Türkiye Sınai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

Publicly announced consolidated financial statements and related disclosures at March 31, 2018 together with auditor's review report and interim activity report

(Convenience translation of publicly announced consolidated financial statements and independent auditor's review report originally issued in Turkish, See Note I. of Section Three)

Building a better working world

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(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I. of Section three)

INTERIM REVIEW REPORT

To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

Introduction

We have reviewed the consolidated statement of financial position of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together will be referred as "the Group") at 31 March 2018 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

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Basis for Qualified Opinion

As explained in Note 7 in the Explanations and Disclosures related to the Liabilities, the accompanying consolidated financial statements as at 31 March 2018 include a free provision at an amount of TL 200.000 thousands, of which TL 190.000 thousands was provided in prior years and TL 10.000 thousands in the current period by the Bank management, for the possible effects of the negative circumstances which may arise in the economy or market conditions and include the reversal of deferred tax asset at an amount of TL 41.800 thousands, which was accounted based on the free provision provided in 31 December 2017. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior years' income/losses" as of 31 March 2018 is understated by TL 148.200 thousand after deducting the tax effect and the "pretax income" is overstated by TL 10.000 thousand.

Qualified Opinion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe tthat the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of Tükiye Sınai Kalkınma Bankası A.S. at 31 March 2018 and the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, are not consistent with the consolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

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

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

Yaşar Bivas, SMMM
Partner

2 May 2018
İstanbul, Türkiye

THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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The consolidated financial report for the three months includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanation and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM REPORT

The subsidiaries, associates and joint ventures, whose financial statements are consolidated within the framework of the reporting package, are as follows:

Subsidiaries	**Associates**
Yatırım Finansman Menkul Değerler A.Ş.	İş Finansal Kiralama A.Ş.
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
	İş Faktoring A.Ş.

The accompanying consolidated financial statements and the explanatory footnotes and disclosures for the three months, unless otherwise indicated, are prepared in **thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Bank's Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records, and have been independently reviewed and presented as attached.

2 May 2018

H. Ersin ÖZİNCE	**Suat İNCE**	**Ece BÖRÜ**	**Tolga SERT**
Chairman of Board of Directors	**Member of Board of Directors and General Manager**	**Executive Vice President In Charge of Financial Reporting**	**Head of Financial Control Department**

Ebru ÖZŞUCA	**Mehmet ŞENCAN**
Member of Audit Committee	**Member of Audit Committee**

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

Name-Surname / Title : Tolga Sert / Head of Financial Control Department
Telephone Number : (0212) 334 51 97

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

SECTION ONE

GENERAL INFORMATION

I. The Parent Bank's incorporation date, beginning status, changes in the existing status

Türkiye Sınai Kalkınma Bankası A.Ş. ("The Parent Bank") was established in accordance with the decision of President of the Republic of Turkey numbered 3/11203 on 12 May 1950. This decision was declared by T.R. Office of Prime Ministry Procedures Directorate Decision Management on 12 May 1950.

According to the classification set out in the Banking Law No: 5411, the status of the Parent Bank is "Development and Investment Bank". The Parent Bank does not have the license of "Accepting Deposit". Since the establishment date of the Parent Bank, there is no change in its "Development and Investment Bank" status.

II. Explanations regarding the Parent Bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the Parent Bank

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Parent Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Parent Bank are as follows:

Current Period **Name Surname/Commercial Title**	**Share Capital**	**Shareholding Rate (%)**	**Paid in Capital**	**Unpaid Capital**
T. İş Bankası A.Ş. Group	1.215.668	50,65	1.215.668	-
T. Vakıflar Bankası T.A.O.	201.060	8,38	201.060	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	983.272	40,97	983.272	-
Total	**2.400.000**	**100,00**	**2.400.000**	**-**

Prior Period **Name Surname/Commercial Title**	**Share Capital**	**Shareholding Rate (%)**	**Paid in Capital**	**Unpaid Capital**
T. İş Bankası A.Ş. Group	1.038.383	50,65	1.038.383	-
T. Vakıflar Bankası T.A.O.	171.738	8,38	171.738	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	839.879	40,97	839.879	-
Total	**2.050.000**	**100,00**	**2.050.000**	**-**

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 50,65% of the shares belongs to İş Bank Group and 38,97% of these shares are in free floating and traded in BIST National Market with "TSKB" ticker.

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistant general managers and their shares and responsibilities in the Parent Bank

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)
H. Ersin Özince	Chairman of the Board of Directors
Mehmet Şencan	Vice Chairman of the Board of Directors and Member of Audit Committee
Yavuz Canevi	Member of the Board of Directors
Suat İnce	Member of the Board of Directors and General Manager
Mehmet Emin Özcan	Member of the Board of Directors
Ebru Özşuca	Member of the Board of Directors and Member of Audit Committee
Mithat Rende (3)	Member of the Board of Directors
Zeynep Hansu Uçar	Member of the Board of Directors
Ahmet Hakan Ünal (2)	Member of the Board of Directors
Hüseyin Yalçın (2)	Member of the Board of Directors
Can Yücel	Member of the Board of Directors

General Manager and Vice Presidents

Name Surname	Title / Area of Responsibility
Suat İnce	General Manager
Çiğdem İçel	Vice President – Economic Research, Financial Instutitions, Development Finance Institutions and Engineering and Technical Consultancy
Ece Börü (by proxy) (4)	Vice President – Loans, Loan Monitoring and Loan Operations
B. Gökhan Çanakpınar	Vice President – Support Services, System and Network Support and Application Development
Ece Börü	Vice President – Budget Planning and Investor Relations, Financial Analysis and Valuation and Financial Control
Hakan Aygen	Vice President – Corporate Finance, Corporate Banking and Project Finance
A. Ferit Eraslan	Vice President – Board of Internal Auditors, Internal Control and Risk Management
Aslı Zerrin Hancı	Vice President – Treasury, Treasury and Capital Markets Operations
H. Yetkin Kesler	Vice President – Pension and Assistance Funds, Human Resources and Corporate Communication, Enterprise Architecture and Process Management and Corporate Compliance

(1) The shares of above directors in the Bank are symbolic.
(2) In the Ordinary General Assembly meeting held on 23 March 2018, Mithat Rende was appointed as member of independent board within the scope of Corporate Governance Communiqué No. II-17.1 of the Capital Markets Board for three years.
(3) In the Ordinary General Assembly meeting held on 23 March 2018, Kamil Yılmaz resigned from his duty. Ahmet Hakan Ünal and Hüseyin Yalçın was appointed as a member of the Board of Directors and started their duties by taking an oath as of 6 April 2018.
(4) As of 31 March 2018, Ufuk Bala Yücel has resigned from her duty as Vice President of Loans, Loan Monitoring and Loan Operations due to retirement and Ece Börü has been appointed by proxy Vice President of Loans, Loan Monitoring and Loan Operations.

According to the regulations on auditing in Articles 397-406 of the Turkish Commercial Code numbered 6102, Güney Bağımsız Denetim ve Serbest Muhasebeci ve Mali Müşavirlik A.Ş. has been elected as the independent auditor for the year 2018 in the General Assembly Meeting held on 23 March 2018.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

IV. Information about the persons and institutions that have qualified shares in the Parent Bank

Explanation about the people and institutions that have qualified shares control the Parent Bank's capital directly or indirectly are described in General Information Section II.

V. Summary on the Parent Bank's functions and areas of activity

Türkiye Sınai Kalkınma Bankası A.Ş. is the first private development and investment bank which was established by the Council of Ministers resolution number of 3/11203 established in 1950 with the support of World Bank, Government of Republic of Turkey, Central Bank of Republic of Turkey and commercial banks. As per the articles of association published in the Official Gazette on 2 June 1950, the aim of the Parent Bank is to support all private sector investments but mostly industrial sectors, to help domestic and foreign capital owners to finance the new firms and to help the improvement of Turkish capital markets. The Parent Bank is succeeding its aims by financing, consulting, giving technical support and financial intermediary services. The Parent Bank, which operates as a non-deposit accepting bank, played a major role on manufacturing and finance sectors in every phase of the economic development of Turkey. The Parent Bank started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term financing needs of the private sector, the Parent Bank also continues to offer solutions with respect to the newest needs and client demands.

The Parent Bank has executed marketing and valuation operations efficiently with two branches opened in Izmir and Ankara on April 2006.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., TSKB Sürdürülebilirlik Danışmanlığı A.Ş., Adana Hotel Project are Anavarza Otelcilik Anonim Şirketi are not consolidated since they are not in scope of financial institutions according to related Communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. are included in the accompanying consolidated financial statements by line by line consolidation method; İş Finansal Kiralama A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Faktoring A.Ş. are included in the accompanying consolidated financial statements by equity method.

Financial institutions included in the consolidation are determined in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340.

Yatırım Finansman Menkul Değerler A.Ş.:

Yatırım Finansman Menkul Değerler A.Ş. ("YF") was established in 15 October 1976. The Company's purpose is to perform capital market operations specified in the Company's articles of association in accordance with the CMB and the related legislation. The Company was merged with TSKB Menkul Değerler A.Ş. on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95,78%. The company's headquarters is located at Istanbul/Turkey.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.:

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("TSKB GYO") was established on 3 February 2006. Core business of the Company is real estate trust to construct and develop a portfolio of properties and make investment to capital market instruments linked to properties. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 70,84%. The company's headquarters is located at Istanbul/Turkey.

İş Finansal Kiralama A.Ş.:

İş Finansal Kiralama A.Ş. ("İş Finansal Kiralama") was established on 8 February 1988. The Company has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No 6361. The purpose of the Company is performing domestic and foreign financial leasing activities and all kind of rental (leasing) transactions within the framework of legislation. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 29,46%. The Company's headquarters is located at Istanbul/Turkey.

İş Faktoring A.Ş.:

İş Faktoring A.Ş. ("İş Faktoring"), was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The Company's main operation is domestic and export factoring transactions. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 21,75%. The company's headquarters is located at Istanbul/Turkey.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods (continued)

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. :

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş (“İş Girişim”) started its venture capital operations by the decision of Capital Market Board dated 5 October 2000. The principal activity of the Company is to perform long-term investments to venture capital companies mainly established or to be established in Turkey, have development potential and require resource. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 16,67%. The Company’s headquarters is located at Istanbul/Turkey.

VII. The existing or potential, actual or legal obstacle on the transfer of shareholder’s equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries. Dividend distribution from shareholders’ equity is made according to related legal regulations.

VIII. Written policies of the Parent Bank related to compliance to publicly disclosed obligations of the Parent Bank and assessment of accuracy, frequency and compliance of mentioned disclosures

The Parent Bank Disclosure Policy approved by the meeting of the Board of Directors has entered into force on 28 February 2014. Compliance to public disclosure obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Parent Bank accessible from the Parent Bank’s corporate website.

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2018

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

			Reviewed Current Period 31 March 2018		
	ASSETS	**Section 5 Note I**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (NET)**		**4.035.431**	**2.912.027**	**6.947.458**
1.1	**Cash and Cash Equivalents**		**162.128**	**1.484.376**	**1.646.504**
1.1.1	Cash and Balances with Central Bank	1	7.679	1.079.138	1.086.817
1.1.2	Banks	3	152.297	405.238	557.535
1.1.3	Money Market Placements		2.152	-	2.152
1.2	**Financial Assets at Fair Value Through Profit or Loss**		**10.353**	**-**	**10.353**
1.2.1	Government Debt Securities		-	-	-
1.2.2	Equity Instruments		164	-	164
1.2.3	Other Financial Assets		10.189	-	10.189
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**4**	**2.243.165**	**1.066.602**	**3.309.767**
1.3.1	Government Debt Securities		2.018.817	1.033.155	3.051.972
1.3.2	Equity Instruments		43.771	32.655	76.426
1.3.3	Other Financial Assets		180.577	792	181.369
1.4	**Financial Assets Measured at Amortized Cost**	**6**	**1.361.892**	**201.457**	**1.563.349**
1.4.1	Government Debt Securities		1.361.892	201.457	1.563.349
1.4.2	Other Financial Assets		-	-	-
1.5	**Derivative Financial Assets**		**259.426**	**159.749**	**419.175**
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss	2	259.426	159.749	419.175
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6	**Non-Performing Financial Assets**	**5**	**-**	**-**	**-**
1.7	**Expected Loss Provision (-)**	**5**	**1.533**	**157**	**1.690**
II.	**LOANS (Net)**	**5**	**4.137.393**	**19.678.560**	**23.815.953**
2.1	**Loans**		**4.168.474**	**19.784.354**	**23.952.828**
2.1.1	Measured at Amortized Cost		4.168.474	19.784.354	23.952.828
2.1.2	Fair Value Through Profit or Loss		-	-	-
2.1.3	Fair Value Through Other Comprehensive Income		-	-	-
2.2	**Lease Receivables**	**10**	**-**	**94.761**	**94.761**
2.2.1	Financial Lease Receivables		-	110.298	110.298
2.2.2	Operating Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	15.537	15.537
2.3	**Factoring Receivables**		**-**	**-**	**-**
2.3.1	Measured at Amortized Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	**Non-Performing Loans**		**52.635**	**1.837**	**54.472**
2.5	**Expected Credit Loss (-)**		**83.716**	**202.392**	**286.108**
2.5.1	12 Months Expected Credit Losses (Stage I)		4.830	53.321	58.151
2.5.2	Significant Increase in Credit Risk (Stage II)		26.251	148.864	175.115
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		52.635	207	52.842
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**16**	**-**	**-**	**-**
3.1	Held for Sale Purpose		-	-	-
3.2	Related to Discontinued Operations		-	-	-
IV.	**EQUITY INVESTMENTS**		**380.203**	**-**	**380.203**
4.1	**Investments in Associates (Net)**	**7**	**376.834**	**-**	**376.834**
4.1.1	Accounted under Equity Method		375.778	-	375.778
4.1.2	Unconsolidated Associates		1.056	-	1.056
4.2	**Subsidiaries (Net)**	**8**	**1.609**	**-**	**1.609**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		1.609	-	1.609
4.3	**Entities under Common Control (Joint Venture) (Net)**	**9**	**1.760**	**-**	**1.760**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		1.760	-	1.760
V.	**TANGIBLE ASSETS (Net)**	**12**	**244.933**	**-**	**244.933**
VI.	**INTANGIBLE ASSETS (Net)**	**13**	**3.670**	**-**	**3.670**
6.1	Goodwill		1.005	-	1.005
6.2	Other		2.665	-	2.665
VII.	**INVESTMENT PROPERTY (Net)**	**14**	**243.145**	**-**	**243.145**
VIII.	**CURRENT TAX ASSET**		**4.678**	**-**	**4.678**
IX.	**DEFERRED TAX ASSET**	**15**	**20.273**	**-**	**20.273**
X.	**OTHER ASSETS**	**17**	**100.409**	**369.538**	**469.947**
	TOTAL ASSETS		**9.170.135**	**22.960.125**	**32.130.260**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2018

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

				Audited Prior Period 31 December 2017	
	ASSETS	**Section 5 Note I**	**TL**	**FC**	**Total**
I.	**CASH AND BALANCES WITH CENTRAL BANK**	**1**	**10.595**	**836.540**	**847.135**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**		**203.405**	**132.688**	**336.093**
2.1	Trading Financial Assets		203.405	132.688	336.093
2.1.1	Government Debt Securities		-	-	-
2.1.2	Share Certificates		21	-	21
2.1.3	Derivative Financial Assets Held for Trading		194.100	132.688	326.788
2.1.4	Other Marketable Securities		9.284	-	9.284
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Share Certificates		-	-	-
2.2.3	Other Marketable Securities		-	-	-
2.2.4	Loans		-	-	-
III.	**BANKS**	**3**	**464.978**	**28.709**	**493.687**
IV.	**MONEY MARKET PLACEMENTS**		**3**	**-**	**3**
4.1	Interbank Money Market Placements		-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-
4.3	Receivables From Reverse Repurchase Agreements		3	-	3
V.	**FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**	**4**	**2.052.830**	**1.038.542**	**3.091.372**
5.1	Share Certificates		45.259	27.821	73.080
5.2	Government Debt Securities		1.821.667	1.009.955	2.831.622
5.3	Other Marketable Securities		185.904	766	186.670
VI.	**LOANS and RECEIVABLES**	**5**	**3.995.707**	**18.341.523**	**22.337.230**
6.1	Loans and Receivables		3.995.707	18.341.523	22.337.230
6.1.1	Loans to the Risk Group of the Bank		104.450	229.951	334.401
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		3.891.257	18.111.572	22.002.829
6.2	Non-performing Loans		52.593	982	53.575
6.3	Specific Provisions (-)		52.593	982	53.575
VII.	**FACTORING RECEIVABLES**		-	-	-
VIII.	**HELD-TO-MATURITY INVESTMENTS (Net)**	**6**	**1.334.721**	**197.326**	**1.532.047**
8.1	Government Debt Securities		1.334.721	197.326	1.532.047
8.2	Other Marketable Securities		-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**7**	**375.481**	**-**	**375.481**
9.1	Accounted for under Equity Method		374.425	-	374.425
9.2	Unconsolidated Associates		1.056	-	1.056
9.2.1	Financial Investments		-	-	-
9.2.2	Non-Financial Investments		1.056	-	1.056
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	**8**	**1.609**	**-**	**1.609**
10.1	Unconsolidated Financial Subsidiaries		-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		1.609	-	1.609
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURE) (Net)**	**9**	**1.760**	**-**	**1.760**
11.1	Consolidated under Equity Method		-	-	-
11.2	Unconsolidated		1.760	-	1.760
11.2.1	Financial Subsidiaries		-	-	-
11.2.2	Non-Financial Subsidiaries		1.760	-	1.760
XII.	**LEASE RECEIVABLES**	**10**	**-**	**63.410**	**63.410**
12.1	Finance Lease Receivables		-	73.957	73.957
12.2	Operating Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		-	10.547	10.547
XIII.	**DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES**		**-**	**-**	**-**
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Hedge of Net Investment in Foreign Operations		-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	**12**	**245.798**	**-**	**245.798**
XV.	**INTANGIBLE ASSETS (Net)**	**13**	**3.585**	**-**	**3.585**
15.1	Goodwill		1.005	-	1.005
15.2	Other		2.580	-	2.580
XVI.	**INVESTMENT PROPERTY(Net)**	**14**	**243.145**	**-**	**243.145**
XVII.	**TAX ASSET**		**45.338**	**-**	**45.338**
17.1	Current Tax Asset		4.448	-	4.448
17.2	Deffered Tax Asset	15	40.890	-	40.890
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**16**	**-**	**-**	**-**
18.1	Held for Sale Purpose		-	-	-
18.2	Related to Discontinued Operations		-	-	-
XIX.	**OTHER ASSETS**	**17**	**89.293**	**210.650**	**299.943**
	TOTAL ASSETS		**9.068.248**	**20.849.388**	**29.917.636**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2018

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

			Reviewed Current Period 31 March 2018		
	LIABILITIES	**Section 5 Note II**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**1**	**-**	**-**	**-**
II.	**FUNDS BORROWED**	**3**	**187.389**	**19.849.830**	**20.037.219**
III.	**MONEY MARKET BALANCES**		**756.096**	**211.283**	**967.379**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**3**	**-**	**5.289.091**	**5.289.091**
4.1	Bills		-	-	-
4.2	Assets Backed Securities		-	-	-
4.3	Bonds		-	5.289.091	5.289.091
V.	**FUNDS**		**768**	**11.667**	**12.435**
5.1	Borrower Funds		768	11.667	12.435
5.2	Other		-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILTIES**		**141.950**	**295.927**	**437.877**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		141.950	295.927	437.877
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VIII.	**FACTORING LIABILITIES**		**-**	**-**	**-**
IX.	**LEASE LIABILITIES**	**5**	**-**	**-**	**-**
9.1	Financial Lease		-	-	-
9.2	Operating Lease		-	-	-
9.3	Other		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	**PROVISIONS**	**7**	**218.289**	**4.658**	**222.947**
10.1	Restructuring Provisions		-	-	-
10.2	Reverse for Employee Benefits		13.303	-	13.303
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		204.986	4.658	209.644
XI.	**CURRENT TAX LIABILITY**	**8**	**56.666**	**-**	**56.666**
XII.	**DEFERRED TAX LIABILITY**	**8**	**-**	**-**	**-**
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**9**	**-**	**-**	**-**
13.1	Held for Sale Purpose		-	-	-
13.2	Related to Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**10**	**-**	**1.176.249**	**1.176.249**
14.1	Loans		-	1.176.249	1.176.249
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**		**133.153**	**70.447**	**203.600**
XVI.	**SHAREHOLDERS' EQUITY**		**3.737.440**	**(10.643)**	**3.726.797**
16.1	Paid-in capital	11	2.400.000	-	2.400.000
16.2	Capital Reserves		802	-	802
16.2.1	Share Premium		428	-	428
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		374	-	374
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		215.322	-	215.322
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	11	(27.460)	(10.643)	(38.103)
16.5	Profit Reserves		528.208	-	528.208
16.5.1	Legal Reserves		272.767	-	272.767
16.5.2	Status Reserves		75.641	-	75.641
16.5.3	Extraordinary Reserves		176.880	-	176.880
16.5.4	Other Profit Reserves		2.920	-	2.920
16.6	Profit Or Loss		573.530	-	573.530
16.6.1	Prior Years' Profit/Loss		415.102	-	415.102
16.6.2	Current Year Profit/Loss		158.428	-	158.428
16.7	Non-Controlling Interests		47.038	-	47.038
	TOTAL LIABILITIES AND EQUITY		**5.231.751**	**26.898.509**	**32.130.260**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

