Term Loans	542,266	21,656	625,680	18,928
Medium and Long Term Loans	1,667,114	148,650	1,781,754	115,767
Profit Share on Non Performing Loans	14,324	2	11,620	3
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	2,223,704	170,308	2,419,054	134,698

(*) Profit Share on Loans includes commission income on cash loans.

1.2. Information on Profit Share on Participation Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	19,610	20,132	17,363	11,137
Domestic Banks	-	-	-	-
Foreign Banks	10	1,959	59	559
Branches and Head Office Abroad	-	-	-	-
Total	19,620	22,091	17,422	11,696

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1.3. Information on Profit Share on Marketable Securities Portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Financial Assets Available for Sale	143,235	76,835	75,667	54,694
Investments Held to Maturity	69,452	-	69,157	-
Total	212,687	76,835	144,824	54,694

1.4. Information on Profit Share Income Received from Associates and Subsidiaries

None (December 31, 2016: None).

2. Profit Share Expenses

2.1. Information on Profit Share on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	71,837	131,653	67,214	142,994
Central Bank of Turkey	12,189	-	-	-
Domestic Banks	95	10,017	9,716	9,477
Foreign Banks (*)	59,553	121,636	57,498	133,517
Branches and Head Office Abroad	-	-	-	-
Other Institutions	131	1,006	131	1,008
Total	71,968	132,659	67,345	144,002

2.2. Information on Profit Share Expense Given to Associates and Subsidiaries

None. (December 31, 2016: None)

2.3. Information on Profit Share Expense to Marketable Securities Issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Information on Profit Share Expense to Marketable Securities Issued	58,545	232,406	49,201	194,894
Total	58,545	232,406	49,201	194,894

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2.4. Distribution of Profit Share Expense on Funds Collected Based on Maturity of Funds Collected

Account Name	Profit Sharing Accounts					Accumulated Profit Sharing Account	Total
	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira							
Funds Collected from Banks via Current and Profit Sharing Accounts	15	2,710	-	-	-	-	2,725
Real Person's Non Commercial Profit Sharing Accounts	213,838	324,930	6,145	11,516	7,806	7	564,242
Public Sector Profit Sharing Accounts	1	-	-	-	-	-	1
Commercial Sector Profit Sharing Accounts	37,727	80,106	799	2,300	739	-	121,671
Other Institutions Profit Sharing Accounts	2,517	6,050	112	78	241	-	8,998
Total	254,098	413,796	7,056	13,894	8,786	7	697,637
Foreign Currency							
Banks	1,644	2,119	-	-	-	-	3,763
Real Person's Non Commercial Profit Sharing Accounts	32,362	55,381	1,335	6,005	1,513	-	96,596
Public Sector Profit Sharing Accounts	-	-	-	-	-	-	-
Commercial Sector Profit Sharing Accounts	7,639	24,158	809	162	87	-	32,855
Other Institutions Profit Sharing Accounts	975	1,845	-	47	596	-	3,463
Precious Metal Accounts	-	-	1,780	167	1	-	1,948
Total	42,620	83,503	3,924	6,381	2,197	-	138,625
Grand Total	296,718	497,299	10,980	20,275	10,983	7	836,262

3. Information on Dividend Income

None (31 December 2016: None).

4. Information on Trading Income/Losses (net)

	Current Period	Prior Period
Income	65,087,227	31,859,704
Trading Account Income	1,172	1,874
Derivative Financial Instruments	827,306	1,251,103
Foreign Exchange Gains	64,258,749	30,606,727
Loss	(65,065,102)	(31,760,534)
Trading Account Losses	(362)	(860)
Derivative Financial Instruments	(995,574)	(1,174,646)
Foreign Exchange Losses	(64,069,166)	(30,585,028)

5. Information on Other Operating Income

	Current Period	Prior Period
Communication Expense Charged to Customers	5,489	7,841
Gain on Sale of Assets	56,137	17,495
Checkbook Expenses	4,895	7,214
Reversals Related to Prior Year's Expenses	224,556	267,455
Other	13,545	13,909
Total	304,622	313,914

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6. Provision Expenses Related To Loans and Other Receivables of the Group

