

*(Convenience Translation of the Independent Auditor's Report
Originally Prepared and Issued in Turkish See Note 3.1.c)*

DENİZBANK ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

**INDEPENDENT AUDITOR'S REPORT, CONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR THE YEAR
ENDED 31 DECEMBER 2017**

I. Independent Auditor's Report

II. Publicly Disclosed Consolidated Financial Report

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Denizbank Anonim Şirketi:

Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated financial statements of Denizbank A.Ş (the Bank) and its subsidiaries (collectively referred as "The Group"), which comprise the statement of financial position as at December 31, 2017, and the consolidated statement of income, consolidated statement of income and expenses recognized under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment of Loans and Receivables</i>	
<p>Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related Explanations relating to the impairment of loans and receivables have been disclosed in Section Three Note VII d., Section Five Note I.e and Note II.h.1.</p>	<p>Our audit procedures included among others, selecting samples of loans and receivables based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them.</p>
<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.b.3.and Note II.b.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management fair value calculations of the selected derivative financial instruments and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.</p>

Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner who supervised and concluded this independent auditor's report is Fatma Ebru Yücel.

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



Fatma Ebru Yücel SMMM
Partner

7 February 2018
İstanbul, Türkiye

DENİZBANK A.Ş.
CONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2017

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Büyükdere Caddesi No:141
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Telephone and Fax Numbers
Tel : 0.212.348 20 00
Fax: 0.212.336 61 86

Website of the Bank
www.denizbank.com

E-mail address of the Bank
yatirimciliskileri@denizbank.com

The consolidated financial report package prepared in accordance with the statement "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE CONSOLIDATED GROUP
- DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITOR'S REPORT

Our structured entity and subsidiaries whose financial statements have been consolidated under this consolidated financial report are as follows:

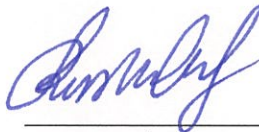
Subsidiaries
1 Denizbank AG, Vienna
2 Eurodeniz International Banking Unit Ltd.
3 Deniz Yatırım Menkul Kıymetler A.Ş.
4 JSC Denizbank, Moscow
5 Deniz Portföy Yönetimi A.Ş.
6 Deniz Finansal Kiralama A.Ş.
7 Deniz Faktoring A.Ş.
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.
9 CR Erdberg Eins GmbH & Co KG
Structured Entity
1 DFS Funding Corp.

The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the "Regulation on Accounting Principles and Documentations", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in Thousands of Turkish Lira.

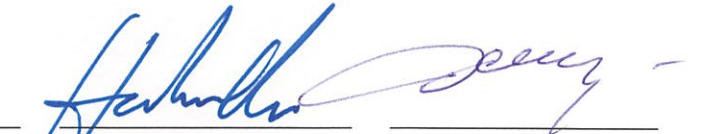
7 February 2018



HAKAN ELVERDİ
Senior Vice President
Financial Reporting
And Accounting



RUSLAN ABİL
Executive Vice President
Financial Affairs



HAKAN ATEŞ
Member of Board of Directors
and President and Chief
Executive Officer

HERMAN GREF
Chairman of Board of
Directors



PAVEL BARCHUGOV
Member of Board of Directors
and Audit Committee



WOUTER G.M. VAN ROSTE
Member of Board of Directors
and Audit Committee



NIHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:

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DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c*

SECTION ONE
GENERAL INFORMATION

I. Parent Bank's date of establishment, beginning statute, its history including changes in its statute

Denizbank A.Ş. ("the Bank") was established as a public bank to provide financing services to the marine sector in 1938. In 1992, as a result of the resolution of the Government to merge some public banks, the Bank was merged to Emlakbank. Following the resolution of the High Council of Privatization numbered 97/5 and dated 20 March 1997 to privatize 100% of shares of Denizbank A.Ş., share sale agreement between Zorlu Holding A.Ş. and the Privatization Administration was signed on 29 May 1997 and the Bank started its activities on 25 August 1997 upon obtaining a permission to operate. Bank's shares have been quoted on Borsa Istanbul ("BIST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 31 December 2017.

Dexia Participation Belgique SA, owned 100% directly and indirectly by Dexia SA/NV, acquired 75% of the outstanding shares of the Bank from Zorlu Holding A.Ş. on 17 October 2006, and subsequent to the transfer of shares, Dexia Participation Belgique's ownership rate increased to 99,85%.

On 8 June 2012, Dexia Group and Sberbank of Russia ("Sberbank") have signed a sale and purchase agreement regarding the acquisition of 715.010.291,335 Parent Bank shares representing 99,85% of the Bank's capital. The transaction covered the Parent Bank as well as all of its subsidiaries in Turkey, Austria and Russia. Following all the necessary regulatory authorizations in the countries in which seller and buyer operate including that of the European Commission, after the approvals of Competition Authority on 9 August 2012, the Banking Regulation and Supervision Agency on 12 September 2012 and the Capital Markets Board ("CMB") on 24 September 2012, Dexia has transferred 99,85% of shares of the Parent Bank to Sberbank with a total consideration of TL 6.469.140.728 (Euro 2.790 million) which is the Preliminary Purchase Price determined as per the sale and purchase agreement as of 28 September 2012. Following the completion of the adjustment process of the Preliminary Purchase Price to Purchase Price in accordance with the terms in the Share Purchase Agreement, an additional amount of Euro 185 million which is equivalent of TL 430.947.685 (*) was paid on 27 December 2012. Ultimately the process was completed with a total Purchase Price of TL 6.900.088.413 (Euro 2.975 million).

(*) Amounts are reflected as full TL.

II. Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and if exists, changes on these issues and the Group that the Parent Bank belongs to

Current Period		
Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
Total	3.316.100.000	100,00

Prior Period		
Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
Total	3.316.100.000	100,00

Paid-in capital of the Parent Bank was increased by a total amount of TL 1.500.000; TL 39 from share premiums, TL 113.097 from gains on sale of subsidiaries and associates and real estate, TL 636.864 from extraordinary reserves and TL 750.000 in cash, on 28 June 2016.

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AS OF 31 DECEMBER 2017

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Originally Issued in Turkish,
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III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and shares of the Parent Bank they possess and their areas of responsibility

Name	Title	Shares owned (%)
Chairman of the Board of Directors		
Herman Gref	Chairman	--
Board of Directors⁽⁵⁾		
Nihat Sevinç	Deputy Chairman	--
Hakan Ateş	Member, President and CEO	0,000002
Alexander Vedyakhin	Member	--
Deniz Ülke Arıboğan	Member	--
Wouter G.M. Van Roste	Member	--
Timur Kozintsev	Member	--
Derya Kumru	Member	--
Alexander Morozov	Member	--
Pavel Barchugov	Member	--
Alexander Titov ⁽¹⁾	Member	--
Igor Kolomeyskiy ⁽²⁾	Member	--
Audit Committee		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Pavel Barchugov	Member	--
Executive Vice Presidents		
Bora Böcügöz	Treasury and Financial Institutions	--
Ruslan Abil ⁽³⁾	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services and Investment Group	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu	Corporate and Commercial Banking	--
Mustafa Saruhan Özel	Economic Research, Strategy and Program Management	--
Cem Demirağ	Head of Internal Control Unit and Compliance	--
Ali Murat Dizdar	Chief Legal Advisor	--
Ayşenur Hıçkırın	Payment Systems and Non-Branch Channels	--
Murat Çelik	Digital Generation Banking	--
Selim Efe Teoman	Corporate and Commercial Credits	--
Ramazan Işık	Head of Internal Audit	--
Önder Özcan	Management Reporting and Budget Planning	--
Murat Kulaksız	SME Banking	--
Necip Yavuz Elkin	Human Resources and Deniz Academy	--
Burak Koçak	Agricultural Banking	--
Oğuzhan Özark	Retail Banking	--
Cemil Cem Önenç	Private Banking and Investment Group	--
Sinan Yılmaz	Head of Risk Management Group	--
Hakan Turan Pala	Corporate, Commercial and Medium Enterprises Credits	--
Edip Kürşad Başer	Administrative Follow-up	--
Murat Çitak	Credit Policy and Retail, SME, Agricultural Banking	--
Verda Beril Yüzer Oğuz	Credits Allocation	--
Hayri Cansever	IT Security and Digital-Card Payment Operations	--
Umut Özdoğan ⁽⁴⁾	Financial Institutions	--
	Secretariat General and Sberbank Coordination	--
	Cash Management, Public Finance and Organization	--

⁽¹⁾ Alexander Titov was appointed as a Member of the Board of the Directors at the ordinary General Assembly meeting held on 29 March 2017 and sworn in to the position on 27 April 2017 instead of Svetlana Sagaydak, who had resigned from her position as of 2 March 2017.

⁽²⁾ Vadim Kulik who resigned from Sberbank of Russia on 15 February 2017, left his position at Sberbank and therefore his membership on Denizbank Board of Directors was terminated at the Ordinary General Assembly meeting held on 29 March 2017 and Mykyta Volkov was appointed instead of him as a member of the Board of Directors. Mykyta Volkov resigned from her position as of 26 April 2017. According to the Board's decision on 19 June 2017, Igor Kolomeyskiy, who has been assigned as Board member of the Parent Bank, has started his duty on 13 July 2017.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017

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⁽³⁾ Suavi Demircioğlu, who has been serving as the Executive Vice President responsible for the Financial Affairs at the Bank, retired from the Bank as of 31 March 2017. As of 3 April 2017 he was replaced by Ruslan Abil who has been serving as Executive Vice President responsible for the Group Reporting and Asset- Liability Management Group by the decision of Board of Directors.

⁽⁴⁾ As of 10 March 2017, Umut Özdoğan was appointed as Executive Vice President of Cash Management, Public Finance and Organization Group, who has served as Branch Manager of İstanbul Corporate Branch in the Bank.

⁽⁵⁾ Parent Bank's Board member Igor Kondrashov resigned from his duty as of 25 August 2017.

IV. Explanations regarding the real person and corporate qualified shareholders at the Parent Bank

Commercial Title	Share Amounts	Share Percentages	Paid-in Capital	Unpaid Capital
Sberbank of Russia	3.311.211	99,85%	3.311.211	--

Sberbank is the controlling party of the Parent Bank's capital having both direct and indirect qualified shares.

As of 31 December 2017 the capital structure of Sberbank is as follows:

Shareholders	Share Percentages
Central Bank of Russia	50,00 %
Publicly traded	50,00 %
Total	100,00 %

Central Bank of the Russian Federation holds 50%+1 share within 22.586.948.000 ordinary and preferred shares in total in Sberbank of Russia (the rate in 21.586.948.000 ordinary shares corresponds to 52,32%).

V. Type of services provided and the areas of operations of the Parent Bank

The Parent Bank is a private sector deposit bank which provides banking services to its customers through 696 domestic and 1 foreign branch as of 31 December 2017.

Activities of the Parent Bank as stated in the 3rd clause of the Articles of Association are as follows:

In accordance with the Banking Law and regulations;

- Performing all kinds of banking activities,
- Dealing with transactions on all kinds of capital market instruments within the limits set by the related regulations and Capital Market Law regulations,
- Establishing domestic and/or foreign entities and participating in existing entities. Entering into loan and intelligence agreements with domestic and international financial institutions. Participating in consortiums and syndications,
- Incorporating insurance companies, operating insurance agencies, participating in insurance companies which are existing or planned to be founded.

Apart from the above-mentioned activities, in case different activities deemed advantageous and necessary for the company are to be undertaken in the future, they will be submitted to approval of the General Assembly based on Board of Director's decision and the company will be able to implement activities after the relevant decision is made by General Assembly.

VI. A short explanation on the differences between the communiqué on consolidated financial statement reporting and the consolidation procedures required by Turkish Accounting Standards and about institutions that are subject to full consolidation, proportional consolidation, by way of deduction from capital or those that are subject to none.

Banks are obligated to prepare consolidated financial statements with their associates and subsidiaries qualifying as credit institutions and financial subsidiaries based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is no difference between the consolidated financial statements based on the related Communiqué and those prepared in accordance with Turkish Accounting Standards except the scope difference regarding non-financial associates and subsidiaries. Information in regards to consolidated subsidiaries and consolidation methods are given in Note III of Section Three.

VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Parent Bank and its subsidiaries and repayment of debts.

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Statements of Financial Position (Balance Sheets)
- II. Consolidated Statements of Off-Balance Sheet Items
- III. Consolidated Statements of Income
- IV. Consolidated Statements of Income and Expenses Recognized Under Shareholders' Equity
- V. Consolidated Statements of Changes in Shareholders' Equity
- VI. Consolidated Statements of Cash Flows
- VII. Consolidated Profit Distribution Tables

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(BALANCE SHEETS)
AS OF 31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL - Turkish Lira)

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Originally Issued in Turkish,
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ASSETS	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.a)	3.066.837	13.901.975	16.968.812	2.281.807	12.557.554	14.839.361
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.b)	560.050	497.713	1.057.763	1.049.942	397.917	1.447.859
2.1 Financial Assets Held For Trading		560.050	497.713	1.057.763	1.049.942	397.917	1.447.859
2.1.1 Public Sector Debt Securities		76.232	4.479	80.711	93.100	3.787	96.887
2.1.2 Share Certificates		-	95	95	-	-	-
2.1.3 Positive Value of Trading Purpose Derivatives		482.669	493.139	975.808	946.929	394.096	1.341.025
2.1.4 Other Securities		1.149	-	1.149	9.913	34	9.947
2.2 Financial Assets Designated at Fair Value		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Securities		-	-	-	-	-	-
III. BANKS	(5.1.c)	819.136	9.838.492	10.657.628	17.006	5.555.737	5.572.743
IV. DUE FROM MONEY MARKETS		785.672	-	785.672	3.001.571	-	3.001.571
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		34.886	-	34.886	175	-	175
4.3 Reverse Repurchase Agreements		750.786	-	750.786	3.001.396	-	3.001.396
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.d)	5.760.627	1.285.406	7.046.033	5.421.996	2.174.994	7.596.990
5.1 Share Certificates		3.956	59.182	63.138	3.930	37.798	41.728
5.2 Public Sector Debt Securities		5.756.671	657.574	6.414.245	5.418.066	1.707.773	7.125.839
5.3 Other Securities		-	568.650	568.650	-	429.423	429.423
VI. LOANS AND RECEIVABLES	(5.1.e)	60.228.273	50.153.033	110.381.306	49.267.080	41.883.408	91.150.488
6.1 Loans and Receivables		59.339.736	50.145.479	109.485.215	48.268.612	41.878.192	90.146.804
6.1.1 Loans Utilized to the Bank's Risk Group		13.638	-	13.638	14.194	-	14.194
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		59.326.098	50.145.479	109.471.577	48.254.418	41.878.192	90.132.610
6.2 Loans under Follow-Up		4.006.824	17.790	4.024.614	3.635.008	16.631	3.651.639
6.3 Specific Provisions (-)		3.118.287	10.236	3.128.523	2.636.540	11.415	2.647.955
VII. FACTORING RECEIVABLES		1.781.817	64.328	1.846.145	1.155.332	79.389	1.234.721
VIII. INVESTMENT HELD TO MATURITY (Net)	(5.1.f)	3.555.857	1.779.782	5.335.639	3.339.895	1.716.137	5.056.032
8.1 Public Sector Debt Securities		3.555.857	1.779.782	5.335.639	3.339.895	1.678.583	5.018.478
8.2 Other Securities		-	-	-	-	37.554	37.554
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.g)	10.833	-	10.833	10.147	-	10.147
9.1 Associates accounted for Under Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		10.833	-	10.833	10.147	-	10.147
9.2.1 Financial Associates		1.508	-	1.508	1.508	-	1.508
9.2.2 Non-Financial Associates		9.325	-	9.325	8.639	-	8.639
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.h)	41.543	158	41.701	12.103	130	12.233
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		41.543	158	41.701	12.103	130	12.233
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.i)	2.800	-	2.800	2.800	-	2.800
11.1 Joint Ventures accounted for Under Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		2.800	-	2.800	2.800	-	2.800
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		2.800	-	2.800	2.800	-	2.800
XII. LEASE RECEIVABLES (Net)	(5.1.j)	540.830	2.061.111	2.601.941	616.636	2.020.671	2.637.307
12.1 Financial Lease Receivables		712.179	2.531.230	3.243.409	780.796	2.420.711	3.201.507
12.2 Operational Lease Receivables		2.557	-	2.557	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		173.906	470.119	644.025	164.160	400.040	564.200
XIII. HEDGING PURPOSE DERIVATIVES	(5.1.k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.l)	603.216	146.298	749.514	552.614	111.965	664.579
XV. INTANGIBLE ASSETS (Net)	(5.1.m)	173.557	15.194	188.751	193.140	11.679	204.819
15.1 Goodwill		869	-	869	869	-	869
15.2 Others		172.688	15.194	187.882	192.271	11.679	203.950
XVI. INVESTMENT PROPERTIES (Net)	(5.1.n)	171.467	-	171.467	164.527	-	164.527
XVII. TAX ASSETS	(5.1.o)	223.175	-	223.175	220.354	34.510	254.864
17.1 Current Tax Assets		6.557	-	6.557	67.178	34.510	101.688
17.2 Deferred Tax Assets		216.618	-	216.618	153.176	-	153.176
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.p)	-	-	-	-	-	-
18.1 Held For Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.q)	1.345.926	1.008.024	2.353.950	1.099.302	603.655	1.702.957
TOTAL ASSETS		79.671.616	80.751.514	160.423.130	68.406.252	67.147.746	135.553.998

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(BALANCE SHEETS)
AS OF 31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c*

LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.II.a)	41.936.959	69.473.505	111.410.464	35.185.381	57.010.570	92.195.951
1.1 Deposits of the Bank's Risk Group		62.314	802.160	864.474	38.299	732.007	770.306
1.2 Others		41.874.645	68.671.345	110.545.990	35.147.082	56.278.563	91.425.645
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.b)	653.127	632.338	1.285.465	546.611	701.775	1.248.386
III. FUNDS BORROWED	(5.II.c)	2.108.197	12.572.045	14.680.242	2.129.526	9.129.165	11.258.691
IV. DUE TO MONEY MARKETS		3.616.119	391.047	4.007.166	5.397.576	-	5.397.576
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		30.055	-	30.055	-	-	-
4.3 Repurchase Agreements		3.586.064	391.047	3.977.111	5.397.576	-	5.397.576
V. SECURITIES ISSUED (Net)	(5.II.d)	2.572.688	1.100.070	3.672.758	2.181.325	1.309.730	3.491.055
5.1 Bills		2.296.203	-	2.296.203	1.766.245	-	1.766.245
5.2 Asset Backed Securities		248.543	-	248.543	415.080	-	415.080
5.3 Bonds		27.942	1.100.070	1.128.012	-	1.309.730	1.309.730
VI. FUNDS		-	-	-	-	-	-
6.1 Borrowers Funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS		1.716.752	232.655	1.949.407	1.429.351	532.863	1.962.214
VIII. OTHER EXTERNAL RESOURCES	(5.II.e)	1.088.450	1.638.702	2.727.152	1.060.323	912.887	1.973.210
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.II.f)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses (-)		-	-	-	-	-	-
XI. HEDGING PURPOSE DERIVATIVES	(5.II.g)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XII. PROVISIONS	(5.II.h)	2.190.447	37.365	2.227.812	1.715.537	32.614	1.748.151
12.1 General Provisions		1.440.765	-	1.440.765	1.269.354	-	1.269.354
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		131.983	11.675	143.658	114.048	7.671	121.719
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		617.699	25.690	643.389	332.135	24.943	357.078
XIII. TAX LIABILITIES	(5.II.i)	281.619	66.115	347.734	188.093	17.072	205.165
13.1 Current Tax Liability		277.379	43.138	320.517	188.093	1.626	189.719
13.2 Deferred Tax Liability		4.240	22.977	27.217	-	15.446	15.446
XIV. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
14.1 Held For Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(5.II.k)	-	5.261.523	5.261.523	-	5.483.501	5.483.501
XVI. SHAREHOLDERS' EQUITY	(5.II.l)	8.272.022	4.581.385	12.853.407	7.266.585	3.323.513	10.590.098
16.1 Paid-In Capital		3.316.100	-	3.316.100	3.316.100	-	3.316.100
16.2 Supplementary Capital		(2.075.711)	3.520	(2.072.191)	(1.414.688)	(98.711)	(1.513.399)
16.2.1 Share Premium		15	-	15	15	-	15
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve		(428.373)	(19.026)	(447.399)	(444.941)	(110.354)	(555.295)
16.2.4 Revaluation Fund on Tangible Assets	(5.II.l)	95.214	22.546	117.760	28.852	11.643	40.495
16.2.5 Revaluation Fund on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation Fund on Investment Properties		13.397	-	13.397	13.397	-	13.397
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		708	-	708	11	-	11
16.2.8 Hedging Funds (Effective Portion)		(1.741.301)	-	(1.741.301)	(1.007.220)	-	(1.007.220)
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Supplementary Capital		(15.371)	-	(15.371)	(4.802)	-	(4.802)
16.3 Profit Reserves		4.214.396	2.121.575	6.335.971	3.988.561	1.144.242	5.132.803
16.3.1 Legal Reserves		252.819	5.019	257.838	182.355	5.019	187.374
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		3.915.414	11.173	3.926.587	3.769.533	11.173	3.780.706
16.3.4 Other Profit Reserves		46.163	2.105.383	2.151.546	36.673	1.128.050	1.164.723
16.4 Profit or Loss		2.807.593	2.456.290	5.263.883	1.368.342	2.277.982	3.646.324
16.4.1 Prior Periods' Profits / Losses		1.286.033	2.077.092	3.363.125	746.069	1.500.228	2.246.297
16.4.2 Current Period Profit / Loss		1.521.560	379.198	1.900.758	622.273	777.754	1.400.027
16.5 Minority Shares	(5.II.l)	9.644	-	9.644	8.270	-	8.270
TOTAL LIABILITIES AND EQUITY		64.436.380	95.986.750	160.423.130	57.100.308	78.453.690	135.553.998

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF
OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL- Turkish Lira)

Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c

	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		75.180.832	92.264.597	167.445.429	54.889.084	89.829.528	144.718.612
I. GUARANTEES	(5.III.a)	11.155.239	17.216.027	28.371.266	10.041.664	18.740.351	28.782.015
1.1. Letters of Guarantee		11.139.665	11.391.546	22.531.211	10.029.957	11.752.258	21.782.215
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		79.021	82.929	161.950	79.021	90.776	169.797
1.1.3. Other Letters of Guarantee		11.060.644	11.308.617	22.369.261	9.950.936	11.661.482	21.612.418
1.2. Bank Acceptances		4.773	199.768	204.541	5.498	251.332	256.830
1.2.1. Import Letter of Acceptance		4.773	199.768	204.541	5.498	251.332	256.830
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	3.132.744	3.132.744	42	2.426.574	2.426.616
1.3.1. Documentary Letters of Credit		-	1.881.082	1.881.082	42	1.611.093	1.611.135
1.3.2. Other Letters of Credit		-	1.251.662	1.251.662	-	815.481	815.481
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. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Related Guarantees		-	-	-	-	-	-
1.8. Other Collaterals		10.801	2.491.969	2.502.770	6.167	4.310.187	4.316.354
1.9. Other Sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.III.a)	31.054.695	2.890.154	33.944.849	28.323.856	4.027.727	32.351.583
2.1. Irrevocable Commitments		28.369.992	2.890.154	31.260.146	25.004.358	4.027.727	29.032.085
2.1.1. Asset Purchase and Sale Commitments		530.844	1.425.284	1.956.128	405.787	2.956.586	3.362.373
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		11.104.113	57.533	11.161.646	9.475.667	24.982	9.500.649
2.1.5. Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		2.375.880	-	2.375.880	2.111.130	-	2.111.130
2.1.8. Tax and Fund Obligations from Export Commitments		1.451	-	1.451	2.415	-	2.415
2.1.9. Commitments for Credit Card Limits		14.216.415	-	14.216.415	12.764.645	-	12.764.645
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services		2.856	-	2.856	1.416	-	1.416
2.1.11. Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12. Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		138.433	1.407.337	1.545.770	243.298	1.046.159	1.289.457
2.2. Revocable Commitments		2.684.703	-	2.684.703	3.319.498	-	3.319.498
2.2.1. Revocable Loan Granting Commitments		2.684.144	-	2.684.144	3.318.939	-	3.318.939
2.2.2. Other Revocable Commitments		559	-	559	559	-	559
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.b)	32.970.898	72.158.416	105.129.314	16.523.564	67.061.450	83.585.014
3.1. Hedging Purpose Derivatives		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2. Trading Purpose Derivatives		32.970.898	72.158.416	105.129.314	16.523.564	67.061.450	83.585.014
3.2.1. Forward Foreign Currency Purchases/Sales		2.496.842	5.539.818	8.036.660	1.711.451	2.321.703	4.033.154
3.2.1.1. Forward Foreign Currency Purchases		1.265.138	2.764.943	4.030.081	879.079	1.148.288	2.027.367
3.2.1.2. Forward Foreign Currency Sales		1.231.704	2.774.875	4.006.579	832.372	1.173.415	2.005.787
3.2.2. Currency and Interest Rate Swaps		22.402.421	57.694.946	80.097.367	10.988.532	57.347.352	68.335.884
3.2.2.1. Currency Swaps-Purchases		3.547.926	24.602.208	28.150.134	2.846.554	22.168.613	25.015.167
3.2.2.2. Currency Swaps-Sales		10.854.495	16.104.300	26.958.795	6.920.574	16.486.099	23.406.673
3.2.2.3. Interest Rate Swaps-Purchases		4.000.000	8.494.219	12.494.219	610.000	9.347.248	9.957.248
3.2.2.4. Interest Rate Swaps-Sales		4.000.000	8.494.219	12.494.219	611.404	9.345.392	9.956.796
3.2.3. Currency, Interest Rate and Security Options		8.071.635	6.658.244	14.729.879	3.823.581	5.299.660	9.123.241
3.2.3.1. Currency Options-Purchases		2.776.904	3.662.687	6.439.591	1.947.258	2.529.227	4.476.485
3.2.3.2. Currency Options-Sales		3.694.731	2.880.717	6.575.448	1.876.323	2.643.805	4.520.128
3.2.3.3. Interest Rate Options-Purchases		800.000	57.420	857.420	-	63.314	63.314
3.2.3.4. Interest Rate Options-Sales		800.000	57.420	857.420	-	63.314	63.314
3.2.3.5. Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6. Securities Options-Sales		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sales		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6. Others		-	2.265.408	2.265.408	-	2.092.735	2.092.735
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		479.731.903	115.201.810	594.933.713	406.703.917	104.773.998	511.477.915
IV. ITEMS HELD IN CUSTODY		93.039.880	2.886.737	95.926.617	93.768.668	2.468.962	96.237.630
4.1. Customers' Securities and Portfolios Held		137.901	-	137.901	137.718	-	137.718
4.2. Securities Held in Custody		89.855.087	1.511.039	91.366.126	91.541.375	1.006.875	92.548.250
4.3. Checks Received for Collection		1.454.634	988.911	2.443.545	1.116.594	962.251	2.078.845
4.4. Commercial Notes Received for Collection		1.592.258	289.431	1.881.689	971.623	415.353	1.386.976
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items under Custody		-	97.356	97.356	-	83.793	83.793
4.8. Custodians		-	-	-	1.358	690	2.048
V. PLEDGED ITEMS		386.418.449	111.062.703	497.481.152	312.550.745	101.470.333	414.021.078
5.1. Securities		3.141.980	39.804	3.181.784	3.134.244	25.768	3.160.012
5.2. Guarantee Notes		271.955.458	45.280.793	317.236.251	217.463.456	45.384.701	262.848.157
5.3. Commodities		16.002.073	5.554.934	21.557.007	13.702.267	3.683.797	17.386.064
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		76.549.760	39.435.161	115.984.921	69.421.586	35.399.926	104.821.512
5.6. Other Pledged Items		18.769.178	20.752.011	39.521.189	8.829.192	16.976.141	25.805.333
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		273.574	1.252.370	1.525.944	384.504	834.703	1.219.207
TOTAL OFF BALANCE SHEET ITEMS (A+B)		554.912.735	207.466.407	762.379.142	461.593.001	194.603.526	656.196.527

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c*

INCOME AND EXPENSE ITEMS		Footnotes	CURRENT PERIOD (01/01-31/12/2017)	PRIOR PERIOD (01/01-31/12/2016)
I.	INTEREST INCOME	(5.IV.a)	12.824.198	10.087.282
1.1	Interest from Loans		11.047.206	8.723.432
1.2	Interest from Reserve Deposits		101.420	56.689
1.3	Interest from Banks		220.226	14.610
1.4	Interest from Money Market Transactions		22.355	20.337
1.5	Interest from Securities Portfolio		1.107.426	996.694
1.5.1	Trading Securities		16.906	3.626
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available for Sale Securities		582.069	673.740
1.5.4	Held to Maturity Securities		508.451	319.328
1.6	Interest from Financial Leases		229.782	211.070
1.7	Other Interest Income		95.783	64.450
II.	INTEREST EXPENSE	(5.IV.b)	6.543.040	4.985.151
2.1	Interest on Deposits		5.043.299	3.677.436
2.2	Interest on Funds Borrowed		878.431	699.936
2.3	Interest on Money Market Transactions		186.091	347.363
2.4	Interest on Securities Issued		336.432	226.336
2.5	Other Interest Expense		98.787	34.080
III.	NET INTEREST INCOME (I - II)		6.281.158	5.102.131
IV.	NET FEES AND COMMISSION INCOME /EXPENSE		1.604.985	1.253.758
4.1	Fees and Commissions Received		2.119.558	1.666.196
4.1.1	Non-Cash Loans		234.108	180.765
4.1.2	Other	(5.IV.I)	1.885.450	1.485.431
4.2	Fees and Commissions Paid		514.573	412.438
4.2.1	Non-Cash Loans		2.710	1.258
4.2.2	Other	(5.IV.I)	511.863	411.180
V.	DIVIDEND INCOME	(5.IV.c)	1.230	205
VI.	TRADING INCOME/LOSS (Net)	(5.IV.d)	(977.861)	(570.120)
6.1	Profit / Loss on Securities Trading		(40.082)	(28.440)
6.2	Profit / Loss on Derivative Financial Transactions		(975.940)	57.944
6.3	Foreign Exchange Gains / Losses		38.161	(599.624)
VII.	OTHER OPERATING INCOME	(5.IV.e)	741.580	768.662
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		7.651.092	6.554.636
IX.	PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.943.927	1.803.409
X.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	3.215.527	2.926.170
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		2.491.638	1.825.057
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR		-	-
XIV.	UNDER EQUITY METHOD		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
	P/L BEFORE TAXES FROM CONTINUING OPERATIONS			
XV.	(XI+...+XIV)	(5.IV.h)	2.491.638	1.825.057
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	(589.508)	(424.683)
16.1	Current Tax		(425.560)	(301.748)
16.2	Deferred Tax		(163.946)	(122.935)
	NET PROFIT / LOSS FROM CONTINUING OPERATIONS			
XVII.	(XV±XVI)	(5.IV.j)	1.902.132	1.400.374
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS		-	983
18.1	Assets Held for Sale		-	-
18.2	Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other		-	983
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	258
19.1	Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	258
19.3	Other		-	-
	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS			
XX.	(XVIII-XIX)		-	725
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.l)	-	-
21.1	Current Tax		-	-
21.2	Deferred Tax		-	-
	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS			
XXII.	(XX±XXI)		-	725
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.902.132	1.401.099
23.1	Group's Profit / Loss		1.900.758	1.400.027
23.2	Minority Shares		1.374	1.072
	Earnings / Losses per Share (Per thousand share)		0,57	0,48

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF
INCOME AND EXPENSES RECOGNIZED
UNDER SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c

STATEMENT OF INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD (01/01-31/12/2017)	PRIOR PERIOD (01/01-31/12/2016)
I.	ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	120.600	(90.391)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	15.921	45.895
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	986.823	610.467
V.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	616	2.949
VI.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	(961.055)	(533.388)
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(13.703)	(8.388)
IX.	DEFERRED TAXES OF VALUATION DIFFERENCES	211.278	117.643
X.	NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	360.480	144.787
XI.	CURRENT PERIOD PROFIT/LOSS	1.902.132	1.401.099
1.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(48.436)	74.680
1.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(300)	(2.752)
1.3	Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
1.4	Other	1.950.868	1.329.171
XII.	TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.262.612	1.545.886

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
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See Note 3.1.c*

CHANGES IN SHAREHOLDERS' EQUITY	Paid-In Capital	Inflation Adjustments to Paid-In Capital (*)	Share Premium	Share Cancellation Profits	Legal Reserve	Statute Reserve	Extraordinary Reserves	Other Reserves	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Securities Revaluation Reserve	Revaluation Fund of Tangible Assets	Bonus Shares Obtained from Associates	Hedging Reserves	Val.Diff.Related to Assets Held for Sale/Dispos.	Total Equity Attrib. to Equity Holders of the Parent	Minority Interest	Total Shareholders' Equity
I. PRIOR PERIOD 01/01-31/12/2016																		
Balance at the Beginning of Period	1.816.100	-	39	-	149.561	-	4.299.045	556.164	858.403	1.544.232	(478.788)	126.484	11	(583.262)	-	8.285.999	7.198	8.294.197
Changes in the Period																		
II. Increase / Decrease Related to Mergers																		
III. Valuation Differences of Securities	(S.V.a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedging Transactions (Effective Portion)	(S.V.f)	-	-	-	-	-	-	-	-	-	(75.507)	-	-	-	-	(75.507)	-	(75.507)
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	(423.958)	-	(423.958)	-	(423.958)
4.2 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	2.752	-	2.752	-	2.752
V. Revaluation Fund of Tangible Assets	(S.V.g)	-	-	-	-	-	-	-	-	-	-	40.496	-	(426.710)	-	(426.710)	-	(426.710)
VI. Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	40.496	-	40.496
VII. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences	(S.V.h)	-	-	-	-	-	-	610.467	-	-	-	-	-	-	-	610.467	-	610.467
IX. Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Effect of Capital Increase	(S.V.a)	1.500.000	-	(39)	-	-	(636.864)	-	-	-	-	(113.097)	-	-	-	750.000	-	750.000
12.1 Cash		750.000	-	-	-	-	-	-	-	-	-	-	-	-	-	750.000	-	750.000
12.2 Internal Resources		750.000	-	(39)	-	-	(636.864)	-	-	-	-	(113.097)	-	-	-	750.000	-	750.000
XIII. Issuance of Capital Stock	(S.V.b)	-	-	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-	16
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	(8.710)	-	-	-	-	-	-	-	(8.710)	-	(8.710)
XVII. Current Period Net Profit / Loss		-	-	-	-	-	-	-	1.400.027	-	-	-	-	-	-	1.400.027	1.072	1.401.099
XVIII. Profit Distribution	(S.V.c)	-	-	-	-	37.813	-	118.825	(858.403)	702.065	-	-	-	-	-	-	-	-
18.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfer to Reserves		-	-	-	-	37.813	-	118.825	(858.403)	702.065	-	-	-	-	-	-	-	-
18.3 Other	(S.V.d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of Period (I+II+III+...+XVI+XVII+XVIII)	3.318.100	-	16	-	187.374	-	3.780.706	1.159.921	1.400.027	2.246.287	(555.295)	53.892	11	(1.007.220)	-	10.581.828	8.270	10.590.098
CURRENT PERIOD 01/01-31/12/2017																		
I. Balance at the Beginning of Period	3.318.100	-	16	-	187.374	-	3.780.706	1.159.921	1.400.027	2.246.287	(555.295)	53.892	11	(1.007.220)	-	10.581.828	8.270	10.590.098
Changes in the Period																		
II. Increase / Decrease Related to Mergers																		
III. Valuation Differences of Securities	(S.V.a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedging Transactions (Effective Portion)	(S.V.f)	-	-	-	-	-	-	-	-	-	107.896	-	-	-	-	107.896	-	107,896
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	(734.081)	-	(734.081)	-	(734.081)
4.2 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	616	-	616	-	616
V. Revaluation Fund of Tangible Assets	(S.V.g)	-	-	-	-	-	-	-	-	-	-	-	-	(734.697)	-	(734.697)	-	(734.697)
VI. Revaluation Fund of Intangible Assets		-	-	-	-	-	-	-	-	-	-	10.411	-	-	-	10.411	-	10.411
VII. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences	(S.V.h)	-	-	-	-	-	-	986.823	-	-	-	-	697	-	-	986.823	-	986.823
IX. Changes Related to Sale of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes Related to Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equities of Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Effect of Capital Increase	(S.V.a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of Capital Stock	(S.V.b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	(10.569)	-	-	-	-	-	-	-	(10.569)	-	(10.569)
XVII. Current Period Net Profit / Loss		-	-	-	-	-	-	-	1.900.758	-	-	-	-	-	-	1.900.758	1.374	1.902.132
XVIII. Profit Distribution	(S.V.c)	-	-	-	-	70.464	-	145.881	(1.400.027)	1.116.828	-	66.854	-	-	-	-	-	-
18.1 Dividend Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfer to Reserves	(S.V.d)	-	-	-	-	70.464	-	145.881	(1.400.027)	1.116.828	-	66.854	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of Period (I+II+III+...+XVI+XVII+XVIII)	3.318.100	-	16	-	257.838	-	3.928.587	2.136.176	1.900.758	3.363.126	(447.399)	131.167	708	(1.741.301)	-	12.843.763	9.644	12.853.407

(*) The column "Other Reserves" amounting to TL (15.371) and relating to the "actuarial loss/profit" calculated as per TAS 19 "Employee Benefits" is stated under "Other Capital Reserves" in consolidated financial statements.

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED
31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c

		CURRENT PERIOD (01/01-31/12/2017)	PRIOR PERIOD (01/01-31/12/2016)
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit before Changes In Operating Assets and Liabilities (+)	5.172.376	942.713
1.1.1	Interest Received (+)	12.051.576	9.384.814
1.1.2	Interest Paid (-)	6.285.331	4.904.038
1.1.3	Dividend Received (+)	1.230	205
1.1.4	Fees And Commissions Received (+)	2.022.578	1.637.707
1.1.5	Other Income (+)	733.376	751.016
1.1.6	Collections from Previously Written-Off Loans and Other Receivables (+)	955.067	941.910
1.1.7	Payments to Personnel and Service Suppliers (-)	1.472.355	1.311.267
1.1.8	Taxes Paid (-)	389.752	373.635
1.1.9	Other (+/-)	(5.VI.c) (2.444.013)	(5.183.999)
1.2	Changes in Operating Assets and Liabilities	(3.604.437)	(363.497)
1.2.1	Net (Increase) Decrease in Trading Securities (+/-)	15.529	(65.357)
1.2.2	Net (Increase) Decrease in Financial Assets Designated at FV (+/-)	-	-
1.2.3	Net (Increase) Decrease in Banks (+/-)	350.265	(151.097)
1.2.4	Net (Increase) Decrease in Loans (+/-)	(14.425.185)	(11.671.550)
1.2.5	Net (Increase) Decrease in Other Assets (+/-)	(3.497.508)	(1.808.278)
1.2.6	Net Increase (Decrease) in Bank Deposits (+/-)	1.834.205	30.825
1.2.7	Net Increase (Decrease) in Other Deposits (+/-)	10.084.672	15.135.905
1.2.8	Net Increase (Decrease) in Funds Borrowed (+/-)	2.397.411	(389.133)
1.2.9	Net Increase (Decrease) in Due Payables (+/-)	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.c) (363.826)	(1.444.812)
I.	Net Cash (Used In)/Provided from Banking Operations (+/-)	1.567.939	579.216
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Used In) Investing Activities (+/-)	791.638	1.408.206
2.1	Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)	29.451	-
2.2	Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)	-	9.239
2.3	Fixed Assets Purchases (-)	272.831	272.403
2.4	Fixed Assets Sales (+)	144.741	64.905
2.5	Cash Paid for Purchase of Investments Available for Sale (-)	859.756	2.834.393
2.6	Cash Obtained From Sale of Investments Available for Sale (+)	1.698.327	4.440.858
2.7	Cash Paid for Purchase of Investment Securities (-)	-	-
2.8	Cash Obtained from Sale of Investment Securities (+)	-	-
2.9	Other (+/-)	110.608	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from / (Used In) Financing Activities (+/-)	(288.314)	1.224.377
3.1	Cash Obtained from Funds Borrowed and Securities Issued (+)	12.571.136	8.676.950
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued (-)	12.859.450	8.202.573
3.3	Capital Increase (+)	-	750.000
3.4	Dividends Paid (-)	-	-
3.5	Payments for Finance Leases (-)	-	-
3.6	Other (+/-)	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	(5.VI.c) 602.221	803.652
V.	Net Increase / (Decrease) in Cash and Cash Equivalents	(5.VI.c) 2.673.484	4.015.451
VI.	Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.a) 13.962.544	9.947.093
VII.	Cash and Cash Equivalents at the End of Period	(5.VI.a) 16.636.028	13.962.544

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED PROFIT DISTRIBUTION TABLES
FOR THE PERIODS ENDED
31 DECEMBER 2017 AND 2016
(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c

	CURRENT PERIOD (01/01-31/12/2017)	PRIOR PERIOD (01/01-31/12/2016)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	-	-
1.2 TAXES AND DUTIES PAYABLE (-)	-	-
1.2.1 Corporate Tax (Income Tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	-	-
A. NET INCOME FOR THE YEAR(1.1-1.2)	-	-
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owner of ordinary shares	-	-
1.6.2 To owner of preferred shares	-	-
1.6.3 To owner of preferred shares (preem private rihgts)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit or loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owner of ordinary shares	-	-
1.9.2 To owner of preferred shares	-	-
1.9.3 To owner of preferred shares (preem private rihgts)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit or loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owner of ordinary shares	-	-
2.3.2 To owner of preferred shares	-	-
2.3.3 To owner of preferred shares (preem private rihgts)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit or loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILAGED SHARES	-	-
3.4 TO OWNERS OF PRIVILAGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILAGED SHARES	-	-
4.4 TO OWNERS OF PRIVILAGED SHARES (%)	-	-

(*) According to Turkish Commercial Code, profit distribution is prepared based on unconsolidated financial statements and not on consolidated financial statements.

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

Consolidated financial statements have been prepared in accordance with the regulations, communiqués, explanations and circulars published with respect to accounting and financial reporting principles by the Banking Regulation and Supervision Authority ("BRSA") within the framework of the provisions of the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Document Keeping published in the Official Gazette no. 26333 dated 1 November 2006 in relation with the Banking Law no. 5411, as well as the Turkish Accounting Standards (TAS") and Turkish Financial Reporting Standards ("TFRS") enforced by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the annexes and commentaries relating to these Standards (hereinafter collectively referred to as "Turkish Accounting Standards" or "TAS") if there are no specific regulations made by BRSA. The form and content of the consolidated financial statements which have been drawn up and which will be disclosed to public have been prepared in accordance with the "Communiqué on the financial Statements to be Disclosed to the Public by Banks and the Related Explanations and Footnotes" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" as well as the communiqués that introduce amendments and additions to this Communiqué. The parent shareholder Bank keeps its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Law and Turkish Tax legislation.

Consolidated financial statements have been prepared based on historical cost principle, except the financial assets and liabilities indicated at their fair values.

The amounts in the consolidated financial statements and explanations and footnotes relating to these statements have been denoted in Thousand Turkish Liras unless otherwise stated.

In the preparation of consolidated financial statements according to TAS, the management of the parent shareholder Bank should make assumptions and estimations regarding the assets and liabilities in the balance sheet. These assumptions and estimations are reviewed regularly, the necessary corrections are made and the effects of these corrections are reflected in the income statement. The assumptions and estimations used are explained in the related foot notes.

The accounting policies followed and revaluation principles used in the preparation of consolidated financial statements have been determined and implemented in accordance with the regulations, communiqués, explanations and circulars published by BRSA with respect to accounting and financial reporting principles and principles covered by TAS/TFRS in cases where there were no specific regulations made by BRSA and they are consistent with accounting policies implemented in consolidated financial statements prepared for the period ending on 31 December 2016.

The Parent Bank and its consolidated subsidiaries are classified as "DFS Group" in the footnotes related to the consolidated financial statements.

These accounting policies and valuation principles are disclosed between the footnotes numbered II through XXIV. The amendments to TAS/TFRS effective from 1 January 2018, except for the effects of TFRS 9 Financial Instruments that are explained below, do not have a significant impact on DFS Group's accounting policies, financial position and performance.

Disclosures of TFRS 9 Financial Instruments Standard

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

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.

The Parent Bank will recognize an adjustment to opening retained earnings at 1 January 2018, to reflect the application of the new requirements at the adoption date. Additionally, the Parent Bank will calculate deferred tax assets on expected credit losses related to Stage 1 and Stage 2 loans, which will also be reflected to the opening retained earnings.

Classification and measurement of financial assets

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest (SPPI)".