			Audited Prior Period 31 December 2017		
	LIABILITIES	**Section 5 Note II**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**1**	**-**	**-**	**-**
1.1	Deposits from Risk Group of the Bank		-	-	-
1.2	Other		-	-	-
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**		**123.710**	**108.693**	**232.403**
III.	**FUNDS BORROWED**	**3**	**221.012**	**18.780.615**	**19.001.627**
IV.	**MONET MARKETS BALANCES**		**1.150.784**	**161.138**	**1.311.922**
4.1	Interbank Money Market Takings		202.143	-	202.143
4.2	Istanbul Stock Exchange Money Market Takings		499.004	-	499.004
4.3	Funds Provided Under Repurchase Agreements		449.637	161.138	610.775
V.	**MARKETABLE SECURITIES ISSUED (Net)**	**3**	**-**	**3.746.229**	**3.746.229**
5.1	Bills		-	-	-
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	3.746.229	3.746.229
VI.	**FUNDS**		**1.178**	**11.723**	**12.901**
6.1	Borrower Funds		1.178	11.723	12.901
6.2	Other		-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**15.134**	**59.961**	**75.095**
VIII.	**OTHER LIABILITIES**		**113.609**	**2.318**	**115.927**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**
X.	**LEASE PAYABLES (Net)**	**5**	**-**	**-**	**-**
10.1	Financial Lease Payables		-	-	-
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**		**-**	**78.682**	**78.682**
11.1	Fair Value Hedge		-	78.682	78.682
11.2	Cash Flow Hedge		-	-	-
11.3	Hedge of net Investment in Foreign Operations		-	-	-
XII.	**PROVISIONS**	**7**	**431.625**	**-**	**431.625**
12.1	General Loan Loss Provisions		136.131	-	136.131
12.2	Restructing Provisions		-	-	-
12.3	Reserve for Employee Benefits		12.151	-	12.151
12.4	Insurance Technical Reserves (Net)		-	-	-
12.5	Other Provisions	**8**	283.343	-	283.343
XIII.	**TAX LIABILITIY**		**53.648**	**-**	**53.648**
13.1	Current Tax Liability		53.648	-	53.648
13.2	Deferred Tax Liabiliy		-	-	-
XIV.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCOUNTINUED OPERATIONS (Net)**	**9**	**-**	**-**	**-**
14.1	Held for Sale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	**SUBORDINATED LOANS**	**10**	**-**	**1.146.236**	**1.146.236**
XVI.	**SHAREHOLDERS' EQUITY**		**3.698.901**	**12.440**	**3.711.341**
16.1	Paid-in Capital	11	2.400.000	-	2.400.000
16.2	Capital Reserves		175.046	12.440	187.486
16.2.1	Share Premium		428	-	428
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Value Increase Fund	11	(41.078)	12.440	(28.638)
16.2.4	Tangible Assets Revaluation Differences		215.352	-	215.352
16.2.5	Intangible Assets Revaluation Differences		-	-	-
16.2.6	Investment Property Revaluation Differences		-	-	-
16.2.7	Bonus Shares obtained from Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)		-	-	-
16.2.8	Hedging Reserves (Effective Portion)		-	-	-
16.2.9	Accumulated Valuation Differences From Assets Held For Sale And From Discontinued Operations		-	-	-
16.2.10	Other Capital Reserves		344	-	344
16.3	Profit Reserves		441.740	-	441.740
16.3.1	Legal Reserves		241.292	-	241.292
16.3.2	Statutory Reserves		75.641	-	75.641
16.3.3	Extraordinary Reserves		121.888	-	121.888
16.3.4	Other Profit Reserves		2.919	-	2.919
16.4	Profit Or Loss		629.396	-	629.396
16.4.1	Prior Years' Profit/Loss		18.219	-	18.219
16.4.2	Current Year Profit/Loss		611.177	-	611.177
16.5	Non-Controlling Interests		52.719	-	52.719
	TOTAL LIABILITIES AND EQUITY		**5.809.601**	**24.108.035**	**29.917.636**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 31 MARCH 2018

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

			Reviewed Current Period 31 March 2018			Audited Prior Period 31 December 2017		
	OFF-BALANCE SHEET	**Section 5 Note III**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**9.913.173**	**50.175.306**	**60.088.479**	**8.544.955**	**40.594.900**	**49.139.855**
I.	**GUARANTEES AND COLLATERALS**	**1**	**555.190**	**2.527.949**	**3.083.139**	**562.998**	**2.010.713**	**2.573.711**
1.1	Letters of Guarantee		555.190	1.118.615	1.673.805	562.998	912.647	1.475.645
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		555.190	1.118.615	1.673.805	562.998	912.647	1.475.645
1.2	Bank Acceptances		-	9.649	9.649	-	18.763	18.763
1.2.1	Import Letter of Acceptance		-	9.649	9.649	-	18.763	18.763
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		-	1.399.685	1.399.685	-	1.079.303	1.079.303
1.3.1	Documantery Letters of Credit		-	1.399.685	1.399.685	-	1.079.303	1.079.303
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantess		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**1**	**1.829.624**	**4.420.862**	**6.250.486**	**2.302.694**	**3.908.771**	**6.211.465**
2.1	Irrevocable Commitments		1.406.711	923.439	2.330.150	1.896.825	327.095	2.223.920
2.1.1	Forward Asset Purchase and Sale Commitments		252.237	643.290	895.527	40.933	58.218	99.151
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	82.503	82.503	-	78.890	78.890
2.1.4	Loan Granting Commitments		-	-	-	-	-	-
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		-	-	-	-	-	-
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		1.154.474	197.646	1.352.120	1.855.892	189.987	2.045.879
2.2	Revocable Commitments		422.913	3.497.423	3.920.336	405.869	3.581.676	3.987.545
2.2.1	Revocable Loan Granting Commitments		422.913	3.497.423	3.920.336	405.869	3.581.676	3.987.545
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**2**	**7.528.359**	**43.226.495**	**50.754.854**	**5.679.263**	**34.675.416**	**40.354.679**
3.1	Derivative Financial Instruments for Hedging Purposes		-	13.798.400	13.798.400	-	10.582.050	10.582.050
3.1.1	Fair Value Hedge		-	13.798.400	13.798.400	-	10.582.050	10.582.050
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		7.528.359	29.428.095	36.956.454	5.679.263	24.093.366	29.772.629
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.928.252	5.111.610	7.039.862	981.505	3.844.600	4.826.105
3.2.1.1	Forward Foreign Currency Transactions-Buy		965.851	2.555.341	3.521.192	485.006	1.928.162	2.413.168
3.2.1.2	Forward Foreign Currency Transactions-Sell		962.401	2.556.269	3.518.670	496.499	1.916.438	2.412.937
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		2.936.965	21.548.405	24.485.370	2.378.082	17.843.640	20.221.722
3.2.2.1	Foreign Currency Swap-Buy		744.537	4.465.821	5.210.358	576.866	2.996.840	3.573.706
3.2.2.2	Foreign Currency Swap-Sell		2.157.652	2.818.276	4.975.928	1.766.440	1.667.336	3.433.776
3.2.2.3	Interest Rate Swap-Buy		17.388	7.132.154	7.149.542	17.388	6.589.732	6.607.120
3.2.2.4	Interest Rate Swap-Sell		17.388	7.132.154	7.149.542	17.388	6.589.732	6.607.120
3.2.3	Foreign Currency, Interest Rate, and Securities Options		2.663.142	2.646.215	5.309.357	2.319.676	2.332.296	4.651.972
3.2.3.1	Foreign Currency Options-Buy		1.334.071	1.320.286	2.654.357	1.159.838	1.166.148	2.325.986
3.2.3.2	Foreign Currency Options-Sell		1.329.071	1.325.929	2.655.000	1.159.838	1.166.148	2.325.986
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	121.865	121.865	-	72.830	72.830
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**61.871.263**	**258.859.132**	**320.730.395**	**60.080.879**	**240.634.947**	**300.715.826**
IV.	**ITEMS HELD IN CUSTODY**		**1.587.783**	**354.770**	**1.942.553**	**1.611.893**	**276.526**	**1.888.419**
4.1	Customers' Securities Held		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		1.327.740	354.770	1.682.510	1.307.737	276.526	1.584.263
4.3	Checks Received for Collection		-	-	-	-	-	-
4.4	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		260.043	-	260.043	304.156	-	304.156
V.	**PLEDGES ITEMS**		**45.867.954**	**147.457.509**	**193.325.463**	**44.623.191**	**137.020.793**	**181.643.984**
5.1	Marketable Securities		448.045	9.470.546	9.918.591	448.045	8.985.543	9.433.588
5.2	Guarantee Notes		97.490	2.489.151	2.586.641	108.486	2.362.047	2.470.533
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		1.722.168	39.332.731	41.054.899	1.662.868	36.518.097	38.180.965
5.6	Other Pledged Items		43.600.251	96.165.081	139.765.332	42.403.792	89.155.106	131.558.898
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL OF EXCHANGE AND COLLATERALS**		**14.415.526**	**111.046.853**	**125.462.379**	**13.845.795**	**103.337.628**	**117.183.423**
	TOTAL OFF BALANCE SHEET ITEMS (A+B)		**71.784.436**	**309.034.438**	**380.818.874**	**68.625.834**	**281.229.847**	**349.855.681**

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2018

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

	INCOME AND EXPENSE ITEMS	Section 5 Note IV	Reviewed Current Period 1 January 2018- 31 March 2018
I.	**INTEREST INCOME**	**1**	**584.278**
1.1	Interest on Loans		416.305
1.2	Interest Received from Reserve Deposits		2.013
1.3	Interest Received from Banks		22.822
1.4	Interest Received from Money Market Placements		26.553
1.5	Interest Received from Marketable Securities Portfolio		114.610
1.5.1	Fair Value Through Profit or Loss		198
1.5.2	Fair Value Through other Comprehensive Income		71.495
1.5.3	Measured at Amortized Cost		42.917
1.6	Finance Lease Income		1.042
1.7	Other Interest Income		933
II.	**INTEREST EXPENSES (-)**	**2**	**274.881**
2.1	Interest on Deposits		-
2.2	Interest on Funds Borrowed		104.863
2.3	Interest on Money Market Borrowings		74.406
2.4	Interest on Securities Issued		95.392
2.5	Other Interest Expense		220
III.	**NET INTEREST INCOME (I - II)**		**309.397**
IV.	**NET FEES AND COMMISSIONS INCOME / EXPENSES**		**13.106**
4.1	Fees and Commissions Received		16.050
4.1.1	Non-cash Loans		5.225
4.1.2	Other		10.825
4.2	Fees and Commissions Paid (-)		2.944
4.2.1	Non-cash Loans		671
4.2.2	Other		2.273
V.	**PERSONNEL EXPENSES (-)**	**7**	**32.467**
VI	**DIVIDEND INCOME**	**3**	**4.158**
VII.	**NET TRADING INCOME**	**4**	**(32.256)**
7.1	Securities Trading Gains / (Losses)		1.079
7.2	Derivative Financial Instruments Gains / Losses		(4.348)
7.3	Foreign Exchange Gains / Losses (Net)		(28.987)
VIII.	**OTHER OPERATING INCOME**	**5**	**84.276**
IX.	**GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)**		**346.214**
X.	**EXPECTED CREDIT LOSS (-)**	**6**	**94.445**
XI.	**OTHER OPERATING EXPENSES (-)**	**7**	**18.621**
XII.	**NET OPERATING INCOME/(LOSS) (IX-X-XI)**		**233.148**
XIII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**
XIV.	**PROFIT / (LOSS) ON EQUITY METHOD**		**19.456**
XV.	**GAIN / (LOSS) ON NET MONETARY POSITION**		**-**
XVI.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)**		**252.604**
XVII.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**8**	**99.794**
17.1	Provision for Current Income Taxes		37.487
17.2	Deferred Tax Income Effect (+)	9	63.131
17.3	Deferred Tax Expense Effect (-)		824
XVIII.	**NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)**		**152.810**
XIX.	**INCOME ON DISCONTINUED OPERATIONS**		**-**
19.1	Income on Assets Held for Sale		-
19.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
19.3	Income on Other Discontinued Operations		-
XX.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Loss from Assets Held for Sale		-
20.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-
20.3	Loss from Other Discontinued Operations		-
XXI.	**PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)**		**-**
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**
22.1	Provision for Current Income Taxes		-
22.2	Deferred Tax Expense Effect (+)		-
22.3	Deferred Tax Income Effect (-)		-
XXIII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)**		**-**
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	**10**	**152.810**
24.1	Group's Profit / Loss		158.428
24.2	Minority Shares (-)		(5.618)
	Earning / Loss per share (Full Kuruş)		0,064

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED THEN 31 MARCH 2018

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

	INCOME AND EXPENSE ITEMS	Section 5 Note IV	Reviewed Prior Period 1 January 2017- 31 March 2017
I.	**INTEREST INCOME**	**1**	**401.812**
1.1	Interest on Loans		285.323
1.2	Interest on Reserve Requirements		933
1.3	Interest on Banks		7.690
1.4	Interest on Money Market Transactions		13.561
1.5	Interest on Marketable Securities Portfolio		93.611
1.5.1	Trading Financial Assets		439
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-
1.5.3	Available-for-Sale Financial Assets		58.095
1.5.4	Held-to-Maturity Investments		35.077
1.6	Financial Lease Income		114
1.7	Other Interest Income		580
II.	**INTEREST EXPENSE (-)**	**2**	**186.562**
2.1	Interest on Deposits		-
2.2	Interest on Funds Borrowed		78.263
2.3	Interest Expense on Money Market Transactions		57.487
2.4	Interest on Securities Issued		50.553
2.5	Other Interest Expenses		259
III.	**NET INTEREST INCOME (I - II)**		**215.250**
IV.	**NET FEES AND COMMISSIONS INCOME**		**8.697**
4.1	Fees and Commissions Received		11.652
4.1.1	Non-Cash Loans		2.814
4.1.2	Other		8.838
4.2	Fees and Commissions Paid (-)		2.955
4.2.1	Non-Cash Loans (-)		483
4.2.2	Other (-)		2.472
V.	**DIVIDEND INCOME**	**3**	**4.027**
VI.	**TRADING INCOME / (LOSS) (Net)**	**4**	**(4.898)**
6.1	Trading Gains / (Losses) on Securities		459
6.2	Gains / (Losses) on Derivative Financial Transactions		10.855
6.3	Foreign Exchange Gains / (Losses)		(16.212)
VII.	**OTHER OPERATING INCOME**	**5**	**10.307**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**233.383**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**6**	**22.320**
X.	**OTHER OPERATING EXPENSES (-)**	**7**	**47.737**
XI.	**NET OPERATING INCOME / (LOSS) (VIII-IX-X)**		**163.326**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		-
XIII.	**INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**11.679**
XIV.	**INCOME / (LOSS) ON NET MONETARY POSITION**		**-**
XV.	**PROFIT / (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)**		**175.005**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**8**	**(34.302)**
16.1	Current Tax Provision		(42.399)
16.2	Deferred Tax Provision		8.097
XVII.	**CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XV±XVI)**	**9**	**140.703**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		-
18.1	Income from Non-Current Assets Held for Sale		-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
18.3	Income from Other Discontinued Operations		-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
19.1	Expenses for Non-Current Assets Held for Sale		-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3	Expenses for Other Discontinued Operations		-
XX.	**PROFIT / LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)**		-
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		-
21.1	Current Tax Provision		-
21.2	Deferred Tax Provision		-
XXII.	**CURRENT PERIOD PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		-
XXIII.	**NET INCOME / LOSS (XVII+XXII)**	**10**	**140.703**
23.1	Group's Profit / Loss		143.985
23.2	Minority Shares (-)		(3.282)
	Earning / Loss per share (Full Kuruş)		0,070

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2018

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

	PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY	Reviewed Current Period 1 January 2018 – 31 March 2018
I.	**CURRENT PERIOD INCOME / LOSS**	**152.810**
II.	**OTHER COMPREHENSIVE INCOME**	**(32.552)**
2.1	**Not Reclassified Through Profit or Loss**	**-**
2.1.1	Property and Equipment Revaluation Increase / Decrease	-
2.1.2	Intangible Assets Revaluation Increase / Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain / Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	**Reclassified Through Profit or Loss**	**(32.552)**
2.2.1	Foreign Currency Translation Differences	1.842
2.2.2	Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(40.388)
2.2.3	Cash Flow Hedge Income / Loss	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	(2.584)
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	8.578
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**120.258**

	PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY	Reviewed Prior Period 1 January 2017 – 31 March 2017
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS**	**27.718**
II.	**TANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**
IV.	**TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCY**	**739**
V.	**GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of Fair Value Differences)**	**-**
VI.	**GAIN / LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion)**	**-**
VII.	**EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS OF ERRORS**	**-**
VIII.	**OTHER PROFIT / LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS**	**6.704**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**(5.490)**
X.	**NET PROFIT / LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)**	**29.671**
XI.	**CURRENT YEAR PROFIT / LOSS**	**140.703**
11.1	Net Change in Fair Value of Marketable Securities (Recycled to Profit/Loss)	113
11.2	Reclassification and Recycling Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	-
11.3	Recycling Hedge of Net Investments in Foreign Operations to Income Statement	-
11.4	Other	140.590
XII.	**TOTAL PROFIT / LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)**	**170.374**

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TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES EQUITY
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2018
(Amounts are expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

	CHANGES IN SHAREHOLDER'S EQUITY	Note	Paid in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Valuation Differences	Tangible and Intangible Revaluation Differences	Bonus Shares Obtained from Associates, Subs and Jointly Controlled Entities	Hedging Transactions	Val. Chan. In Prop. and Eq. HFS Purp./Disc. Opr.	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
	Restated Prior Period – 31 March 2017																			
I.	**Opening Balance**		**2.050.000**	**624**	**428**	-	**216.361**	**75.641**	**113.175**	**2.919**	-	**494.664**	**(69.896)**	**201.168**	-	-	-	**3.085.084**	**57.969**	**3.143.053**
	Changes in the Period																			
II.	**Increase/Decrease Due to Merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable Securities Value Increase Fund**		-	-	-	-	-	-	-	-	-	-	**28.932**	-	-	-	-	**28.932**	**288**	**29.220**
IV.	**Hedging (Effective Portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible Assets Revaluation Differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible Assets Revaluation Differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign Exchange Differences**		-	-	-	-	-	-	-	-	-	-	**739**	-	-	-	-	**739**	-	**739**
IX.	**Disposal of Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Reclassification of Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effects of changes in Equity of Investments in Associates on Bank's Equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital Increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share Issuance**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share Cancellation Profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Effect of Inflation on Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Period Net Income**		-	-	-	-	-	-	-	-	**143.985**	-	-	-	-	-	-	**143.985**	**(3.282)**	**140.703**
XVIII.	**Profit Distribution**		-	-	-	-	**24.931**	-	**8.713**	-	-	**(126.445)**	-	-	-	-	-	**(92.801)**	-	**(92.801)**
18.1	Dividend Distributed		-	-	-	-	-	-	-	-	-	(92.801)	-	-	-	-	-	(92.801)	-	(92.801)
18.2	Transfers to Reserves		-	-	-	-	24.931	-	8.713	-	-	(33.644)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance		**2.050.000**	**624**	**428**	-	**241.292**	**75.641**	**121.888**	**2.919**	**143.985**	**368.219**	**(40.225)**	**201.168**	-	-	-	**3.165.939**	**54.975**	**3.220.914**

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TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES EQUITY
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2018

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

							Accumulated Other Comprehensive Income or Expenses Not Reclassified Through Profit or Loss			Accumulated Other Comprehensive Income or Expenses Reclassified Through Profit or Loss								
	CHANGES IN SHAREHOLDER'S EQUITY	Note	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period – 31 March 2018																	
I.	**Prior Period End Balance**		**2.400.000**	**428**	**-**	**374**	**215.352**	**(30)**	**-**	**7.847**	**(22.606)**	**(13.879)**	**441.740**	**629.396**	**-**	**3.658.622**	**52.719**	**3.711.341**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23.087**	**-**	**(18.322)**	**-**	**4.765**	**-**	**4.765**
2.1	Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	23.087	-	(18.322)	-	4.765	-	4.765
III.	**Adjusted Beginning Balance (I+II)**		**2.400.000**	**428**	**-**	**374**	**215.352**	**(30)**	**-**	**7.847**	**(22.606)**	**9.208**	**441.740**	**611.074**	**-**	**3.663.387**	**52.719**	**3.716.106**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.842**	**(31.810)**	**(2.584)**	**-**	**-**	**158.428**	**125.876**	**(5.618)**	**120.258**
V.	**Capital Increase by Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Sources**																	
VII.	**Effect of Inflation on Paid-in Capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Share**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/Decrease by Other Changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(63)**	**(63)**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**86.468**	**(195.972)**	**-**	**(109.504)**	**-**	**(109.504)**
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	(109.864)	-	(109.864)	-	(109.864)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	86.468	(86.108)	-	360	-	360
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance		**2.400.000**	**428**	**-**	**374**	**215.352**	**(30)**	**-**	**9.689**	**(54.416)**	**6.624**	**528.208**	**415.102**	**158.428**	**3.679.759**	**47.038**	**3.726.797**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

1.Accumulated Revaluation Increase / Decrease of Fixed Assets,
2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan,
3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4.Foreign Currency Translition Differences,
5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income,
6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss).