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	519,643	778,638
III. Group	86,889	93,306
IV. Group	140,363	290,143
V. Group	278,004	380,175
Doubtful Commission, Fee and Other Receivables	14,387	15,014
General Provision Expenses	3,678	7,112
Provision Expenses for Possible Losses	-	-
Marketable Securities Impairment Losses	11,184	12,613
Financial Assets at Fair Value Through Profit and Losses	-	-
Investment Securities Available for Sale	11,184	12,613
Impairment Provision Expenses	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Investments Held to Maturity	-	-
Other (*)	46,062	51,964
Total	580,567	850,327

(*) Other provision expenses amounting to TL 46,062 comprised of specific provision expenses for non cash loans not indemnified or not converted into cash amounting to TL 6,563, specific provision expenses for cheques amounting to TL 21,198, other expenses amounting to TL 10,965, specific provision expenses allocated to participation accounts amounting to TL 5,860 provision expenses for law suits amounting to TL 1,476 (December 31, 2016: Other provision expenses amounting to TL 51,964 comprised of specific provision expenses for cheques amounting to TL 8,641, specific provision expenses for non cash loans not indemnified or not converted into cash amounting to TL 29,548, specific provision expenses allocated to participation accounts amounting to TL 4,809 other expenses amounting to TL 3,101 and provision expense for law suits amounting to TL 5,865).

7. Information on Other Operating Expenses

	Current Period	Prior Period
Personel Expenses	411,482	413,748
Reserve for Employee Termination Benefits	6,103	7,373
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	2,422	-
Depreciation Expenses of Tangible Assets	43,461	34,118
Impairment Losses on Intangible Assets	-	-
Amortization Expenses of Goodwill	-	-
Depreciation Expenses of Intangible Assets	40,378	38,181
Impairment Provision for Investments Accounted for Under Equity Method	-	-
Impairment Losses on Assets to be Disposed	438	1,661
Depreciation Expenses of Assets to be Disposed	-	1,644
Impairment Losses on Assets Held for Sale	2,220	-
Other Operating Expenses	222,086	213,307
Operating Lease Expenses	87,226	81,247
Repair and Maintenance Expenses	9,195	6,601
Advertisement Expenses	10,278	20,264
Other Expenses	115,387	105,195
Loss on Sales of Assets	1,162	238
Other	145,987	136,011
Total	875,739	846,281

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8. Explanations Related to the Profit/Loss Before Taxes Including Profit/Loss from Discontinued Operations

The Group profit before taxes realized at TL 457,657.(31 December, 2016: TL 369,027)The profit before taxes includes a net profit share income of TL 1,451,436 (31 December 2016: TL 1,509,540) a net fees and commission income of TL 135,780 (31 December,2016: TL 143,011). Operating expenses are amounted to TL 875,739 (31 December 2016: TL 846,281).

9. Information on Provision for Taxes

The Group tax reconciliation is listed below:

	Current Period	Prior Period
Profit Before Tax	457,657	369,027
Corporate Tax Ratio	% 20	% 20
Calculated Tax	91,531	73,805
Deductions	(67,061)	(75,501)
Other	57,815	74,529
Income Tax Expense	82,285	72,833

10. Explanations Related to the Net Profit/Loss Including Profit/Loss From Discontinued Operations

Net period profit is TL 375,372 (31 December 2016: TL 296,194)

11. Explanation on Net Period Profit/Loss

11.1. The Nature and Amount of Certain Income and Expense Items from Ordinary Operations is Disclosed If the Disclosure for Nature, Amount and Repetition Rate of Such Items is Required for the Complete Understanding of the Group's Performance for the Period

Profit share income on regular banking operations is TL 2,898,490 and profit share expenses are TL 1,445,054 (December 31, 2016: profit share income; TL 2,978,046 profit share expenses: TL 1,468,506).

11.2. Effect of Changes in Accounting Estimates on Income Statement for the Current and, If Any, for Subsequent Periods

None (December 31, 2016: None).

11.3. Nature and amount of a change in accounting estimates which is expected to have significant impact in current or following periods

There exist no changes in accounting estimate which expected to have significant impact on current or following periods (December 31, 2016: None).