Upon initial recognition each financial asset will be classified as either fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Impairment of financial assets

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

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1

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

Stage 2

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

Stage 3

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

The effects of TFRS 9 on the prior period financial statements are under review and it is expected that there will be 1% to 3% positive effect on the consolidated shareholders' equity. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, revisions are still ongoing on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financials until announcement of the first time adoption financial statement including the opening balance sheet as of 1 January 2018.

b. Accounting policies and valuation principles used in the preparation of the financial statements

None (31 December 2016: None).

c. Additional paragraph for convenience translation:

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

II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies

a. Strategy for the use of financial instruments

DFS Group's external sources of funds are comprised of deposits with various maturity periods, and short-term borrowings. These funds are fixed rate in general and are utilized in high yield financial assets. The majority of the funds are allocated to high yield, floating rate instruments, such as Turkish Lira and foreign currency government securities and Eurobonds, and to loans provided to customers on a selective basis in order to increase revenue and support liquidity. The liquidity structure that ensures meeting all liabilities falling due, is formed by keeping sufficient levels of cash and cash equivalents by diversifying the sources of funds. The Bank assesses the maturity structure of the sources, and the maturity structure and yield of placements at market conditions and adopts a high yield policy in long-term placements.

DFS Group assumes risks within pre-determined risk limits in short-term currency, interest and price movements in money and capital markets and market conditions.

These positions are closely monitored by the Risk Management System of the Parent Bank and the necessary precautions are taken if the limits are exceeded or should there be a change in the market environment.

In order to avoid interest rate risk, assets and liabilities with fixed and floating interests are kept in balance, taking the maturity structure into consideration.

The asset-liability balance is monitored on a daily basis in accordance with the maturity structure and foreign currency type. The risks associated with short-term positions are hedged through derivatives such as forwards, swaps and options.

No risks are taken as far as possible on foreign currencies other than US Dollar and Euro. Transactions are made under the determined limits to cover the position.

Net foreign currency position of DFS Group in foreign enterprises is considered along with the position of the Parent Bank and the specific position is evaluated within the risk limits.

b. Transactions denominated in foreign currencies

Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements

DFS Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of the balance sheet date are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities are translated into TL by using foreign currency exchange rates of the Parent Bank and the resulting exchange differences are recorded as foreign exchange gains and losses. The Parent Bank's foreign currency exchange rates are as follows.

	31 December 2017	31 December 2016
US Dollar	TL 3,7719	TL 3,5192
Euro	TL 4,5155	TL 3,7099

Foreign exchange gains and losses included in the income statement

As of 31 December 2017, net foreign exchange gain included in the income statement amounts to TL 38.161 (1 January - 31 December 2016: net foreign exchange loss of TL 599.624).

Total amount of valuation fund arising from foreign currency exchange rate differences

The assets and liabilities of foreign operations are translated to TL at foreign exchange rates of the Parent Bank ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to TL at yearly average foreign exchange rates of the Parent Bank. The foreign exchange differences derived from translation of income statements of consolidated subsidiaries, and arising from the difference between TL equivalent of their equities and the Parent Bank's share in their net assets are recorded in "other profit reserves".

As of 31 December 2017, total foreign exchange differences in equity amount to TL 2.105.383 (31 December 2016: TL 1.128.050).

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c*

The foreign exchange difference of TL 46.163 (31 December 2016: TL 36.673) arising from the translation of the financial statements of Bahrain branch of the Parent Bank to Turkish Lira per TAS 21 is recorded in "other profit reserves".

DFS Group applies net investment hedge accounting to hedge from the foreign currency exchange risk arising from conversion of its investments in foreign currency denominated subsidiaries on a consolidated basis. Part of foreign currency deposits to the net investment amount is designated as hedging instrument and the effective portion of the foreign exchange difference of these financial liabilities is recognized under hedging funds in equity.

III. Information regarding the consolidated subsidiaries

Consolidated financial statements are prepared in accordance with TFRS 10, the "Turkish Accounting Standard for Consolidated Financial Statements".

The Parent Bank owns, directly or indirectly, the shares of Deniz Yatırım Menkul Kıymetler A.Ş. (Deniz Yatırım), Eurodeniz International Banking Unit Ltd. (Eurodeniz), Deniz Portföy Yönetimi A.Ş. (Deniz Portföy), Denizbank AG, JSC Denizbank, Deniz Finansal Kiralama A.Ş. (Deniz Leasing), Deniz Faktoring A.Ş. (Deniz Faktoring), Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz GYO), and CR Erdberg Eins GmbH & Co KG (CR Erdberg) and these subsidiaries are consolidated fully.

DFS Funding Corp., which is a structured entity, is also included in the scope of consolidation.

It was decided to change type and title of Ekspres Menkul Değerler A.Ş. (Ekspres Menkul Değerler) in Extraordinary General Assembly meeting held on 5 August 2016 and the decision has been registered at İstanbul Trade Registry Office on 10 August 2016 and title of Ekspres Menkul Değerler has changed as Ekspres Bilgi İşlem ve Ticaret Anonim Şirketi (Ekspres Bilgi İşlem) and it was excluded from consolidated subsidiaries in scope of BRSA regulations since it has a non-financial subsidiary status.

In addition, the non-financial subsidiaries of the parent bank; Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ("Intertech"), Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Deniz Kültür") and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") which is jointly controlled company and affiliates of Intertech; Deniz Kartlı Ödeme Sistemleri A.Ş. and Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş., Deniz Immobilien Service GMBH ("Deniz Immobilien") subsidiary of Denizbank AG, Gündem Otel Turizm A.Ş., subsidiary of Deniz GYO, since they are non-financial subsidiaries are excluded from the consolidation process.

Important changes on consolidated subsidiaries in reporting period

On 26 September 2017, the Parent Bank increased the share capital of Denizbank AG by Euro 50 million in cash.

Consolidation principles for subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank's returns.

According to this method, the financial statements of the Parent Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income, expenses and off-balance sheet items, in preparing consolidated financial statements. Minority interests are presented separately in the consolidated balance sheet and consolidated income statement.

The carrying amount of the Parent Bank's investment in each subsidiary and the Parent Bank's portion of equity of each subsidiary are eliminated.

All intercompany transactions and intercompany balances between the consolidated subsidiaries and the Parent Bank are eliminated.

The financial statements which have been used in the consolidation are prepared as of 31 December 2017 and appropriate adjustments are made to financial statements to use uniform accounting policies for transactions and events alike in similar circumstances, in accordance with the principal of materiality.

IV. Explanations on forward transactions, options and derivative instruments

DFS Group's derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", forward foreign currency purchase/sale contracts, swaps, options and futures are classified as "trading purpose" transactions. Derivative transactions are recorded with their fair values at contract date. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

The derivative transactions are valued at fair value using market prices or pricing models subsequent to initial recognition and are presented in the "Positive Value of Trading Purpose Derivatives" and "Negative Value of Trading Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. Gains and losses arising from a change in the fair value are recognized in the income statement. Fair values of derivatives are calculated using either discounted cash flow model or market value.

V. Explanations on interest income and expenses

Interest income and expenses are recognized as they are accrued taking into account the internal rate of return method. Interest accrual is not made for non-performing loans until non-performing loans become performing and are classified as performing loans or until collection in accordance with the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside", published in the Official Gazette No. 26333 dated 1 November 2006, which was prepared on the basis of the provisions of Articles 53 and 93 of the Banking Law no. 5411.

VI. Explanations on fees and commissions

Fees and commissions received and paid, and other fees and commissions paid to financial institutions are either recognized on an accrual basis over the period the service is provided or received or recognized as income or expense when collected or paid depending on their nature.

VII. Explanations on financial assets

Financial assets include cash; acquisition right of cash or acquisition right of other financial asset or bilateral exchange right of financial assets or equity instrument transactions with the counterpart. Financial assets are classified in four categories; as financial assets at fair value through profit or loss, financial assets available-for-sale, investments held-to-maturity, and loans and receivables.

a. Financial assets at fair value through profit or loss

Financial assets held for trading

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

Trading financial assets are recognized at their fair value in the balance sheet and remeasured at their fair value after recognition.

All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of a financial asset and its discounted value are recognized in "Interest Income"; and in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account. In the case that the financial asset is sold before its maturity, consisted gains or losses are accounted with the same principals.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes. The accounting of derivative financial assets is explained in Note IV of Section Three.

Financial assets at fair value through profit or loss

DFS Group does not have any securities designated as "financial assets at fair value through profit or loss".

b. Investment securities available-for-sale

Available-for-sale assets are financial assets that are not loans and receivables, held to maturity investments and financial assets at fair value through profit or loss.

After the recognition, financial assets available for sale are remeasured at fair value. Interest income arising from available for sale calculated with "Effective interest method" and dividend income from equity securities are reflected to the income statement. Unrealized gains and losses arising from the differences of fair value of securities classified as available for sale and that is representing differences between amortized cost calculated with effective interest method and fair value of financial assets are recognized under the account of "Marketable securities valuation differences" under shareholder's equity. Unrealized profits and losses are not reclassified to the income statement until these securities are sold or matured and the related fair value differences accumulated in the shareholders' equity are then transferred to the income statement.

c. Investment securities held-to-maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available for sale; and those that meet the definition of loans and receivables.

Held to maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflects the fair value of the those instruments and subsequently recognized at amortized cost by using effective interest rate method.

Interest income obtained from held to maturity financial assets are presented in the line of "interest received from securities portfolio - investment securities held-to-maturity" in the consolidated statement of income.

There are no financial assets that are banned from being classified as investment securities held-to maturity for two years due to the violation of the tainting rule.

DFS Group has government securities with a maturity of 5-10 years and indexed to CPI in the 3 month real coupon ratios that remain constant throughout the maturity in the available for sell and held to maturity securities portfolios. As stated by Secretary of Treasury in CPI indexed investor guide, the reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of 2 months ago. DFS Group predicts the inflation rate in parallel to those.

d. Loans and specific provisions

Loans and receivables are non-derivative financial assets that are not classified as either financial assets at fair value through profit or loss or financial assets available for sale, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost to transaction costs which reflect fair value and subsequently recognized at the discounted value calculated using the "Effective interest method".

Foreign currency loans are subject to evaluation and currency exchange differences arising from such re-measurements are reflected in "Foreign Exchange Gains/Losses" account in the consolidated income statement. Foreign currency-indexed loans are initially recognized in their Turkish Lira equivalents; repayments are calculated with exchange rate at payment date, and currency exchange differences occurred are reflected in profit/loss accounts.

Specific and general allowances are calculated in accordance with the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside" published in the Official Gazette numbered 26333 dated 1 November 2006.

When collections are made from loans that have been provided for, they are credited to the income statement accounts "Provision for Loan Losses or Other Receivables" if the provision was made in the current year, otherwise such collections are credited to "Other Operating Income" account with respect to allowances made in prior years. The interest income recovered is booked in "Other Interest Income" account.

VIII. Explanations on impairment of financial assets

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest method" and its carrying value. Regarding available-for-sale financial assets, when there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. An explanation about the impairment of loans and receivables is given in Note VII-d of Section Three.

IX. Explanations on offsetting financial instruments

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

X. Explanations on sale and repurchase agreements and transactions related to the lending of securities

Government bonds and treasury bills sold to customers under repurchase agreements are classified according to purpose of being held into portfolio on the assets side of the accompanying consolidated balance sheet within "Financial Assets Held for Trading", "Investment Securities Available for Sale" and "Investment Securities Held to Maturity" and are measured according to valuation principles of relating portfolio. Funds obtained from repurchase agreements are presented on the liability side of the consolidated balance sheet within the account of "Funds Provided under Repurchase Agreements". The accrual amounts corresponding to the period is calculated over the sell and repurchase price difference determined in repurchase agreements. Accrued interest expenses calculated for funds obtained from repurchase agreements are presented in "Reverse Repurchase Agreements" account in liability part of the consolidated balance sheet.

Securities received with resale commitments are presented under "Reverse Repurchase Agreements" line in the balance sheet. The accrual amounts for the corresponding part to the period of the resale and repurchase price difference determined in reverse repurchase agreements are calculated using the "Effective interest method". The Parent Bank has no securities which are subject to borrowing activities.

XI. Explanations on assets held for sale and discontinued operations and related liabilities

An asset is regarded as "Asset held for resale" only when the sale is highly probable and the asset is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Various events and conditions can prolong completion period of sale transaction to more than 1 year. This loss of time is realized due to events and conditions out of control of an enterprise and in the position of competent evidence about sales plan of an enterprise for sale of relevant asset continuing, assets mentioned continuing to be classified as assets held for sale.

The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single balance.

A discontinued operation is a division of a bank that is either disposed or held for sale and represents a separate major line of business or geographical area of operations; or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

Shares of Destek Varlık Yönetim A.Ş., owned at 100% rate by Deniz Yatırım, Ekspres Bilgi İşlem, Deniz Finansal Kiralama, Deniz Faktoring and Intertech, were sold to Lider Faktoring and Merkez Faktoring with a total consideration of TL 12.320 on 29 December 2016 in accordance with the Board of Directors' decision dated 14 July 2016.

As 31 December 2017, DFS Group does not have non-current assets held for sale and discontinued operations (31 December 2016: None).

XII. Explanations on goodwill and other intangible assets

a. Goodwill

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles. Assets of the acquired company which are not presented on financial statements but separated from goodwill represented with fair values of tangible assets (credit card brand equity, customer portfolio etc.) and/or contingent liabilities to financial statements in process of acquisition.

In accordance with "TFRS 3 - Business Combinations", the goodwill is not amortized. It is tested yearly or if there is any indication of impairment according to "Turkish Accounting Standard 36 (TAS 36) - Impairment of Assets".

b. Other intangible assets

Intangible assets are initially measured at acquisition cost and other costs which are required for activation of the financial asset in accordance with TAS 38 "Intangible Assets" standard. Intangible assets are evaluated over excess value of net cost that derived from accumulated depreciation and accumulated impairment after recognition period.

The Group's intangible assets consist of software, license rights, data/telephone line, total values of credit cards and personal loans portfolio.

Intangible assets purchased before 1 January 2003 and after 31 December 2006 are amortized on a straight-line basis; and those purchased between the aforementioned dates are amortized by using the double-declining method. Useful life of an asset is estimated by assessment of the expected life span, technical, and technological wear outs of the asset. The amortization rates used approximate the useful lives of the assets.

Maintenance costs associated with the computer software that are in use are expensed at the period of occurrence.

XIII. Explanations on tangible assets

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use as of 31 December 2016, while it tracks all of its remaining tangible fixed assets by cost model in accordance with TAS 16. Positive differences between property value in expertise reports prepared by licenced valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are posted to the income statement.

	Estimated Economic Life (Year)	Depreciation Rate
Movables		
- Office machinery	4 Years	10 % - 50 %
- Furniture and fixtures	5 Years	10 % - 50 %
- Motor vehicles	5 Years	20 % - 50 %
- Other equipment	10 Years	2,50 % - 50 %
Real estate	50 Years	2 % - 3,03 %

Maintenance and repair costs that are routinely made on tangible assets are expensed. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset.

There are no restrictions such as pledges and mortgages on tangible assets or no purchase commitments.

XIV. Explanations on investment properties

Land and buildings that are held for rental yields or for capital appreciation or both, rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment property is carried at fair value. Gains or losses arising from a change in the fair value of investment property are recognized in the income statement in the period in which they occur.

Investment property is derecognized through disposal or withdrawal from use and when no future economic benefit is expected from its disposal. Gains or losses arising from the disposal of investment property are recognized in the related statement of income or expense accounts in the period in which they occur.

Due to sale of a Bank's real estate to its subsidiary, Deniz GYO, in 2015, this property has been classified as investment property in the Group's consolidated financial statements, and the difference of TL 13.397 between the net book value and fair value as of the date of sale has been classified in "Investment Properties Revaluation Differences" under shareholders' equity according to TAS 16.

XV. Explanations on leasing activities

Fixed assets acquired through financial leasing are recognized in tangible assets and depreciated in line with the fixed assets group they relate to. The obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement.

DFS Group has finance lease transactions as "lessor" via its subsidiary, Deniz Leasing. The lease receivables related to leased assets are recorded as finance lease receivables. The asset subject to the financial leasing is presented in the balance sheet as receivable equal to the net leasing amount. Interest income is recognized over the term of the lease using the net investment method which reflects a constant periodic rate of return and the unrecognized portion is followed under unearned interest income account.

Specific provisions for non-performing financial lease receivables of DFS Group are provided for in accordance with the "Communiqué On Procedures and Principles For The Provisions To Be Set Aside By Financial Leasing, Factoring and Financing Companies For Their Receivables" published in the Official Gazette numbered 28861 dated 24 December 2013 and are represented under loans and specific provision for receivables in the consolidated balance sheet.

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

XVI. Explanations on provisions and contingent liabilities

Provisions other than specific and general provisions for loans and other receivables and free provisions for probable risks, contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by DFS Group management. Whenever the amount of such obligations cannot be measured, they are regarded as "Contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can be measured reliably, a provision is recognized. If the amount of the obligation can not be measured reliably or the possibility of an outflow of resources embodying economic benefits is remote, such liabilities are disclosed in the footnotes.

Based on the representations of the Parent Bank's attorneys, there are 6.102 lawsuits against DFS Group with total risks amounting to TL193.276, US Dollar 3.063.070 and Euro 866.023 as of 31 December 2017. There are also 14.211 follow-up cases amounting to TL 600.850, US Dollar 4.795.625 and Euro 498.789 in total that are filed by DFS Group and are at courts. DFS Group booked a provision amounting to TL 38.146 for the continuing lawsuits (31 December 2016: TL 23.959).

XVII. Explanations on obligations for employee benefits

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

The Parent Bank in accordance with existing legislation in Turkey, is required to make retirement and notice payments to each employee whose employment is terminated due to reasons other than resignation or misconduct. Except to the this extents, the Parent Bank is required to make severance payment to each employee whose employment is terminated due to retirement, death, military service and to female employees following their marriage within one year leave the job of their own accords by fourteenth clause of Labour Law.

DFS Group, in accordance with TAS 19 "Employee Benefits" realized provision registry under the condition of prediction of present value of possible liability in the future related to employee termination benefits. Losses and gains which occur after 1 January 2013 are adjusting under the Equity Accounts in accordance with updated TAS 19 Standard.

The Bank has recognized vacation pay liability amount which is calculated from unused vacation to financial statement as a provision.

XVIII. Explanations on taxation

a. Current taxes

In accordance with the Corporate Tax Law No: 5520 published in the Official Gazette numbered 26205 dated 21 June 2006, the corporate tax rate is levied at 20% beginning from 1 January 2006.

Companies file their corporate tax returns between the 1st and 25th days of the following four months period after to which they relate and the payments are made until the end of that month.

The provision for corporate tax for the period is reflected as the "Current Tax Liability" in the liabilities and "Current Tax Provision" in the income statement.

In accordance with the Corporate Tax Law, tax losses can be carried forward for five years. The tax authorities can inspect tax returns and the related accounting records back to a maximum period of five years.

Besides institutions reside in Turkey, dividends paid to the offices or the institutions earning through their permanent representatives in Turkey are not subject to withholding tax. According to the decision no. 2006/10731 of the Council of Ministers published in the Official Gazette no. 26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. In this respect, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the institutions residing in Turkey is 15%. While applying the withholding tax rates on dividend payments to the foreign based institutions and the real persons, the withholding tax rates covered in the related Avoidance of Double Taxation Treaty are taken into account. Addition of profit to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The foreign subsidiaries of DFS Group that operate in Austria, the Russian Federation and Cyprus are subject to corporate tax rates of 25%, 20% and 2%, respectively.

By the provisional article added to Corporate Tax Law no.5520 by the Clause 91 of law no.7061, current tax rate is declared to be 22% for corporations in 2018, 2019 and 2020 taxation periods.

Tax effects of items that are accounted for under the shareholders' equity are also recorded under equity accounts.

b. Deferred taxes

In accordance with TAS 12 "Income Taxes", DFS Group accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Individual deferred tax assets and liabilities of the consolidated entities have been offset in their separate financial statements, but have not been offset in the consolidated balance sheet. As a result of offsetting, as of 31 December 2017 deferred tax assets of TL 216.618 (31 December 2016: TL 153.176) and deferred tax liabilities of TL 27.217 (31 December 2016: TL 15.446) have been recognized in the accompanying financial statements.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

Deferred tax liabilities are generally recognized for all taxable temporary and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset is not computed over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

By the provisional article added to Corporate Tax Law no.5520 by the Clause 91 of law no.7061, current tax rate is declared to be 22% for corporations in 2018, 2019 and 2020 taxation periods.

c. Transfer pricing

In the framework of the provisions on "Disguised Profit Distribution Through Transfer Pricing" regulated under article 13 of Corporate Tax Law no. 5520, pursuant to the Corporate Tax Law General Communiqué no. 1, which became effective upon its promulgation in the Official Gazette dated 3 April 2007 and numbered 26482, Corporate Tax Law General Communiqué no. 3, which became effective upon its promulgation in the Official Gazette dated 20 November 2008 and numbered 27060, Council of Ministers Decree no. 2007/12888, which became effective upon its promulgation in the Official Gazette dated 6 December 2007 and numbered 26722, Council of Minister Decree no. 2008/13490, which became effective upon its promulgation in the Official Gazette dated 13 April 2008 and numbered 26846, "General Communiqué No. 1 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 18 November 2007 and numbered 26704 and "General Communiqué No. 2 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 22 April 2008 and numbered 26855, "General Communiqué No. 3 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 7 December 2017 and numbered 30263, profits shall be deemed to have been wholly or partially distributed in a disguised manner through transfer pricing if companies engage in the sales or purchases of goods or services with related parties at prices or amounts defined contrary to the arm's length principle. Buying, selling, manufacturing and construction operations and services, renting and leasing transactions, borrowing or lending money, bonuses, wages and similar payments are deemed as purchase of goods and services in any case and under any condition.

Corporate taxpayers are obliged to fill in the "The Form on Transfer Pricing, Controlled Foreign Corporation and Thin Capital" regarding the purchases or sales of goods or services they perform with related parties during a fiscal period and submit it to their tax office in the attachment of the corporate tax return.

Furthermore, the taxpayers registered in the Large Taxpayers Tax Administration (Büyük Mükellefler Vergi Dairesi Başkanlığı) must prepare the "Annual Transfer Pricing Report" in line with the designated format for their domestic and cross-border transactions performed with related parties during a fiscal period until the filing deadline of the corporate tax return, and if requested after the expiration of this period, they must submit the report to the Administration or those authorized to conduct tax inspection.

XIX. Additional explanations on borrowings

Borrowings are initially recognized at cost representing their fair value and remeasured at amortized cost based on the internal rate of return at next periods. Foreign currency borrowings have been translated using the foreign currency buying rates of the Parent Bank at the balance sheet date. Interest expense incurred for the period has been recognized in the accompanying financial statements.