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD THEN ENDED 31 MARCH 2018

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

		Note	Reviewed Current Period 31 March 2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**32.308**
1.1.1	Interest Received		374.597
1.1.2	Interest Paid		(303.560)
1.1.3	Dividends Received		4.158
1.1.4	Fees and Commissions Received		16.050
1.1.5	Other Income		48.568
1.1.6	Collections from Previously Written off loans		62
1.1.7	Payments to Personnel and Service Suppliers		(40.548)
1.1.8	Taxes Paid		(42.481)
1.1.9	Others		(24.538)
1.2	**Changes in Operating Assets and Liabilities**		**(992.407)**
1.2.1	Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(1.084)
1.2.2	Net (Increase) (Decrease) in Due from Banks		-
1.2.3	Net (Increase) (Decrease) in Loans		(465.928)
1.2.4	Net (Increase) (Decrease) in Other Assets		(361.162)
1.2.5	Net (Increase) (Decrease) in Bank Deposits		-
1.2.6	Net (Increase) (Decrease) in Other Deposits		-
1.2.7	Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-
1.2.8	Net (Increase) (Decrease) in Funds Borrowed		(59.984)
1.2.9	Net (Increase) (Decrease) in Matured Payable		-
1.2.10	Net (Increase) (Decrease) in Other Liabilities		(104.249)
I.	**Net Cash Provided by / (used in) Banking Operations**		**(960.099)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net Cash Provided by / (used in) Investing Activities**		**(192.112)**
2.1	Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-
2.2	Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-
2.3	Purchases of Property and Equipment		(461)
2.4	Disposals of Property and Equipment		20
2.5	Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(303.013)
2.6	Sale of Financial Assets at Fair Value through Other Comprehensive Income		111.214
2.7	Purchase of Financial Assets Measured at Amortized Cost		-
2.8	Sale of Financial Assets Measured at Amortized Cost		-
2.9	Others		128
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net Cash Provided by / (used in) Financing Activities**		**1.208.726**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		1.318.590
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3	Capital Increase		-
3.4	Dividends Paid		(109.864)
3.5	Payments for Finance Leases		-
3.6	Other		-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**8.135**
V.	**Net Increase / (Decrease) in Cash and Cash Equivalents**		**64.650**
VI.	**Cash and Cash Equivalents at Beginning of the Period**		**504.248**
VII.	**Cash and Cash Equivalents at End of the Period**		**568.898**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

		Note	Reviewed Prior Period 31 March 2017
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**205.421**
1.1.1	Interest Received		329.393
1.1.2	Interest Paid		(240.654)
1.1.3	Dividends Received		2.827
1.1.4	Fees and Commissions Received		11.652
1.1.5	Other Income		14.987
1.1.6	Collections from Previously Written off loans		759
1.1.7	Payments to Personnel and Service Suppliers		(35.461)
1.1.8	Taxes Paid		(5.063)
1.1.9	Others		126.981
1.2	**Changes in Operating Assets and Liabilities**		**(1.327.021)**
1.2.1	Net (Increase) (Decrease) in Financial Assets at Fair Value through Profit or Loss		(1.021)
1.2.2	Net (Increase) (Decrease) in Due from Banks		-
1.2.3	Net (Increase) (Decrease) in Loans		-
1.2.4	Net (Increase) (Decrease) in Other Assets		(661.048)
1.2.5	Net (Increase) (Decrease) in Bank Deposits		(109.266)
1.2.6	Net (Increase) (Decrease) in Other Deposits		-
1.2.7	Net (Increase) (Decrease) in Financial Liabilities at Fair Value through Profit or Loss		-
1.2.8	Net (Increase) (Decrease) in Funds Borrowed		(278.174)
1.2.9	Net (Increase) (Decrease) in Matured Payable		-
1.2.10	Net (Increase) (Decrease) in Other Liabilities		(277.512)
I.	**Net Cash Provided by / (used in) Banking Operations**		**(1.121.600)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net Cash Provided by / (used in) Investing Activities**		**281.976**
2.1	Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries		-
2.2	Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries		-
2.3	Purchases of Property and Equipment		(1.112)
2.4	Disposals of Property and Equipment		131
2.5	Purchase of Financial Assets at Fair Value through Other Comprehensive Income		(219.535)
2.6	Sale of Financial Assets at Fair Value through Other Comprehensive Income		502.867
2.7	Purchase of Financial Assets Measured at Amortized Cost		-
2.8	Sale of Financial Assets Measured at Amortized Cost		-
2.9	Others		(375)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net Cash Provided by / (used in) Financing Activities**		**984.199**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		1.077.000
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3	Capital Increase		-
3.4	Dividends Paid		(92.801)
3.5	Payments for Finance Leases		-
3.6	Other		-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**(1.878)**
V.	**Net Increase / (Decrease) in Cash and Cash Equivalents**		**142.697**
VI.	**Cash and Cash Equivalents at Beginning of the Period**		**913.649**
VII.	**Cash and Cash Equivalents at End of the Period**		**1.056.346**

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

I.a Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The unconsolidated financial statements are prepared within the scope of the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), 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") and in case where a specific regulation is not made by BRSA, the format and detail 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".The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial asset, liabilities and buildings revaluation model which are carried at fair value.

Accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, 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 are consistent except for the application of TFRS 9 with the accounting policies applied in the annual financial statements prepared for the year ended 31 December 2017. The Parent Bank has adopted TFRS 9 "Financial Instruments" which is related to the classification and measurement of financial Instruments published by the Public Oversight Accounting and Auditing Standarts Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017 instead of "TAS 39 Financial Instruments: Accounting and Measurement " starting from 1 January 2018. TFRS 9 mainly sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets. TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the year 2017 are included in Section three notes XXVI. Impacts of transition to TFRS 9 and its adoption is disclosed in Section three notes XXV. The Group also assessed the effect of TFRS 15 "Revenue from Contracts with Customers" standard.

Additional paragraph for convenience translation to English

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34" Interim Financial reporting" except for the matters regulated by BRSA 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.

I.b The valuation principles used in the preparation of the financial statements

The accounting rules and the valuation principles used in the preparation of the financial statements were implemented as stated in the BRSA Financial Reporting Standards. These accounting policies and valuation principles are explained in the below notes through II to XXVI.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

I. Basis of presentation (continued)

I.d In preparing the consolidated financial statements, items which different accounting policies adopted and their ratio on total of related consolidated financial statement

There is no different accounting policy used in consolidated financial statements.

II. Explanations on usage strategy of financial assets and foreign currency transactions

The main sources of the funds of the Group have variable interest rates. The financial balances are monitored frequently and fixed and floating interest rate placements are undertaken according to the return on the alternative financial instruments. The macro goals related to balance sheet amounts are set during budgeting process and positions are taken accordingly.

Due to the fact that the great majority of the loans extended by the Parent Bank have a flexibility of reflecting changes in the market interest rates to the customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The fixed rate Subordinated bond, Eurobond and Greenbond issued by the Parent Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Parent Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognized under the statement of profit/loss. At the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The Parent Bank performs effectiveness test at the beginning of the hedge accounting and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized and recognized in income statement over the life of the hedged item from that date of the hedge accounting is discontinued. The Group liquidity is regularly monitored. Moreover, the need of liquidity in foreign currencies is safeguarded by currency swaps.

Commercial placements are managed with high return and low risk assets considering the international and domestic economic expectations, market conditions, creditors’ expectations and their tendencies, interest-liquidity and other similar factors. Prudence principle is adopted in the placement decisions. The long term placements are made under project finance. A credit policy is implemented such a way that harmonizing the profitability of the projects, the collateral and the value add introduced by the Parent Bank.

The movements of foreign exchange rates in the market, interest rates and prices are monitored instantaneously. While taking positions, the Bank’s unique operating and control limits are watched effectively besides statutory limits. Limit overs are not allowed.

The Group’s strategy of hedging interest rate and foreign currency risks arising from fixed and variable interest rate funds and foreign currency available for sale securities:

A great majority of foreign currency available for sale securities are financed with foreign currency resources. Accordingly, the anticipated possible depreciation of local currency against other currencies is eliminated. A foreign currency basket is formulated in terms of the indicated foreign currency to hedge the risk exposure of changes cross currency parity.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

II. Explanations on usage strategy of financial assets and foreign currency transactions (continued)

Interest rate risk is mitigated by constituting a balanced asset composition in compliance with the structure of fixed and floating rate of funding resources.

The hedging strategies for other foreign exchange risk exposures, a stable foreign exchange position strategy is implemented and to be secured from cross currency risk, the current foreign exchange position is monitored by considering a currency basket in specific foreign currencies.

The foreign exchange gains and losses on foreign currency transactions are accounted for in the period of the transaction. Foreign exchange assets and liabilities are translated to Turkish Lira using foreign exchange bid rate as of the reporting date, and the resulting gains and losses are recorded in foreign exchange gains or losses.

III. Information about the Parent Bank and its subsidiaries and associates subject to consolidation

Explanations about the Parent Bank and its subsidiaries and associates subject to consolidation are described in General Information Section V.

IV. Explanations on forward and option contracts and derivative instruments

The Parent Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps, and option agreements.

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. Derivative financial instruments of the Parent Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income”. Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

The derivative instruments including derivatives specified as hedging items are classified as “hedging purposes” as per the Turkish Accounting Standards (“TAS 39”) “Financial Instruments: Recognition and Measurement”.

When a derivative financial instrument, the originally designed as a hedge by the Parent Bank, the relationship between the Bank's financial risk from hedged item and the hedging instrument, the risk management objectives and strategy of hedging transaction and the methods that will be used in the measurement of effectiveness, describe in written. The Parent Bank, at the beginning of the aforementioned engagement and during the ongoing process, evaluates whether the hedging instruments are effective on changes in the fair values or actual results of hedging are within the range of 80% - 125%.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

V. Explanations on associates and subsidiaries

In the unconsolidated financial statements, the financial associates and subsidiaries are accounted for using the equity method in accordance with the Communique published on the Official Gazette dated 9 April 2015 no.29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements”.

In accordance with the Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method, the carrying value of financial subsidiaries are accounted in the financial statements with respect to the Parent Bank’s share in these investments’ net asset value. While the Parent Bank’s share on profits or losses of financial subsidiaries are accounted in the Parent Bank’s statement of profit or loss, the Parent Bank’s share in other comprehensive income of financial subsidiaries are accounted in the Parent Bank’s other comprehensive income statement. Non-financial subsidiaries and associates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

VI. Explanations on interest income and expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected creditloss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of “Expected Credit Losses” expense and “Interest Income From Loans” for calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

VII. Explanations on fees and commission income and expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

VIII. Explanations on financial assets

Initial measurement of financial instruments

Initial recognition of financial instruments the Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Assessment of business model

As per TFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intent of the management on an individual financial intermediary, so the condition is not a classification approach on the basis of a financial instrument but an evaluation by combining the financial assets. When the business model used for the management of financial assets is being evaluated, all evidence is taken into account. Such evidence includes the following:

- How the performance of financial assets held by the business model and business model is reported by the key executive personnel,
- Risks affecting the performance of the business model (financial assets held within the business model) and, in particular type of management,
- How the additional payments to the managers are determined (for example, whether additional payments are determined according to the fair value of the assets being managed or on the contractual cash flows collected).

Business model evaluation is not based on scenarios in which the operator is not expected to be at a reasonable level, such as the "worst case" or "pressure case" scenarios. The same business model does not require a change in the classification of other financial assets as long as the cash flows are realized differently from the expected future date when the business model is assessed, the error correction is made in the financial statements or all relevant information available at the time of the valuation of the business model is taken into account. However, when evaluating the business model for newly created or newly acquired financial assets, information about how past cash flows have been taken into account along with other relevant information is also taken into account. The business models that comprise the bet are composed of three categories. These categories are as follows:

- Business model aimed to hold assets in order to collect contractual cash flows: This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

-Business model whose objective is to hold assets in order to collect contractual cash flows: The Parent Bank may hold financial assets in this business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

-Other Business Model: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The contractual cash flows including solely principle and interest on principle

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

Measurement categories of financial assets and liabilities
As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Effect of this classification is explained in Note XXV in Section Three. In this context, Financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost

a. Financial assets at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in a irrecovable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

c. Financial Assets Measured at Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

In the "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Bank, there are Consumer Price Indexed (CPI) Bonds.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on financial assets (continued)

The Parent Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

d. Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira ("TL") cash loans are composed of foreign currency indexed loans and working capital loans; foreign currency ("FC") cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the Parent Bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of " All cash flows from contracts are made only by interest and principal" during the transition period.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the income statement

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on expected credit losses

The Parent Bank allocates the expected loss provison for financial assets measured at amortized cost and at fair value through other comprehensive income.

As of 1 January 2018, the Group recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

Stage 1:
For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

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

Stage 3:
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

Significant increase in credit risk

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assignedfor the same loan as of the reporting date. If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. When determining the significant increase in bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

X. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset when the Parent Bank has a legally enforceable right to set off, and when the Parent Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Parent Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

XI. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

Derecognition of financial assets without any change in contractual terms

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on sales and repurchase agreements and lending of securities

Funds provided under repurchase agreements are accounted under "Funds Provided under Repurchase Agreements-TL" and "Funds Provided under Repurchase Agreements-FC" accounts.

The repurchase agreements of the Parent Bank are based on the Eurobonds and government bonds issued by Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under fair value profit or loss available for sale or held to maturity financial asset with parallel to classifications of financial instruments. The income and expenses from these transactions are reflected to the interest income and interest expense accounts in the income statement. Receivables from reverse repurchase agreements are recorded in "Receivables from Reverse Repurchase Agreements" account in the balance sheet.

XIII. Explanations on assets held for sale and discontinued operations

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. This assets are not amortized and presented separately in the financial statements. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such asset (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal groups) , and an active programme to complete should be initiated to locate a customer. Also the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Also, the sale is expected to be accounted as a completed sale beginning from one year after the classification date; and the essential procedures to complete the plan should indicate the possibility of making significant changes on the plan or lower probability of cancelling. Events or circumtances may extend the completion of the sale more than one year. Such assets are still classified as held for sale if there is sufficient evidence that the delay inthe sale process is duue to the events and circumtances occured beyond the control of the entity or the entry remains commited to its plan to sell the asset (or disposal group). A discontinued operation is a component of a bank that either has been disposed of , or is classified as held for sale. Gains or losses relating to discontinued operations are presented seperately in the income statement.

XIV. Explanations on goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the subsidiary or jointly controlled interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on goodwill and other intangible assets (continued)

An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.As of reporting date, The Parent Bank has no goodwill on the unconsolidated financial statements. Intangible assets that are acquired prior to 1 January 2005 are carried at restated historical cost as of 31 December 2004; and those acquired subsequently are carried at cost less accumulated amortization, and any impairment. Intangible assets are depreciated on a straight line basis over their expected useful lives. Depreciation method and period are reviewed periodically at the end of each year. Intangible assets are mainly composed of rights and they are depreciated principally on a straight-line basis between 1-15 years.

XV. Explanations on tangible assets

Tangible assets rather than real estate, purchased before 1 January 2005, are accounted for at their restated costs as of 31 December 2004 and the assets purchased in the following periods are accounted for at acquisition cost less accumulated depreciation and reserve for impairment. Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

As of the third quarter of 2015, the Group changed its accounting policy and adopted revaluation method on annual basis under scope of Standard on Tangible Fixed Assets (TAS 16) with respect to valuation of immovable included in its building and lands. The amortization periods of real estates are specified in the appraisal’s report. In case of the cost of tangible assets over the net realizable value estimated under the "Turkish accounting standards for impairment of assets" (TAS 36), the value of the asset is reduced to its “net realizable value” and are reserved impairment provision associated with expense accounts. The positive difference between appraisement value and net book value of the property is accounted under shareholder’ equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates.

Normal maintenance and repair expenditures are recognized as expense. There is no pledge, mortgage or any other lien on tangible assets. Tangible assets are depreciated with straight-line method and their useful lives are determined in accordance with the Turkish Accounting Standards. Depreciation rates and estimated useful lives of tangible assets are as follows.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashvault	4-50	2-25
Vehicles	5	20
Buildings	50	2
Other Tangible Assets	1-50	2-100

Investment Properties

Investment properties are real estate held to earn rent income, gain in value or both. An investment property is recognized as an asset if it is probable that future economic benefits related to the property will be available to operate and the cost of the investment property can be reliably measured. The fair value model has been chosen for valuation of investment properties. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on leasing transactions

The Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. The lease payments are allocated as principle and interest. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Grouo as Lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in profit or loss in accordance with the Group's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

XVII. Explanations on provisions and contingent liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If aforesaid criteria did not form, the Group discloses the issues mentioned in notes to financial statements. Provisions are determined by using the Parent Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material. Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Group.

Explanations on contingent assets

Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; on the other hand, if the inflow of the economic benefits of these assets to the Parent Bank is probable, an explanation is made thereon in the footnotes of the financial statements. Nevertheless, the developments related to the contingent assets are constantly evaluated and in case the inflow of the economic benefit to the Parent Bank is almost certain, the related asset and the respective income are recognized in the financial statements of the period in which the change occurred.

XVIII. Explanations on liabilities regarding employee benefits

Severance pay according to the current laws and collective bargaining agreements in Turkey, is paid in case of retirement or dismissal. The Group calculates a provision for severance pay to allocate that employees need to be paid upon retirement or involuntarily leaving by estimating the present value of probable amount. There is no indemnity obligations related to the employees who are employed with contract of limited duration exceeding 12 month period. Actuarial gains and losses are accounted under Shareholder's Equity since 1 January 2013 in accordance with the Revised TAS 19.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Explanations on liabilities regarding employee benefits (continued)

Employees of the Parent Bank are members of "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Pension Fund"). Technical financial statements of those funds are subject to audit in accordance with the Insurance Law and provisions of "Regulations on Actuaries" issued based on the related law by an actuary registered in the Actuarial Registry.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act. Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007.

After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9,80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28227 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No: 2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No: 28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of Council of Minister published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process. In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and the transfer of Pension Fund was postponed to an unknown date. There is no decision taken by the Cabinet with regards to issue at the date of financial statements.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Explanations on liabilities regarding employee benefits (continued)

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution. The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2017 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 16 January 2018. There is no need for technical or actual deficit to book provision as of 31 December 2017. In addition, the Parent Bank’s management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Parent Bank.

XIX. Explanations on taxation

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

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

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

As of 1 January 2018, the Bank started calculating deferred tax for the expected credit losses for Stage 1 and Stage 2 with the transition to TFRS 9.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIX. Explanations on taxation (continued)

Transfer pricing

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

XX. Additional explanations on borrowings

The Parent Bank borrows funds from domestic and foreign institutions borrowing from money market and issues marketable securities in domestic and foreign markets when needed. The funds borrowed are recorded at their purchase costs and valued at amortized costs using the effective interest method. Some of the securities issued by the Parent Bank and resources used with fixed interest rates are subject to fair value hedge accounting. While the credit risk and rediscounted accumulated interest on hedging liabilities are recorded in the income statement under the interest expense, the credit risk and net amount excluding accumulated interest results from hedge accounting are accounted in the income statement under the derivative financial instruments gains/losses by fair value. All other borrowing costs are recorded to the income statement at the period they are incurred.

XXI. Explanations on share certificates issued

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Related to the increase in paid-in capital applications were made to the BRSA and CMB and the increase in paid-in capital was approved by the BRSA on 26 April 2018.

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 2.050.000 to TL 2.400.000 by adding TL 350.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2016. The increase in paid-in capital was approved by the BRSA on 27 April 2017 and disclosed in the dated 12 June 2017 and numbered 9345 Turkish Trade Registy Gazette.

XXII. Explanations on acceptances

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

XXIII. Explanations on government incentives

The Parent Bank does not use government incentives.

XXIV. Explanations on segment reporting

In accordance with its mission, the Parent Bank mainly operates in corporate and investment banking segments.The corporate banking is serving financial solutions and banking services for its medium and large-scale corporate customers. Services given to corporate customers are; investment credits, project financing, TL and foreign exchange operating loans, letters of credit, letters of guarantees and foreign trade transaction services covering letters of guarantee with external guarantees.

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIV. Explanations on segment reporting (continued)

Income from the activities of investment banking includes income from the operations of Treasury and Corporate Finance. Under the investment banking activities, portfolio management for corporate, marketable securities intermediary activities, cash flow management and all types of corporate finance services is provided.

The segmental allocation of the Group's net profit, total assets and total liabilities are shown below.

Current Period	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Net Interest Income	141.593	171.106	(3.302)	309.397
Net Fees and Commission Income	5.177	(476)	8.405	13.106
Other Income	-	-	107.890	107.890
Other Expense	(78.933)	(24.013)	(74.843)	(177.789)
Profit Before Tax	67.837	146.617	38.150	252.604
Tax Provision				(99.794)
Net Profit				**152.810**
Group's profit / loss				158.428
Minority share profit / loss				(5.618)
Current Period	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Segment Assets	23.696.681	6.607.525	1.445.851	31.750.057
Investment in Associates and Subsidiaries	-	-	380.203	380.203
Total Assets	**23.696.681**	**6.607.525**	**1.826.054**	**32.130.260**
Segment Liabilities	25.318.597	1.932.484	1.152.382	28.403.463
Shareholders' Equity	-	-	3.726.797	3.726.797
Total Liabilities	**25.318.597**	**1.932.484**	**4.879.179**	**32.130.260**

Prior Period(*)	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Net Interest Income	119.640	103.894	(8.284)	215.250
Net Fees and Commission Income	2.828	(573)	6.442	8.697
Other Income	199	-	148.784	148.983
Other Expense	(25.744)	(5.645)	(166.536)	(197.925)
Profit Before Tax	96.923	97.676	(19.594)	175.005
Tax Provision				(34.302)
Net Profit				**140.703**
Group's profit / loss				143.985
Minority share profit / loss				(3.282)
Prior Period	**Corporate Banking**	**Investment Banking**	**Other**	**Total**
Segment Assets	22.294.423	5.777.357	1.467.006	29.538.786
Investment in Associates and Subsidiaries	-	-	378.850	378.850
Total Assets (**)	**22.294.423**	**5.777.357**	**1.845.856**	**29.917.636**
Segment Liabilities	23.555.862	1.155.638	1.494.795	26.206.295
Shareholders' Equity	-	-	3.711.341	3.711.341
Total Liabilities	**23.555.862**	**1.155.638**	**5.206.136**	**29.917.636**

(*) Includes information on 31 March 2017

(**) Includes information on 31 December 2017

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

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXV. Explanations on other matters

Disclosures of TFRS 9 Financial Instruments

TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017 has been started to apply in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from 1 January 2018. TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

	Book Value Before TFRS 9	Remeasurements	Book Value Before TFRS 9
	31 December 2017	(6)	1 January 2018
Loans	**170.645**	**113.357**	**284.002**
Stage 1	107.597	42.763	150.360
Stage 2	9.473	72.091	81.564
Stage 3	53.575	(1.497)	52.078
Financial Assets (1)	**3.125**	**527**	**3.652**
Other Assets (2)	**1.809**	**(1.084)**	**725**
Other Receivables as Loan (3)	**11.680**	**(11.680)**	**-**
Non-Cash Loans (4)	**2.446**	**1.769**	**4.215**
Stage 1	2.439	1.760	4.199
Stage 2	7	9	16
Other Provision (5)	**90.000**	**(90.000)**	**-**
Total	**279.705**	**12.889**	**292.594**

(1) Within the scope of TFRS 9, provisions include provisions for Financial Assets Measured at Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets
(2) Within the scope of TFRS 9, provisions include provisions for Other Assets.
(3) Before TFRS 9, provisions include provisions for transaction as loan as described in the article 48 of Bankimg Law No 5411 .
(4) According to TFRS 9 articles, expected credit loss for non-cash loans is presented "Other Provision" in liabilities.
(5) As of 31 December 2017, the provision amounting to TL 90.000 for the risks related to the loan portfolio is recorded as income as of 1 January 2018. This provision was included in the first group as of 1 January 2018 and is allocated as an additional general provision for customers who may be subject to the second group.
(6) As of 1 January 2018 deferred tax amounting TL 33.112 is calculated for general loan loss provision.

Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 12.889 difference which is an income between the provision for impairment of the previous period of the Parent Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Prior years' income/losses" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 33.112 have been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior years' income/losses" in shareholders' equity.

ACCOUNTING POLICIES (Continued)

XXVI. Explanations on prior period accounting policies not valid for the current period

“TFRS 9 Financial Instruments" has been started applying instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below.

1. Explanations on financial assets

The Group categorizes its financial assets as “Fair value through profit/loss”, “Available-for-sale”, “Loans and receivables” or “Held-to-maturity”. Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the “Settlement dates”. The appropriate classification of financial assets of the Group is determined at the time of purchase by the Group management, taking into consideration the purpose of the investment.

Financial assets at fair value through profit and loss: These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale or buying back in a near future. (ii) The financial assets classified at the inception as financial assets at fair value through profit or loss by the Group. The Group uses such classification above when permitted or for the purposes of providing a more proper disclosure.In this category, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of securities that are traded in an active market are determined based on quoted prices or current market prices. Gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the “Interest Income” account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the “Gains on Securities Trading” account. If the fair value is under the amortized cost, the negative difference is booked under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

Available for sale financial assets: are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income. After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. All unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured. At the disposal of available for sale financial assets, value increases/decreases that are recorded in the securities value increase fund under equity are transferred to income statement.

Investments held to maturity: include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfilment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using internal rate of return less impairment losses, if any. Interest income earned from held-to-maturity investments is recognized as interest income on income statement.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXVI. Explanations on prior period accounting policies not valid for the current period (continued)

The Group considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements.

Loans: Loans are financial assets which have fixed payment terms and are not traded.

Loans are classified and followed in line with the provisions of the “Regulation on Identification of Loans and Other Receivables and Provisioning against Them”, published on the Official Gazette No: 26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement.

The provisions, which are released within the same year, are credited to the “Provision Expenses” account and the released parts of the provisions from the previous years are transferred to and recognized in the “Other Operating Income” account. Other than specific provisions, the Parent Bank provides general loan loss provision for loans and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables.

2. Explanations on forward and option contracts and derivative instruments

The Parent Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps and option agreements.

The derivative financial instruments are accounted for at their fair values as of the date of the agreements entered into and subsequently valued at fair value. The derivative instruments including both economic hedges and derivatives specified as hedging items are classified as either “trading purposes” or “hedging purposes” as per the Turkish Accounting Standards (“TAS 39”) “Financial Instruments: Recognition and Measurement”.

3. Explanations on interest income and expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method (the rate that equalizes the future cash flows of financial assets and liabilities to the current net book value). In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXVI. Explanations on prior period accounting policies not valid for the current period (continued)

4. Explanations on impairment on financial assets

At each reporting date, the Parent Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Parent Bank determines the related impairment. A financial asset or a financial asset group incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event ("loss event") after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized.

5. Explanations on fees and commission income and expenses

Fees and commissions received from cash loans, that are not an integral part of the effective interest rate, and fees for various banking services are recorded as income when collected. Fees and commissions paid for the funds borrowed, which are not integral parts of the effective interest rate of the funds borrowed, are recorded as expense on the date of the payment. The fees and commission income and expenses obtained from cash and non-cash loans are recorded under income and expense accounts in the related period by discounting with effective interest method according to matching principle. Commission income received from non-cash loans are recorded on accrual basis.

6. Explanations on taxation

Deferred tax asset had not been provided over provisions for general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax rate calculation has started to be measerued over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018. Deferred tax calculation is not made for free provisions.

Deferred tax, related to items recognized directly in equity is also credited or charged directly to equity.

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

SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations related to consolidated shareholders' equity

Total capital and the Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 March 2018 capital adequacy ratio of Bank has been calculated as 15,82%.

	Consolidated	Consolidated
CORE EQUITY TIER 1 CAPITAL	**Current Period (*)**	**Prior Period (*)**
Paid-in capital to be entitled for compensation after all creditors	2.400.374	2.401.116
Share premiums	428	428
Reserves	528.208	441.740
Other comprehensive income according to TAS	302.461	279.380
Profit	573.530	629.396
Current Period Profit	415.102	611.177
Prior Period Profit	158.428	18.219
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shareholder	47.038	52.719
Core Equity Tier 1 Capital Before Deductions	**3.852.039**	**3.804.779**
Deductions from Core Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS	125.242	92.666
Leasehold improvements on operational leases	9.959	5.440
Goodwill (net of related tax liability)	-	804
Other intangible assets other than mortgage-servicing rights (net of related tax liability)	3.670	2.064
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net amount of defined benefit plans	-	(772)
Investments in own common equity	-	-
Shares obtained against article 56, paragraph 4 of Banking Law	-	-
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	-	-
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	24.554	20.892
Mortgage servicing rights not deducted	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to consolidated shareholders' equity (continued)

Excess amount arising from deferred tax assets from temporary differences	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions from Tier I capital in cases where there are no adequate additional Tier I or Tier II capitals	-	-
Total Regulatory Adjustments to Tier 1 Capital	**163.425**	**121.094**
Core Equity Tier I Capital	**3.688.614**	**3.683.685**
ADDITIONAL TIER I CAPITAL		
Preferred stock not ıncluded in core equity and related share premiums	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above tier i capital	-	-
The total of net long position of the direct or indirect investments in additional Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% of the issued share capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Core Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	717
Net deferred tax asset/liability which is not deducted from Core Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	**717**
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Core Equity Tier I Capital+Additional Tier I Capital)	**3.688.614**	**3.682.968**
TIER II CAPITAL		
Debt instruments and the related issuance premiums defined by the BRSA	1.176.000	1.125.750
Debt instruments and the related issuance premiums defined by the BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	240.190	136.131
Shares of Third Parties in Tier II Capital	-	-
Shares of Third Parties in Tier II Capital (Temporary Article 3)	-	-
Tier II Capital Before Deductions	**1.416.190**	**1.261.881**
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.	-	-

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to consolidated shareholders' equity (continued)

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 Common Equity Tier I capital (-)	-	-
Total of net long positions of the investments in Tier II Capital items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	**1.416.190**	**1.261.881**
Total Capital (The sum of Tier I Capital and Tier II Capital)	**5.104.804**	**4.944.849**
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the banking law	-	-
Net book values of movables and immovables exceeding the limit defined in the article 57, clause 1 of the Banking law and the assets acquired against overdue receivables and held for sale but retained more than five years	-	-
Other items to be defined by the BRSA		
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, and financial 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 I capital, Additional Tier I capital, Tier II 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 I capital and Tier II capital of banking, and financial 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 I capital, Additional Tier I capital, Tier II 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, and financial 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 Core Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	5.223
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	5.104.804	4.939.626
Total Risk Weighted Assets	32.265.263	29.002.503
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	11,43	12,70
Tier I Capital Adequacy Ratio (%)	11,43	12,70
Capital Adequacy Ratio (%)	15,82	17,03
BUFFERS		
Total buffer requirement (%)	1,883	1,255
Capital conservation buffer requirement (%)	1,875	1,250
Bank specific counter-cyclical buffer requirement (%)	0,008	0,005
Systematic significant buffer (%)	-	-
The ratio of Additional Core Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	6,93	8,20
Amounts below the Excess Limits as per the Deduction Principles		
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	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	-	-
Remaining mortgage servicing rights	-	-
Excess amount arising from deferred tax assets from temporary differences	-	-

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to consolidated shareholders' equity (continued)

Limits Related to Provisions Considered in Tier II Calculation		
General reserves for receivables where the standard approach used (before tenthousandtwentyfive limitation)	240.190	136.131
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	240.190	136.131
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 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-	-

(*) Under this heading, total amounts which will be reached at the end of the transition process by the items exposed to gradual transition in accordance with the "Regulation on Equities of Banks", which was enacted on 1/1/2014.

Explanations on the reconciliation between amounts related to equity items and on balance sheet

There are no differences between the amounts related to equity items and on balance sheet figures.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations related to consolidated shareholders' equity (continued)

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN etc.)	XS1584113184
Governing law(s) of the instrument	BRSA, Cominique on Subordinated Liabilities of CMB numbered CMB-II-31.1
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and/or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Secondary subordinated loan which is categorized in subordinated loans equalling bill of exchanges
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date – Million USD)	300
Par value of instrument (Million USD)	300
Accounting classification	347011 (Liability) - Subordinated Loans
Original date of issuance	28 March 2017
Perpetual or dated	Dated
Original starting and maturity date	28 March 2017 - 29 March 2027 (10 years)
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 29 March 2022 (After 5th year)
Subsequent call dates, if applicable	After 5th year only for once
Fixed or floating dividend/coupon	Fixed / semiannualy coupon payment, principal payment at the maturity
Coupon rate and any related index	7,625%
Existence of a dividend stopper	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
Write-down feature	
If write-down, write-down trigger(s)	According to number 5411 article, 71th article of Law of Banking and number 6102 article of Turkish Code of Commerce, if BRSA has seem in case of default.
If write-down, full or partial	Full or Partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2.
In compliance with article number 7 and 8 of "Own fund regulation"	Based on the conditions written on 8th article.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Not based on the conditions written on 7th article.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated currency risk

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Parent Bank's top management. Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

Announced current foreign exchange buying rates of the Parent Bank as at reporting date and the previous five working days in US Dollar and Euro are as follows:

	1 US Dollar	**1 Euro**
The Parent Bank's "Foreign Exchange Valuation Rate"		
31 March 2018	3,9200	4,8247
Prior Five Workdays:		
30 March 2018	3,9200	4,8247
29 March 2018	3,9800	4,9077
28 March 2018	3,9575	4,9101
27 March 2018	3,9425	4,9076
26 March 2018	3,9475	4,8827

Simple arithmetic thirty-day averages of the US Dollar and Euro buying rates of the Parent Bank before the reporting date are full TL 3,6504 and 3,8979 respectively.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations related to consolidated currency risk (continued)

Information on the Group's foreign currency risk:

	Euro	US Dollar	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	389.292	568.373	121.473	1.079.138
Banks	392.278	11.186	1.774	405.238
Financial Assets at Fair Value Through Profit or Loss (1)	29.953	48.853	1.655	80.461
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	62.302	1.004.300	-	1.066.602
Loans (2)	10.385.244	11.319.178	-	21.704.422
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	201.457	-	201.457
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (3)	160.056	303.262	-	463.318
Total Assets	**11.419.125**	**13.456.609**	**124.902**	**25.000.636**
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	132.510	78.773	-	211.283
Funds Provided From Other Financial Institutions	10.255.232	9.594.598	-	19.849.830
Marketable Securities Issued (4)	-	6.465.340	-	6.465.340
Miscellaneous Payables	12.522	54.758	110	67.390
Derivative Financial Liabilities for Hedging Purposes (5)	-	170.053	-	170.053
Other Liabilities (6)	26.885	33.889	941	61.715
Total Liabilities	**10.427.149**	**16.397.411**	**1.051**	**26.825.611**
Net Balance Sheet Position	**991.976**	**(2.940.802)**	**123.851**	**(1.824.975)**
Net Off-Balance Sheet Position	**(1.257.550)**	**2.906.928**	**(128.376)**	**1.521.002**
Financial Derivative Assets	1.302.218	6.396.265	878.304	8.576.787
Financial Derivative Liabilities	(2.559.768)	(3.489.337)	(1.006.680)	(7.055.785)
Non-Cash Loans (7)	1.207.685	1.283.621	36.643	2.527.949
Prior Period				
Total Assets	9.659.966	12.784.390	75.954	22.520.310
Total Liabilities	9.701.966	14.312.688	2.865	24.017.519
Net Balance Sheet Position	**(42.000)**	**(1.528.298)**	**73.089**	**(1.497.209)**
Net Off –Balance Sheet Position	**(194.420)**	**1.508.745**	**(72.110)**	**1.242.215**
Financial Derivative Assets	1.090.414	4.529.407	487.346	6.107.167
Financial Derivative Liabilities	(1.284.834)	(3.020.662)	(559.456)	(4.864.952)
Non-Cash Loans (7)	883.016	1.125.806	1.891	2.010.713

(1) Includes derivative financial assets amounting to TL 159.749. Exchange rate differences arising from derivative transactions amounting to TL 79.228 is deducted from "Financial Assets at Fair Value through Profit or Loss".
(2) Loans include TL 1.918.438 foreign currency indexed loans.
(3) Forward foreign exchange purchase transaction rediscounts amounting to TL 202, prepaid expenses amounting to TL 900 and 12 months expected credit loss related to other assets omounting to TL (121) have not been included in "Other Assets".
(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.
(5) Derivative financial liabilities for hedging purposes has classified in line of derivative financial liabilities in financial statement.
(6) Marketable securities value increase fund amounting to TL (10.643) and exchange rate differences arising from derivative transactions amounting to TL 78.508 and forward foreign exchange purchase transaction rediscounts amounting to TL 375, and other provisions amounting toTL 4.658 have not been included in "Other Liabilities".
(7) Has no effect on net off-balance sheet position.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Parent Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of the Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Parent Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analysis. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

The amount of local borrowings is very low considering the total liabilities of the Parent Bank. As the Parent Bank is a development and investment bank, it obtains most of the funding from abroad.

The fluctuations in interest rates are controlled with interest rate risk tables, gap analysis, scenario analysis and stress tests, its effect in assets and liabilities and the probable changes in cash flows are being screened. The Parent Bank screens many risk control ratio including the markets risk ratio to the sum of risk weighted assets and the ratio of the value at risk calculated as per the internal model to the equity.

Under the scope of risk policies, continuous controls are made to prevent assets or shareholders’ equity from adverse effects because of fluctuations in interest rates or liquidity difficulties and top management, the Board of Directors and the Audit Committee are informed of these risks.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)

Current Period	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Non-interest bearing (1)**	**Total (2)**
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	576.018	-	-	-	-	510.799	1.086.817
Banks	493.790	40.033	-	-	-	23.705	557.528
Financial Assets at Fair Value Through Profit and Loss (3)	100.937	198.655	93.897	34.921	-	1.118	429.528
Money Market Placements	2.151	-	-	-	-	-	2.151
Financial Assets at Fair Value through Other Comprehensive Income	617.939	386.325	348.523	1.658.709	221.388	76.419	3.309.303
Loans	3.072.661	8.791.743	7.647.329	3.501.295	708.699	-	23.721.727
Financial Assets Measure at Amortized Cost	-	421.833	938.998	-	201.300	-	1.562.131
Other Assets	-	1.141	10.336	71.961	11.281	1.366.356	1.461.075
Total Assets	**4.863.496**	**9.839.730**	**9.039.083**	**5.266.886**	**1.142.668**	**1.978.397**	**32.130.260**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	930.465	88	36.826	-	-	-	967.379
Miscellaneous Payables	-	-	-	-	-	94.500	94.500
Marketable Securities Issued (4)	-	-	-	5.289.091	1.176.249	-	6.465.340
Funds Provided from Other Financial Institutions	1.581.685	6.919.933	6.782.220	2.915.995	1.837.386	-	20.037.219
Other Liabilities (5)	102.203	197.194	132.001	18.915	-	4.115.509	4.565.822
Total Liabilities	**2.614.353**	**7.117.215**	**6.951.047**	**8.224.001**	**3.013.635**	**4.210.009**	**32.130.260**
Balance Sheet Long Position	2.249.143	2.722.515	2.088.036	-	-	-	7.059.694
Balance Sheet Short Position	-	-	-	(2.957.115)	(1.870.967)	(2.231.612)	(7.059.694)
Off-Balance Sheet Long Position	-	-	-	6.469.391	431.200	-	6.900.591
Off-Balance Sheet Short Position	(2.688.344)	(1.133.708)	(2.964.091)	-	-	-	(6.786.143)
Total Position	**(439.201)**	**1.588.807**	**(876.055)**	**3.512.276**	**(1.439.767)**	**(2.231.612)**	**114.448**

(1) Amounts in investments in associates and subsidiaries, deferred tax asset, tangible and intangible assets, other assets and shareholders' equity, provisions and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.

(2) Banks amounting to TL 7, money market placements amounting to TL 1, financial assets at fair value through other comprehensive income amounting to TL 464, Loans amounting to TL 233.266, financial asset measured at amortized cost amounting to TL 1.218, and financial lease receivables in other assets amounting to TL 535 are shown in 12 months expected credit loss by offsetting.

(3) Includes derivative financial assets amounting to TL 419.175 in financial statement.

(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

(5) Borrower funds amounting to TL 12.435 are presented in "Other Liabilities" within 1-month maturity column.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates)

Prior Period	**1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Non-interest bearing (1)**	**Total**
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	420.135	-	-	-	-	427.000	847.135
Banks	279.626	194.572	-	-	-	19.489	493.687
Financial Assets at Fair Value Through Profit and Loss	74.832	148.151	83.756	28.334	-	1.020	336.093
Money Market Placements	3	-	-	-	-	-	3
Available-for-Sale Financial Assets	88.570	155.606	1.047.061	971.432	755.623	73.080	3.091.372
Loans	3.493.798	6.649.087	8.107.041	3.372.960	714.344	-	22.337.230
Held-to-Maturity Investments	201.806	723.091	409.824	-	197.326	-	1.532.047
Other Assets	1.851	-	3.861	46.593	11.105	1.216.659	1.280.069
Total Assets	**4.560.621**	**7.870.507**	**9.651.543**	**4.419.319**	**1.678.398**	**1.737.248**	**29.917.636**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.277.713	87	34.122	-	-	-	1.311.922
Miscellaneous Payables	-	-	-	-	-	75.095	75.095
Marketable Securities Issued	-	-	-	3.746.229	1.146.236	-	4.892.465
Funds Provided from Other Financial Institutions	3.922.001	6.507.042	4.065.817	2.343.537	2.163.230	-	19.001.627
Other Liabilities (2)	44.825	128.938	98.428	46.791	5.004	4.312.541	4.636.527
Total Liabilities	**5.244.539**	**6.636.067**	**4.198.367**	**6.136.557**	**3.314.470**	**4.387.636**	**29.917.636**
Balance Sheet Long Position	-	1.234.440	5.453.176	-	-	-	6.687.616
Balance Sheet Short Position	(683.918)	-	-	(1.717.238)	(1.636.072)	(2.650.388)	(6.687.616)
Off-Balance Sheet Long Position	-	-	-	4.878.400	412.774	-	5.291.174
Off-Balance Sheet Short Position	35.614	(1.508.556)	(3.750.901)	-	-	-	(5.223.843)
Total Position	**(648.304)**	**(274.116)**	**1.702.275**	**3.161.162**	**(1.223.298)**	**(2.650.388)**	**67.331**

(1) Amounts in investments in associates and subsidiaries, deferred tax asset , tangible and intangible assets, other assets and shareholders' equity, provisions, and tax liability are presented in non-interest bearing column, in order to reconcile the total assets and liabilities on the balance sheet.
(2) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.
(3) Borrower funds amounting to TL 12.901 are presented in "Other Liabilities" within 1-month maturity column.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	US Dollar	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	1,24	-	3,50
Banks	1,14	-	-	14,72
Financial Assets at Fair Value through Profit and Loss	-	-	-	15,52
Money Market Placements	-	-	-	12,90
Financial Assets at Fair Value through Other Comprehensive Incıme	5,59	4,68	-	12,08
Loans	4,07	6,49	-	16,19
Financial Asset Measured at Amortized Cost	-	6,00	-	11,65
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,46	0,75	-	13,00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (*)	-	5,67	-	-
Borrower Funds	0,25	0,50	-	7,00
Funds Provided From Other Financial Institutions	0,95	2,73	-	9,00

(*) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations related to consolidated interest rate risk (continued)

Average interest rates applied to monetary financial instruments in prior period: %

	Euro	US Dollar	Yen	TL
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	1,43	-	3,48
Banks	1,00	-	-	15,47
Financial Assets at Fair Value Through Profit and Loss	-	-	-	14,90
Money Market Placements	-	-	-	11,01
Available-for-Sale Financial Assets	5,61	4,55	-	11,71
Loans	4,00	6,16	-	14,90
Held-to-Maturity Investments	-	5,59	-	11,69
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,28	0,50	-	12,98
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	5,71	-	-
Borrower Funds	0,25	0,50	-	8,00
Funds Provided From Other Financial Institutions	1,01	2,37	-	7,74

IV. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Borsa Istanbul (BIST). The Group classifies its share certificate investments both as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and net profit/loss of the Group is not affected unless the Group sells share certificates in financial assets at fair value through profit or loss portfolio.