12. If the Other Items in the Income Statement Exceed 10% of the Income Statement Total, Accounts Amounting to At Least 20% of These Items are shown below

Other Fees and Commissions Received	Current Period	Prior Period
Commissions of Letters of Credit on Imports	486	679
Commission of Collection Note/Check	1,701	3,033
Commissions on Remittance	11,879	12,267
Insurance Commissions	21,917	23,401
Credit Letter Commissions	1,526	2,115
Expert Fees	12,163	18,607
Credit Card Fees and Commissions	37,402	36,286
Commissions on Member Firm -POS	60,137	49,854
Cash Import Commissions	2,728	3,173
Other Commissions and Fees	24,990	22,722
Total	174,929	172,137

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Other Fees and Commissions Given	Current Period	Prior Period
POS Transaction Commission Expense	99,042	88,104
7/24 Card Domestic ATM Commission Given	1,291	1,534
Credit Card Service and Usage Expense	12,528	9,617
Commissions and Fees Given for Remittance	3,377	3,391
Expertise Fees	11,000	14,961
Other Commissions and Fees	29,732	27,673
Total	156,970	145,280

V.Explanations and Disclosures Related to the Statements of Shareholders' Equity Movement

1. Information on Any Increases Arising from Application of Accounting for Financial Instruments in the Current Period

1.1 Increases from Valuation of Financial Assets Available-for-Sale

After the revaluation of the available-for-sale investments in the current period, the increase that took place is TL 8,669

(31 December 2016: None)

1.2.Increases Due to Cash Flow Hedges

In the Current period, increases due to cash flow hedges is amounting to TL 15,081. (31 December 2016:16,898).

1.3.Increases Due to the Revaluation of Tangible Fixed Assets

The increase after the revaluation of available-for-sale investments in the current period is TL 5,881 (31 December 2016: None).

2. Information on Any Decreases Arising from Application of Accounting for Financial Instruments in the Current Period

2.1.Decreases from Valuation of Financial Assets Available-for-Sale

In Current period, there is no decrease from Valuation of Financial Assets Available-for-Sale (31 Aralık 2016 : 24,467)

2.2.Decreases Due to Cash Flow Hedges

None. (31 December 2016: None).

3. Information on Dividend

3.1.Dividends Declared Subsequent to the Balance Sheet Date, but Before the Announcement of the Financial Statements

None.

3.2.Dividends per Share Proposed Subsequent to the Balance Sheet Date

None.

4.Amounts Transferred to Legal Reserves

In 2017, the amount transferred to legal reserves is TL 15,161 and amount transferred to extraordinary reserves TL 279,956 (31 December 2016: to the legal reserves is TL 11,305 to the extraordinary reserves is TL 250,391).

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5. Information on Shares Issued

5.1. For All Capital Share Classes of the Participation Bank; Rights, Priorities and Restrictions about This Item Including Distribution of Dividend and Restrictions related to Repayment of Capital

None (31 December 2016: None).

5.2 Explanations Related to Other Capital Increase Items in the Statements of Shareholders' Equity Movement

None.

VI. Explanations Related to Consolidated Statement of Cash Flows

1. Disclosures for "other" items and "effect of change in foreign currency rates cash and cash equivalents" in statement of cash flows

The "other" item amounting to a loss of TL 1,035,794 under operating profit before changes in operating assets and liabilities composes of fees and commissions paid, other operating expenses excluding employee costs and depreciation expense, provision expense (31 December 2016: TL 1,262,784 loss).

The "net increase in other liabilities" amounting to TL 389,518 under the changes in operating assets and liabilities is resulted from the changes in the miscellaneous payables and other external funding payables (31 December 2016: TL 896,587).

As of 31 December 2017, the effect of change in the exchange rate on cash and cash equivalents calculated an increase of TL 501,973 (31 December 2016: TL 783,251 increase).

2. Cash outflows from Acquisition of Associates, Subsidiaries and Joint-ventures

As of 31 December 2017, The Bank does not have cash outflow from acquisition of associates, subsidiaries and joint-ventures (31 December 2016: None).

3. Cash Inflows from Acquisition of Associates, Subsidiaries and Joint-ventures

None (31 December 2016: None).

4. Information on Cash and Cash Equivalents at Beginning and End of Periods

	Current Period	Prior Period
Cash	2,299,276	2,124,459
Cash in TL and Foreign Currency	382,935	372,757
Central Bank of Turkey	1,035,430	988,506
Other	880,911	763,196
Cash Equivalents	307,436	561,766
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	307,436	561,766
Total Cash and Cash Equivalents	2,606,712	2,686,225

5. Restricted Cash and Cash Equivalents of the Participation Bank Due to Legal Requirements or

Other Reasons

The placements at Central Bank of Turkey include blocked accounts with a total principal balance of TL 3,746,183 (31 December 2016: TL 3,495,263) which is kept as reserve deposits for foreign currency liabilities.