General hedging techniques are used for borrowings against liquidity and currency risks. The Parent Bank, if required, borrows funds from domestic and foreign institutions. The Parent Bank also borrows funds in the forms of syndication loans and securitization loans from foreign institutions.

XX. Explanations on issuance of share certificates

No share certificate has been issued in 2017 (31 December 2016: TL 50.418.910).

XXI. Explanations on acceptances

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

As of the balance sheet date, there are no acceptances recorded as liability in return for assets.

XXII. Explanations on government grants

As of the balance sheet date, DFS Group does not have any government grants.

XXIII. Explanations on segment reporting

Segment reporting is presented in Note IX of Section Four.

XXIV. Explanations on other matters

None (31 December 2016: None).

SECTION FOUR

CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations related to the consolidated shareholders' equity

Capital and capital adequacy ratio are calculated in accordance with the "Regulation on Equities of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The current period equity of the Bank is TL 18.393.397 (31 December 2016: TL 15.803.437) while its capital adequacy standard ratio is 15,30% as of 31 December 2017 (31 December 2016: 14,17%).

a. Components of consolidated capital

	Current Period 31 December 2017	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014
Common Equity Tier 1 capital				
Directly issued qualifying common share capital plus related stock surplus	3.316.100		3.316.100	
Share premium	15		15	
Legal reserves	4.184.425		3.968.080	
Projected gains to shareholders' equity of the accounting standards in Turkey	545.662		212.370	
Profit	5.263.883		3.646.324	
Net current period profit	1.900.758		1.400.027	
Prior period profit	3.363.125		2.246.297	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	708		11	
Minority shares	9.644		8.270	
Common Equity Tier 1 capital before regulatory adjustments	13.320.437		11.151.170	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	--		--	
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	467.030		560.456	
Development cost of operating lease	110.176		91.733	
Goodwill (net of related tax liability)	695	869	522	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.304	187.882	122.370	203.950
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1.154		378	
Cash-flow hedge reserve	--		--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--		--	
Gains from securitisation transactions	--		--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--		--	
Defined-benefit pension fund net assets	--		--	
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	--		--	
Reciprocal cross-holdings in common equity	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% thresh	--		--	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	--		--	
Mortgage servicing rights (amount above 10% threshold)	--		--	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	--		--	
Amount exceeding the 15% threshold	--		--	
of which: significant investments in the common stock of financials	--		--	
of which: mortgage servicing rights	--		--	
of which: deferred tax assets arising from temporary differences	--		--	
National specific regulatory adjustments	--		--	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	--		--	
Total regulatory adjustments to Common equity Tier 1	729.359		775.459	
Common Equity Tier 1 capital (CET1)	12.591.078		10.375.711	

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Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	--	--
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	--	--
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	--	--
The additional Tier 1 capital shares of third parties	--	--
The additional Tier 1 capital shares of third parties (Geçici Madde 3 kapsamında olanlar)	--	--
Additional Tier 1 capital before regulatory adjustments	--	--
Additional Tier 1 capital: regulatory adjustments	--	--
Investments in own Additional Tier 1 instruments	--	--
Reciprocal cross-holdings in Additional Tier 1 instruments	--	--
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--	--
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--	--
National specific regulatory adjustments	--	--
The process of transition will continue to reduce from Tier 1 Capital	--	--
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	37.752	81.927
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)	289	252
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	--	--
Total regulatory adjustments to Additional Tier 1 capital	38.041	82.179
Additional Tier 1 capital (AT1)	(38.041)	(82.179)
Tier 1 capital (T1 = CET1 + AT1)	12.553.037	10.293.532
Tier 2 capital: Instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	4.479.778	4.262.567
Directly issued qualifying Tier 2 instruments plus related stock surplus	--	140.768
The additional Tier 1 capital shares of third parties	--	--
The additional Tier 1 capital shares of third parties ((Covered by Temporary Article 3)	--	--
Provisions	1.376.307	1.269.354
Tier 2 capital before regulatory adjustments	5.856.085	5.531.921
Tier 2 capital: regulatory adjustments	--	--
Investments in own Tier 2 instruments (-)	--	--
Reciprocal cross-holdings in Tier 2 instruments	--	--
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--	--
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--	--
National specific regulatory adjustments (-)	--	--
Total regulatory adjustments to Tier 2 capital	--	--
Tier 2 capital (T2)	5.856.085	5.531.921
Total capital (TC = T1 + T2)	18.409.122	15.825.453
Total risk weighted assets		
Loans extended being non compliant with articles 50 and 51 of the Law	--	--
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	--	9.825
National specific regulatory adjustments	15.725	12.191
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital	--	--
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	--	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--	--
Capital	--	--
Total capital	18.393.397	15.803.437
Total risk weighted items	120.211.594	111.503.228
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	10,47	9,31
Consolidated Tier 1 Capital Adequacy Ratio (%)	10,44	9,23
Consolidated Capital Adequacy Standard Ratio (%)	15,30	14,17

BUFFERS

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Institution specific buffer requirement	1,302	0,647
Capital conservation buffer requirement (%)	1,250	0,625
Bank specific countercyclical buffer requirement (%)	0,052	0,022
Systemically important Bank buffer (%)	--	--
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)		0,013
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	--	--
Significant investments in the common stock of financials	--	--
Mortgage servicing rights (net of related tax liability)	--	--
Deferred tax assets arising from temporary differences (net of related tax liability)	--	--
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1,440.765	1,269.354
Cap on inclusion of provisions in Tier 2 under standardised approach	1,376.307	1,269.354
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	--	--
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	--	--
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	--	--
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--	--
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds (*)	--	--
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--	--

(*) There are no credits included in Tier 2 capital related to "Temporary Article 4".

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Issuer	SBERBANK OF RUSSIA Subordinated Loans	SBERBANK OF RUSSIA Subordinated Loans	SBERBANK OF RUSSIA Subordinated Loans	SBERBANK OF RUSSIA Subordinated Loans
Governing law(s) of the instrument	"Regulations on Bank's Equity" dated 5 September 2019.	"Regulations on Bank's Equity" dated 5 September 2019.	"Regulations on Bank's Equity" dated 5 September 2019.	"Regulations on Bank's Equity" dated 5 September 2019.
Regulatory treatment: Eligible at category group 5005 Accountant type: Pursuant to regulatory capital (Currency & m.u., as of most recent reporting date) Accounting classification: Original date of issuance: Partial maturity date: Maturity date: Under asset protection under supervisory approval	Not Deducted Eligible Loan Cash 1132 518 3470102 30.06.2014 Dated 10 years Yes	Not Deducted Eligible Loan Cash 1132 518 3470102 30.06.2014 Dated 10 years Yes	Not Deducted Eligible Loan Cash 1132 518 3470102 30.06.2014 Dated 10 years Yes	Not Deducted Eligible Loan Cash 1132 518 3470102 30.06.2014 Dated 10 years Yes
Optional call date, contingent call dates and redemption amount	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.
Subsequent call dates, if applicable	None	None	None	None
Coupon/dividends*	Fixed	Fixed	Fixed	Fixed
Paid or floating dividend/coupon	First five year 8.5%, after as +3.61	First five year 7.5%, after as +4.12	First five year 7.5%, after as +4.12	First five year 7.5%, after as +4.12
Coupon rate and any related index	None	None	None	None
Fully discretionary, partially discretionary or mandatory	None	None	None	None
Existence of step up or other incentive to redeem	Noncumulative or cumulative	Noncumulative or cumulative	Noncumulative or cumulative	Noncumulative or cumulative
Convertible or non-convertible	May be fully or partially extinguished principal debt instrument in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibly that the Bank may be transferred to the Fund. Convertible fully	May be fully or partially extinguished principal debt instrument in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibly that the Bank may be transferred to the Fund. Convertible fully	May be permanently or temporarily extinguished principal debt instrument in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibly that the Bank may be transferred to the Fund. Convertible fully	May be permanently or temporarily extinguished principal debt instrument in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibly that the Bank may be transferred to the Fund. Convertible fully
If convertible, fully or partially convertible	--	--	--	--
If convertible, conversion rate	--	--	--	--
If convertible, conversion price	--	--	--	--
If convertible, specifically issued or convertible into	--	--	--	--
If convertible, specifically issued or convertible into	--	--	--	--
Write-down features	It write-down, write-down trigger(s)	It write-down, write-down trigger(s)	It write-down, write-down trigger(s)	It write-down, write-down trigger(s)
If write-down, full or partial	None	None	None	None
If write-down, write-down mechanism	It temporary write-down, description of write-up mechanism	It temporary write-down, description of write-up mechanism	It temporary write-down, description of write-up mechanism	It temporary write-down, description of write-up mechanism
Position in subordination hierarchy (specify instrument type immediately senior to instrument)	In the event of the liquidation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the claims of deposit holders and all other claimants. Processed for Article 8.	In the event of the liquidation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the claims of deposit holders and all other claimants. Processed for Article 8.	In the event of the liquidation of the Bank, gives the owner the authority to collect the claim before share certificates and primary subordinated debts and after all other debts. Processed for Article 8.	In the event of the liquidation of the Bank, gives the owner the authority to collect the claim before share certificates and primary subordinated debts and after all other debts. Processed for Article 8.
Whether conditions which stands in article of 7 and 8 of Bank's shareholder equity law are possessed or not	According to articles 7 and 8 of Bank's shareholder equity law that are not possessed	According to articles 7 and 8 of Bank's shareholder equity law that are not possessed	According to articles 7 and 8 of Bank's shareholder equity law that are not possessed	According to articles 7 and 8 of Bank's shareholder equity law that are not possessed

- c. Main differences between "Equity" amount mentioned in the prior tables' equity statements and "Equity" amount in consolidated balance sheet arise from general provisions and subordinated loans. The portion of main amount to credit risk of general provision up to 1,25% and subordinated credits are considered as supplementary capital in the calculation of "Equity" amount included in equity statement as result of deductions mentioned in scope of Regulation on Equity of Banks. Additionally, Losses reflected to equity are determined through excluding losses sourcing from cash flow hedge reflected in equity in accordance with TAS which are subjects of discount from Core Capital. On the other hand, leasehold improvement costs monitored under Plant, Property and Equipment in balance sheet, intangible assets and deferred tax liabilities related to intangible assets, net carrying value of properties acquired in return for receivables and kept for over 3 years and certain other accounts determined by the Board are taken into consideration in the calculation as assets deducted from capital.

II. Explanations related to the consolidated credit risk and risk management

a. Information on risk concentrations by debtors or group of debtors or geographical regions and sectors, basis for risk limits and the frequency of risk appraisals

Credit risk is the risk and losses likely to incur due to the counterparties of the Parent Bank and/or its consolidated subsidiaries and associates not meeting in full or in part their commitments arising from the contracts.

Credit risk limits of the customers are allocated based on the customers' financial strength and the credit requirement, within the credit authorization limits of the branches, the credit evaluation group, the regional directorates, the executive vice presidents responsible from loans, the general manager, the credit committee and the Board of Directors; on condition that they are in compliance with the related regulations.

Credit risk limits are determined for debtors or group of debtors. Credit risk limits of the debtors, group of debtors and sectors are monitored on a weekly basis.

Information on determination and distribution of risk limits for daily transactions, monitoring of risk concentrations related to off-balance sheet items per customer and dealer basis

Risk limits and allocations relating to daily transactions are monitored on a daily basis. Off-balance sheet risk concentrations are monitored by on-site and off-site investigations.

Information on periodical analysis of creditworthiness of loans and other receivables per legislation, inspection of account vouchers taken against new loans, if not inspected, the reasons for it, credit limit renewals, collaterals against loans and other receivables

The Group targets a healthy loan portfolio and in order to meet its target there are process instructions, follow-up and control procedures, close monitoring procedures and risk classifications for loans in accordance with the banking legislation.

In order to prevent the loans becoming non-performing either due to cyclical changes or structural problems, the potential problematic customers are determined through the analysis of early warning signals, and the probable performance problems are aimed to be resolved at an early stage.

It is preferred to obtain highly liquid collaterals such as bank guarantees, real estate and ship mortgages, pledges on securities, bills of exchange and sureties of the persons and companies.

Descriptions of past due and impaired loans as per the accounting practices

Loans which were transferred to second group loans based on the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside" and whose principal and interest payments were not realized at the relevant due dates are regarded as past due loans by the Parent Bank. Loans whose principal and interest payments were late for more than 90 days and the loans whose debtors have suffered deterioration in their creditworthiness as per the Bank's evaluations are regarded as impaired loans.

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Methods and approaches regarding valuation adjustments and provisions

Based on the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside" the Parent Bank calculates general provision for past due loans and specific provision for impaired loans.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types

Risk classifications	Current Period (*)	Average (**)	Prior Period (*)	Average (**)
1 Receivables from central governments and Central Banks	35.203.725	31.836.789	29.206.638	26.258.918
2 Receivables from regional or local governments	415.902	453.970	546.445	656.152
3 Receivables from administrative bodies and non-commercial enterprises	--	--	--	1
4 Receivables from multilateral development banks	--	--	--	--
5 Receivables from international organizations	--	--	--	--
6 Receivables from banks and brokerage houses	6.281.976	6.201.393	5.027.705	4.917.235
7 Receivables from corporate portfolio	71.888.308	66.127.326	60.739.447	57.177.588
8 Receivables from retail portfolio	45.325.335	42.904.165	35.166.364	28.627.101
9 Receivables secured by residential mortgages	5.122.699	5.397.267	5.383.060	5.026.243
10 Receivables secured by commercial mortgages	10.289.215	11.387.785	11.679.326	9.031.700
11 Past due receivables	1.003.419	1.059.195	1.155.948	981.167
12 Receivables defined in high risk category by BRSA	--	249	--	790.630
13 Securities collateralized by mortgages	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--
15 Investments similar to collective investment funds	219	193	2.255	2.004
16 Other receivables	4.539.843	4.579.635	4.435.249	3.984.588
17 Equity investments	266.425	81.765	29.109	2.911
18 Total	180.337.066	170.029.732	153.371.546	137.456.238

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.

(**) Arithmetical average of the quarterly reported amounts.

b. Information on the control limits of the Group for forward transactions, options and similar contracts, management of credit risk for these instruments together with the potential risks arising from market conditions

The Group has control limits defined for the positions arising from forward transactions, options and similar contracts. Credit risk for these instruments is managed together with those arising from market conditions.

c. Information on whether the Group decreases the risk by liquidating its forward transactions, options and similar contracts in case of facing a significant credit risk or not

Forward transactions can be realized at maturity. However, if it is required, reverse positions of the current positions are purchased to decrease the risk.

d. Information on whether the indemnified non-cash loans are evaluated as having the same risk weight as non-performing loans or not

Indemnified non-cash loans are treated as having the same risk weight as non-performing loans.

Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not

Loans that are renewed and rescheduled are included in a new rating group as determined by the risk management system, other than the follow-up plan defined in the banking regulations.

Long term commitments are accepted as having more risk than short term commitments which results in a diversification of risk and are monitored periodically.

e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities

There is no significant credit risk since the Parent Bank's foreign operations and credit transactions are conducted in OECD and EU member countries in considering their economic climate.

Evaluation of the Bank's competitive credit risk as being an active participant in the international banking transactions market

Being an active participant in the international banking transactions market, the Parent Bank does not have significant credit risk as compared to other financial institutions.

f. DFS Group's

1. The share of the top 100 and 200 cash loan customers in the total cash loans portfolio

The share of the top 100 and 200 cash loan customers comprises 30% and 36% of the total cash loans portfolio (31 December 2016: 32%, 39%).

2. The share of the top 100 and 200 non-cash loan customers in the total non-cash loans portfolio

The share of the top 100 and 200 non-cash loan customers comprises 43% and 55% of the total non-cash loans portfolio (31 December 2016: 46%, 58%).

3. The share of the total cash and non-cash loan balance of the top 100 and 200 loan customers in the total assets and off-balance sheet items

The share of the total cash and non-cash loans from its top 100 and 200 loan customers comprise 20% and 26% of the total assets and off-balance sheet items (31 December 2016: 19%, 26%).

g. DFS Group's general loan provision for its loans

As at 31 December 2017, DFS Group's general loan provision amounts to TL 1.440.765 (31 December 2016: TL 1.269.354).

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h. Profile of significant exposures in major regions

Current Period	Risk Classifications (%) ^(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	27,386,734	351,455	--	--	--	1,888,000	43,527,589	42,073,804	4,786,023	7,608,770	943,267	--	--	--	--	4,280,766	211,091	133,057,499
European Union Countries	7,727,039	54,363	--	--	--	1,789,619	8,627,181	65,602	53,317	8,572	7,862	--	--	--	--	203,738	--	18,537,293
OECD Countries	--	--	--	--	--	35,432	3,289	3,289	2,899	--	611	--	--	--	--	--	--	690,319
Off-Shore Banking Regions	--	--	--	--	--	45,462	505,913	3,120	966	1,458	--	--	--	--	--	--	--	556,919
USA, Canada	--	--	--	--	--	346,616	249,443	6,949	1,530	115	1,149	--	--	--	--	--	--	605,802
Other Countries	--	--	--	--	--	471,926	2,893,042	58,392	77,515	1,850,380	11,624	--	--	--	--	55,339	--	5,418,218
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	55,334	--
Unallocated Assets/Liabilities	89,952	10,084	--	--	--	1,704,921	15,437,052	3,114,179	200,449	819,920	38,906	--	--	--	219	--	--	21,415,682
Total	35,203,725	415,902	--	--	--	6,281,976	71,888,308	45,325,335	5,122,699	10,289,215	1,003,419	--	--	--	219	4,539,843	266,425	180,337,066

Prior Period	Risk Classifications (%) ^(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	24,677,245	494,644	--	--	--	1,345,410	36,364,401	32,382,778	5,093,718	8,061,377	1,069,908	--	--	--	1,187	4,147,723	3,929	113,642,320
European Union Countries	4,350,363	42,559	--	--	--	1,071,439	4,732,544	70,001	37,884	1,182	23,359	--	--	--	--	240,388	--	10,569,719
OECD Countries	--	--	--	--	--	21,467	188,293	4,510	2,774	--	13	--	--	--	--	--	--	217,057
Off-Shore Banking Regions	--	--	--	--	--	42,363	323,674	3,264	2,307	1,766	--	--	--	--	--	--	--	373,374
USA, Canada	--	--	--	--	--	128,150	228,700	6,267	1,524	115	96	--	--	--	--	--	--	364,852
Other Countries	--	--	--	--	--	475,226	2,653,802	62,416	78,054	2,833,177	4,464	--	--	--	--	47,138	--	6,154,277
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	25,180	25,180
Unallocated Assets/Liabilities	179,030	9,242	--	--	--	1,943,650	16,248,033	2,637,128	166,799	781,709	58,108	--	--	--	1,068	--	--	22,024,767
Total	29,206,638	546,445	--	--	--	5,027,705	60,739,447	35,166,364	5,383,060	11,679,326	1,155,948	--	--	--	2,255	4,435,249	29,109	153,371,546

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- | | |
|--|---|
| 1: Receivables from central governments and Central Banks | 10: Receivables secured by commercial mortgages |
| 2: Receivables from regional or local governments | 11: Past due receivables |
| 3: Receivables from administrative bodies and non-commercial enterprises | 12: Receivables defined in high risk category by BRSA |
| 4: Receivables from multilateral development banks | 13: Securities collateralized by mortgages |
| 5: Receivables from international organizations | 14: Short-term receivables from banks, brokerage houses and corporate portfolio |
| 6: Receivables from banks and brokerage houses | 15: Investments similar to collective investment funds |
| 7: Receivables from corporate portfolio | 16: Other receivables |
| 8: Receivables from retail portfolio | 17: Equity investments |
| 9: Receivables secured by residential mortgages | |

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

(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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Risk Profile by Sectors or Counterparties

[illegible]

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- 1: Receivables from central governments and Central Banks
- 2: Receivables from regional or local governments
- 3: Receivables from administrative bodies and non-commercial enterprises
- 4: Receivables from multilateral development banks
- 5: Receivables from international organizations
- 6: Receivables from banks and brokerage houses
- 7: Receivables from corporate portfolio
- 8: Receivables from retail portfolio
- 9: Receivables secured by residential mortgages
- 10: Receivables secured by commercial mortgages
- 11: Past due receivables
- 12: Receivables defined in high risk category by BRSA
- 13: Securities collateralized by mortgages
- 14: Short-term receivables from banks, brokerage houses and corporate portfolio
- 15: Investments similar to collective investment funds
- 16: Other receivables
- 17: Equity investments

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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Prior Period: 31 December 2016	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural							452.720	7.523.939	137.130	888.633	78.314							8.843.631	237.106	9.080.737
Farming and Cattle							448.623	7.508.881	136.839	887.343	78.085							8.832.468	227.324	9.059.772
Forestry							365	3.606	241	779								4.297	768	5.065
Fishing							3.732	11.452	50	511	155							6.886	9.014	15.900
Manufacturing	83.163						17.275.162	2.068.994	236.544	1.208.620	172.639							5.012.445	16.032.693	21.045.138
Mining		3					2.884.944	137.135	16.298	66.766	14.711							503.256	2.616.601	3.119.857
Production	83.163	3					10.593.234	1.904.754	208.595	1.096.513	94.380							3.916.746	10.063.904	13.980.650
Electric, Gas, Water							3.796.984	27.105	11.651	45.341	63.548							592.443	3.352.188	3.944.631
Construction		15.925					11.194.976	1.288.184	425.158	1.110.694	106.985							4.984.173	9.157.749	14.141.922
Services	16.467.313	7.133					23.202.955	6.947.556	1.038.115	7.255.310	412.165							18.220.133	42.159.836	60.379.969
Wholesale and Retail Trade		1					8.153.496	5.255.331	583.266	1.635.311	272.588							8.597.833	7.302.292	15.900.125
Hotel and Restaurant Services							4.641.638	259.328	233.043	4.607.567	31.336							1.445.095	8.327.817	9.772.912
Transportation and telecommunication							5.860.272	1.032.486	153.329	485.750	64.280							2.459.793	5.139.146	7.598.939
Financial institution	16.467.313	26					771.241	67.421	10.523	139.742	13.448							3.850.426	18.665.752	22.516.178
Real estate and letting services		1.512					182.870	113.566	23.932	13.651	3.501							206.936	132.097	339.033
Self-employment services																				
Education services		5.594					880.417	74.239	19.941	231.170	5.001							829.320	387.042	1.216.362
Health and social services							2.713.021	145.185	14.081	142.119	22.011							830.730	2.205.690	3.036.420
Other	12.656.162	523.384					8.613.634	17.337.691	3.546.113	1.216.079	385.845							36.181.903	12.541.877	48.723.780
Total	29.206.638	546.445					60.739.447	35.166.364	5.383.060	11.679.326	1.155.948							73.242.265	80.129.261	153.371.546

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- | | |
|--|---|
| 1: Receivables from central governments and Central Banks | 10: Receivables secured by commercial mortgages |
| 2: Receivables from regional or local governments | 11: Past due receivables |
| 3: Receivables from administrative bodies and non-commercial enterprises | 12: Receivables defined in high risk category by BRSA |
| 4: Receivables from multilateral development banks | 13: Securities collateralized by mortgages |
| 5: Receivables from international organizations | 14: Short-term receivables from banks, brokerage houses and corporate portfolio |
| 6: Receivables from banks and brokerage houses | 15: Investments similar to collective investment funds |
| 7: Receivables from corporate portfolio | 16: Other receivables |
| 8: Receivables from retail portfolio | 17: Equity investments |
| 9: Receivables secured by residential mortgages | |

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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j. Analysis of maturity-bearing exposures according to remaining maturities

Current Period

Risk classifications	Undistributed (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1 Receivables from central governments and Central Banks	2.568.859	12.566.417	7.796.184	385.815	270.566	11.615.884
2 Receivables from regional or local governments	--	1.576	641	2.615	52.384	358.686
3 Receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4 Receivables from multilateral development banks	--	--	--	--	--	--
5 Receivables from international organizations	--	--	--	--	--	--
6 Receivables from banks and brokerage houses	1.033.951	1.613.576	1.433.516	319.027	499.201	1.382.705
7 Receivables from corporate portfolio	59.159	4.534.876	6.002.928	3.035.829	8.227.044	50.028.472
8 Receivables from retail portfolio	--	8.121.430	2.017.180	2.543.395	6.543.339	26.099.991
9 Receivables secured by residential mortgages	--	152.681	172.865	199.439	252.488	4.345.226
10 Receivables secured by commercial mortgages	--	349.126	350.171	350.411	864.121	8.375.386
11 Past due receivables	931.572	4.478	566	1.927	1.892	62.984
12 Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13 Securities collateralized by mortgages	--	--	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--
15 Investments similar to collective investment funds	--	174	45	--	--	--
16 Other receivables	4.395.485	144.358	--	--	--	--
17 Equity investments	266.425	--	--	--	--	--
18 Total	9.255.451	27.488.692	17.774.096	6.838.458	16.711.035	102.269.334

(*) Amounts without determined maturities are included.