Equity shares risk due from banking book

The table below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

Current Period	**Comparison**		
Share Certificate Investments	**Book Value**	**Fair Value**	**Market Value**
Investment in Shares-Grade A	**339.765**	**-**	**418.118**
Quoted	339.765	-	418.118

Prior Period	**Comparison**		
Share Certificate Investments	**Book Value**	**Fair Value**	**Market Value**
Investment in Shares-Grade A	**301.878**	**-**	**314.891**
Quoted	301.878	-	314.891

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations related to consolidated stock position risk (continued)

Equity shares risk due from banking book (continued)

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Current Period	**Realized Revenues and Losses in Period**	**Revaluation Value Increases**		**Unrealized Gains and Losses**		
Portfolio		**Total**	**Included in Core Capital**	**Total**	**Included in Core Capital**	**Included in Supplementary Capital**
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	125.057	125.057	-
Other Share Certificates	-	42.599	42.599	-	-	-
Total	**-**	**42.599**	**42.599**	**125.057**	**125.057**	**-**

Prior Period	**Realized Revenues and Losses in Period**	**Revaluation Value Increases**		**Unrealized Gains and Losses**		
Portfolio		**Total**	**Included in Core Capital**	**Total**	**Included in Core Capital**	**Included in Supplementary Capital**
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	-	-	-	75	75	-
Other Share Certificates	-	12.634	12.634	-	-	-
Total	**-**	**12.634**	**12.634**	**-**	**-**	**-**

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio

1. Explanations related to the consolidated liquidity risk:

1.a Information about the governance of consolidated liquidity risk management, including: risk tolerance; structure and responsibilities for consolidated liquidity risk management; internal consolidated liquidity reporting; and communication of consolidated liquidity risk strategy, policies and practices across business lines and with the board of directors

Liquidity risk management is conducted by Treasury Department in line with the strategies set by Asset and Liability Committee within the limits and policies approved by Board of Directors, and is monitored and controlled through reportings from Risk Management, Budget Planning and Financial Control Departments to Audit Committee, Board of Directors, Senior Management and relevant departments.

The Bank's liquidity risk capacity is determined by the Bank's internal limits and the regulations on liquidity coverage ratio and liquidity adequacy. Regarding it's risk appetite, in addition to legal limits, the Bank also applies internal limits for monitoring and controlling the liquidity risk.

Considering the Bank's strategies and competitive conditions, Asset and Liability Committee has the responsibility of taking the relevant decisions regarding optimal balance sheet management of the Bank, and monitoring the implementations. Treasury Department performs cash position management within the framework of the decisions taken at Asset and Liability Committee meetings.

The Risk Management Department reports to the Board of Directors and the Asset and Liability Committee regarding liquidity risk within the scope of internal limits and legal regulations. Additionnally, liquidity stress tests are performed based on various scenarios and reported with their impact on legal limit utilization. Treasury Control Unit under the Budget Planning and Investor Relations Department also makes cash flow projection reportings to the Treasury Department and the Asset Liability Committee at certain periods and when needed.

1.b Information on the centralization degree of consolidated liquidity management and funding strategy and the functioning between the Parent Bank and the Parent Bank's subsidiaries

Within the scope of consolidation, liquidity management is not centralized and each subsidiary is responsible for its own liquidity management. However, the Bank monitors the liquidity risk of each subsidiary within the defined limits.

1.c Information on the Parent Bank's funding strategy including the policies on funding types and variety of maturities

Among the main funding sources of the Bank, there are development bank credits, capital market transactions, syndicated loans, bilateral contractual resources, repo transactions and money market transactions and these sources are diversified to minimize the liquidity risk within the terms of market conditions. The funding planning based on those loans is performed long term such as a minimum of one year and the performance is monitored by the Asset and Liability Committee.

1.ç Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Parent Bank's total liabilities:

The Bank's obligations consist of Turkish Lira (TRY), US Dollar (USD) and Euro (EUR) currency types. Turkish Lira obligations mainly consist of equity and repurchase agreements, whereas foreign currency obligations consist of foreign currency credits, securities issued and repurchase agreements. All loans provided from foreign sources are in foreign currencies. For this reason, foreign resources can be used in TL funding by currency swap transactions when necessary.

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

1. Explanations related to the consolidated liquidity risk (continued)

1.d Information on consolidated liquidity risk mitigation techniques:

Liquidity limits are defined for the purpose of monitoring and keeping the risk under certain levels. The Bank monitors those limits' utilization and informs the Board of Directors, the Bank Senior Management and the relevant departments regularly. Regarding those limits, the Treasury Department performs the required transactions with the relevant cost and term composition in accordance with market conditions from the sources previously defined in Article C. The Bank minimizes the liquidity risk by holding high quality liquid assets and diversification of funds.

1.e Information on the use of stress tests

Within the scope of liquidity stress tests, the deteriorations that may occur in the cash flow structure of the Bank are assessed by the Bank's scenarios. The results are analyzed by taking into account the risk appetite and capacity of the Bank and reported to the senior management by the Risk Management Department ensuring the necessary actions are taken.

1.f General information on urgent and unexpected consolidated liquidity situation plans:

There is a Contingency Funding Plan for the contingent periods that arises beyond the Parent Bank's control. In a potential liquidity shortfall, Treasury Department is responsible from assessment, taking relevant actions and informing Parent Bank's Asset and Liability Committee. In contingent cases, to identify the liquidity risk arising, cash flow projections and funding requirement estimations are exercised based on various scenarios. To assess the stress scenarios**,** cash flow in terms of local currency is monitored regularly by Treasury Department. Scenario analysis on the Parent Bank's unencumbered sources are conducted daily. Transaction limits for organized markets are monitored timely and essential collateral amount to trade in those markets is withheld at hand. Repo transactions and/or available for sale portfolio securities in local and foreign currency that are major funding sources in shortfall periods for the Parent Bank are monitored consistently. In contingent periods outflows due to the irrevocable commitments, contingencies and derivative transactions can be deferred temporarily in a way that won't hurt the Bank's reputation. TSKB has the optionality of choosing one or more of the following for meeting it's liquidity requirement that are selling liquid assets off, increasing short term borrowing, decreasing illiquid assets, increasing capital.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

2. Consolidated Liquidity Coverage Ratio

According to regulations which is published on 28948 numbered gazette on 21 March 2014 related to calculation of liquidity coverage ratio of banks, calculated liquidity coverage ratios are shown below. Including the reporting period for the last three months consolidated foreign currency and total liquidity coverage ratio and consolidated foreign currency and total liquidity coverage ratio's minimum and maximum levels are shown below by specified thereby weekly.

		Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
	Current Period	**TL+FC**	**FC**	**TL+FC**	**FC**
	HIGH QUALITY LIQUID ASSETS (HQLA)				
1	High quality liquid assets			1.906.400	1.069.318
	CASH OUTFLOWS				
2	Retail and Customers Deposits	37	7	11	2
3	Stable deposits	-	-	-	-
4	Less stable deposits	37	7	11	2
5	Unsecured Funding other than Retail and Small Business Customers Deposits	1.962.341	912.154	1.464.726	657.411
6	Operational deposits	25.831	22.409	6.458	5.602
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	1.936.510	889.745	1.458.268	651.809
9	Secured funding			-	-
10	Other Cash Outflows	94.481	603.754	94.481	603.754
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	94.481	603.754	94.481	603.754
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	7.591.671	5.592.967	379.584	279.648
15	Other irrevocable or conditionally revocable commitments	7.983.135	6.017.754	1.314.029	816.211
16	**TOTAL CASH OUTFLOWS**			**3.252.831**	**2.357.026**
	CASH INFLOWS				
17	Secured Lending Transactions	634	-	-	-
18	Unsecured Lending Transactions	3.669.581	1.023.511	3.039.516	795.783
19	Other contractual cash inflows	84.203	1.688.624	84.203	1.688.624
20	**TOTAL CASH INFLOWS**	**3.754.418**	**2.712.135**	**3.123.719**	**2.484.407**
				Upper Limit Applied Amounts	
21	**TOTAL HQLA STOCK**			**1.906.400**	**1.069.318**
22	**TOTAL NET CASH OUTFLOWS**			**813.208**	**589.257**
23	**LIQUIDITY COVERAGE RATIO (%)**			**234**	**181**

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

2. Consolidated Liquidity Coverage Ratio (continued):

		Rate of "Percentage to be taken into account" not Implemented Total value		Rate of "Percentage to be taken into account" Implemented Total value	
Prior Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			2.334.272	977.670
CASH OUTFLOWS					
2	Retail and Customers Deposits	40	7	13	3
3	Stable deposits	-	-	-	-
4	Less stable deposits	40	7	13	3
5	Unsecured Funding other than Retail and Small Business Customers Deposits	1.782.191	764.625	1.437.070	550.440
6	Operational deposits	39.136	35.159	9.784	8.790
7	Non-Operational Deposits	-	-	-	-
8	Other Unsecured Funding	1.743.055	729.466	1.427.286	541.650
9	Secured funding			-	-
10	Other Cash Outflows	1.400.848	809.493	1.400.848	809.493
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.400.848	809.493	1.400.848	809.493
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	6.963.447	5.415.996	348.172	270.800
15	Other irrevocable or conditionally revocable commitments	8.860.567	5.967.301	1.682.121	829.224
16	**TOTAL CASH OUTFLOWS**			**4.868.224**	**2.459.960**
CASH INFLOWS					
17	Secured Lending Transactions	436	-	-	-
18	Unsecured Lending Transactions	2.619.706	836.510	2.103.804	650.284
19	Other contractual cash inflows	1.375.296	1.294.475	1.375.296	1.294.475
20	**TOTAL CASH INFLOWS**	**3.995.438**	**2.130.985**	**3.479.100**	**1.944.759**
				Upper Limit Applied Amounts	
21	**TOTAL HQLA STOCK**			**2.334.272**	**977.670**
22	**TOTAL NET CASH OUTFLOWS**			**1.389.124**	**614.990**
23	**LIQUIDITY COVERAGE RATIO (%)**			**168**	**159**

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

3. Minimum explanations related to the liquidity coverage ratio by Banks:

As per The Regulation on The Calculation of Liquidity Coverage Ratio, Liquidity Coverage Ratio is the ratio of high quality liquid assets to net cash outflows. During the implementation process, the minimum limits increase gradually until January 2019, and for total and foreign currency limits 100% and 80% are assigned on consolidated and unconsolidated basis respectively. For the development and investment banks, Banking Regulations and Supervision Agency decided to apply zero percent to the total and foreign currency consolidated and unconsolidated liquidity coverage ratios unless stated otherwise.

In the Liquidity Coverage Ratio calculation, the items with the highest impact are high quality liquid assets, foreign funds and money market transactions. High quality liqued assets mainly consist of the required reserves held in the Central Bank of the Republic of Turkey and unencumbered securities issued by the Treasury.

Main funding source of the Parent Bank is long term loans attained from international financial institutions. The ratio of those loans in total funding is around 64%. The total ratio of the securities issued in purpose of funding diversification and loans attained through syndication loans in overall borrowing is 30%. 6% of the Parent Bank's total funding is provided from repurchase agreements.

30-day cash flows arising from derivative transactions are included in the calculation in accordance with the Regulation. The Bank also takes into consideration the liabilities depending on the possibility of changing the fair values of the derivative transactions in accordance with the Regulation.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Consolidated liquidity risk management and coverage ratio (continued)

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (1)	Total (2)
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	510.799	576.018	-	-	-	-	-	1.086.817
Banks	23.705	493.790	40.033	-	-	-	-	557.528
Financial Assets at Fair Value Through Profit and Loss (3)	1.118	38.456	31.816	39.891	227.960	90.287	-	429.528
Money Market Placements	-	2.151	-	-	-	-	-	2.151
Financial Assets at Fair Value Through Other Comprehensive Income	-	170.076	50.195	292.869	2.447.343	272.401	76.419	3.309.303
Loans	-	1.174.662	1.890.739	4.657.177	10.809.234	5.189.915	-	23.721.727
Financial Assets Measured at Amortized Cost	-	-	-	32.319	842.158	687.654	-	1.562.131
Other Assets	9.116	-	1.141	10.336	71.961	11.281	1.357.240	1.461.075
Total Assets	**544.738**	**2.455.153**	**2.013.924**	**5.032.592**	**14.398.656**	**6.251.538**	**1.433.659**	**32.130.260**
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	355.034	450.331	3.094.974	8.493.241	7.643.639	-	20.037.219
Money Market Borrowings	-	930.465	88	36.826	-	-	-	967.379
Marketable Securities Issued (4)	-	-	-	-	5.289.091	1.176.249	-	6.465.340
Miscellaneous Payables	-	-	-	-	-	-	94.500	94.500
Other Liabilities	-	40.448	29.104	37.728	261.440	81.593	4.115.509	4.565.822
Total Liabilities	**-**	**1.325.947**	**479.523**	**3.169.528**	**14.043.772**	**8.901.481**	**4.210.009**	**32.130.260**
Liquidity Gap	**544.738**	**1.129.206**	**1.534.401**	**1.863.064**	**354.884**	**(2.649.943)**	**(2.776.350**	**-**
Net Off-balance Sheet Position	**-**	**7.390**	**(1.968)**	**47**	**110.487**	**(1.512)**	**-**	**114.444**
Financial Derivative Assets	-	3.340.493	2.012.165	3.262.367	11.360.112	5.459.512	-	25.434.649
Financial Derivative Liabilities	-	3.333.103	2.014.133	3.262.320	11.249.625	5.461.024	-	25.320.205
Non-cash Loans	-	165.136	27.355	1.212.556	730.142	924.166	23.784	3.083.139
Prior Period								
Total Assets	1.017.046	1.679.546	1.634.360	5.223.318	13.197.992	6.445.172	720.202	29.917.636
Total Liabilities	-	1.576.361	385.050	3.108.749	11.593.779	8.866.061	4.387.636	29.917.636
Liquidity Gap	**1.017.045**	**103.185**	**1.249.310**	**2.114.569**	**1.604.213**	**(2.420.889)**	**(3.667.434**	**-**
Net Off-balance Sheet Position	**-**	**(19.773)**	**527**	**316**	**81.569**	**4.692**	**-**	**67.331**
Financial Derivative Assets	-	1.397.780	2.836.475	2.775.523	8.614.737	4.586.490	-	20.211.005
Financial Derivative Liabilities	-	1.417.553	2.835.948	2.775.207	8.533.168	4.581.798	-	20.143.674
Non-cash Loans	-	46.294	268.206	843.606	621.648	771.147	22.810	2.573.711

(1) Other assets and shareholders' equity, provisions and tax liability, which are necessary and cannot be converted into cash in the near future for the Bank's ongoing activities, such as tangible and intangible assets, deferred tax asset, other miscellaneous receivables, investments in subsidiaries and associates, entities under common control, office supply inventory, prepaid expenses and non-performing loans are classified under "Undistributed" column.

(2) Banks amounting to TL 7, money market placements amounting to TL 1, financial assets at fair value through other comprehensive income amounting to TL 464, Loans amounting to TL 233.266, financial asset measured at amortized cost amounting to TL 1.218, and financial lease receivables in other assets TL 535 are shown in 12 months expected credit loss by offsetting.

(3) Includes derivative financial assets amounting to 419.175 in financial statement.

(4) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations related to consolidated leverage ratio

a) Information about the consolidated leverage ratio between current and prior periods

The table related to calculation of leverage ratio in accordance with the principles of the "Regulation on Measurement and Evaluation of Banks' Leverage Level" which is published on the Official Gazette no.28812 dated 5 November 2013 is given below.

Leverage ratio of the Bank calculated from the arithmetic average of the three months is 9,61% (31 December 2017: 9,83%). Leverage ratio is almost on the same level in the current and prior period. Total balance sheet assets increased by 8,06% compare to prior period.

b) Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS

		Current Period	Prior Period
1	Total Amount of Asset and Risk Situated in The Consolidated Financial Statements Prepared in Accordance with TAS (**)	29.857.351	24.863.504
2	The difference between Total Amount of Asset in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks (**)	(60.285)	(11.982)
3	The difference between total amount and total risk amount of derivative financial instruments with credit derivative in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	(317.161)	(312.337)
4	The difference between total amount and total risk amount of risk investment securities or commodity collateral financing transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	1.999.603	1.829.247
5	The difference between total amount and total risk amount of off-balance sheet transactions in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	(3.515.184)	(3.581.505)
6	The other differences between amount of assets and risk in the Communiqué on Preparation of Consolidated Financial Statements of Banks (*)	-	-
7	**Total Exposures (*)**	**39.103.284**	**36.730.076**

(*) The arithmetic average of the last 3 months in the related periods.
(**) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks. 31 December 2017 figures are used for the current period because consolidated financial statements prepared in accordance with TAS are not audited as of the report date and 31 December 2016 figures are used for prior period.

c) Consolidated Leverage Ratio

		Current Period(*)	Prior Period(*)
	Balance sheet Assets		
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	32.874.581	30.429.254
2	(Assets deducted from Core Capital)	(138.082)	(134.589)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	**32.736.499**	**30.294.665**
	Derivative financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit derivatives	391.562	374.558
5	Potential credit risk amount of derivative financial assets and credit derivatives	344.774	264.567
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	**736.336**	**639.125**
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or commodity	534.876	507.764
8	Risk amount arising from intermediary transactions	106.511	77.417
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	**641.387**	**585.181**
	Off-balance sheet transactions		
10	Gross notional amount of off-balance sheet transactions	8.504.246	8.792.610
11	(Correction amount due to multiplication with credit conversion rates)	(3.515.184)	(3.581.505)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	**4.989.062**	**5.211.105**
	Capital and total risk		
13	Core Capital	3.758.312	3.610.277
14	Total risk amount (sum of lines 3, 6, 9 and 12)	39.103.284	36.730.076
	Leverage ratio		
15	**Leverage ratio**	**9,61%**	**9,83%**

(*) Arithmetic average of the last 3 months in the related periods.

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

SECTION FOUR (Continued)

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Explanations related to consolidated risk management

Overview of risk weighted assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	29.269.895	26.511.342	2.341.592
2	Standardised approach	29.269.895	26.511.342	2.341.592
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	961.039	805.591	76.883
5	Standardised approach for counterparty credit risk	961.039	805.591	76.883
6	Internal model method	-	-	-
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	-	-	-
14	IRB supervisory formula approach	-	-	-
15	Simplified supervisory formula approach	-	-	-
16	Market risk	512.463	433.000	40.997
17	Standardised approach	512.463	433.000	40.997
18	Internal model approaches	-	-	-
19	Operational risk	1.521.866	1.252.570	121.749
20	Basic indicator approach	1.521.866	1.252.570	121.749
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**32.265.263**	**29.002.503**	**2.581.221**

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the consolidated assets

1.a Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	32	-	24	-
Balances with the Central Bank of Turkey	7.647	1.079.138	10.571	836.540
Other	-	-	-	-
Total	**7.679**	**1.079.138**	**10.595**	**836.540**

1.b Information on Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	7.647	5.232	10.571	4.862
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	1.073.906	-	831.678
Total	**7.647**	**1.079.138**	**10.571**	**836.540**

(*) *Deposits at Central Bank of Turkey held as reserve requirement.*

As per the Communiqué numbered 2005/1 "Reserve Deposits" of Central Bank of Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-days periods. The CBRT has started to pay interest to the Required Reserves held in Turkish Lira according to regulation released at 5 November 2014.

In accordance with the regulation issued at 27 January 2015, CBRT has begun to collect monthly commissions over daily balances of Two Days Notice Deposit Accounts and Required Reserves held in the foreign currencies, to be valid from 1 February 2015. The CBRT Required reserves of 2 May 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at 5 May 2015.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 March 2018 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	**Reserve Ratio**
Other liabilities until 1 year maturity (1 year include)	10,5
Other liabilities until 3 year maturity (3 year include)	7
Other liabilities more than 3 year maturity	4

Reserve Rates for FC Liabilities (%)		
Original Maturity	**Reserve Ratio** **If the fund borrowed Before 28.08.2015**	**Reserve Ratio** **If the fund borrowed After 28.08.2015**
Other liabilities until 1 year maturity (1 year included)	19	24
Other liabilities until 2 year maturity (2 year included)	13	19
Other liabilities until 3 year maturity (3 year included)	7	14
Other liabilities until 5 year maturity (5 year included)	6	6
Other liabilities more than 5 year maturity	5	4

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

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

2.a. Information on financial assets designated at fair value through profit and loss given as collateral or blockage:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss given as collateral or blockage.

2.a.1 Trading securities given as collateral or blockage:

As of 31 December 2017, the Group has no trading securities given as collateral or blockage.

2.b Information on financial assets designated at fair value through profit and loss given as repurchase agreements:

As of the reporting date, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements.

2.b.1 Financial assets designated at fair value through profit and loss subject to repurchase agreements:

As of 31 December 2017, the Group has no financial assets designated at fair value through profit and loss subject to repurchase agreements.

2.b Positive differences related to derivative financial assets held-for-trading:

Derivative Instruments Held for Trading (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	21.797	19.221	14.734	7.175
Swap Transactions	237.629	113.309	179.366	82.997
Futures Transactions	-	-	-	-
Options	-	27.219	-	42.516
Other	-	-	-	-
Total	**259.426**	**159.749**	**194.100**	**132.688**

(1) Positive differences related to derivative financial assets held for trading was classified in "Derivative Financial Assets" line for the current period because of TFRS 9 while classified in "Financial assets at fair value through profit or loss" line in prior period.