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VII. Explanations on the Risk Group of the Parent Participation Bank

1. Information on the volume of transactions relating to the Parent Participation Bank's risk group, incomplete loan and funds collected transactions and period's profit and loss

1.1. Information on loans and other receivables of the Parent Participation Bank's risk group

Current Period

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Others Receivables						
Balance at the beginning of the period	-	-	46	11,871	232,051	84,299
Balance at the end of the period (*)	-	-	56	-	95,939	33,915
Profit Share and Commission Income	-	-	138	-	14,602	268

(*) Lease receivables from the Parent Participation Bank's risk group are included in cash balances amounting to TL 1,082.

Prior Period

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Others Receivables						
Balance at the beginning of the period	-	-	138	10,573	169,073	90,291
Balance at the end of the period (*)	-	-	46	11,871	232,051	84,299
Profit Share and Commission Income (**)	-	-	4,078	-	26,126	486

(*) Lease receivables from the Parent Participation Bank's risk group are included in cash balances amounting to TL 1,790

1.2 Information on Current and Profit Sharing Accounts Related to Risk Group of the Parent Participation Bank

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and Profit Sharing Accounts						
Balance at the beginning of the period	-	-	77,229	253,138	81,782	213,719
Balance at the end of the period	-	-	13,724	77,229	40,359	81,782
Profit Share Expenses(*)	-	-	1,207	9,291	1,148	5,568

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(Thousands of Turkish Lira (TL) unless otherwise stated)

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1.3. Forward Transactions, Option Contracts and Other Similar Contracts Made With the Parent Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Transactions at fair value through profit/loss						
Balance at the beginning of the period	-	-	42,401	67,795	-	-
Balance at the end of the period	-	-	-	42,401	-	-
Total Profit/Loss ^(*)	-	-	(883)	3,327	-	-
Derivative Instruments Held for Risk Management						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

1.4. Funds Borrowed from the Parent Participation Bank's Risk Group

Bank's Risk Group	Associates, Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans Received						
Balance at the Beginning of the period	-	-	1,607,509	1,321,788	-	-
Balance at the End of the period	-	-	1,620,905	1,607,509	-	-
Profit Share and Commission Expense^(*)	-	-	77,946	61,599	-	-

1.5 Information Regarding Benefits Provided to The Bank's Top Management:

Salaries and benefits paid to the Bank's top management amount to TL 10,706 as of December 31, 2017 (December 31, 2016 – TL 15,021).

VIII. Explanations on the Participation Bank's Domestic Branches, Branches Abroad and Off-shore Branches or Associates and Agencies

1. Explanations on the Participation Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

	Number of Branches	Number of Employees ^(*)	Country	Total Assets	Legal Capital
Domestic Branches	286	2,313	2-		
Foreign Branches	1	1	1-Bahreyn 2-	-	-
Off-Shore Banking Branches			1- 2-		

^(*) Employees number consists of branch employees. As of 31 December 2017, 1,453 employees work at the head office.

2. Explanations on Branch and Agency Openings or Closings of the Participation Bank

Participation Bank opened one branch in 2017

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(Thousands of Turkish Lira (TL) unless otherwise stated)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I. in Third Three

IX. Explanations Related to Subsequent Events

1. Transactions Not Finalized Yet Related to Subsequent Events and Their Impact on Consolidated Financial Statements

None

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users

None.

SECTION SIX: OTHER EXPLANATIONS

I. Other Explanations Related to Participation Bank's Operations Summary

Information of the Participation Bank related to rating given by international rating agencies:

FC	
Long Term	BBB-
Short Term	F3
Outlook	Stable
TL	
Long Term	BBB-
Short Term	F3
Outlook	Stable
NSR	
Long Term	AAA(tur)
Financial Capacity	bb-
Support	2
Outlook	Stable

International credit rating agency Fitch Ratings, on January 27, 2017 Turkey's credit rating to A following the download stage, on February 2, 2017 Turkey's long-term local and foreign currency financing to "BBB-" level from "BBB" level and to "negative" as "static". In addition, Fitch Ratings raised Turkey's short-term local and foreign currency credit ratings from "F2" level to "F3" level.

Fitch Ratings, 03 November 2017 in Turkey Finance notes and a change in the rating outlook he did not go and confirmed all its notes

SECTION SEVEN: INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The consolidated financial statements of the Participation Bank for the year ended December 31, 2017 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member firm of Ernst & Young Global Limited) and Auditors' Audit Report dated February 15, 2018 is presented in the introduction of this report.