Prior Period

Risk classifications	Undistributed (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1 Receivables from central governments and Central Banks	6.345.933	10.300.402	69.142	--	--	12.491.161
2 Receivables from regional or local governments	--	254	3.256	9.197	21.830	511.908
3 Receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4 Receivables from multilateral development banks	--	--	--	--	--	--
5 Receivables from international organizations	--	--	--	--	--	--
6 Receivables from banks and brokerage houses	1.372.922	850.892	656.680	275.525	565.681	1.306.005
7 Receivables from corporate portfolio	62.590	4.697.007	3.928.743	3.032.307	7.249.025	41.769.775
8 Receivables from retail portfolio	1.777	6.604.723	1.802.017	2.257.312	6.013.387	18.487.148
9 Receivables secured by residential mortgages	--	218.525	147.123	208.799	330.330	4.478.283
10 Receivables secured by commercial mortgages	--	536.288	550.195	520.459	616.952	9.455.432
11 Past due receivables	1.061.812	5.381	839	1.281	2.984	83.651
12 Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13 Securities collateralized by mortgages	--	--	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--
15 Investments similar to collective investment funds	--	2.089	--	--	166	--
16 Other receivables	4.404.835	11.608	--	--	--	18.806
17 Equity investments	29.109	--	--	--	--	--
18 Total	13.278.978	23.227.169	7.157.995	6.304.880	14.800.355	88.602.169

(*) Amounts without determined maturities are included.

k. Risk Classifications

Ratings issued by Fitch, international credit rating agency, are being used in determining risk weights for the regulatory calculation of capital adequacy.

The scope of asset classes that the credit ratings are considered are receivables from Central Governments or Central Bank, receivables from Banks and Brokerage Houses as being limited with those residing abroad and Corporate receivables from residing abroad.

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Current Period

Credit Quality Grade	Risk Rating Fitch	Receivables from Central Governments or Central Banks	Risk Classifications		
			Receivables from Banks and Brokerage Houses		Corporate Receivables
			Receivables with Remaining Maturities Less Than 3 Months	Receivables with Remaining Maturities More Than 3 Months	
1	AAA	%0	%20	%20	%20
	AA+				
	AA				
	AA-				
2	A+	%20	%20	%50	%50
	A				
	A-				
	BBB+				
3	BBB	%50	%20	%50	%100
	BBB-				
	BB+				
	BB				
4	BB-	%100	%50	%100	%100
	B+				
	B				
	B-				
5	CCC	%100	%50	%100	%150
	CC				
	C				
	D				

Prior Period

Credit Quality Grade	Risk Rating Fitch	Receivables from Central Governments or Central Banks	Risk Classifications		
			Receivables from Banks and Brokerage Houses		Corporate Receivables
			Receivables with Remaining Maturities Less Than 3 Months	Receivables with Remaining Maturities More Than 3 Months	
1	AAA	%0	%20	%20	%20
	AA+				
	AA				
	AA-				
2	A+	%20	%20	%50	%50
	A				
	A-				
	BBB+				
3	BBB	%50	%20	%50	%100
	BBB-				
	BB+				
	BB				
4	BB-	%100	%50	%100	%100
	B+				
	B				
	B-				
5	CCC	%100	%50	%100	%150
	CC				
	C				
	D				

I. Exposures by risk weights

Current Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before Credit Risk Mitigation	34.149.665	--	3.447.421	--	2.479.456	51.137.641	88.700.410	205.854	--	216.619	--	783.125
Exposures after Credit Risk Mitigation	43.116.345	--	4.006.058	4.916.423	9.816.018	40.115.076	71.200.716	204.646	--	216.619	--	783.125

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Prior Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before Credit Risk Mitigation	16.439.368	--	1.870.339	--	18.517.089	41.035.264	75.067.892	287.179	--	154.415	--	879.654
Exposures after Credit Risk Mitigation	17.241.861	--	1.870.339	5.341.774	28.577.710	33.874.791	59.873.169	284.184	--	154.415	--	879.654

m. Information by major sectors and type of counterparties

Impaired Loans; are the loans either overdue for more than 90 days or loans regarded as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

Past Due Loans; are the loans those are overdue up to 90 days but not impaired. For such loans, "general provisions" are allocated as per the Provisioning Regulation.

Current Period: 31 December 2017

Important Sectors/Counterparties	Loans		Value Adjustments(*)	Provisions(**)
	Impaired	Past Due		
Agricultural	225.754	771.314	14.314	150.663
Farming and Cattle	217.958	770.123	14.295	147.822
Forestry	454	98	2	427
Fishing	7.342	1.093	17	2.414
Manufacturing	416.964	167.318	28.288	279.707
Mining	54.689	32.326	424	34.336
Production	280.046	120.427	27.649	211.461
Electric, Gas, Water	82.229	14.565	215	33.910
Construction	285.778	238.013	4.493	185.285
Services	1.472.510	1.786.881	334.212	1.087.060
Wholesale and Retail Trade	905.419	496.790	7.131	707.687
Hotel and Restaurant Services	154.223	503.807	204.590	53.238
Transportation & telecommunication	272.195	729.418	121.802	208.712
Financial institution	20.562	5.178	64	13.668
Real estate and letting services	11.044	12.123	190	8.769
Self-employment services	--	--	--	--
Education services	20.896	21.836	253	18.398
Health and social services	88.171	17.729	182	76.588
Other	1.623.608	2.506.963	66.274	1.425.808
Total	4.024.614	5.470.489	447.581	3.128.523

(*) Representing the general and free provision of past due loans.

(**) Representing specific provision amounts.

Prior Period: 31 December 2016

Important Sectors/Counterparties	Loans		Value Adjustments(*)	Provisions (**)
	Impaired	Past Due		
Agricultural	200.093	602.684	11.585	137.753
Farming and Cattle	197.139	601.564	11.542	135.004
Forestry	527	144	3	460
Fishing	2.427	976	40	2.289
Manufacturing	357.990	310.924	23.774	215.052
Mining	39.933	24.608	511	27.911
Production	235.915	243.298	22.572	166.601
Electric, Gas, Water	82.142	43.018	691	20.540
Construction	232.278	144.616	2.654	156.120
Services	1.157.129	1.291.457	167.663	787.920
Wholesale and Retail Trade	748.500	474.126	12.261	495.120
Hotel and Restaurant Services	41.453	230.435	117.210	16.764
Transportation and telecommunication	216.466	543.229	36.928	154.069
Financial institution	28.667	6.687	104	17.282
Real estate and letting services	9.604	7.776	135	6.209
Self-employment services	--	--	--	--
Education services	21.522	2.461	48	16.673
Health and social services	90.917	26.743	977	81.803
Other	1.704.149	2.389.469	141.880	1.351.110
Total	3.651.639	4.739.150	347.556	2.647.955

(*) Representing the general and free provision of past due loans.

(**) Representing specific provision amounts.

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Movements in valuation adjustments and provisions

Current Period: 31 December 2017	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments(*)	Ending Balance
Specific Provisions	2.647.955	1.449.404	(273.546)	(695.290)	3.128.523
General Provisions	1.269.354	171.411	--	--	1.440.765

(*) It includes sales made from non-performing loans and exchange differences amount of TL 1.032.

Prior Period: 31 December 2016	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments(*)	Ending Balance
Specific Provisions	2.278.183	1.241.892	(269.966)	(602.154)	2.647.955
General Provisions	975.339	294.015	--	--	1.269.354

(*) It includes sales made from non-performing loans and exchange differences amount of TL 2.383.

n. Risk involved in counter-cyclical capital buffer calculations:

Current Period

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	92.031.191	27.881	92.059.072
Malta	2.815.516	--	2.815.516
Germany	2.152.017	149	2.152.166
Netherlands	1.629.446	--	1.629.446
Other	5.653.288	--	5.653.288

Prior Period

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	86.029.159	25.542	86.054.701
Malta	1.452.193	--	1.452.193
Germany	1.177.841	--	1.177.841
Netherlands	1.169.288	--	1.169.288
Other	3.895.763	--	3.895.763

o. Distribution of credit risk according to the operational segments

Current Period: 31 December 2017	Commercial Loans (*)	Consumer Loans	Credit Cards	Other	Total
Standard Loans	82.743.479	15.051.910	5.830.718	65.824	103.691.931
Closely Monitored Loans	8.502.419	1.347.718	391.233	--	10.241.370
Non-performing Loans	2.851.434	735.175	438.005	--	4.024.614
Specific Provisions(-)	1.989.404	701.406	437.713	--	3.128.523
Total	92.107.928	16.433.397	6.222.243	65.824	114.829.392

(*) Informations on the table include receivables of Deniz Leasing and Deniz Factoring.

(**) Commercial loans include commercial, corporate and SME loans.

Prior Period: 31 December 2016	Commercial Loans (*)	Consumer Loans	Credit Cards	Other	Total
Standard Loans	70.296.983	12.204.822	4.801.357	26.643	87.329.805
Closely Monitored Loans	5.213.186	1.190.519	285.322	--	6.689.027
Non-performing Loans	2.331.997	848.256	471.386	--	3.651.639
Specific Provisions(-)	1.600.858	654.233	392.864	--	2.647.955
Total	76.241.308	13.589.364	5.165.201	26.643	95.022.516

(*) Informations on the table include receivables of Deniz Leasing and Deniz Factoring.

(**) Commercial loans include commercial, corporate and SME loans.

The loans of DFS Group amounting to TL 69.261.243 (31 December 2016: TL 60.734.592) are collateralized by cash, mortgage, cheques and notes obtained from customers.

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III. Explanations related to the consolidated foreign exchange rate risk

a. Foreign exchange rate risk the Group is exposed to, related impact estimations, and the limits set by the Board of Directors of the Parent Bank for positions which are monitored daily

Foreign currency exchange rate risk can be taken by DFS Group within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

Foreign exchange rate risk is monitored along with potential evaluation differences in foreign currency transactions in accordance with "Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process". Value at Risk approach is used to measure the exchange rate risk for trading positions and calculations are made on a daily basis.

Based on general economic environment and market conditions the Parent Bank's Board of Directors reviews the risk limits and makes changes where necessary.

b. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

In accordance with TAS 39, DFS Group applies net investment hedge accounting to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments in its consolidated financial statements.

Informations relating to investment hedge to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments are explained in Note VIII-a of Section Four.

c. Foreign currency risk management strategy

Foreign exchange risk can be taken by DFS Group within defined position and value at risk limits. Measurable and manageable risks are taken within legal limits.

d. The Parent Bank's spot foreign exchange bid rates as of the balance sheet date and for each of the five days prior to that date

US Dollar purchase rate as at the balance sheet date	TL 3,7719
Euro purchase rate as at the balance sheet date	TL 4,5155

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
25 December 2017	3,8087	4.5205
26 December 2017	3,8029	4.5116
27 December 2017	3,8197	4,5385
28 December 2017	3,8104	4,5478
29 December 2017	3,7719	4,5155

e. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days prior to the balance sheet date

The arithmetical average US Dollar and Euro purchase rates for December 2017 are TL 3,8417 and TL 4,5496.

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f. Information on currency risk

Current Period	EUR	USD	Other FC ⁽⁵⁾	Total
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	2.512.307	8.169.286	3.220.382	13.901.975
Due from Banks and Other Financial Institutions	8.498.798	1.120.448	219.246	9.838.492
Financial Assets at Fair Value Through Profit or Loss ⁽¹⁾	154.793	47.729	1	202.523
Interbank Money Market Placements	--	--	--	--
Investment Securities Available-for-Sale	272.128	854.144	159.134	1.285.406
Loans ⁽²⁾	28.747.962	23.881.318	1.077.900	53.707.180
Investments in Subsidiaries and Associates	158	--	--	158
Investment Securities Held-to-Maturity	123.003	1.656.779	--	1.779.782
Hedging Purpose Financial Derivatives	--	--	--	--
Tangible Assets	145.409	89	800	146.298
Intangible Assets ⁽³⁾	--	--	--	--
Other Assets ⁽⁴⁾	2.107.584	1.045.210	97.331	3.250.125
Total Assets	42.562.142	36.775.003	4.774.794	84.111.939
Liabilities				
Bank Deposits	1.516.105	1.303.370	931.737	3.751.212
Foreign Currency Deposits	42.134.819	22.356.602	1.230.872	65.722.293
Interbank Money Markets	--	391.047	--	391.047
Funds Borrowed from Other Financial Institutions	3.448.828	13.400.749	983.991	17.833.568
Marketable Securities Issued	1.037.205	62.865	--	1.100.070
Miscellaneous Payables	121.227	88.244	23.184	232.655
Hedging Purpose Financial Derivatives	--	--	--	--
Other Liabilities ⁽⁶⁾	548.999	1.379.718	8.053	1.936.770
Total Liabilities	48.807.183	38.982.595	3.177.837	90.967.615
Net "On Balance Sheet Position"	(6.245.041)	(2.207.592)	1.596.957	(6.855.676)
Net "Off-Balance Sheet Position" ⁽⁷⁾	5.715.095	3.306.105	(1.272.938)	7.748.262
Financial Derivatives (Assets)	16.825.304	22.833.927	1.006.750	40.665.981
Financial Derivatives (Liabilities)	(11.110.209)	(19.527.822)	(2.279.688)	(32.917.719)
Net Position	(529.945)	1.098.513	324.019	892.586
Non-Cash Loans	7.838.497	8.900.181	477.349	17.216.027
	(6.245.041)	(2.207.592)	1.596.957	(6.855.676)
Prior Period				
Total Assets	32.181.703	35.331.989	3.317.138	70.830.830
Total Liabilities	43.329.377	29.648.915	1.657.128	74.635.420
Net "On Balance Sheet Position"	(11.147.674)	5.683.074	1.660.010	(3.804.590)
Net "Off-Balance Sheet Position"	11.032.843	(5.646.113)	(1.418.136)	3.968.594
Financial Derivatives (Assets)	19.896.141	16.210.215	886.959	36.993.315
Financial Derivatives (Liabilities)	(8.863.298)	(21.856.328)	(2.305.095)	(33.024.721)
Net Position	(114.831)	36.961	241.874	164.004
Non-Cash Loans	7.005.000	11.257.796	477.555	18.740.351

(1) : Foreign currency differences of derivative assets amounting to TL 295.190 are excluded.

(2) : Foreign currency indexed loans amounting to TL 3.554.147 are included.

(3) : Intangible assets amounting to TL 15.194 are excluded.

(4) : Factoring receivables indexed to foreign currency, amounting to TL 151.210 are included. Prepaid expenses at the amount of TL 34.548 are not included.

(5) : There are gold amounts in total assets amounting to TL 3.951.408 and in total liabilities amounting to TL 2.510.161.

(6) : Not including the exchange rate difference of TL 425.954 pertaining to derivative financial loans and the FX equity of TL 4.581.385 and the free reserve of TL 11.797.

(7) : Net amount of receivables and liabilities from financial derivatives is shown on the table. FX swap transactions that are reported under the "Financial Assets Purchase Pledges" is included in "Net Off-Balance Sheet Position".

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g. Informations on currency risk exposure

The table below demonstrates prospective increase and decrease in equities and the statement of income as of 31 December 2017 and 2016 (excluding tax effect) on condition that 10 percent devaluation of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, to be constant.

	Current Period		Prior Period	
	Period Profit Loss	Equity	Period Profit Loss	Equity
USD Dollar	34.873	30.029	(3.716)	(14.628)
Euro	(65.273)	(64.484)	(19.276)	(19.504)
Total (Net)	(30.400)	(34.455)	(22.992)	(34.132)

IV. Explanations related to the consolidated interest rate risk

a. Interest rate sensitivity of the assets, liabilities and off-balance sheet items

Sensitivity calculations based on standard shock method and value at risk method is used in measuring the interest rate risk of assets, liabilities and off-balance sheet items.

b. The expected effects of the fluctuations of market interest rates on the Group's financial position and cash flows, the expectations for interest income, and the limits the board of directors has established on daily interest rates

The Parent Bank relies on sensitivity in determining limits against negative market conditions and monitors the risk within this context. Sensitivity calculations are made and limits are monitored on a weekly basis.

Market interest rates are monitored daily and interest rates are revised where necessary.

c. The precautions taken for the interest rate risk the Group was exposed to during the current year and their expected effects on net income and capital in the future periods

The Group uses sensitivity analysis, historical stress-testing and value at risk methods to analyze and take precautions against interest rate risk faced during current period. Interest sensitivity limits have been defined and limits are being monitored on a weekly basis.

"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	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	4.572.371	--	--	--	--	12.396.441	16.968.812
Due from Banks and Other Fin. Inst.	1.887.910	484.599	199.314	--	--	8.085.805	10.657.628
Financial Assets at Fair Value Through Profit or Loss	167.337	118.981	383.807	209.660	176.733	1.245	1.057.763
Interbank Money Market Placements	785.672	--	--	--	--	--	785.672
Investment Securities Av.-for-Sale	299.270	689.903	2.004.235	2.421.950	1.567.537	63.138	7.046.033
Loans	18.421.600	10.989.095	19.665.866	42.427.944	17.980.710	896.091	110.381.306
Investment Securities Held-to-Mat.	1.855.077	455.846	638.299	910.721	1.475.696	--	5.335.639
Other Assets (*)	774.512	367.881	475.626	1.642.184	1.187.985	3.742.089	8.190.277
Total Assets	28.763.749	13.106.305	23.367.147	47.612.459	22.388.661	25.184.809	160.423.130
Liabilities							
Bank Deposits	2.508.919	48.222	917.119	322.762	--	184.537	3.981.559
Other Deposits	45.740.406	12.807.163	13.344.675	11.880.997	765.612	22.890.052	107.428.905
Interbank Money Market Placements	4.007.166	--	--	--	--	--	4.007.166
Miscellaneous Payables	--	--	1.231	--	--	1.948.176	1.949.407
Marketable Securities Issued	529.353	2.097.591	1.045.814	--	--	--	3.672.758
Funds Borrowed from Other Fin. Inst.	4.227.682	5.394.969	5.237.482	518.292	4.563.340	--	19.941.765
Other Liabilities (**)	338.733	101.451	166.547	497.786	187.721	18.149.332	19.441.570
Total Liabilities	57.352.259	20.449.396	20.712.868	13.219.837	5.516.673	43.172.097	160.423.130
On Balance Sheet Long Position	--	--	2.654.279	34.392.622	16.871.988	--	53.918.889
On Balance Sheet Short Position	(28.588.510)	(7.343.091)	--	--	--	(17.987.288)	(53.918.889)
Off-Balance Sheet Long Position	4.873.004	2.678.134	6.258.237	3.176.076	3.664.803	--	20.650.254
Off-Balance Sheet Short Position	(2.904.585)	(5.622.927)	(3.350.892)	(4.217.443)	(4.649.295)	--	(20.745.142)
Total Interest Sensitivity Gap	(26.620.091)	(10.287.884)	5.561.624	33.351.255	15.887.496	(17.987.288)	(94.888)

(*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investment Properties, Investments in Associates and Joint Ventures, Tax Assets, Investments in Subsidiaries, Assets to be sold and other assets with balances of TL 749.514, TL 188.751, TL 171.467, TL 13.633, TL 223.175, TL 41.701, TL 132.302 and TL 2.221.546 respectively.