The Parent Bank has entered into extinguishing cross-currency interest rate swaps as part of its strategy to hedge TL denominated fixed rate assets. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. As of 31 March 2018, the fair value of such swaps is TL 178.224 income with a total outstanding notional amount of USD 200 million. The average maturity of such swaps range between 2020 and 2022 years.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

3. Information on banks and foreign bank accounts

3.a Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	152.297	398.859	464.978	24.573
Foreign	-	6.379	-	4.136
Branches and head office abroad	-	-	-	-
Total	**152.297**	**405.238**	**464.978**	**28.709**

3.b Information on banks and foreign bank accounts:

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

4. Information on financial assets at fair value through other comprehensive income

4.a.1 Information on financial assets at fair value through other comprehensive income given as repurchase agreements:

	Current Period	
	TL	**FC**
Government bonds	15.605	-
Treasury bills	-	-
Other government debt securities	-	201.441
Bank bonds and bank guaranteed bonds	-	-
Asset backed securities	-	-
Other	-	-
Total	**15.605**	**201.441**

4.a.1.1 Available-for-sale financial assets subject to repurchase agreements:

	Prior Period	
	TL	**FC**
Government bonds	15.944	-
Treasury bills	-	-
Other government debt securities	-	155.306
Bank bonds and bank guaranteed bonds	-	-
Asset backed securities	-	-
Other	-	-
Total	**15.944**	**155.306**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

4. Information on financial assets at fair value through other comprehensive income (continued)

4.a.2 Information on financial assets designated at fair value through other comprehensive income given as collateral or blockage:

All financial assets available for sale given as collateral comprise of financial assets are issued by the T.R. Undersecreteriat of Treasury. The carrying value of those assets is TL 1.630.474.

	Current Period	
	TL	FC
Share certificates	-	-
Bond, Treasury bill and similar investment securities	923.647	706.827
Other	-	-
Total	**923.647**	**706.827**

4.a.2 Information on available-for-sale financial assets given as collateral or blockage:

As of 31 December 2017, all financial assets available for sale given as collateral comprise of financial assets are issued by the T.R. Undersecreteriat of Treasury. The carrying value of those assets is TL 1.389.292.

	Prior Period	
	TL	FC
Share certificates	-	-
Bond, Treasury bill and similar investment securities	603.852	785.440
Other	-	-
Total	**603.852**	**785.440**

4.b Major types of financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income comprised of government bonds 61%, Eurobonds 31,22% and shares and other securities 7,79%.

4.b.1 Major types of available for sale financial assets:

Available for sale financial assets comprised of government bonds 58,93%, Eurobonds 32,67% and shares and other securities 8,40%.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

4. Information on financial assets at fair value through other comprehensive income (continued)

4.c Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	3.322.307
Quoted on a stock exchange	2.252.584
Unquoted	1.069.723
Share certificates	82.491
Quoted on a stock exchange	10.369
Unquoted	72.122
Impairment provision(-)	(95.031)
Total	**3.309.767**

As of 31 March 2018, the net book value of unquoted financial assets at fair value through other comprehensive income share certificates of the Group is TL 56.650.

4.c.1 Information on financial assets at fair value through other comprehensive income:

	Prior Period
Debt securities	3.066.387
Quoted on a stock exchange	2.039.864
Unquoted	1.026.523
Share certificates	81.194
Quoted on a stock exchange	13.907
Unquoted	67.287
Impairment provision(-)	56.209
Total	**3.091.372**

As of 31 December 2017, the net book value of unquoted available for sale share certificates of the Group is TL 62.401.

5. Information on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	48.333	-	44.909	-
Corporate shareholders	48.333	-	44.909	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	165	-	173	-
Total	**48.498**	-	**45.082**	-

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Current Period (1)		Loans Under Close Monitoring (2)		
			Amendments on Conditions of Contract	
Cash Loans	Standard Loans	Loans Not Subject to Restructuring	Loans Revised Contract Terms	Refinance
Non-specialized loans	22.009.292	1.706.841	115.779	-
Working Capital loans	2.678.762	432.163	-	-
Export loans	489.009	26.349	24.401	-
Import loans	-	-	-	-
Loans given to financial sector	3.207.078	-	-	-
Consumer loans	165	-	-	-
Credit cards	-	-	-	-
Other	15.634.278	1.248.329	91.378	-
Specialized loans	-	-	-	-
Other Receivables	120.916	-	-	-
Total	**22.130.208**	**1.706.841**	**115.779**	-

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 5.076.569 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

(2) The syndicated loans granted to a company amounting to USD 79.955.175 are classified under Close Monitoring Loans and Other receivables as of 31 March 2018. Discussions between creditor banks and related sovereign institutions about restructuring of loan of this company are proceeding and expecting to be resulted positively.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

Prior Period (1)	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (2)		
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
Cash Loans		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Non-specialized loans	21.757.352	48.415	-	473.661	143.423	-
Working Capital loans	2.930.594	-	-	1.212	1.212	-
Export loans	248.568	-	-	48.440	48.440	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.795.036	-	-	-	-	-
Consumer loans	173	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	15.782.981	48.415	-	424.009	93.771	-
Specialized loans	-	-	-	-	-	-
Other receivables	106.217	-	-	-	-	-
Total	**21.863.569**	**48.415**	**-**	**473.661**	**143.423**	**-**

(1) According to Bank account plan purchasing Loans, Fleet Leasing Credits, Refinancing Loans and Portfolio Transfer Credits amounting to TL 4.523.571 shown under "Working Capital Loans", due to the nature of "Investment" shown under the category "other" in the above footnote.

(2) The syndicated loans granted to a company amounting to USD 79.955.175 USD are classified under Close Monitoring Loans and Other receivables as of 31 December 2017. Discussions between creditor banks and related sovereign institutions about restructuring of loan of this company are proceeding and excepting to be resulted positively.

Current Period	Standard Loans	Loans under Close Monitoring
12 Months Expected Credit Loss	56.507	-
Significant Increase in Credit Risk	-	175.115

(*) *Information of prior period is not given because of transition process.*

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.b Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued):

Current Period **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	51.340	115.779
Extended for 3-4 or 5 times	-	-
Extended for more than 5 times	-	-

Prior Period **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	48.415	142.211
Extended for 3,4 or 5 times	-	1.212
Extended for more than 5 times	-	-

Current Period **The time extended via the amendment on payment plan**	**Standard Loans and Other Receivables**	**Loans and Other Receivables Under Close Monitoring**
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	23.015
2-5 Years	51.340	71.983
5 Years and Over	-	20.781

Prior Period **The time extended via the amendment on payment plan**	**Standard Loans and Other Receivables**	**Loans and Other Receivables Under Close Monitoring**
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	27.946
2-5 Years	48.415	96.688
5 Years and Over	-	18.789

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the assets (continued)

5. Explanations on loans (continued)

5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans- TL	6	159	165
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6	159	165
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**6**	**159**	**165**

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel (continued):

Prior Period	**Short Term**	**Medium and Long Term**	**Total**
Consumer Loans-TL	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	5	168	173
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	5	168	173
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Overdraft Accounts- TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	**5**	**168**	**173**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.e Information on commercial loans with instalments and corporate credit cards:

The Parent Bank has not granted any commercial loans with instalments and corporate credit cards as of the reporting date (31 December 2017: None).

5.f Loans according to borrowers:

	Current Period	**Prior Period**
Public	1.043.847	878.502
Private	22.908.981	21.458.728
Total	**23.952.828**	**22.337.230**

5.g Domestic and foreign loans:

	Current Period	**Prior Period**
Domestic Loans	23.838.360	22.229.418
Foreign Loans	114.468	107.812
Total	**23.952.828**	**22.337.230**

5.h Loans granted to subsidiaries and associates:

	Current Period	**Prior Period**
Direct loans granted to subsidiaries and associates	291.041	257.470
Indirect loans granted to subsidiaries and associates	-	-
Total	**291.041**	**257.470**

5.i Specific provisions provided against loans or dividend (Stage 3) provisions:

	Current Period	**Prior Period**
Loans and receivables with limited collectability	210	985
Loans and receivables with doubtful collectability	-	4.894
Uncollectible loans and receivables	52.632	47.696
Total	**52.842**	**53.575**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.j Information on non-performing loans (net):

5.j.1 Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Gross amounts before provisions	-	-	7.266
Rescheduled loans	-	-	7.266
Prior Period			
Gross amounts before provisions	-	-	7.266
Rescheduled loans	-	-	7.266

5.j.2 Movement of non-performing loans:

	III. Group	IV. Group	V. Group
Current Period	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period End Balance	**985**	**4.894**	**47.695**
Additions (+)	855	-	578
Transfers from Other Categories of Non-performing Loans (+)	-	-	4.963
Transfers to Other Categories of Non-performing Loans (-)	-	(4.894)	-
Collections (-)	-	-	(62)
Write-offs (-)	-	-	(542)
Sold (-)			
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	**1.840**	**-**	**52.632**
Provisions (-)	(210)	-	(52.632)
Net Balance on Balance Sheet	**1.630**	**-**	**-**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.j Information on non-performing loans (net) (continued):

5.j.2 Movement of non-performing loans (continued):

	III. Group	IV. Group	V. Group
Prior Period	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period End Balance	**3.092**	**-**	**48.523**
Additions (+)	4.895	1	1.540
Transfers from Other Categories of Non-performing Loans (+)	-	6.621	1.728
Transfers to Other Categories of Non-performing Loans (-)	(6.621)	(1.728)	-
Collections (-)	(381)	-	(4.095)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance	**985**	**4.894**	**47.696**
Specific Provisions (-)	(985)	(4.894)	(47.696)
Net Balance on Balance Sheet	**-**	**-**	**-**

5.j.3 Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	1.837	-	-
Specific Provision (-)	(207)	-	-
Net Balance on Balance Sheet	**1.630**	-	-
Prior Period			
Period End Balance	982	-	-
Specific Provision (-)	(982)	-	-
Net Balance on Balance Sheet	-	-	-

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5. Explanations on loans (continued)

5.j Information on non-performing loans (net) (continued):

5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	1.840	-	48.541
Specific Provision Amount (-)	(210)	-	(48.541)
Loans to Real Persons and Legal Entities (Net)	1.630	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	4.091
Specific Provision Amount (-)	-	-	(4.091)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	985	4.894	45.605
Specific Provision Amount (-)	(985)	(4.894)	(45.605)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	2.091
Specific Provision Amount (-)	-	-	(2.091)
Other Loans and Receivables (Net)	-	-	-

5.j.5 Information on interest accruals, rediscount, and valuatin differences calculated for non-performing loans and their provisions:

	III.Group	IV.Group	V.Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	**904**	**-**	**-**
Interest Accruals and Rediscount with Valuation Differences	788	-	-
Provision Amount (-)	116	-	-

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

5.k Main principles of liquidating non-performing loans and receivables:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

5.l Explanations about the write-off policies from the assets:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

6. Information on financial assets measured at amortized cost:

6.1 The information was subjected to repurchase agreement and given as collateral/blocked amount of investments :

	Current Period	
	TL	**FC**
Collateralised/Blocked Investments	147.669	46.876
Subject to Repurchase Agreements	395.339	137.222
Total	**543.008**	**184.098**

6.1.a Information on repurchase agreement and given collateral/blocked investments held to maturity

	Prior Period	
	TL	**FC**
Collateralised/Blocked Investments	145.439	45.742
Subject to Repurchase Agreements	455.539	96.539
Total	**600.978**	**142.281**

6.2 Information on public sector debt securities measured at amortized cost:

	Current Period
Government Bonds	1.563.349
Treasury Bills	-
Other Government Debt Securities	-
Total	**1.563.349**

6.2.a Information on public sector debt investments held-to-maturity:

	Prior Period
Government Bonds	1.532.047
Treasury Bills	-
Other Government Debt Securities	-
Total	**1.532.047**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

6.3 Information on financial assets measured at amortized cost :

	Current Period
Debt Securities	
Quoted on a Stock Exchange	1.361.892
Not Quoted	201.457
Impairment provision (-)	-
Total	**1.563.349**

6.3.a Information on held-to-maturity investments :

	Prior Period
Debt Securities	
Quoted on a Stock Exchange	1.334.722
Not Quoted	199.228
Impairment provision (-)	(1.903)
Total	**1.532.047**

6.4 Movement of financial assets at amortized cost :

	Current Period
Balance at Beginning of the Period	**1.532.047**
Foreign Currency Differences on Monetary Assets	8.913
Purchases During The Period	-
Disposals Through Sales And Redemptions	(350)
Impairment Provision	-
Interest Income Accruals	22.739
Balance at End of Period	**1.563.349**

6.4.a Movement of held-to-maturity investments :

	Prior Period
Balance at Beginning of the Period	**1.375.729**
Foreign Currency Differences on Monetary Assets	13.914
Purchases During The Period	-
Disposals Through Sales And Redemptions	(836)
Impairment Provision	(1.903)
Interest Income Accruals	145.143
Balance at End of Period	**1.532.047**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

7. Information on investments in associates (net):

7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:

Unconsolidated non-financial associates are valued at cost.

7.a.2 Information on unconsolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
2	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/Turkey	10,05	20,10

Non-financial associates, as above, are not consolidated in accordance with the Communiqué on "Preparing Consolidated Financial Statements of the Banks".

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
1	Terme (*)	18.206	5.308	1.578	-	-	(160)	(455)	-
2	Ege Tarım	11.513	10.714	8.407	4	-	742	10	-

(*) Represents for the period ended 31 December 2017 financial statements. Prior year profit/loss is obtained from 31 December 2016 financial statements.

Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

Information on associates purchased in the current period

In the current period the Group has not purchased any associates.

7.a.3 Information on the consolidated associates:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	İş Faktoring A.Ş. (İş Faktoring)	Istanbul/Turkey	21,75	100,00
2	İş Finansal Kiralama A.Ş. (İş Finansal)	Istanbul/Turkey	29,46	57,38
3	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim)	Istanbul/Turkey	16,67	57,83

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

7. Information on investments in associates (net) (continued):

7.a.3 Information on the consolidated associates (continued):

		Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	İş Faktoring	4.006.877	207.840	1.347	101.179	-	22.627	13.787	-
2	İş Finansal	5.555.512	866.496	14.126	103.012	-	30.200	18.486	396.980
3	İş Girişim	259.116	257.031	41	1.367	464	113	889	18.676

	Current Period	Prior Period
Balance at the Beginning of the Period	**374.425**	**322.922**
Movements During the Period	2.409	51.503
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	19.456	43.861
Sales	-	-
Revaluation Increase	(2.585)	-
Provision for Impairment	-	7.642
Balance at the End of the Period	(15.518)	-
Capital Commitments	**375.778**	**374.425**
Share Percentage at the End of the Period (%)	-	-

Information on associates disposed in the current period

In the current period the Group has not disposed any associates.

Information on associates purchased in the current period

In current period the Group has not purchased any associates.

7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	45.205	83.226
Leasing Companies	287.735	247.371
Financial Service Companies		-
Other Financial Associates	42.838	43.828

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

7. Information on investments in associates (net) (continued):

7.a.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	330.573	291.199
Associates Quoted on Foreign Stock Markets	-	-

8. Information related to subsidiaries (net)

8.a.1 Information related to equity component of subsidiaries:

	YF (*)	TSKB GYO (*)
	Current Period	**Current Period**
CORE CAPITAL		
Paid-in Capital	63.504	150.000
Share Premium	-	593
Legal Reserves	2.833	8.790
Other Comprehensive Income according to TAS	10.354	-
Current and Prior Years' Profit / Loss	10.548	(3.642)
Leasehold Improvements (-)	491	-
Intangible Assets (-)	860	22
Total Core Capital	**85.888**	**155.719**
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	**85.888**	**155.719**

(*) The information is obtained from financial statements subject to consolidation as of 31 March 2018.

	YF (*)	TSKB GYO (*)
	Prior Period	**Prior Period**
CORE CAPITAL		
Paid-in Capital	64.275	150.000
Share Premium	-	593
Legal Reserves	2.514	8.787
Other Comprehensive Income according to TAS	9.759	4
Current and Prior Years' Profit / Loss	8.239	17.094
Leasehold Improvements (-)	(408)	-
Intangible Assets (-)	(915)	(25)
Total Core Capital	**83.464**	**176.453**
Supplementary Capital	-	-
Capital	-	-
Net Available Capital	**83.464**	**176.453**

(*) The information is obtained from financial statements subject to consolidation as of 31 December 2017.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

8. Information related to subsidiaries (net) (continued)

8.a.1 Information related to equity component of subsidiaries (continued):

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the Article of 519 of the Turkish Commercial Code No 6102.

The Parent Bank's internal capital adequacy assessment process is made annually on a consolidated basis. Consolidated subsidiaries and associates are included in the assessment.

8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to minimum capital requirement.

8.a.3 Information related to unconsolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	TSKB Gayrimenkul Değerleme A.Ş. (TSKB GMD)	Istanbul /Türkiye	99,99	99,99
2	TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (TSKB SD)	Istanbul/Türkiye	80,65	99,42

		Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	TSKB GMD	19.869	16.762	1.187	426	-	1.408	2.485	-
2	TSKB SD	602	424	45	17	-	(319)	(204)	-

Subsidiaries disposed in the current period

In the current period, the Group has not disposed any subsidiaries.

Subsidiaries purchased in the current period

In the current period, the Group has not purchased any subsidiaries.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

8. Information related to subsidiaries (net) (continued)

8.a.4 Information related to consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YF)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	70,84	72,48

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
YF (*)	796.023	87.239	1.400	16.826	190	3.918	2.691	-
TSKB GYO (*)	460.698	155.741	354	116.680	-	(20.741)	(12.179)	81.398

(*) The unconsolidated financial data of the subsidiaries are prepared in accordance with BRSA regulations.

Unconsolidated movement related subsidiaries subjected to consolidation is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	**206.227**	**203.327**
Movements During the Period	(12.352)	2.900
Purchases	-	-
Bonus Shares Obtained	-	-
Current Year Shares of Profit	(10.947)	(7.325)
Sales	-	-
Increase / Decrease in Fair Values	(170)	10.225
Revaluation Increase	-	-
Provision for Impairment	-	-
Other	(1.235)	-
Balance At the End of the Period	**193.875**	**206.227**
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

According to the principles of consolidation accounting, the cost values of the consolidated subsidiaries have been deducted from the accompanying consolidated financial statements.

Subsidiaries disposed in the current period

In the current period, the Group has not disposed any subsidiaries.

Subsidiaries purchased in the current period

In the current period, the Group has not purchased any subsidiaries.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

8. Information related to subsidiaries (net) (continued)

8.a.5 Sectoral information on consolidated subsidiaries and the related carrying amounts in the legal books:

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Financial Subsidiaries	193.875	206.227

8.a.6 Subsidiaries quoted on stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	110.318	125.017
Quoted in Foreign Stock Exchange	-	-

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

9. Information related to entities under common control

TSKB GYO, one of the subsidiaries of the Parent Bank, established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı ("Adana Hotel Project") on 26 May 2011 and Anavarza Otelcilik Anonim Şirketi on 27 March 2015.

The main operations of Adana Hotel Project is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret A.Ş. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for TSKB GYO. The nominal paid-in capital of Adana Hotel Project comprises 20.000 shares of TL 1 (full) for each amounting to TL 20 in total. TSKB GYO has paid TL 10 in cash for the 50% ownership in Adana Hotel Project. The hotel has completed and started operations on 1 September 2015.

The main line of business of Anavarza Otelcilik Anonim Şirketi is tourism oriented hotels, motels, accommodation facilities, gastronomy, sports, entertainment and health care. The capital structure of the corporation is designated with 50% participation of Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% participation of the corporation itself. The nominal paid-in capital of the Anavarza Otelcilik A.Ş. comprises 2.000.000 shares of TL 1 for each amounting to TL 2.000 in total. As of 2 November 2015, paid-in capital of Anavarza Otelcilik has been increased from TL 2.000 to TL 3.500 in cash. TSKB GYO is paid out total of TL 1.750 in cash that corresponding to 50% capital of the company.

	Total Assets	Equity	Total Fixed Assets	Interest Income	Securities Income	Current Year Profit /Loss	Prior Year Profit /Loss	Fair Value
Adana Divan Hotel	11.166	(9.739)	1.173	-	-	(472)	(580)	-
Anavarza Hotelier Corporation	3.733	(507)	112	3	-	190	(59)	-

10. Information on finance lease receivables (net)

10.a Maturities of investments on finance leases:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than 1 year	16.311	14.001	8.627	7.439
Between 1- 4 years	61.678	53.153	40.269	34.632
More than 4 years	32.309	27.607	25.061	21.339
Total	**110.298**	**94.761**	**73.957**	**63.410**

10.b The information on net investments in finance leases:

	Current Period	Prior Period
Gross investments in finance leases	**110.298**	**73.957**
Unearned revenue from finance leases (-)	15.537	10.547
Cancelled finance leases (-)	-	-
Net investments in finance leases	**94.761**	**63.410**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

10. Information on finance lease receivables (net) (continued)

10.c Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:

Finance lease agreements are made in accordance with the related articles of the Financial Leasing, Factoring and Financing Company Law No. 6361. There are no restructuring or restrictions having material effect on financial statements.

11. Positive differences on derivative financial assets held for hedging purposes:

There is no differences on derivative financial ınstruments held for hedging purposes. (31 December 2017: None).

As of 31 March 2018, the net fair value of derivative financial instruments designated as hedging instruments carried in the contract amount and the balance sheet are summarized in the following table:

	Current Period			Prior Period		
	Face Value	**Asset**	**Liability**	**Face Value**	**Asset**	**Liability**
Interest Rate Swap	13.798.400	-	(170.053)	10.582.050	-	(78.682)
FC	13.798.400	-	(170.053)	10.582.050	-	(78.682)
TL	-	-	-	-	-	-

11.a.1 Information on fair value hedge accounting:

Current Period Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	Fair Value of Hedging Instrument (*)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	**Liability**	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	142.703	-	(145.527)	(2.824)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	19.394	-	(20.398)	(1.004)

(*) The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

11.a.1 Information on fair value hedge accounting (continued)

Prior Period Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item (*)	Fair Value of Hedging Instrument (*)		Income St Effect (Profit/Loss Through Derivative Financial Instruments)
				Asset	Liability	
Interest Rate Swap Transactions	Fixed Rate Eurobond and Green bond Issued	Interest Rate Risk	60.540	-	(71.434)	(10.894)
Interest Rate Swap Transactions	Fixed Rate Loans Used	Interest Rate Risk	8.988	-	(10.600)	(1.612)

(*) The fair value of hedged item is presented as net market value less credit risk and accumulated interest.