II. Explanations And Notes Prepared By Independent Auditors

None.

Contact Information

	Address	Telephone
Headquarters	Saray Mah. Sokullu Cad. No: 6 Ümraniye/İstanbul	0216 676 20 00
Commercial Region Sales Offices		
Ege Commercial Region Sales Office	Dokuz Eylül Mah. Akçay Cad. No: 163 Gazimir/İzmir	0232 856 56 07
Güneydoğu Anadolu Commercial Region Sales Office	İncilipınar Mah. Muarrem Aksoy Bulvarı No : 19/A Gaziantep	0342 215 20 42
İstanbul Anadolu Commercial Region Sales Office	Kozyatağı Mah. Değirmen Sok. No: 18 Nidakule İş Merkezi (Kozyatağı Kurumsal Şube Üzeri)	0216 573 16 00
İstanbul Avrupa 1 Commercial Region Sales Office	Büyükdere Cad. No: 89 Mecidiyeköy/İstanbul	0212 356 03 15
İstanbul Avrupa 2 Commercial Region Sales Office	Evren Mah. Gülbahar Cad. No: 14 Güneşli/Bağcılar/İstanbul	0212 602 03 30 0212 659 36 84
Marmara Commercial Region Sales Office	Hacı Halil Mah. Atatürk Cad. No: 15 A Gebze /Kocaeli (Gebze Şube 3. kat)	0224 453 00 15
Ankara Commercial Region Sales Office	Atatürk Bulvarı No: 60 Kızılay/Çankaya/Ankara	0312 417 30 90
Retail Region Sales Offices		
Ankara Retail Region Sales Office	Atatürk Bulvarı No: 60 K: 2 Ankara	0312 417 30 90
Batı Karadeniz Retail Region Sales Office	Karabaş Mah. Hafız Selim Efendi Sokak No: 14c/C İzmit/Kocaeli	0462 321 15 03
Çukurova Retail Region Sales Office	Tepebağ Mah. Abidinpaşa Cad. No: 7/A Seyhan/Adana	0322 359 01 85
Doğu Anadolu Retail Region Sales Office	Cevat Paşa Mah. Gazi Cad. No: 31/C Sur/Diyarbakır	0424 236 43 74
Ege Retail Region Sales Office	Anadolu Cad. No: 937/A Çiğli/İzmir	0232 359 01 85
Güneydoğu Anadolu Retail Region Sales Office	Budak Mah. Gazi Muhtar Paşa Bulvarı 10031 No'lu Sok. No: 42 D: 33 Şehitkami/Gaziantep	0342 215 20 42
İstanbul Anadolu Retail Region Sales Office	Saray Mah. Sokullu Cad. No: 6 Ümraniye/İstanbul	0216 573 16 00
İstanbul Avrasya Retail Region Sales Office	Saray Mah. Sokullu Cad. No: 6 Ümraniye/İstanbul	0216 586 26 14
İstanbul Avrupa 1 Retail Region Sales Office	Yenidoğan Mah. Abdi İpekçi Cad. No: 43/A Kat: 5 Bayrampaşa/İstanbul	0212 393 10 00
İstanbul Avrupa 2 Retail Region Sales Office	İstoç 7. Yol Sokak 6. Ada No: 31/33/35/37 Bağcılar/İstanbul	0212 659 36 84
Karadeniz Retail Region Sales Office	Kemer kaya Mah. Kahramanmaraş Cad. Ustaömeroğlu İş Merkezi No: 19 Trabzon	0462 321 15 03
Kayseri Retail Region Sales Office	Bankalar Cad. No: 1 Kat: 5 Melikgazi/Kayseri	0352 221 15 66
Konya Retail Region Sales Office	Şems-i Tebrizi Mahç Mevlana Cad. No: 13/1 Karatay/Konya	0332 353 61 03
Marmara Retail Region Sales Office	Odunluk Mah. Akademi Cad. Zeno İş Merkezi B Blok No: 2 Nilüfer/Bursa	0224 453 00 15
Trakya Retail Region Sales Office	Beylikdüzü Osb Mah. Açelya Cad. No: 1/8 Beylikdüzü/İstanbul	0212 876 68 00

Branches

The whole list and contact details of Türkiye Finans Branches are available at:
<https://www.turkiyefinans.com.tr/en-us/Pages/Branch-ATMs.aspx#branch>

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