(**) Other liabilities/non-interest bearings include; Shareholders' Equity, Tax Liabilities, Provisions, and Other Liabilities with balances of TL ; 12.853.407, TL 347.734, TL 2.227.812 and TL 2.720.379 respectively.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	3.690.409	--	--	--	--	11.148.952	14.839.361
Due from Banks and Other Fin. Inst.	855.829	260.105	169.288	--	--	4.287.521	5.572.743
Financial Assets at Fair Value Through Profit or Loss	415.670	188.658	267.941	365.926	199.717	9.947	1.447.859
Interbank Money Market Placements	3.001.571	--	--	--	--	--	3.001.571
Investment Securities Av.-for-Sale	305.338	649.893	1.320.671	2.509.948	2.769.411	41.729	7.596.990
Loans	14.507.220	8.979.161	17.911.370	30.957.978	17.791.075	1.003.684	91.150.488
Investment Securities Held-to-Mat.	1.654.843	365.704	329.400	480.903	2.225.182	--	5.056.032
Other Assets (*)	573.602	187.879	527.646	1.540.244	1.042.657	3.016.926	6.888.954
Total Assets	25.004.482	10.631.400	20.526.316	35.854.999	24.028.042	19.508.759	135.553.998
Liabilities							
Bank Deposits	331.633	795.851	105.887	265.369	--	76.053	1.574.793
Other Deposits	36.855.195	10.782.700	14.062.585	9.506.576	526.631	18.887.471	90.621.158
Interbank Money Market Placements	5.397.576	--	--	--	--	--	5.397.576
Miscellaneous Payables	--	--	--	--	--	1.962.214	1.962.214
Marketable Securities Issued	688.505	1.894.739	456.230	266.086	185.495	--	3.491.055
Funds Borrowed from Other Fin. Inst.	3.821.161	3.889.867	3.131.408	1.742.145	4.157.611	--	16.742.192
Other Liabilities (**)	280.887	228.536	91.714	460.544	186.705	14.516.624	15.765.010
Total Liabilities	47.374.957	17.591.693	17.847.824	12.240.720	5.056.442	35.442.362	135.553.998
On Balance Sheet Long Position	--	--	2.678.492	23.614.279	18.971.600	--	45.264.371
On Balance Sheet Short Position	(22.370.475)	(6.960.293)	--	--	--	(15.933.603)	(45.264.371)
Off-Balance Sheet Long Position	3.281.977	3.160.110	2.450.357	4.068.624	4.273.732	--	17.234.800
Off-Balance Sheet Short Position	(2.591.356)	(5.676.746)	(3.397.900)	(2.165.234)	(2.910.824)	--	(16.742.060)
Total Interest Sensitivity Gap	(21.679.854)	(9.476.929)	1.730.949	25.517.669	20.334.508	(15.933.603)	492.740

(*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investment Properties, Investments in Associates and Joint Ventures, Tax Assets, Investments in Subsidiaries, Assets to be sold and other assets with balances of 664.579, TL 204.819, TL 164.527, TL 12.947, TL 254.864, TL 12.233, TL 123.311 and TL 1.579.646 respectively.

(**) Other liabilities - interest free - include equities amount of TL 10.590.098, tax debt amounting to TL 205.165, provision balances amounting to TL 1.748.151 and other foreign resources amount of TL 1.973.210.

d. Average interest rates applied to monetary financial instruments

Current Period: 31 December 2017	EUR %	USD %	JPY %	TL %
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	1,29	--	4,00
Due from Banks and Other Financial Institutions	0,28	1,77	--	12,77
Financial Assets at Fair Value Through Profit or Loss	2,17	4,85	--	14,50
Interbank Money Market Placements	--	--	--	12,75
Investment Securities Available-for-Sale	0,80	4,63	--	9,35
Loans	4,49	5,97	5,52	17,26
Investment Securities Held-to-Maturity	1,33	5,05	--	12,52
Liabilities				
Bank Deposits	0,30	1,62	--	14,09
Other Deposits	1,42	3,55	0,85	13,95
Interbank Money Market Placements	--	3,14	--	10,76
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	2,29	3,00	--	13,10
Funds Borrowed from Other Financial Institutions	2,47	4,57	--	13,26
Prior Period: 31 December 2016	EUR %	USD %	JPY %	TL %
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,49	--	5,00
Due from Banks and Other Financial Institutions	0,88	1,54	--	9,38
Financial Assets at Fair Value Through Profit or Loss	1,33	4,95	--	11,22
Interbank Money Market Placements	--	--	--	8,49
Investment Securities Available-for-Sale	1,42	4,44	--	9,05
Loans	4,60	5,68	5,39	16,38
Investment Securities Held-to-Maturity	1,76	4,68	--	9,52
Liabilities				
Bank Deposits	0,15	1,54	--	4,34
Other Deposits	1,64	3,10	0,30	10,74
Interbank Money Market Placements	--	--	--	8,47
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	2,75	3,75	--	10,37
Funds Borrowed from Other Financial Institutions	2,74	3,74	--	12,56

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e. Interest rate risk on banking book

Nature of interest rate risk resulted from banking book, major assumptions including also early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

Interest rate risk resulting from banking book is due to repricing maturity differences of assets and liabilities. Considering repricing maturities, average maturity of asset items is higher than the average maturity of liability items.

Interest rate risk resulting from banking book is evaluated weekly considering size, developments at maturity structure and interest movements relating to asset and liability items. Interest rate sensitivity analyses based on maturity breakdown of assets and liabilities are performed for monitoring interest rate risk.

Limits are set by the Board of Directors within the "Risk Appetite Statement" based on the impact of interest rate risk resulting from banking book on economic value, interest income and capital. Interest rate risk exposed by the bank is managed centrally by the Asset and Liability Committee (ALCO) in accordance with the risk appetite set by the Board of Directors. Decisions and actions on the management of interest rate risk are taken in weekly ALCO meetings and risk mitigation is carried out using interest rate derivatives when necessary.

Economic value differences resulting from interest rate movements and prepared based on the Parent Bank's non-consolidated financial statements according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from Banking Book as per Standard Shock Method

In addition to internal approaches, the impact of potential interest rate changes on net present value is calculated in accordance with the Regulation on the Measurement and Assessment of Interest Rate Risk Resulting from Banking Book as per Standard Shock Method and reported monthly.

Calculations using the Standard Shock Method are performed for on and off balance assets and liabilities based on the "Banking Book" scope defined in regulations.

The maturity assumption regarding non-maturity deposits are reviewed annually based on a historical data of minimum 5 years. The stable part of non-maturity deposits that are insensitive to interest rate changes and external factors, and the maturity breakdown of potential cash outflows are determined with the analysis.

The Group's economic value differences arising from the interest rate fluctuations pursuant to the "Regulation on the Measurement and Assessment of Interest Rate Risk Arising from Banking Accounts According to the Standard Shock Method" in a manner separated by different currencies are demonstrated in the following table as of 31 December 2017.

Current Period: 31 December 2017		Shocks Applied	Gains/Losses	Gains/Equity
Type of Currency		(+/- x basis points)		-Losses/Equity
1 TL	(+) 500 bps		(2.089.734)	(%11,36)
2 TL	(-) 400 bps		1.920.936	%10,44
3 Euro	(+) 200 bps		(324.235)	(%1,76)
4 Euro	(-) 200 bps		802.248	%4,36
5 US Dollar	(+) 200 bps		(38.422)	(%0,21)
6 US Dollar	(-) 200 bps		65.988	%0,36
Total (of positive shocks)			(2.452.391)	(%13,33)
Total (of negative shocks)			2.789.172	%15,16

Prior Period: 31 December 2016		Shocks Applied	Gains/Losses	Gains/Equity
Type of Currency		(+/- x basis points)		-Losses/Equity
1 TL	(+) 500 bps		(2.141.923)	(%13,55)
2 TL	(-) 400 bps		2.099.329	%13,28
3 Euro	(+) 200 bps		(243.636)	(%1,54)
4 Euro	(-) 200 bps		504.133	%3,19
5 US Dollar	(+) 200 bps		(131.925)	(%0,83)
6 US Dollar	(-) 200 bps		159.574	%1,01
Total (of positive shocks)			(2.517.484)	(%15,92)
Total (of negative shocks)			2.763.036	%17,48

V. Position risk of equity shares on banking book

a. Comparison of carrying, fair and market values of equity shares

DFS Group does not have unconsolidated associates and subsidiaries traded at BIST markets as of 31 December 2017 (31 December 2016: None).

b. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capital

None (31 December 2016: None).

VI. Explanations related to the consolidated liquidity risk

Liquidity risk can form as a result of significant changes which can happen in market liquidity or a general funding risk. Funding risk states the risk of not meeting cash outflows completely because of maturity mismatch between assets and liabilities while market liquidity risk states the risk of not liquidating assets because of a collision in market conditions or insufficient market depth.

Within the Parent Bank, the procedures and principles regarding liquidity risk management are determined by the "Liquidity Risk Management Policy" approved by the Board of Directors. This policy includes the basic duties and principles of liquidity risk management within the Parent Bank including the related methods, procedures, controls, and reporting framework. The "Liquidity Emergency Action Plan" was established within the Liquidity Risk Management Policy, enclosing possible precautions which can be taken against unexpected liquidity squeezes.

The securities portfolio of the Parent Bank carried in order to liquidity risk management is structured in a way to consist of sovereign securities issued by Treasury of Turkey in order to reduce liquidity risk sourcing from market to minimum level. Criteria and principles related to security investments which shall be received to this portfolio are committed on paper and approved by the related committee.

Management of risk sourcing from funding presents the fundamental of liquidity management activities of the Parent Bank. Main funding source of the Parent Bank is deposits since it is a more stable funding source compared to other sources and it provides a diversified source of funding.. Additionally, security issuance and borrowing activities are performed in order to extend the maturity of funding.

A large majority of Parent Bank's liabilities consist of TL, US Dollar, Euro and gold. The main foreign currency funding source of the Parent Bank is deposit and borrowings provided from credit agencies. Foreign currency liquidity risk is at a low level since the foreign currency sources of the Parent Bank are at a higher level and have longer maturity than assets.

"Risk Appetite Statement" is reviewed annually in order to manage risks in accordance with the Bank's strategy and its financial power. Risk Appetite Statement includes limits towards liquidity risks besides other risk limits. Risk appetite limits are reported to senior management monthly in scope of risk management activities.

Short-term liquidity management of the Parent Bank is under the responsibility of Treasury Group. Treasury Group weekly reports to Assets and Liabilities Committee (ALCO) related to liquidity structure. ALCO has an active role in establishing related systems and monitoring and decision making processes regarding liquidity risk management. ALCO is also responsible and authorized for monitoring current liquidity position and legal and internal liquidity indicators and taking decisions related to liquidity management taking risk appetite framework into consideration.

Liquidity risk management is performed as par consolidated and non-consolidated. In this context, liquidity monitoring and management in subsidiaries are performed by the related subsidiary and monitored closely by the Parent Bank.

Scenario analyses, including specific conditions having significance with respect to liquidity which have been experienced or which shall possibly be experienced, are performed in order to measure liquidity level under stress conditions. A liquidity level at a sufficient amount to meet all liabilities even under stress conditions is aimed in scope of this scenario analyses through evaluating measures which can be taken. Assumptions related to liquidity stress tests are reviewed annually at minimum. Periodical stress tests are performed within the determined scenarios and liquidity situation is monitored.

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Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Parent Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Consolidated foreign currency rate calculated for the last three months is at the lowest level in 205,88 in November and at the highest level in December 247,66 while the liquidity coverage rate is at the lowest level in November 114,47 and at the highest level in October 120,54.

a. Liquidity coverage ratio

Current Period	Total unweighted value (*)		Total weighted value(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 Total High Quality Liquid Assets			29.588.220	21.836.573
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which	79.681.377	47.869.830	7.382.518	4.786.983
3 Stable deposits	11.712.387	--	585.619	--
4 Less stable deposits	67.968.990	47.869.830	6.796.899	4.786.983
5 Unsecured wholesale funding, of which	26.919.148	15.164.032	14.948.253	7.893.744
6 Operational deposits	4.930.096	2.626.273	1.232.524	656.568
7 Non-operational deposits	16.508.526	10.800.179	8.237.701	5.500.982
8 Unsecured debt	5.480.526	1.737.580	5.478.028	1.736.194
9 Secured wholesale funding			179.507	120.800
10 Additional requirements of which	5.751.147	9.046.967	2.642.176	6.184.247
11 Outflows related to derivative exposures and other collateral requirements	1.128.438	4.792.936	1.128.438	4.792.936
12 Outflows related to loss of funding on debt products	--	--	--	--
13 Credit and liquidity facilities	4.622.709	4.254.031	1.513.738	1.391.311
14 Other contractual funding obligations	1.233.639	965.277	1.233.107	965.277
15 Other contingent funding obligations	57.406.703	14.970.641	4.285.681	1.443.235
16 TOTAL CASH OUTFLOWS			30.671.242	21.394.286
CASH INFLOWS				
17 Secured lending	250.297	--	--	--
18 Inflows from fully performing exposures	7.988.540	3.209.828	5.419.228	2.283.171
19 Other cash inflows	260.185	9.420.758	260.185	9.420.758
20 TOTAL CASH INFLOWS	8.499.022	12.630.586	5.679.413	11.703.929
			Total adjusted value	
21 TOTAL HQLA			29.588.220	21.836.573
22 TOTAL NET CASH OUTFLOWS			24.991.829	9.690.357
23 LIQUIDITY COVERAGE RATIO (%)			118,4	226,6

(*) Simple arithmetic average of last three months' month-end values for the last three months

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Prior Period	Total unweighted value (*)		Total weighted value(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 Total High Quality Liquid Assets			20.033.226	12.857.037
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which	57.675.367	35.614.053	5.507.091	3.561.405
3 Stable deposits	5.208.907	--	260.445	--
4 Less stable deposits	52.466.460	35.614.053	5.246.646	3.561.405
5 Unsecured wholesale funding, of which	26.356.827	11.970.447	15.025.492	6.919.243
6 Operational deposits	5.601.040	2.437.107	1.400.260	609.277
7 Non-operational deposits	16.518.103	8.782.761	9.387.548	5.559.387
8 Unsecured debt	4.237.684	750.579	4.237.684	750.579
9 Secured wholesale funding			173.464	173.464
10 Additional requirements of which	5.246.846	8.068.269	2.475.074	5.575.897
11 Outflows related to derivative exposures and other collateral requirements	1.151.728	4.398.147	1.151.728	4.398.147
12 Outflows related to loss of funding on debt products	--	--	--	--
13 Credit and liquidity facilities	4.095.118	3.670.122	1.323.346	1.177.750
14 Other contractual funding obligations	2.369.250	933.190	1.399.629	933.190
15 Other contingent funding obligations	51.564.631	15.057.850	4.221.627	1.505.275
16 TOTAL CASH OUTFLOWS			28.802.377	18.668.474
CASH INFLOWS				
17 Secured lending	2.607.807	--	--	--
18 Inflows from fully performing exposures	10.998.795	6.898.849	8.708.864	6.387.496
19 Other cash inflows	445.904	5.652.432	445.904	5.652.432
20 TOTAL CASH INFLOWS	14.052.506	12.551.281	9.154.768	12.039.928
			Total adjusted value	
21 TOTAL HQLA			20.033.226	12.857.037
22 TOTAL NET CASH OUTFLOWS			19.647.609	6.628.546
23 LIQUIDITY COVERAGE RATIO (%)			101,9	197,1

(*) Simple arithmetic average of last three months' month-end values for the last three months

Calculation table of liquidity coverage rate is reported to BRSA monthly and monitored daily in the Parent Bank.

High quality liquid assets consist of cash assets, reserves kept in Central Bank of Republic of Turkey and unrestricted marketable securities. Cash outflows consist of deposits, bank borrowings, non-cash loans, derivatives and other liabilities without a certain maturity. Additionally, several bank borrowings are shown as cash outflow regardless of their maturity since they include contingent early payment condition. Cash inflows consist of credits having maturity less than 30 days and a certain payment due date and receivables from banks and derivative products.

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b. Presentation of assets and liabilities according to their residual maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets								
Cash and Balances with the Central Bank of the Republic of Turkey	5.537.211	11.431.601	--	--	--	--	--	16.968.812
Due from Banks and Other Fin.Inst.	8.085.805	1.541.247	559.915	350.149	120.512	--	--	10.657.628
Financial Assets at Fair Value Through Profit or Loss	1.245	153.625	91.558	367.117	267.485	176.733	--	1.057.763
Interbank Money Market Placements	--	785.672	--	--	--	--	--	785.672
Investment Securities Av.-for-Sale	63.138	9.626	17.149	394.278	4.431.910	2.129.932	--	7.046.033
Loans	--	10.487.632	5.227.765	17.070.100	46.239.371	30.460.347	896.091	110.381.306
Investment Securities Held-to-Maturity	--	--	117.539	270.566	3.471.838	1.475.696	--	5.335.639
Other Assets	2.105.858	773.719	342.274	465.054	1.671.626	1.195.515	1.636.231	8.190.277
Total Assets	15.793.257	25.183.122	6.356.200	18.917.264	56.202.742	35.438.223	2.532.322	160.423.130
Liabilities								
Bank Deposits	184.537	2.508.687	48.222	917.119	322.994	--	--	3.981.559
Other Deposits	22.890.052	45.665.013	12.800.646	13.400.388	11.906.886	765.920	--	107.428.905
Funds Borrowed from Other Fin.Inst. and Subordinated Loans	--	2.911.079	4.241.443	7.317.733	908.198	4.563.312	--	19.941.765
Interbank Money Market Placements	--	4.007.166	--	--	--	--	--	4.007.166
Marketable Securities Issued	--	529.354	970.063	1.083.089	708.171	382.081	--	3.672.758
Miscellaneous Payables	1.948.176	--	--	1.231	--	--	--	1.949.407
Other Liabilities	1.220.046	546.822	165.369	1.504.581	497.746	187.722	15.319.284	19.441.570
Total Liabilities	26.242.811	56.168.121	18.225.743	24.224.141	14.343.995	5.899.035	15,319.284	160.423.130
Net Liquidity Gap	(10.449.554)	(30.984.999)	(11.869.543)	(5.306.877)	41.858.747	29.539.188	(12.786.962)	--
Net "Off-Balance Sheet Position"	--	(197.415)	(854.628)	931.492	(240.567)	--	--	(361.118)
Financial Derivatives (assets)	--	21.015.000	7.846.563	9.836.542	7.215.896	6.470.097	--	52.384.098
Financial Derivatives (liabilities)	--	(21.212.415)	(8.701.191)	(8.905.050)	(7.456.463)	(6.470.097)	--	(52.745.216)
Non-Cash Loans	--	3.152.762	2.504.401	7.590.951	4.219.580	10.903.572	--	28.371.266
Prior Period								
Total Assets	10.401.399	24.219.299	4.511.490	16.990.685	42.006.901	34.756.277	2.667.947	135.553.998
Total Liabilities	22.056.804	45.740.749	15.195.757	20.372.752	14.141.045	5.593.895	12,452.996	135.553.998
Net Liquidity Gap	(11.655.405)	(21.521.450)	(10.684.267)	(3.382.067)	27.865.856	29.162.382	(9.785.049)	--
Net "Off-Balance Sheet Position"	--	874.059	(769.459)	117.624	(174.800)	--	--	47.424
Financial Derivatives (assets)	--	18.331.884	8.603.342	4.365.116	4.293.056	6.222.821	--	41.816.219
Financial Derivatives (liabilities)	--	(17.457.825)	(9.372.801)	(4.247.492)	(4.467.856)	(6.222.821)	--	(41.768.795)
Non-Cash Loans	--	1.775.889	2.589.671	7.421.090	4.259.244	12.736.121	--	28.782.015

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non- performing loans (net) and prepaid expenses are included in this column.

c. Financial liabilities according to contractual maturities

The maturity breakdown of the amounts at maturity for major financial liabilities excluding derivatives are provided in below table. The interest payments of the liabilities are included in relevant time buckets.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	72.226.707	13.007.275	15.448.784	12.346.795	922.245	113.951.806
Funds borrowed	3.441.829	4.871.957	8.365.951	2.420.258	4.841.561	23.941.556
Interbank Money markets	4.008.352	--	--	--	--	4.008.352
Securities issued	531.238	1.117.633	1.389.034	681.720	34.896	3.754.521
Total	80.208.126	18.996.865	25.203.769	15.448.773	5.798.702	145.656.235

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	56.058.504	11.542.912	14.205.029	10.365.503	641.343	92.813.291
Funds borrowed	2.107.932	2.390.916	5.716.728	4.192.219	4.886.238	19.294.033
Interbank Money markets	5.398.898	--	--	--	--	5.398.898
Securities issued	551.356	1.020.781	832.168	1.121.541	86.548	3.612.394
Total	64.116.690	14.954.609	20.753.925	15.679.263	5.614.129	121.118.616

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VII. Explanations related to leverage ratio

Information on matters causing difference between leverage ratios of current period and previous period:

Leverage ratio of DFS Group is 5,57% as of 31 December 2017 (31 December 2016: 5,51%). This ratio is over minimum ratio. Difference between leverage ratios of current and previous period mainly sources from increase in risk amounts regarding assets on balance sheet.

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

	Current Period (**)	Prior Period (**)
1 Total assets in the consolidated financial statements prepared in accordance with TAS (*)	159.181.296	131.643.936
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	(1.494.450)	(3.916.000)
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	686.824	485.213
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	--	--
5 Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(503)	(503)
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	63.673.152	58.563.211
7 Total Risk	222.046.319	186.775.857

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(**) Quarterly average amounts.

Leverage ratio common disclosure template:

	Current Period (*)	Prior Period (*)
On-balance sheet exposures		
1 On-balance sheet items (exclude derivatives and SFTs; include collateral)	157.686.846	127.727.936
2 (Assets deducted in determining Basel III Tier 1 capital)	(279.116)	(282.798)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	157.407.730	127.445.138
Derivative exposures		
4 Replacement cost	1.130.446	1.226.002
5 Add-on amount	686.824	485.213
6 Total derivative exposures (sum of 4 and 5 lines)	1.817.270	1.711.215
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	220.744	204.604
8 Agent transaction exposures		
9 Total securities financing transaction exposures (sum of 7 and 8 lines)	220.744	204.604
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	62.601.078	57.415.403
11 Adjustment amount off-balance sheet exposures with credit conversion factor	(503)	(503)
12 Total off-balance sheet exposures (sum of 10 and 11 lines)	62.600.575	57.414.900
Capital and total exposures		
13 Tier 1 capital	12.367.759	10.274.321
14 Total exposures (sum of 3,6,9 and 12 lines)	222.046.319	186.775.857
Leverage ratio		
15 Leverage ratio	5,57	5,51

(*) Quarterly average amounts.

VIII. Explanations on Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Standard Approach is used in calculating the Parent Bank's capital adequacy, the tables to be prepared under the Internal Rating Based Approach (IRB) have not been presented yet as of 31 December 2017.

The risk management disclosures were prepared as to comply with the internal control process that is approved by the Board of Directors.

a. Risk management and overview of risk weighted assets

1. Disclosures related to the risk management approach

Risks, exposed as a result of business model of the Bank, are determined on a consolidated basis through risk identification and materiality assessment of the Bank. Risk mitigation factors and monitoring activities are established for significant risks which are identified. Limits are identified for risks, considered to be significant, in Risk Appetite Declaration of the Bank and those limits are approved by the Board of Directors. Developments with respect to risk limits determined in Risk Appetite Declaration are monitored on a monthly basis and actions which are pre-determined in risk appetite declaration if those limits are exceeded.