12. Information on tangible assets (net)

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

13. Information on intangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

14. Information on investment properties

In the current period, the Group has three investment properties with a net book value of TL 243.145 (31 December 2017: TL 243.145) belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. Investment properties movement table as of 31 March 2018 and 31 December 2017 is as follows:

Current Period	Opening Balance of Current Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	25.425	-	-	-	25.425
Pendorya Mall	152.990	-	-	-	152.990
Adana Divan Hotel	64.730	-	-	-	64.730
Total	**243.145**	**-**	**-**	**-**	**243.145**

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Prior Period
Tahir Han	23.020	-	-	2.405	25.425
Pendorya Mall	143.690	947	-	8.353	152.990
Adana Divan Hotel	64.613	10	-	107	64.730
Total	**231.323**	**957**	**-**	**10.865**	**243.145**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

15. Information on deferred tax assets

15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:

The Group has computed deferred tax asset or liability on "temporary differences'' arising from carrying values of assets and liabilities in the accompanying financial statements and their tax bases.

Deferred tax asset:	**Current period**	**Prior period**
Loan commissions accrual adjustment	22.415	22.563
Other provisions	52.480	61.603
Employee benefit provision	2.879	2.605
Other	2.370	1.839
Total Deferred Tax Asset	**80.144**	**88.610**
Deferred tax liabilities:		
Marketable securities	(33.426)	(20.635)
Borrowings commissions accrual adjustment	(13.367)	(10.869)
Valuation of derivative instruments	(3.418)	(8.823)
Useful life difference of fixed assets	(581)	(592)
Others	(9.079)	(6.801)
Total Deferred Tax Liability	**(59.871)**	**(47.720)**
Net Deferred Tax Asset	**20.273**	**40.890**

15.b Temporary differences over which deferred tax asset are not computed and recorded in the balance sheet in prior periods, if so, their expiry date, losses and tax deductions and exceptions:

YF has unused tax losses that can be offset against future profits of TL 10.940 (31 December 2017: TL 12.522) and deferred tax assets are not calculated over these losses. (31 December 2017: TL 1.582 temprorary difference, TL 316 deferred tax asset).

15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2017: None).

16. Explanations on assets held for sale:

In the current period, the Group has no assets held for sale (31 December 2017: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (continued)

17. Information about other assets

17.a Other assets which exceed 10% of the balance sheet total and breakdown of these which constitute at least 20% of grand total:

Other assets do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2017: None).

II. Explanations and disclosures related to the consolidated liabilities:

1. Information on maturity structure of deposits

1.a.1 Maturity structure of deposits:

The Parent Bank is not authorized to accept deposits.

1.a.2 Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

1.b Information on the scope whether the bank with a foreign head office suits saving deposit insurance of the related country:

The Parent Bank is not authorized to accept deposits.

1.c Saving deposits which are not under the guarantee of deposit insurance fund:

The Parent Bank is not authorized to accept deposits.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

2. Negative differences table related to derivative financial liabilities held-for-trading:

Derivative Financial Liabilities Held For Trading (1)	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	20.124	18.676	14.804	6.867
Swap Transactions	121.826	80.002	108.906	59.403
Futures Transactions	-	-	-	-
Options	-	27.196	-	42.423
Other	-	-	-	-
Total	**141.950**	**125.874**	**123.710**	**108.693**

(1) Negative differences from derivative financial liabilities at fair value for hedging purpose amounting to TL 170.053 is classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss"line in the balance sheet.

3. Information on banks and other financial institutions

3.a Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	691.884	30.040	561.938
From Foreign Banks, Institutions and Funds	187.389	19.157.946	190.972	18.218.677
Total	**187.389**	**19.849.830**	**221.012**	**18.780.615**

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	387.748	30.040	134.812
Medium and long-term	187.389	19.462.082	190.972	18.645.803
Total	**187.389**	**19.849.830**	**221.012**	**18.780.615**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

3. Information on banks and other financial institutions (continued)

3.c Additional information about the concentrated areas of liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Nominal	-	5.292.000	-	3.752.500
Cost	-	5.277.675	-	3.743.915
Book Value	-	5.289.091	-	3.746.229

As of 27 October 2014, the Parent Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 30 October 2019 with fixed interest rate of 5,375%, 5 years maturity and semiannual coupon payment. As of 22 April 2015, the Bank has performed the similar issuance of Eurobond with the nominal amount of USD 350 Million. Interest rate of these debt instruments determined as 5,125% which have the redemption date of 22 April 2020 with fixed interest rate, 5 years maturity and semiannual coupon payment. Selling of Greenbond which was issued by the Bank in abroad with nominal value of USD 300 Million, 5 years maturity and for financing the green and sustainable projects has been completed on 18 May 2016. The return of these bonds which have the redemption date of 18 May 2021 and 5 years maturity is determined as 5,048% and the coupon rate as 4,875%. As of 16 January 2018, the Parent Bank issued the debt instruments which have nominal value of USD 350 Million, redemption date of 16 January 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

3.d Additional information about the concentrated areas of liabilities:

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

4. Other liabilities which exceed 10 % of the balance sheet total and the breakdown of these which constitute at least 20 % of grand total

There are no other liabilities which exceed 10% of the balance sheet total (31 December 2017: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

5. Explanations on financial lease obligations (net)

5.a Explanations on finance lease payables:

The Group has no finance lease payables (31 December 2017: None).

5.b Explanations regarding operational leases:

As of the reporting date, 9 branches of the Group companies are subject to operational leasing. Additionally, 23 cars, 215 computers and 27 tablets are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2017: 9 branches, 24 cars, and 291 computers are subject to operational leasing).

5.c Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:

The Group has no sale and lease back transactions as of the reporting date (31 December 2017: None).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

6. Negative differences table related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (1)	-	170.053	-	78.682
Cash Flow Hedge	-	-	-	-
Hedge of net investment in foreign operations	-	-	-	-
Total	**-**	**170.053**	**-**	**78.682**

(1) Negative differences from derivative financial liabilities at fair value for hedging purpose is classified in "7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss" line in the balance sheet.

7. Information on provisions

7.a Information on general loan loss provisions:

	Prior Period
General Provisions	**136.131**
I.Provisions for First Group Loans and Receivables (*)	107.597
II.Provisions for Second Group Loans and Receivables	9.473
Provisions for Non-Cash Loans	2.447
Other	16.614

(*)Minimum provision rates for general provision calculation is used for first group standart loans and all non cash loans in Regulation" Regulation on Procedures and principles For Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published on the Official Gazette numbered 29918 dated 14 December 2016.

7.b Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:

As of the reporting date, the Group's foreign exchange losses on the foreign currency indexed loans amount to TL 629 (31 December 2017: TL 4.724). The foreign exchange losses on the foreign currency indexed loans are net off from the loans line in the financial statements.

7.c The specific provisions provided for unindemnified non cash loans:

As at the reporting date, the Bank's specific provisions provided for unindemnified non cash loan amount to TL 583 (31 December 2017: TL 583).

7.d Information related to other provisions:

7.d.1 Provisions for possible losses:

Free provision amounting to TL 200.000 provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions. (31 December 2017: 190.000)

7.d.2 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:

Other provisions, except to free provisions for possible losses, includes amount to TL 3.450 for personnel dividend provision and amount to TL 5.036 for general provision for non-cash loans. (31 December 2017: TL 90.000 provision for the risks of loan portfolio).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

8. Information on taxes payable

8.a Information on current taxes payable

8.a.1 Information on taxes payable:

	Current Period		Prior Period	
Corporate Taxes and Deferred Taxes	TL	FC	TL	FC
Corporate Taxes Payable	35.216	-	43.662	-
Deferred Tax Liability	-	-	-	-
Total	**35.216**	**-**	**43.662**	**-**

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	35.216	43.662
Taxation of Securities	1.278	754
Capital gains tax on property	-	-
Banking and Insurance Transaction Tax (BITT)	5.409	6.358
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	257	478
Other	13.898	1.951
Total	**56.058**	**53.203**

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	172	132
Social Security Premiums-Employer	196	149
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	66	43
Unemployment Insurance-Employer	132	86
Other	42	35
Total	**608**	**445**

8.b Explanations on deferred taxes liabilities:

As of the reporting date, the Group has no deferred tax liability (31 December 2017: None).

9. Information on liabilities regarding assets held for sale

None (31 December 2017: None).

10. Explanations on the number of subordinated loans the group used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

As of 28 March 2017, the Parent Bank issued the sustainable subordinated debt securities which have nominal value of USD 300 Million, redemption date of 29 March 2022 with fixed interest rate of 7,625% semiannual coupon paymet. As of the end of the period, the value of the borrowing insturement is TL 1.176.249 (31 December 2017: 1.146.236).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

10. Explanations on the number of subordinated loans the group used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

	Current Period		Prior Period	
Debt Instruments Subject to Common Equity	**TL**	**FC**	**TL**	**FC**
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier II Equity	-	1.176.249	-	1.146.236
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	1.176.249	-	1.146.236
Total	**-**	**1.176.249**	**-**	**1.146.236**

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	2.400.000	2.050.000
Preferred Stock	-	-

11.b Paid-in capital amount, explanation as to whether the registered share capital system ceiling is applicable at bank, if so amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	2.400.000	4.500.000

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

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA dated 26 April 2018.

In the meeting of the General Assembly held on 23 March 2017, it has been resolved that, paid-in capital of the Bank will be increased from TL 2.050.000 to TL 2.400.000 by adding TL 350.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2016. Aforementioned increase was approved by the BRSA dated 27 April 2017 and was announced in the Turkish Trade Registry Gazette dated 12 June 2017 and No. 9345.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the consolidated liabilities (continued)

11. Information on shareholders' equity (continued)

11.d Information on share capital increases from capital reserves:

None. (31 December 2017: None)

11.e Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

The Parent Bank has no capital commitments in the last fiscal year and at the end of the following interim period (31 December 2017: None).

11.f Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The prior period income, the profitability and liquidity of the Parent Bank and their trends in the successive periods are followed by Budget Planning and Investor Relations Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under several different scenario analyses. The Parent Bank operations are profitable and the Parent Bank keeps the major part of its profit by capital increases or capital reserves within the shareholders' equity.

11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2017: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	**6.624**	**-**	**(13.878)**	**-**
From Available for Sale Financial Assets	**(34.084)**	**(10.643)**	**(27.200)**	**12.440**
Valuation Differences	(43.773)	(10.643)	(35.047)	12.440
Foreign Exchange Difference	9.689	-	7.847	-
Total	**(27.460)**	**(10.643)**	**(41.078)**	**12.440**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the consolidated off-balance sheet items

1. Information on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Forward Purchase and Sales of Assets	895.527	99.151
Commitments for Money Market Brokerage Purchase and Sales	135.722	84.711
Commitments for Stock Brokerage Purchase and Sales	289.443	1.058.598
Commitments for Letter of Credit	612.076	611.167
Commitments from Forward Short Term Borrowing and Transfers	-	93
Capital commitments for subsidiaries and associates (*)	82.503	78.890
Other	314.879	291.310
Total	**2.330.150**	**2.223.920**

(*) It includes the remaining amount of the Parent Bank to commit purchase the shares of the fund as established with the name of Turkish Growth and Innovation Fund – TGIF which is planned to be created by the European Investment Fund – EIF.

1.b Possible losses and commitments related to off-balance sheet items including items listed below:

1.b.1 Non-cash loans including guarantees, surety and acceptances, financial collaterals and other letters of credits:

As of the reporting date, total letters of credits, surety and acceptance amount to TL 1.409.334 (31 December 2017: TL 1.098.066).

1.b.2 Certain guarantees, tentative guarantees, surety ships and similar transactions:

As of the reporting date, total letters of guarantee is TL 1.673.805 (31 December 2017: TL 1.475.645).

1.c.1 Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	905.580	736.635
With Maturity of One Year or Less than One Year	81.411	25.875
With Maturity of More than One Year	824.169	710.760
Other Non-Cash Loans	2.177.559	1.837.076
Total	**3.083.139**	**2.573.711**

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the consolidated off-balance sheet items (continued)

1. Information on off-balance sheet liabilities (continued)

1.c.2 Information on sectoral risk breakdown of non-cash loans:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

1.c.3 Information on non cash loans classified under Group I and Group II:

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

2. Information related to derivative financial instruments

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

3. Explanations on loan derivatives and risk exposures

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

4. Explanations on contingent liabilities and assets

There are 56 legal cases against the Group which are amounting to TL 4.976 as of the reporting date (31 December 2017: TL 4.976 - 56 legal cases).

Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Parent Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (Foundation) established in accordance with the decisions of Turkish Commercial Law and Civil Law as made to all Foundations in the sector. According to this investigation it has been communicated that the amount Parent Bank is obliged to pay is a benefit in the nature of fee for the members of Foundation worked at the time of payment, the amount Foundation members are obliged to pay should not been deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stump duty deducted from allowance and total amount of TL 17.325 tax penalty notice relating to period in question to Parent Bank relying on this report.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the consolidated off-balance sheet items (continued)

4. Explanations on contingent liabilities and assets (continued):

Some of the lawsuits are decided favorable, remaining of lawsuits are decided unfavorable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22.091.

A similar case has been submitted to the Constitutional Court in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilities to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the Parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the Parent Bank and an amount of TL 12.750 corresponding to the portion that the Parent Bank was obliged to pay for the related period is recognized as income in the prior period.

There is a lawsuit for Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7. TSKB GYO has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from "Possessory Actions" and converted to the "Confiscating without expropriating" by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision.

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

5. Custodian and intermediary services

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	85.263	4.347	35.038	2.250
Medium and Long Term Loans	60.659	265.986	46.469	201.518
Interest on Non-performing Loans	-	50	-	48
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	**145.922**	**270.383**	**81.507**	**203.816**

(*) Commission income from loans has been included to the interest on loans.

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey (*)	2.013	-	933	-
Domestic Banks	21.194	1.117	4.703	2.504
Foreign Banks	468	43	442	41
Branches and Head Office Abroad	-	-	-	-
Total	**23.675**	**1.160**	**6.078**	**2.545**

(*) Interests given to the Turkish Lira and US Dollar portion of the CBRT Required Reserves, reserve options and unrestricted accounts have been presented under "The Central Bank of Turkey" line in the financial statements.

1.c Information on interest received from marketable securities:

	Current Period	
	TL	FC
Financial Assets at Fair Value Through Profit and Loss	198	-
Financial Assets at Fair Value Through Other Comprehensive Income	59.300	12.195
Financial Assets Measured at Amortized Cost	40.651	2.266
Total	**100.149**	**14.461**

	Prior Period	
	TL	FC
Trading Securities	439	-
Financial Assets at Fair Value Through Profit and Loss	43.846	14.249
Available for Sale Financial Assets	32.261	2.816
Total	**76.546**	**17.065**

As indicated in accounting policies, the Parent Bank evaluate its Consumer Price Indexed (CPI) goverment bonds which are in securities portfolio of the Parent Bank base on reference index at date of issue and estimated CPI's. The estimated CPI's is updated when it seems necessary. As of 31 March 2018, the subjected securities is evaluated based on estimated annual inflation rate 9,54%.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

1. Information on interest income (continued)

1.d Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	6.213	4.060

2. Information on interest expense

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	9.394	18.593	3.886	10.873
The Central Bank of Turkey	-	-	-	-
Domestic Banks	5.848	5.172	2.613	3.585
Foreign Banks	3.546	13.421	1.273	7.288
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	689	76.187	689	62.815
Total (*)	**10.083**	**94.780**	**4.575**	**73.688**

(*) Commissions given to the Banks and Other Institutions are presented under interest expense.

2.b Information on interest expenses to associates and subsidiaries:

There is no interest expense to its associates and subsidiaries (31 December 2017: None).

2.c Information on interest expense to securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on securities issued (*)	-	95.392	-	50.553

(*) Commissions given to issuance have been included to interest expense.

3. Information on dividend income

Not prepared in accordance with the Article No.25 of the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

4. Information on net trading income (net)

	Current period	Prior period
Profit	**662.978**	**629.454**
Gains on capital market operations	1.808	1.319
Gains on derivative financial instruments (*)	464.283	300.427
Foreign exchange gains	196.887	327.708
Losses (-)	**695.234**	**634.352**
Losses on capital market operations	729	860
Losses on derivative financial instruments (*)	468.631	289.572
Foreign exchange losses	225.874	343.920

(*) Foreign exchange gain from derivative transactions amounting to TL 178.103 is presented in "Gains on derivative financial instruments" (31 March 2017: TL 168.422), foreign exchange loss from derivative transactions amounting to TL (197.055) is presented in "Losses on derivative financial instruments" (31 March 2017: TL (159.959)).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released (1)	80.080	1.717
Gains on Sale of Assets	-	73
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	-	-
From Property Sales	-	70
From Other Asset Sales	-	3
Other	4.196	8.517
Total	**84.276**	**10.307**

(1) Includes TL 80.000 released provision in the current period.

6. Provision expenses related to loans and other receivables of the Group

	Current Period
Expected Credit Loss	92.375
12 Months Expected Credit Loss (Stage 1)	2.720
Significant Increase in Credit Risk (Stage 2)	89.008
Non-performing Loans (Stage 3)	647
Marketable Securities Impairment Expenses	2.070
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	2.070
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	-
Associates	-
Subsidiaries	-
Entities under Common Control (Joint Venture)	-
Other	-
Total	**94.445**

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

6. Provision expenses related to loans and other receivables of the Group

	Prior Period
Specific provisions for loans and other receivables	5.598
III. Group Loans and Receivables	4.895
IV. Group Loans and Receivables	1
V. Group Loans and Receivables	702
General provision expenses	518
Provision expenses for possible losses	-
Marketable securities impairment expenses	2.204
Trading securities	-
Investment securities available for sale	2.204
Impairment provisions	-
Associates	-
Subsidiaries	-
Entities under common control (Joint Vent.)	-
Investment securities held to maturity	-
Other (1)	14.000
Total	**22.320**

(*) Other provision contains amounting to TL 14.000 in the prior period allocated for the risks related to the loan portfolio.

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel Expenses (1)(2)	32.149	24.873
Reserve for Employee Termination Benefits (1)	318	473
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	1.314	1.271
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortization Expenses of Intangible Assets	280	204
Impairment on Subsidiaries Accounted for Under Equity Method	-	-
Impairment on Assets for Resale	-	5
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Assets Held for Sale	-	-
Other Operating Expenses	8.887	13.043
Rent Expenses	690	5.668
Maintenance Expenses	535	360
Advertisement Expenses	368	395
Other Expenses	7.294	6.620
Loss on Sales of Assets	-	-
Other (3)	8.139	7.868
Total	**51.088**	**47.737**

(1) Due to personnel expenses and reserve for employee termination benefits shown separately on the financial statement in the current period it is not include in the other operating expenses.

(2) Personnel dividend that is not recognized in the previous periods on the financial statements is recognized through rediscount at 31 March 2018. For the distribution of profit share to the employees in accordance with TAS 19 "Employee Benefits", a provision amounting to TL 3.450 thousand is allocated during the period and classified in personnel expenses

(3) It contains vacation liability expenses amounting TL 1.013.

8. Information on tax provision for continued and discontinued operations

8.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Group's current tax charge for the period is TL 37.487 (31 March 2017: TL 42.399). Deferred tax charge is TL 62.307 (31 March 2017: TL 8.097 deferred tax benefit).

8.b Information related to deferred tax benefit or charge on temporary differences:

Deferred tax charge calculated on temporary differences is TL 62.307 (31 March 2017: TL 8.097 deferred tax benefit).

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the consolidated income statement (continued)

9. Information on tax provision for continued and discontinued operations (continued)

9.c Information related to deferred tax benefit / charge on temporary differences, losses, tax deductions and exceptions:

As of 31 March 2018, the deferred tax charge calculated based on temporary timing differences is TL 62.307 (31 March 2017: TL 8.097 deferred tax benefit). Deferred tax expense reflected in the income statement on carry forward tax losses, tax deductions and exceptions amounts to TL 316 (31 March 2017: TL 1.349 tax benefit).

In addition, TL 8.578 deferred tax charge which is calculated over the fair value differences on available for sale securities, is offset against the available for sale securities value increase fund item under equity (31 March 2017: TL 5.490 deferred tax charge).

10. Information on net profit/loss

10.a The nature and amount of certain income and expense items from ordinary operation 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:

The Group has generated TL 584.278 of interest income, TL 274.881 of interest expenses, TL 13.106 of net fee and commission income from banking operations (31 March 2017: TL 401.812 interest income, TL 186.562 interest expenses, TL 8.697 net fee and commission income).

10.b The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in the accounting estimates.

10.c Minority share of profit and loss:

The current year loss attributable to minority shares is TL 5.618 (31 March 2017: TL 3.282 loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 47.038 (31 March 2017: TL 54.975).

11. 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

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	8.448	6.784
Commissions from Initial Public Offering	755	669
Investment Fund Management Income	581	425
Other	1.041	960
Total	**10.825**	**8.838**

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations on the risk group of the Parent Bank

1. Information on the volume of transactions related to the Parent Bank's own risk group, outstanding loan and deposit transactions and income and expenses of the period

1.a Current period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities 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	257.470	260	-	-	76.931	-
Balance at the end of the period	291.041	262	75.347	-	366.388	262
Interest and commission income received	6.213	168	1.532	-	7.750	168

1.b Prior period:

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities 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	294.292	7.878	21.131	-	90.035	-
Balance at the end of the period	257.470	260	-	-	76.931	-
Interest and commission income received	3.944	116	141	-	1.099	-

1.c Information on deposit held by Parent Bank's own risk group:

The Parent Bank is not authorized to accept deposits.