Denizbank Risk Management Group Directorate is an internal systems unit responsible for carrying out risk management activities working subject to Board of Directors. It directly reports to Board of Directors. Risk Management Group is responsible to carry out processes such as definition and measurement of risks, establishment and application of risk policies and implementation procedures, analysis, monitoring and reporting of risks in the framework of principles determined by Senior Management of the Bank and Risk Management Group and approved by Board of Directors.

Delegation levels of groups, formed by client and clients at the Bank, are determined in accordance with risk categories established based on limit amount and credit grade components within the body of the Bank.

Rating process executed by Credit Analysis department and reviews of Credit Allocation department are periodically audited by Credit Risk Control in line with determined rules and the related outputs are presented to the Rating Committee.

Informative contents are presented in order to extend risk culture within the body of the Bank and questionnaires towards reviewing of risk perception are performed. Risk sensitivity developments of employees are monitored in line with outputs of aforementioned questionnaires and required actions are taken through identifying weaker aspects. Training plans are established in this scope and it is aimed to provide contribution to developments of employees in determined matters.

Main components of risk measurement systems and its scope

Identification of Risks

The Bank, including its subsidiaries, has a comprehensive risk identification process. The process aims to determine significant risks specific to the Bank based on a broad list including inherent risks of banking and it is performed on an annual basis. Opinions and reviews of expert individuals within the body of the Bank during the determination of materiality level of risks. Review outputs are used in reports and form a basis to internal capital adequacy assessment processes of the Bank.

Measurement of Risks

The purpose of the studies made in the scope of measurement of risks includes measuring of financial risks exposed by the Bank and its subsidiaries in order to prepare internal and legal reports and form a relation between carried risks and estimated profitability and evaluation of validity of parameters and assumptions used in risk measurement.

Controlling, reporting and management of Risks

It determines which type of reports shall be prepared as consolidated and unconsolidated. It ensures to establish an effective internal audit system which shall prevent to take risk exceeding targeted risk level and limits determined by regulatory authority. Risk limits, approved by Board of Directors for each type of risk types, are taken into account while controlling and reporting of risks.

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Disclosures on risk reporting processes provided to Board of Directors and senior management, especially the scope and main content of the reporting

Risk Management Group performs reporting to Senior Management and Board of Directors through Audit Committee, ALCO and Rating Committees.

Audit Committee holds quarterly meetings in ordinary situations. Activities performed by the Risk Management Group and risk indicators are presented to the Committee.

ALCO holds weekly meetings. Risk-limit follow-up and detailed analysis related to indicators such as interest and liquidity risk, capital adequacy are presented.

Rating Committee: Rating Committee holds meetings on a quarterly basis. It is the Committee to which the Risk Management presents its evaluation, analysis and findings regarding Internal Rating processes

Model Risk Management and Validation Committee: It is the committee that the Risk model validation results, prepared within the frame of annual plan, are presented to and approved.

Disclosures on Stress Test

The Bank performs stress test studies evaluating its capital adequacy in scope of ICAAP. The stress tests, using the scenarios determined by regulatory authority and bank and based on budget plan of the Bank for the next three years projection, helps to identify additional capital need and buffer.

Risk management, hedging and mitigation strategies of the Bank sourcing from business model and monitoring process with respect to continuing effectiveness of hedging and mitigating components

Limits, which are defined for risks considered to be significant, are monitored on a monthly basis and actions included in risk appetite statement are taken, if required.

In addition, emergency plan related to capital adequacy in order to meet its strategic aims considering stress conditions of the Bank.

2. Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	108.600.182	101.521.984	8.688.015
2 <i>Standardised approach (SA)</i>	108.600.182	101.521.984	8.688.015
3 <i>Internal rating-based (IRB) approach</i>	--	--	--
4 Counterparty credit risk	1.502.732	1.670.008	120.219
5 <i>Standardised approach for counterparty credit risk (SA-CCR)</i>	1.502.732	1.670.008	120.219
6 <i>Internal model method (IMM)</i>	--	--	--
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 (*)	1.369	9.843	110
10 Investments made in collective investment companies - %1250 weighted risk approach	--	--	--
11 Settlement risk	--	--	--
12 Securitization positions in banking accounts	--	--	--
13 <i>IRB ratings-based approach (RBA)</i>	--	--	--
14 <i>IRB Supervisory Formula Approach (SFA)</i>	--	--	--
15 <i>SA/simplified supervisory formula approach (SSFA)</i>	--	--	--
16 Market risk	772.600	399.825	61.808
17 <i>Standardised approach (SA)</i>	772.600	399.825	61.808
18 <i>Internal model approaches (IMM)</i>	--	--	--
19 Operational Risk	9.334.711	7.901.568	746.777
20 <i>Basic Indicator Approach</i>	9.334.711	7.901.568	746.777
21 <i>Standart Approach</i>	--	--	--
22 <i>Advanced measurement approach</i>	--	--	--
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)	120.211.594	111.503.228	9.616.929

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b. Linkages between financial statements and exposures

1. Mapping and differences between accounting and regulatory scopes of consolidation

Regulatory consolidation refers to the consolidation that includes the consolidation of subsidiaries which are credit institutions or financial institutions in accordance with Article 5 paragraph 1 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks published in the Official Gazette dated 8 November 2006 and numbered 26340. Accounting consolidation refers to the consolidation in which all of the subsidiaries are included in the scope of consolidation in accordance with the Article 5 paragraph 6 of the same communiqué, irrespective of whether these subsidiaries are credit institutions or financial institutions, or not.

Current Period	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Carrying values of items under scope of TAS							
Assets							
Cash and balances at central bank	16.968.813	16.968.812	16.968.812	--	--	--	--
Financial assets held for trading	1.058.069	1.057.763	--	975.808	--	81.860	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--	--
Banks	10.658.164	10.657.628	10.657.628	--	--	--	--
Receivables from money markets	785.672	785.672	34.886	750.786	--	--	--
Available for sale financial assets (net)	7.046.032	7.046.033	7.046.033	--	--	--	--
Loans and receivables	110.367.723	110.381.306	110.381.306	--	--	--	15.725
Factoring receivables	1.846.145	1.846.145	1.846.145	--	--	--	--
Held to maturity investments (net)	5.335.638	5.335.639	5.335.639	--	--	--	--
Investments in associates (net)	10.833	10.833	10.833	--	--	--	--
Investments in subsidiaries (net)	29.441	41.701	41.701	--	--	--	--
Investments in joint ventures (net)	12.996	2.800	2.800	--	--	--	--
Leasing receivables	2.601.941	2.601.941	2.601.941	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--	--
Tangible assets (net)	812.914	749.514	749.514	--	--	--	110.176
Intangible assets (net)	206.226	188.751	188.751	--	--	--	188.751
Investment properties (net)	171.467	171.467	171.467	--	--	--	--
Tax assets	227.687	223.175	223.175	--	--	--	1.443
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Other assets	2.389.065	2.353.950	2.353.950	--	--	--	--
Total assets	160.528.826	160.423.130	158.614.581	1.726.594	--	81.860	316.095
Liabilities							
Deposits	111.357.200	111.410.464	--	--	--	--	111.410.464
Derivative financial liabilities held for trading	1.285.465	1.285.465	--	--	--	--	1.285.465
Loans	14.709.322	14.680.242	--	--	--	--	14.680.242
Debt to money markets	4.007.167	4.007.166	--	3.977.111	--	--	4.007.166
Debt securities in issue	3.672.757	3.672.758	--	--	--	--	3.672.758
Funds	--	--	--	--	--	--	--
Various debts	2.035.715	1.949.407	--	--	--	--	1.949.407
Other liabilities	2.729.683	2.727.152	--	--	--	--	2.727.152
Factoring debts	--	--	--	--	--	--	--
Debts from leasing transactions	--	--	--	--	--	--	--
Derivative financial liabilities held for hedges	--	--	--	--	--	--	--
Provisions	2.242.162	2.227.812	--	--	--	--	2.227.812
Tax liability	360.878	347.734	--	--	--	--	347.734
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Subordinated debts	5.261.522	5.261.523	--	--	--	--	5.261.523
Equity	12.866.955	12.853.407	--	--	--	--	12.853.407
Total liabilities	160.528.826	160.423.130	--	3.977.111	--	--	160.423.130

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Prior Period	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Carrying values of items under scope of TAS							
Assets							
Cash and balances at central bank	14.839.361	14.839.361	14.839.361	--	--	--	--
Financial assets held for trading	1.448.214	1.447.859	--	1.341.025	--	106.834	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--	--
Banks	5.573.829	5.572.743	5.572.743	--	--	--	--
Receivables from money markets	3.001.570	3.001.571	175	3.001.396	--	--	--
Available for sale financial assets (net)	7.596.990	7.596.990	7.596.990	--	--	--	--
Loans and receivables	91.138.210	91.150.488	91.150.488	--	--	--	12.191
Factoring receivables	1.234.721	1.234.721	1.234.721	--	--	--	--
Held to maturity investments (net)	5.056.032	5.056.032	5.056.032	--	--	--	--
Investments in associates (net)	10.147	10.147	10.147	--	--	--	--
Investments in subsidiaries (net)	--	12.233	12.233	--	--	--	--
Investments in joint ventures (net)	9.735	2.800	2.800	--	--	--	--
Leasing receivables	2.637.307	2.637.307	2.637.307	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--	--
Tangible assets (net)	722.973	664.579	664.579	--	--	--	91.733
Intangible assets (net)	212.894	204.819	204.819	--	--	--	204.819
Investment properties (net)	164.527	164.527	164.527	--	--	--	--
Tax assets	258.362	254.864	254.864	--	--	--	630
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Other assets	1.740.559	1.702.957	1.702.957	--	--	--	9.825
Total assets	135.645.431	135.553.998	131.104.743	4.342.421	--	106.834	319.198
Liabilities							
Deposits	92.102.850	92.195.951	--	--	--	--	92.195.951
Derivative financial liabilities held for trading	1.248.386	1.248.386	--	--	--	--	1.248.386
Loans	11.292.338	11.258.691	--	--	--	--	11.258.691
Debt to money markets	5.397.576	5.397.576	--	5.397.576	--	--	5.397.576
Debt securities in issue	3.491.055	3.491.055	--	--	--	--	3.491.055
Funds	--	--	--	--	--	--	--
Various debts	2.082.030	1.962.214	--	--	--	--	1.962.214
Other liabilities	1.977.433	1.973.210	--	--	--	--	1.973.210
Factoring debts	--	--	--	--	--	--	--
Debts from leasing transactions	--	--	--	--	--	--	--
Derivative financial liabilities held for hedges	--	--	--	--	--	--	--
Provisions	1.757.572	1.748.151	--	--	--	--	1.748.151
Tax liability	214.266	205.165	--	--	--	--	205.165
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Subordinated debts	5.483.501	5.483.501	--	--	--	--	5.483.501
Equity	10.598.424	10.590.098	--	--	--	--	10.590.098
Total liabilities	135.645.431	135.553.998	--	5.397.576	--	--	135.553.998

2. Main sources of differences between risk exposures and valued amounts in accordance with TAS in financial statements

Prior Period	a	b	c	d	e
	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework (*)
1 Asset carrying value amount under scope of TAS	160.423.130	158.544.809	--	1.726.594	81.860
2 Liabilities carrying value amount under TAS	--	--	--	3.977.111	--
3 Total net amount under regulatory scope of consolidation	160.423.130	158.544.809	--	5.703.705	81.860
4 Off-balance sheet amounts (**)	60.366.644	19.820.274	--	--	--
5 Differences in valuations	--	--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2	--	--	--	--	--
7 Differences due to consideration of provisions	--	--	--	--	--
8 Differences due to prudential filters	--	--	--	--	690.740
9 Differences resulted from considering of the financial guarantees	--	(6.745.166)	--	--	--
10 Risk exposures	220.789.774	171.619.917	--	5.703.705	772.600

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

(**) It includes risk which are included in credit risk calculation.

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	a	b	c	d	e
Prior Period	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework (*)
1 Asset carrying value amount under scope of TAS	135.553.998	131.104.743	--	4.342.421	106.834
2 Liabilities carrying value amount under TAS		--	--	5.397.576	--
3 Total net amount under regulatory scope of consolidation	135.553.998	131.104.743	--	9.739.997	106.834
4 Off-balance sheet amounts (**)	57.789.021	20.444.394	--	--	--
5 Differences in valuations		--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7 Differences due to consideration of provisions		--	--	--	--
8 Differences due to prudential filters		--	--	--	292.991
9 Differences resulted from considering of the financial guarantees		(6.153.306)	--	--	--
10 Risk exposures	193.343.019	145.395.831	--	9.739.997	399.825

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

(**) It includes risk which are included in credit risk calculation.

3. Disclosures on differences between amounts valued in accordance with TAS and risk exposures

Differences between valued amounts in accordance with TAS and risk exposures:

It is obtained through addition of potential risk exposures according to type of transaction and maturity to risk exposure renewal costs in derivative transactions included in counterparty credit risk and through offsetting of cash amount subject to amount adjusted with volatility made to related security in repo and reverse repo transactions.

Amounts of items which are value in accordance with TAS and subject to market risk indicate fair value of financial instruments held for trade. Amounts in line of risk amount related to aforementioned transactions indicate principal amount subject to market risk sourcing from capital requirement calculated related to potential losses which can be caused by interest rate risk, share price risk, exchange rate risks in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy".

Disclosures on controls performed and systems used in order to ensure prudence and reliability of valuations estimates of the Bank in accordance with prudential valuation principles and procedures included in accompanying Annex-3 to Communique on Measurement and Evaluation of Bank's Capital Adequacy:

If the financial instruments recognized through fair value have an active and deep market, valuation is performed based on prices included in market in question. Reliability of market data used in valuations is examined periodically. The Bank does not operate in markets which do not have a depth. Discounted cash flow model is mainly used in the evaluation of derivative instruments and generally accepted valuation models are used for derivative transactions including optionality. Accuracy of market data and model outputs used in valuations are periodically controlled and differences between counterparty valuations and bank's evaluations are monitored regularly.

c. Credit risk

1. General qualitative information about credit risk

How does the business model of the Bank transform to components in its credit risk portfolio

Credit risk within the body of the Bank is managed in the framework of Credit Risk Management Policy approved by Board of Directors. Risk, related to credit, are defined, duties of departments are determined and main principles of credit risk management are brought in aforementioned policy document. Departments assigned in credit management and their authorization/responsibilities are defined in aforementioned document.

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In this direction, main limitations related to credit risk are determined in Risk Appetite Statement approved annually by Board of Directors and reported throughout the year by Risk Management Department. Concentration limits on the basis of sector, customer segment and risk groups are determined. Actions which shall be taken in case of a possible overflow are also determined in this document.

In this scope, credit portfolio of the Bank draws a dispersed view with respect to customer segments and sectors.

Criteria and approach used while determining credit risk policy and credit risk limits

Risk limits defined to all counterparties in monitoring of credit risks are tracked on the basis of products, customers and risk groups separately by systems and it is not permitted to take risks exceeding determined limits. Many factors such as ability to pay, features of the sector and possible impacts of geographical and economic conditions are taken into consideration while determining the credit limits of counterparty. If deemed appropriate, it is tried to reduce possible losses of the Bank to minimum through applying required risk mitigation techniques. All documents required by the related legislation should be taken into account during credit examinations. Credit worthiness of counterparty is periodically controlled for limits provided for multi-use and limits are revised considering changes and requirements in the credit worthiness of counterparty. Customers/transactions are classified based on their credit worthiness by credit allocation officers and respective classes are changed, if required.

Structure and organization of credit risk management and control function

Credit allocation and monitoring is performed in accordance with segregation of duties and therefore, the credit can be reviewed in an objective manner during its economic life. Risk models are used in order to measure credit risk of customers in both allocation and monitoring groups in an accurate and objective manner. Early Warning Systems are used for the monitoring of credit customers and signals received are regularly tracked by Monitoring groups and pre-determined action plans are taken with allocation groups if pre-determined triggers are detected.

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

The newly developed credit risk models undergo validation process before its implementation, after the approval of The Bank's Model Risk Management and Validation Committee, they are used in the risk management processes. Validation of Credit risk models in use are repeated at least on an annual basis and the results are presented to the Model Risk Management and Validation Committee.

Credit Risk Control periodically presents analysis and results of execution of internal rating systems, evolution of credit rating grades, documentation of changes made in credit grade and compliance to internal limitations to Rating Committee. Compliance of Credit Risk Control activities to intra-bank arrangements and regulations and guides is periodically audited by internal audit departments of the Bank and issue requiring to be developed are monitored following their identification.

Scope and main content of reporting which shall be made to senior management and members of board of directors regarding credit risk management function and exposed credit risk

Board of Directors determines policy of the Group in credit management field and ensures establishment of required conditions to perform determined policies in an effective manner. In this scope, it defines sections related to measurement and management of credit quality and approves documents having primary importance related to credit risk such as Risk Appetite Statement.

2. Credit quality of assets

Current Period	a	b	c	d
	Gross carrying values of (according to TAS)			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1 Loans	4.024.614	113.933.301	4.851.915	113.106.000
2 Debt Securities	--	12.318.534	1.162	12.317.372
3 Off-balance sheet exposures (*)	183.626	57.491.658	197.518	57.477.766
4 Total	4.208.240	183.743.493	5.050.595	182.901.138

(*) It doesn't include revocable commitments and Forward Asset Purchase -Sales Commitments.

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Prior Period	a	b	c	d
	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		
1 Loans	3.651.639	94.018.832	4.024.967	93.645.504
2 Debt Securities	--	12.611.296	1.159	12.610.137
3 Off-balance sheet exposures (*)	252.392	54.199.335	182.858	54.268.869
4 Total	3.904.031	160.829.463	4.208.984	160.524.510

(*) It doesn't include revocable commitments and Forward Asset Purchase -Sales Commitments.

3. Changes in stock of impaired loans and debt securities

	Current Period	Prior Period
	a (*)	a (*)
1 Impaired loans and debt securities at end of the previous reporting period	3.651.639	3.168.774
2 Loans and debt securities that have impaired since the last reporting period	1.962.958	1.975.518
3 Receivables that returned to non-impaired status	59.000	19.826
4 Amounts written off (**)	694.258	604.213
5 Other changes	(836.725)	(868.614)
6 Impaired loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	4.024.614	3.651.639

(*) It doesn't include off-balance sheet receivables.

(**) It indicates sales made from non-performing loans portfolio.

4. Additional disclosure related to the credit quality of assets

(i) Scope and definitions of "overdue" receivables and "provisioned" receivables used for purposes of accounting

The Parent Bank considers loans that have overdue principal and interest payments and are classified as second group according to the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered as "impaired loans."

(ii) Part of overdue receivables (over 90 days) which are not considered as "Provisioned" and reasons for the implementation in question.

Loans that have overdue principal and interest payments for more than 90 days after the maturity date are transferred to "Nonperforming loans" accounts and the Bank calculates "specific provisions" for such loans in compliance with the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

(iii) Definitions of methods used while determining amount of provision

Parent Bank calculates general credit provision for overdue credits and specific provision for impaired credits in scope of "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

(iv) Definitions of restructured receivables

The Bank can restructure both of its first and second group credits and its nonperforming credit and receivables. Restructuring in first and second group of credits and in other receivables are made in order to improve repayment ability of the customer as well as including changes made in contract terms with the request of the customer independent from credit risk of the customer. Restructurings made in nonperforming claims and receivables are changes made in payment plan of the credit towards ensuring of collection of the receivable.

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(v) Breakdown of receivables by geographical area

Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance /impairments	Write-Offs (*)
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.936.269	98.990.173	--	12.022.936	183.614	54.872.811	3.053.788	694.258
2 EU Countries	77.104	8.754.666	--	136.463	12	671.115	69.242	--
3 OECD Countries	657	654.276	--	--	--	765.545	46	--
4 Off Shore Zones	--	511.456	--	--	--	11.116	--	--
5 USA, Canada	3.038	258.037	--	--	--	17.644	1.888	--
6 Other Countries	7.546	4.764.693	--	159.135	--	1.153.427	3.559	--
7 Total	4.024.614	113.933.301	--	12.318.534	183.626	57.491.658	3.128.523	694.258

(*) It indicates sales made from non-performing loans portfolio.

Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance /impairments	Write-Offs (*)
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.552.074	82.830.277	--	11.565.804	252.390	42.526.906	2.574.631	602.590
2 EU Countries	95.316	4.841.812	--	981.240	2	483.684	71.992	--
3 OECD Countries	33	195.576	--	--	--	791.318	19	--
4 Off Shore Zones	--	331.011	--	--	--	3.220	--	1.623
5 USA, Canada	52	236.664	--	--	--	111.186	13	--
6 Other Countries	4.164	5.583.492	--	64.252	--	10.283.021	1.300	--
7 Total	3.651.639	94.018.832	--	12.611.296	252.392	54.199.335	2.647.955	604.213

(*) It indicates sales made from non-performing loans portfolio.

(vi) Breakdown of receivables by sectors

Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance /impairments	Write-Offs
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	225.754	12.411.996	--	--	2.534	2.991.635	150.663	6.893
Farming and Cattle	217.958	12.400.214	--	--	2.398	2.976.848	147.822	6.601
Forestry	454	4.691	--	--	15	8.046	427	203
Fishing	7.342	7.091	--	--	121	6.741	2.414	89
Manufacturing	416.964	14.362.108	--	99.273	20.755	11.022.973	279.707	30.740
Mining	54.689	3.360.237	--	--	1.809	474.683	34.336	2.954
Production	280.046	6.993.235	--	57.750	13.308	9.699.233	211.461	27.632
Electric, Gas, Water	82.229	4.008.636	--	41.523	5.638	849.057	33.910	154
Construction	285.778	10.895.641	--	--	78.246	8.132.604	185.285	15.132
Services	1.472.510	37.406.447	--	457.820	68.045	15.983.988	1.087.060	188.382
Wholesale and Retail Trade	905.419	13.874.890	--	--	57.835	10.935.042	707.687	154.759
Hotel and Restaurant Services	154.223	11.731.807	--	--	2.366	939.952	53.238	5.632
Transportation and telecommunication	272.195	5.796.234	--	48.782	5.383	2.209.142	208.712	22.914
Financial institution	20.562	689.917	--	409.038	170	1.128.847	13.668	829
Real estate and letting services	11.044	433.544	--	--	654	139.610	8.769	1.723
Self-employment services	--	--	--	--	--	--	--	--
Education services	20.896	1.607.019	--	--	975	279.819	18.398	547
Health and social services	88.171	3.273.036	--	--	662	351.576	76.588	1.978
Other	1.623.608	38.857.109	--	11.761.441	14.046	19.360.458	1.425.808	453.111
Total	4.024.614	113.933.301	--	12.318.534	183.626	57.491.658	3.128.523	694.258

(*) It indicates sales made from non-performing loans portfolio.