2. Information on forward and option agreements and other similar agreements made with related parties

Risk Group of the Parent Bank	Subsidiaries and Associates		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Through Profit or Loss Transactions						
Beginning of the Period	444.536	849.378	-	-	-	-
End of the Period	464.770	444.536	-	-	-	-
Total Profit / Loss (*)	(6.244)	9.501	-	-	-	-
Hedging Risk Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Prior period includes the informations belong to 31 March 2017

3. Total salaries and similar benefits provided to the key management personnel

Benefits provided to key management personnel in the current period amount to TL 7.357 (31 March 2017: TL 6.134).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and notes related to subsequent events:

In the meeting of the General Assembly held on 23 March 2018, it has been resolved that, paid in capital of the Bank will be increased from TL 2.400.000 to TL 2.800.000 by adding TL 400.000. In respect of the resolution of the General Assembly, all of this increase will be incorporated from the profit of the year 2017. Aforementioned increase was approved by the BRSA and CMB dated 26 April 2018.

SECTION SIX

AUDITORS' LIMITED REVIEW REPORT

I. Explanations on the auditors' limited review report

The consolidated financial statements as of and for the year ended 31 March 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A Member firm of Ernst & Young Global Limited) and Auditors' Report dated 2 May 2018 is presented in the introduction of this report.

II. Explanations and notes prepared by independent auditors

There are no other explanations and notes not expressed in sections above related with the Group's operation.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities

GENERAL INFORMATION

Changes Pertaining to the Board Members, CEO and Executive Vice Presidents of the Bank During the Period

The changes pertaining to the Board of Directors during the period are provided below. Our Bank's Executive Vice President Ms. Ufuk Bala Yücel has retired from her duty as of 31.03.2018.

On March 23, 2018, Mr. Kamil Yılmaz resigned from his position. Mr. Ahmet Hakan Ünal and Mr. Hüseyin Yalçın were elected as Board Members at the same day. Mr. Ünal and Mr. Yalçın sworn into office on April 6, 2018. In addition, the election of Mr. Mithat Rende as Independent Board Member was approved by the General Assembly pursuant to Capital Markets Board Corporate Governance Communique numbered II-17.1.

The biographies of Mr. Ahmet Hakan Ünal and Mr. Hüseyin Yalçın are provided below:

Ahmet Hakan Ünal

Board Member

Hakan Ünal was born in 1974 in Ankara and graduated from Economics Department of the Faculty of Economics and Administrative Sciences, Hacettepe University in 1997. He then earned his MBA degree from Institute of Social Sciences, Istanbul Bilgi University in 2007. Having started his professional career at Isbank as Assistant Inspector on the Board of Inspectors in 1998, he was appointed as Assistant Manager of Credit Information and Financial Analysis Division in 2008. Having served as Unit Manager between 2011 and 2016, he was promoted as Division Head of Financial Analysis Division. Mr. Ünal has been a TSKB Board Member since 6 April 2018.

Hüseyin Yalçın

Board Member

Hüseyin Yalçın holds a degree in Economics from the Faculty of Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990. From 1990 to 2000, Mr. Yalçın served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey. After the transfer of banks to Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, as a Deputy General Manager at Sümerbank, as a Deputy General Manager at Kent Portföy and as the General Manager Consultant at Toprakbank from 2000 until 2002. He was elected as a member of the Board of Directors at İşbank in 2011 and worked for 6 years in same position. Hüseyin Yalçın was elected as a member of the Board of Directors at Milli Reasürans between 2017 and 2018. Since 6 April 2018, Mr. Yalçın has been a TSKB Board Member.

Information on the Bank's Board Meetings

The Board of Directors made 14 resolutions between January 1, 2018 - March 31, 2018. Members of the Board of Directors were sufficiently involved in the meetings.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

GENERAL INFORMATION (Continued)

ASSESSMENTS OF THE BOARD CHAIRMAN FOR THE PERIOD

After 2017 when the recovery in global economy accelerated, we are now entering a period with more highlight on geopolitical risks and protectionist trends in foreign trade. Although the global growth progresses moderately, the uncertainties caused by the said risks lead to fluctuations in financial markets from time to time. On the other hand, the improving global growth outlook and the rising commodity and oil prices come with the expectations for an increase in inflationist pressures in the upcoming period. The normalization processes in monetary policies of central banks in developed countries, chiefly by the Fed and the European Central Bank, continue.

In Turkey, the domestic demand was reinvigorated under the impact of the Credit Guarantee Fund (CGF) mechanism and other incentives, leading to a robust growth of 7,4% in the Turkish economy in 2017. Leading indicators point out to a continued growth momentum in the first quarter. To this end, the most recent package of incentives covering specific sectors such as healthcare, defense, automotive and mining is expected to support growth and employment. For a healthier and more sustainable growth in the Turkish economy, it is critically important to increase machinery and equipment investments as well as manufacturing industry investments and thus improve net exports contribution. All in all, this incentives package, a project-based program worth TL 130 billion, has been a positive step seeking to improve the growth composition and the rising current account deficit.

Public sector support under the CGF, which is closely related to the banking sector, continued in the first quarter. A new limit of TL 55 billion was extended mainly for long-term and export-oriented investments, enabling lending operations on a more selective scale. Loans in the banking sector grew by 2,4% in the first quarter. The capital structure in the sector remains strong although profitability fell year-on-year.

Injecting USD 2,5 billion into the economy in cash and non-cash loans last year, TSKB continued to offer financing and consultancy services in the first quarter to back Turkey's development. The Bank has maintained focus on diversifying its funds and will mainly finance qualified development investments such as energy, infrastructure, education, healthcare, efficiency, women's employment and technological transformation in 2018.

Sincerely,

H. Ersin Özince

Chairman

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

ASSESSMENTS OF THE CHIEF EXECUTIVE OFFICER FOR THE PERIOD

The recovery in the Turkish economy from 2017 continues to make positive progress in 2018 despite vulnerabilities caused by both domestic and global risks. The banking sector completed last year with a loan growth of 16% on a currency-adjusted basis and a rise of 31% in net profit. We expect such robust growth to continue this year under the impact of ongoing public incentives.

The first quarter also involved the General Assembly meeting and has been a very busy period for the Bank's operations. In January, TSKB issued a USD 350 million 5-year fixed-rate Eurobond on international markets, which was the first issuance in the banking sector in 2018 and was more than three times oversubscribed by investors. We believe such a high demand is an indicator of the confidence in the economy and the banking sector of our country as well as the strength of our Bank.

As a Bank that works towards an inclusive and sustainable development, we continue to support sectors and investments bringing in value for the Turkish economy. In the first quarter, we mainly focused on logistics, power generation, energy and resource efficiency projects in new lending operations. In addition, we continue to provide funds to companies in terms of women's employment, a new theme within the framework of the funds we obtained from AFD last year. Positive and concrete progress at beneficiary companies after getting the loans makes us happy and satisfied. We have so far observed an increase of 15% in women's employment at companies receiving loans from our Bank under this theme. We further reinforce such commitment through women-friendly efforts and practices we have in place. In recent months, we qualified for the Equal Opportunities Model (FEM) certification led by KAGIDER (Women Entrepreneurs Association of Turkey) and the World Bank. Furthermore, TSKB assumed the Coordinator role at the "Gender Equality" Working Group formed at the beginning of 2018 under the International Development Finance Club (IDFC), a highly-influential global initiative. Composed of representatives from the development banks of various countries, the Working Group aims to raise the awareness level and share best practices.

As a result of our successful operations, we delivered strong financial results which are in line with our guidances, in the first quarter of 2018. Our loan portfolio expanded by 7,4% on TL basis to TL 24 billion. At the same period, our assets size reached TL 32,1 billion with 7,4% increase whereas our shareholders' equity increased by 0,4% to TL 3,7 billion. As of 2018 first quarter, our net profit was posted as TL158,5 million with 10% increase.

We believe in our country's future and will never decelerate our pace to support development. To this end, we maintain close and intensive talks with various development finance institutions and international banks to further reinforce and diversify our fund base.

Sincerely,

Suat İnce

CEO and Board Member

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

ECONOMIC DEVELOPMENTS DURING THE INTERIM PERIOD

Economic Developments in the First Quarter of 2018

Turkish economy grew by 7,3% year-on-year in the last quarter of 2017 and by 7,4% overall in 2017. The growth in the last quarter of 2017 was largely driven by the 6,6% increase in household demand, making a contribution of 4,1 points. Fixed capital formation rose by 6%, pointing out to a recovery in investments. Data adjusted for seasonal and calendar effects indicated that the GDP increased by 1,8% in the last quarter of 2017 when compared to the previous quarter. As of 2017 year-end, the size of Turkish economy stood at TL 3,1 trillion (USD 851 billion).

Inflation data by Turkstat revealed that annual inflation based on consumer prices was 10,23% as of March 2018. The decline in annual food inflation under a base effect led to a decrease in inflation which completed 2017 at 11,92%.

Turkstat data suggests that industrial production grew by 12% and 9,9% in January and February respectively on a year-on-year basis. This marks a robust increase of 10,9% in industrial production in the first two months of the year.

The strong growth in textiles, iron and steel, electrical equipment and automotive exports coupled with the decrease in gold exports in the first two months of the year led to an increase of 9,8% in total exports which stood at USD 25,6 billion. During the period, energy imports rose by 37% and gold imports surged by 150%, causing the total imports to increase by 28,8% and reach USD 40,4 billion. This led the foreign trade deficit to rise to USD 14,8 billion with an increase of 83,7%. In the first two months, the rate of exports meeting imports stood at 63,3%.

Current accounts deficit increased by 113% to reach USD 11,2 billion in the first two months of 2018. The annual deficit was USD 47,4 billion in 2017, which constituted 5,6% of the GDP, and increased to USD 53,3 billion by the end of February 2018.

Ministry of Finance data showed that the central administration budget had a TL 20 billion deficit in the first quarter of 2018 with a year-on-year increase of 37%. In the first quarter, tax revenues increased by 20% to reach TL 146 billion and primary expenditures rose by 18% to stand at TL 166 billion. On the other hand, primary surplus fell by 53% and stood at TL 1,9 billion in the first quarter of 2018.

Markets

As global economic growth gained power, the main agenda items for markets in the first quarter were the steps towards trade protectionism and the increase in geopolitical risks. IMF data suggests that global growth reached its highest since 2011 with 3,8% in 2017 and is expected to rise further to 3,9% in 2018. This strong growth mainly arises from the increasing investments in developed countries, the sustained growth in a developing Asia, and the recovery in a developing Europe and commodity exporting countries. Positive developments on growth coupled with the reinforced growth and inflation indicators from the U.S. raised concerns that the Fed could hike interest rates more than the three expected hikes. In its March meeting, the Fed hiked its policy rate by 25 basis points in parallel with expectations to a range of 1,50%-1,75%.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

Furthermore, it issued statements to ease concerns on the market. The strong recovery signals in the Eurozone caused the European Central Bank to remove the emphasis in its statement that bond purchases could be increased if need be, thus leading to a minor signal for tightening. The U.S. statement that it will impose a 25% tariff on steel imports and a 10% tariff on aluminum imports, the most remarkable step towards protectionism by the U.S., coupled with the rising tension between the U.S. and Russia, and the issue in Syria all led to an increase in geopolitical risks. Leveraged by the compliance of OPEC and non-OPEC producers with production cuts, the price of Brent crude, on the other hand, exceeded USD 70 in the first quarter. This led to the assumption that the current price levels met the producers' expectations, and it is expected that the production cuts could be extended beyond 2018. A weakened risk appetite prevented a positive reflection of growth expectations on stock exchanges. In the first quarter, the Emerging Markets Index (MSCI EM) rose by 1,5% while the European exchanges (Stoxx600) and the U.S. exchange (S&P500) fell by 5,8% and 2,2% respectively. Bond rates rose globally under the influence of the tightening steps by central banks of developing countries and of the concern that strong growth would increase inflationist pressures. The U.S. 10-year interest rate started the period at 2,41% to reach as far as 2,94% before going down to 2,76% by the end of the period. The USD maintained a weak outlook from 2017, with the U.S. Dollar Index, which is an index of the value of the USD, falling to 89 in mid-February, the lowest of the last three years. Portfolio flows into developing countries recessed in the first quarter. The IIF data suggests that standing at USD 87,8 billion in the first quarter of last year, portfolio inflows declined year-on-year to USD 31,3 billion in 2018.

Domestically, markets had a positive start for the year thanks to the improving relations with the U.S. and Germany, and the strong growth indicators, but fluctuated during the period due to geopolitical developments, the downgrade by Moody's and the election process. To control inflation and curb volatility in exchange rates, the Central Bank announced it would maintain its tight stance and implement additional tightening measures if necessary. The weighted average funding rate for the period stood at 12,75%. The USD/TL rate started the period at 3,7719 and completed it at 3,9890 with an increase of 4,7%. The two-year benchmark bond interest started the first quarter at 13,40% and finished it at 14,07%. BIST-100 completed the quarter at 114,930 with a decline of 0,3%.

Banking Sector

Loans completed the year 2017 with a currency-adjusted increase of 15,5% but the annual growth rate in loans declined to 13,6% by the end of 2018 first quarter. Year to date, TL loans and FX loans grew by 3,6% and 0,1% respectively, leading to a currency-adjusted growth of 2,4% in total loans. Influenced by the Credit Guarantee Fund (CGF) practices which started to make an impact on loan growth in March 2017 but only provided a diminished contribution in the second half of the year, loan growth in 2018 first quarter was 160 basis points slower year-on-year mainly due to TL loans while FX loans remained rather stable after previous year's decline. Despite the 2,4% year-to-date increase in total loans, the breakdown of corporate loans and personal loans unveils a similar rate of increase in both.

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

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

Deposits rose by 1,4% in the first quarter. FX deposits fell by 1,3% while TL deposits grew by 3,7%. Reduction in FX deposits mainly stemmed from savings deposit, which saw TL deposits grow by 4,7% and FX deposits fall by 2,0%.

In the first quarter, TL loan-to-deposit ratio surged up to 153,5%, a new record level, before receding to 151,3% to close the quarter. The total loan-to-deposit ratio stood at 121,7% at quarter end.

Change YTD	TL cinsinden	Kur farkından arındırılmış
Loans	4,68%	2,35%
Deposits	4,29%	1,41%

Source: BRSA Weekly Bulletin, March 30, 2018

GENERAL ASSEMBLY RESOLUTIONS

The Bank's annual Ordinary General Assembly meeting was held at the Head Office on March 23, 2018.

The 2017 ordinary General Assembly meeting was held under physical and electronic attendance of 203.627.458.677 shares corresponding to a capital of TL 2.036.274.586.778 out of 240.000.000.000 shares corresponding to the Bank's total capital of TL 2.400 million. The attendance rate was as high as 85%.

During the meeting, the Shareholders unanimously adopted a motion on:

- The establishment of the Chairman's Bureau in accordance with the Bank's Articles of Association and authorizing the Chairman's Bureau for signing the meeting minutes.

On the other hand, motions on:

- Reading and negotiating the Board's Annual Report, Declaration of Compliance with Corporate Governance Principles and Independent Auditor's Report regarding the Bank's accounts and transactions for 2017,
- Examining, negotiating and approving the balance sheet and profit/loss account of the Bank for 2017,
- Election of Mr. Mithat Rende, Mr. Hakkı Ersin Özince, Mr. Mehmet Şencan and Mr. Mehmet Emin Özcan as Members of the Board of Directors to replace Mr. Kemal Saç, Mr. Adnan Bali, Mr. Fikret Utku Özdemir and Mr. Halil Aydoğan, who all resigned from their positions as Members of the Board during the year, pursuant to Article 363 of the Turkish Commercial Code and in accordance with the Bank's Articles of Association,
- Acquittal of the Members of the Board of Directors,
- Making decisions about the determination and distribution of the dividend to be distributed, determining the date of dividend distribution,
- Election of the Members of the Board of Directors and the election of Mr. Mithat Rende as the Independent Board Member,
- Determining the remuneration to be paid to the Members of the Board of Directors,
- Electing the Independent Audit Company,
- Determining the maximum limit of donations to be made in 2018

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

- Granting permission to Board Members in relation to the transactions stated in Articles 395 and 396 of the Turkish Commercial Code were adopted by majority of votes.

The General Assembly was informed on the donations made during the year. The General Assembly was informed on transactions under Article 1.3.6 of the Corporate Governance Communiqué No. II-17.1 by the CMB.

HIGHLIGHTS FROM THE BANK'S OPERATIONS DURING THE INTERIM PERIOD

In January, TSKB issued a USD 350 million 5-year fixed-rate Eurobond, which was among the first in 2018. The issuance was three times oversubscribed, with the order book standing above USD 1,1 billion in total at closing. More than 135 investors, chiefly from the UK and mostly from Switzerland, Germany, the United States and Central Asia, displayed interest in the issuance. It was the first time for 40% of these investors to engage in TSKB's bond issuance. BNP Paribas, Commerzbank and ING Bank were global coordinators for the transaction, with ABC Bank, SMBC Nikko, Societe Generale and Unicredit Bank being the joint lead managers. The issuance was a focus for significant interest from international investors and received highlight as our Bank's lowest-rate bond issuance.

Another major development in the period was the downgrade of Turkey's credit rating by Moody's, an international credit rating agency, to Ba2 through its report of March 7, 2018. Following that, the long-term credit ratings of 17 Turkish banks including TSKB were updated. The Bank's Long-Term Foreign and Local Currency Issuer Ratings were downgraded to Ba2 from Ba1 and the outlook changed to stable.

Developments Regarding the Bank's Corporate Governance Operations

After the average market capitalization exceeded TL 3 billion in total and the average market capitalization for free float surpassed TL 750 million in 2017 on a quarterly basis, TSKB stocks were upgraded by the CMB to Group 1 from Group 2 in 2018 in line with the grouping methodology pursuant to the Corporate Governance Communiqué. To this end, TSKB obtained approval from the CMB regarding the independent board member the Bank nominated and planned to submit to the General Assembly for approval. The General Assembly approved the election of Mr. Mithat Rende, who was nominated as the Independent Board Member.

During the Ordinary General Assembly Meeting of our Bank, it is resolved in relation to cash dividends that a gross TL 96.000.000, which corresponds to 4% of the paid-in capital, out of TL 496.000.000, the total of primary and secondary dividends, be distributed to shareholders in cash, and TL 400.000.000, which corresponds to 16,67% thereof, be given as bonus share to be used in increasing the capital of our Bank to TL 2.800.000.000 from TL 2.400.000.000, and the distribution of the bonus share dividends start following the CMB approval for the issuance certificate regarding the said shares.

On March 26, 2018, dividends were distributed first to shareholders and then to Board Members and employees. In addition, required applications for obtaining approvals from regulatory authorities in relation to capital increase were filed.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

TSKB retains its position among the highest-rated companies on the corporate governance index and maintains lead over other companies in terms of best practices. TSKB received the 'Women-Reinforced Board of Directors' special award under the Independent Female Directors Project by the Corporate Governance Forum of Sabancı University thanks to the 'Female Board Members Policy' it launched in 2014 for a 25% representation of women in the Bank's Board of Directors and the progress it has made to fulfill the policy requirements until 2017.

Furthermore, the Bank received from KAGIDER the Equal Opportunities Model (FEM) Certificate that is presented to companies observing gender equality in terms of recruitment, training, career planning and communication.

FINANCIAL DEVELOPMENTS DURING THE INTERIM PERIOD

The summary for the Bank's main consolidated financial indicators as of March 31, 2018 is provided below:

The total asset size grew by 21,8% on a year-on-year basis and by 7,4% quarter-on-quarter basis to reach TL 32.130 million.

The total loan portfolio stood at TL 24.049 million, marking an increase of 28,3% on a year-on-year basis and 7,4% on a year-to-date basis. The fx-adjusted growth in loans was 2% compared to 2017 year end. The ratio of non-performing loans to total loans was maintained at 0,2% in the first three months.

Shareholders' equity rose by 15,7% on a year-on-year basis and by 0,4% compared to 2017 year-end to reach TL 3.727 million. The capital adequacy ratio contracted to 15,8% from 17,0 (2017 year-end) thanks to dividend payment.

As of March 31, 2018, the Bank posted a net profit of TL 158.428 thousand with a 10 percent annual increase.

Return on equity which was 17,8% as of 2017 year-end decreased to 17,0% in the first three months of 2018.

Return on assets which was 2,2% as of 2017 year-end decreased to 2,0% in the first three months of 2018.

In the first quarter of 2018, adjusted gross total operating income increased by 28% on an annual basis to reach TL 297 million while other operating expenses rose by 7% to TL 51 million. The cost-to-income ratio was 20,5% in March 2017 and 15,9% at 2017 year-end. As of 2018 first quarter, the ratio slightly increased to 17,2%.

SECTION SEVEN

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim period activity report included chairman of board of directors and CEO's assesments for the interim activities (continued)

RISK MANAGEMENT

TSKB Risk Management policies and code of conduct regarding such policies are the written standards set out by the Board of Directors and implemented by the senior Bank management.

Within the scope of the TSKB Risk Management Policies, the basic risks that the Bank is exposed to are the loan risks, assets-liabilities management risks (market risk, structural interest rate risks, liquidity risks) and operational risks, and a Risk Management Department has been established within the Bank to for the management of the Bank's risks pursuant to said policies, as well as for the compliance with the aforementioned risk policies and the relevant code of conduct.

TSKB Risk Management Department actively undertakes efforts in all processes related to risk management, and regularly reports to the Board of Directors, Audit Committee, senior management and relevant departments of the Bank. Its functions, responsibilities and structure are set out by the bylaws of the Risk Management Department.

FURTHER INFORMATION

Statements regarding the developments that have a significant impact on the Bank's operations are given above. For further information, please kindly visit the following website for the annual report of 2017:

http://www.tskb.com.tr/tr/yatirimci-iliskileri/finansal-raporlar