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	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	200.093	8.796.827	--	--	3.714	1.837.547	137.753	6.509
Farming and Cattle	197.139	8.778.483	--	--	3.635	1.829.868	135.004	6.074
Forestry	527	3.771	--	--	17	3.672	460	407
Fishing	2.427	14.573	--	--	62	4.007	2.289	28
Manufacturing	357.990	12.815.751	--	57.735	30.760	11.670.095	215.052	33.260
Mining	39.933	2.811.457	--	--	1.765	705.388	27.911	7.763
Production	235.915	6.906.034	--	51.717	23.348	10.027.120	166.601	25.399
Electric, Gas, Water	82.142	3.098.260	--	6.018	5.647	937.587	20.540	98
Construction	232.278	9.334.442	--	--	75.177	9.618.001	156.120	21.994
Services	1.157.129	33.603.669	--	412.929	106.752	12.546.879	787.920	92.011
Wholesale and Retail Trade	748.500	12.833.708	--	--	94.767	7.997.189	495.120	75.075
Hotel and Restaurant Services	41.453	9.269.785	--	--	3.719	795.942	16.764	3.774
Transportation and telecommunication	216.466	6.519.837	--	33.517	5.627	1.945.952	154.069	9.947
Financial institution	28.667	837.870	--	379.412	141	1.192.687	17.282	582
Real estate and letting services	9.604	319.263	--	--	555	78.642	6.209	1.433
Self-employment services	--	--	--	--	--	--	--	--
Education services	21.522	1.178.221	--	--	884	85.607	16.673	357
Health and social services	90.917	2.644.985	--	--	1.059	450.860	81.803	843
Other	1.704.149	29.468.143	--	12.140.632	35.989	18.526.813	1.351.110	450.439
Total	3.651.639	94.018.832	--	12.611.296	252.392	54.199.335	2.647.955	604.213

(vii) Breakdown of receivables by outstanding maturity

Current Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	--	37.131.297	10.362.113	8.499.691	19.436.083	108.314.708	183.743.492
1 Loans	10.104.229	10.104.229	7.106.873	4.651.711	12.633.207	79.437.281	113.933.301
2 Borrowings instruments	9.626	--	134.689	374.499	290.345	11.509.375	12.318.534
3 Off-balance sheet receivables	--	27.017.442	3.120.551	3.473.081	6.512.531	17.368.052	57.491.657
Defaulted receivables	4.208.240	--	--	--	--	--	4.208.240
1 Loans	4.024.614	--	--	--	--	--	4.024.614
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	183.626	--	--	--	--	--	183.626
Specific Provision	3.128.523	--	--	--	--	--	3.128.523
Total	1.079.717	37.121.671	10.240.887	8.124.792	19.174.723	109.081.419	184.823.209
Prior Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	26.248	21.998.313	8.223.328	8.109.397	27.548.606	94.923.571	160.829.463
1 Loans	--	9.612.324	5.069.570	4.615.492	11.258.160	63.463.286	94.018.832
2 Borrowings instruments	--	--	69.142	4.634	--	12.537.520	12.611.296
3 Off-balance sheet receivables	26.248	12.385.989	3.084.616	3.489.271	16.290.446	18.922.765	54.199.335
Defaulted receivables	3.904.031	--	--	--	--	--	3.904.031
1 Loans	3.651.639	--	--	--	--	--	3.651.639
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	252.392	--	--	--	--	--	252.392
Specific Provision	2.647.955	--	--	--	--	--	2.647.955
Total	1.282.324	21.998.313	8.223.328	8.109.397	27.548.606	94.923.571	162.085.539

(viii) Ageing analysis of Parent Bank's overdue receivables

Current Period	1-30 days	31-60 days	61-90 days	Total
Loans	3.226.448	1.047.860	1.196.181	5.470.489
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--
Prior Period	1-30 days	31-60 days	61-90 days	Total
Loans	2.832.957	1.011.064	895.489	4.739.150
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

(ix) Breakdown of restructured receivables according to their provisioning status

	Current Period	Prior Period
Loans having standard nature and restructured from other receivables	1.694.451	1.437.793
Loans in close follow-up and restructured from other receivables	4.577.399	2.914.008
Restructured from non-performing assets	298.597	150.334

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5. Credit risk mitigation techniques

The Bank can demand collateral in order to mitigate risk level of the credit. Each type of collaterals and collateral processes approved in credit risk calculations are defined with Bank procedures. Insurance and evaluation approach off properties or goods subject to collateral are regulated in internal documents of the Bank prepared in accordance with Turkish Banking Legislation.

The Bank performs credit risk mitigation according to comprehensive financial collateral method in accordance with "Communique on Credit Risk Mitigation Techniques". Exchange mismatch between receivable and collateral and cut-off rates based on type of collateral are considered through inspecting standard cut-off ratios mentioned in annex of the communique while maturity mismatch between receivable and collateral is taken into account in accordance with method mentioned in the Article 40.

Bank establishes compliant provisions to Turkish Banking Legislation and BRSA Regulations in order to cover expected loss resulting from occurrence of credit risk.

6. Credit risk mitigation techniques - overview

	a	b	c	d	e	f	g
Current Period	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	76.898.222	26.589.943	18.662.426	9.617.835	8.007.536	--	--
2 Debt Securities	12.317.372	--	--	--	--	--	--
3 Total	89.215.594	26.589.943	18.662.426	9.617.835	8.007.536	--	--
4 Of which defaulted (*)	3.639.979	568.261	221.440	--	--	--	--

(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

	a	b	c	d	e	f	g
Prior Period	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	70.373.081	23.272.423	20.223.805	--	--	--	--
2 Debt Securities	12.610.137	--	--	--	--	--	--
3 Total	82.983.218	23.272.423	20.223.805	--	--	--	--
4 Of which defaulted (*)	3.635.260	268.771	193.941	--	--	--	--

(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

7. Disclosures on rating grades used while calculating credit risk with standard approach

Ratings provided by international rating agency Fitch are used for the determination of risk weights which shall be applied in the calculation of capital adequacy. The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

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8. Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

Current Period	a	b	c	d	e	f
	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Risk classifications						
1 Exposures to central governments or central banks	35.113.774	383.437	42.562.674	1.607.731	3.088.583	%6,99
2 Exposures to regional governments or local authorities	405.818	21.036	404.218	8.617	206.417	%50,00
3 Exposures to public sector entities	--	--	--	--	--	%0,00
4 Exposures to multilateral development banks	--	--	--	--	--	%0,00
5 Exposures to international organisations	--	--	--	--	--	%0,00
6 Exposures to institutions	4.577.056	2.005.372	4.577.056	1.703.368	2.615.150	%41,64
7 Exposures to corporates	56.451.256	28.044.751	48.858.021	13.575.587	61.986.698	%99,28
8 Retail exposures	42.211.157	29.803.027	37.792.798	2.697.421	30.461.461	%75,23
9 Exposures secured by residential property	4.922.250	397.043	4.730.737	185.686	1.720.748	%35,00
10 Exposures secured by commercial real estate	9.469.296	1.148.270	8.373.861	705.663	5.387.226	%59,33
11 Past-due loans	964.454	98.068	964.026	37.950	1.009.567	%100,76
12 Higher-risk categories by the Agency Board	--	--	--	--	--	%0,00
13 Exposures in the form of covered bonds	--	--	--	--	--	%0,00
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	%0,00
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	219	--	219	219	%100,00
16 Other assets	4.539.843	--	4.539.843	--	2.498.085	%55,03
17 Investments in equities	266.425	--	266.425	--	591.354	%221,96
18 Total	158.921.329	61.901.223	153.069.659	20.522.242	109.565.508	%63,12

Prior Period	a	b	c	d	e	f
	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Risk classifications						
1 Exposures to central governments or central banks	29.027.608	688.695	29.810.368	198.759	7.373.518	%24,57
2 Exposures to regional governments or local authorities	537.203	19.368	537.081	8.671	272.876	%50,00
3 Exposures to public sector entities	--	--	--	--	--	%0,00
4 Exposures to multilateral development banks	--	--	--	--	--	%0,00
5 Exposures to international organisations	--	--	--	--	--	%0,00
6 Exposures to institutions	3.084.054	2.258.890	3.084.054	1.941.779	2.110.608	%42,00
7 Exposures to corporates	44.491.134	29.227.490	39.153.945	15.661.886	54.815.830	%100,00
8 Retail exposures	32.529.013	25.701.748	31.743.829	2.462.775	25.737.950	%75,24
9 Exposures secured by residential property	5.216.261	332.318	5.178.729	163.046	1.869.621	%35,00
10 Exposures secured by commercial real estate	10.897.617	1.160.079	10.873.030	780.811	6.605.552	%56,68
11 Past-due loans	1.097.821	188.177	1.096.044	56.822	1.125.693	%97,64
12 Higher-risk categories by the Agency Board	--	--	--	--	--	%0,00
13 Exposures in the form of covered bonds	--	--	--	--	--	%0,00
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	%0,00
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	1.187	1.068	1.187	1.068	2.255	%100,00
16 Other assets	4.435.249	--	4.435.250	--	2.681.236	%60,45
17 Investments in equities	29.109	--	29.109	--	28.979	%99,55
18 Total	131.346.256	59.577.833	125.942.626	21.275.617	102.624.118	%69,71

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9. Standardised Approach - Exposures by asset classes and risk weights

Current Period		a	b	c	k	d	e	f	g	h	i	j	
Risk Weight*	Classifications/Risk	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF and CRM)
1	Exposures to central governments or central banks	41.081.822	--	--	--	--	--	--	3.088.583	--	--	--	44.170.405
2	Exposures to regional governments or local authorities	--	--	--	--	--	412.835	--	--	--	--	--	412.835
3	Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to institutions	--	--	3.438.390	--	--	1.829.124	--	1.012.910	--	--	--	6.280.424
7	Exposures to corporates	--	--	558.637	--	--	--	--	61.874.971	--	--	--	62.433.608
8	Retail exposures	--	--	--	--	--	--	40.115.034	375.185	--	--	--	40.490.219
9	Exposures secured by residential property	--	--	--	4.916.423	--	--	--	--	--	--	--	4.916.423
10	Exposures secured by commercial real estate	--	--	--	--	--	7.384.595	--	1.694.929	--	--	--	9.079.524
11	Past-due loans	--	--	--	--	--	189.464	--	812.512	--	--	--	1.001.976
12	Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13	Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14	Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	219	--	--	--	219
16	Investments in equities	--	--	--	--	--	--	--	49.806	--	--	216.619	266.425
17	Other assets	2.034.523	--	9.031	--	--	--	42	2.496.247	--	--	--	4.539.843
18	Total	43.116.345	--	4.006.058	4.916.423	--	9.816.018	40.115.076	71.405.362	--	--	216.619	173.591.901

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Prior Period		a	b	c	k	d	e	f	g	h	i		
Risk Weight*	Classifications/Risk	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF and CRM)
1	Exposures to central governments or central banks	15.262.094	--	--	--	--	14.747.033	--	--	--	--	--	30.009.127
2	Exposures to regional governments or local authorities	--	--	--	--	--	545.752	--	--	--	--	--	545.752
3	Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5	Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6	Exposures to institutions	--	--	1.862.899	--	--	2.849.812	--	313.122	--	--	--	5.025.833
7	Exposures to corporates	--	--	--	--	--	--	2	54.815.829	--	--	--	54.815.831
8	Retail exposures	--	--	--	--	--	--	33.874.612	331.992	--	--	--	34.206.604
9	Exposures secured by residential property	--	--	--	5.341.775	--	--	--	--	--	--	--	5.341.775
10	Exposures secured by commercial real estate	--	--	--	--	10.096.579	--	--	1.557.262	--	--	--	11.653.841
11	Past-due loans	--	--	--	--	338.529	--	--	530.154	284.183	--	--	1.152.866
12	Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13	Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14	Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	2.255	--	--	--	2.255
16	Investments in equities	130	--	--	--	--	--	--	28.979	--	--	--	29.109
17	Other assets	1.979.637	--	7.440	--	3	--	180	2.293.575	--	--	154.415	4.435.250
18	Total	17.241.861	--	1.870.339	5.341.775	10.435.111	18.142.597	33.874.794	59.873.168	284.183	--	154.415	147.218.243

d. Counterparty Credit Risk

1. Counterparty credit risk (CCR) explanations

Counterparty credit risk is determined according to type of counterparty and the transaction. Counterparties are divided into segments as financial institutions, corporate-commercial customers, SME-Micro-Gold-Agriculture customers and individual customers. Transaction types are grouped as derivative financial products and repo transactions.

Compliance test is applied in line with production information, financial position and transaction frequency of the customer in order to determine products and services provided to customers.

Credit worthiness of counterparty is analysed before the transactions causing counterparty credit risk and periodically reviewed. Reviewing frequency is increased if required.

Limits, in line with risk appetite, policy and strategies of the Bank are determined for the transactions in scope of CCR. Those limits are approved by Board of Directors for banks. Approval authorizations determined in scope of credit allocation process are applied for parties apart from banks. Limits are reviewed at least annually. If the market conditions get worse or credit qualities of certain counterparties decline, limits are reviewed and required changes are made. Approved limits are blocked with the approval of Credit Committee/Credit Allocation Department, if required.

Risk mitigation methods such as netting contracts, collateral and margin contracts are used in counterparty credit risk management related to financial institutions. Collateralization principles and procedures are applied in scope of credit policy and procedures currently applied within the Bank for counterparties apart from financial institutions.

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

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2. Analysis of counterparty credit risk exposure by approach

			a	b	c	d	e	f
Current Period			Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default)	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)(*)		969.154	667.393		-	1.605.874	882.276
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)				--	--	--	--
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						--	--
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						408.040	81.681
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						--	--
6	Total							963.957

			a	b	c	d	e	f
Current Period			Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default)	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)(*)		1.340.530	544.723		--	1.805.349	996.506
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)				--	--	--	--
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						--	--
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						392.667	95.785
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						--	--
6	Total							1.092.291

(*) Counterparty credit risk for derivatives is calculated by the fair value method.

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3. Credit valuation adjustment (CVA) capital charge

	a	b
Current Period	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
1 Value at Risk (VaR) component (including the 3×multiplier)	--	--
2 Stressed VaR component (including the 3×multiplier)	--	--
3 All portfolios subject to the Standardised CVA capital charge	1.605.874	538.775
4 Total subject to the CVA capital charge	1.605.874	538.775

	a	b
Prior Period	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
1 Value at Risk (VaR) component (including the 3×multiplier)	--	--
2 Stressed VaR component (including the 3×multiplier)	--	--
3 All portfolios subject to the Standardised CVA capital charge	1.805.349	577.717
4 Total subject to the CVA capital charge	1.805.349	577.717

4. Standard approach - Counterparty credit risk with respect to risk classes and weights

Current Period	a	b	c	d	e	f	g	h	i
Risk Weights / Risk Classifications	%0	%10	%20	%50.	%75	%100	%150	Diğer	Total credit Exposure (*)
Claims from central governments and central banks	5.560	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	779.556	825.101	--	--	--	--	568.462
Corporates	--	--	--	--	--	370.674	--	--	370.674
Retail portfolios	--	--	--	--	32.803	--	--	--	24.602
Claims on landed real estate	--	--	--	--	--	--	--	--	--
Past due loans	--	--	--	--	--	--	--	--	--
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--
Mortgage securities	--	--	--	--	--	--	--	--	--
Securitization positions	--	--	--	--	--	--	--	--	--
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--
Investments which are qualified as collective	--	--	--	--	--	219	--	--	219
Investment institutions	--	--	--	--	--	--	--	--	--
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets (**)	--	--	--	--	--	--	--	--	--
Total	5.560	--	779.556	825.101	32.803	370.893	--	--	963.957

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

Prior Period	a	b	c	d	e	f	g	h	i
Risk Weights / Risk Classifications	%0	%10	%20	%50.	%75	%100	%150	Diğer	Total credit Exposure (*)
Claims from central governments and central banks	--	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	693.315	1.091.567	--	--	--	--	684.447
Corporates	--	--	--	--	--	390.909	--	--	390.909
Retail portfolios	--	--	--	--	21.156	--	--	--	15.867
Claims on landed real estate	--	--	--	--	--	--	--	--	--
Past due loans	--	--	--	--	--	--	--	--	--
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--
Mortgage securities	--	--	--	--	--	--	--	--	--
Securitization positions	--	--	--	--	--	--	--	--	--
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--
Investments which are qualified as collective	--	--	--	--	--	1.068	--	--	1.068
Investment institutions	--	--	--	--	--	--	--	--	--
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets (**)	--	--	--	--	--	--	--	--	--
Total	--	--	693.315	1.091.567	21.156	391.977	--	--	1.092.291

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

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5. Collaterals used for counterparty credit risk

	a	b	c	d	e	f
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions	
	Received Guarantees		Given Guarantees		Received	Given
Current Period	Appropriated	Unappropriated	Appropriated	Unappropriated	Guarantees	Guarantees
Cash-Domestic Currency	--	--	--	--	750.891	3.922.038
Cash-Foreign Currency	30.673	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--
Stock	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--
Total	30.673	--	--	--	750.891	3.922.038

	a	b	c	d	e	f
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions	
	Received Guarantees		Given Guarantees		Received	Given
Prior Period	Appropriated	Unappropriated	Appropriated	Unappropriated	Guarantees	Guarantees
Cash-Domestic Currency	--	--	--	--	3.001.396	5.628.366
Cash-Foreign Currency	79.903	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--
Stock	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--
Total	79.903	--	--	--	3.001.396	5.628.366

6. Credit derivatives

None.

7. Exposures to central counterparties (CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

4. Securitization positions in banking positions and capital requirements related to those - whose sponsorship or founder is the bank

None.

5. Securitization positions in banking positions and capital requirements related to those- in which the Bank is an investor

None.

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f. Market Risk

1. Explanations on market risk

Within the scope of financial risk management, market risk management activities are defined in accordance with the "Regulation on the Banks' Internal Systems and Internal Capital Adequacy Assessment Process" and the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and necessary measures are taken in order to avoid excessive market risk.

Standard method and internal model are used for the measurement of market risk. The principals of standard method are defined by BRSA and calculation is performed monthly for the consolidated and non consolidated scope. Risk measurement with the internal model is performed on a daily basis and risk indicators such as value at risk, interest rate sensitivity and option sensitivities are monitored. The "Trading Book" classification defined by the regulation is used for market risk measurement. Limits based on risk indicators and stop-loss limits are set by the Board of Directors in order to control the market risk exposure.

2. Standardised approach

	Current Period RAT	Prior Period RAT
Outright products		
1 Interest rate risk (general and specific)	37.213	27.263
2 Equity risk (general and specific)	200	75
3 Foreign exchange risk	653.575	288.449
4 Commodity risk	78.112	55.600
Options		
5 Simplified approach	--	--
6 Delta-plus method	3.500	28.438
7 Scenario approach	--	--
8 Securitisation	--	--
9 Total	772.600	399.825

3. Information on market risk calculated as of month-ends during the period

	Current Period: 31 December 2017			Prior Period: 31 December 2016		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	2.958	5.727	1.712	1.647	2.715	960
Stock Risk	18	74	--	34	84	2
Currency Risk	45.251	65.685	23.929	31.587	57.264	14.949
Emtia Risk	4.532	6.591	2.962	280	395	257
Settlement Risk	--	--	--	--	--	--
Option Risk	1.223	4.569	87	2.177	3.642	956
Counterparty Risk	--	--	--	--	--	--
Total Risk Exposure Value	674.777	992.363	384.988	458.641	780.438	239.725

g. Operational risk

1. Disclosures on operational risk calculation

Principal amount subject to operational risk is calculated through using year-end gross income of 2016, 2015 and 2014 of DFS Group belonging to last 3 years via "Basic Indicators Approach" dated in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" published on Official Gazette dated 23 October 2015 numbered 29511.

2. Standard method

	31.12.2013	31.12.2014	31.12.2015	Total/Positive GI year number	Ratio(%)	Total
Gross Income	4.131.530	4.699.298	4.214.169	4.348.332	15	652.250
Amount Subject to Operational Risk						8.153.125

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IX. Presentation of financial assets and liabilities at their fair value

a. Calculation of financial assets and liabilities at their fair value

The fair value of held-to-maturity assets are determined based on market prices, or when they are not available, based on market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits and floating rate placements represent their carrying value. The expected fair value of the fixed rate deposits are determined by calculating the discounted cash flows using the market interest rates of similar instruments.

Fair value of credits are calculated by discounting cash flow with current market interest rate.

Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

The following table summarizes the carrying value and fair value of financial assets and liabilities. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	138.654.364	130.664.979	137.548.472	129.555.876
Interbank Money Market Placements	785.672	1.032.639	785.672	1.032.639
Banks	10.657.628	8.852.274	10.655.679	8.852.162
Investment Securities Available-For-Sale	7.046.033	6.794.743	7.046.033	6.794.743
Investment Securities Held-To-Maturity	5.335.639	5.091.693	5.299.803	4.997.069
Loans and Other Receivables	114.829.392	108.893.630	113.761.285	107.879.263
Financial Liabilities	140.981.560	134.484.425	140.875.122	134.027.410
Bank Deposits	3.981.559	4.079.407	3.978.312	4.078.798
Other Deposits	107.428.905	104.738.677	107.509.723	104.727.952
Interbank Money market borrowings	4.007.166	2.771.987	4.007.166	2.771.987
Funds Borrowed From Other Financial Institutions	14.680.242	12.079.900	14.528.125	12.001.811
Subordinated Loans	5.261.523	4.948.031	5.225.391	4.569.196
Securities Issued	3.672.758	3.816.408	3.676.998	3.827.651
Miscellaneous Payables	1.949.407	2.050.015	1.949.407	2.050.015

b. Classification of fair value

TFRS 7 sets classification of valuation techniques according to the inputs used in valuation techniques based on fair value calculations which are whether observable or not.

Fair value levels of financial assets and liabilities that are carried at fair value in DFS Group's financial statements are given below:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	81.860	975.808	--	1.057.668
Public Sector Debt Securities	80.711	--	--	80.711
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	975.808	--	975.808
Other Securities	1.149	--	--	1.149
Financial Assets Available for Sale (*)	6.414.245	568.650	--	6.982.895
Public Sector Debt Securities	6.414.245	--	--	6.414.245
Other Securities	--	568.650	--	568.650
Hedging Purpose Derivatives	--	--	--	--
Total Assets	6.496.105	1.544.458	--	8.040.563
Derivative Financial Liabilities Held for Trading	--	1.285.465	--	1.285.465
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	1.285.465	--	1.285.465

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Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	106.834	1.341.025	--	1.447.859
Public Sector Debt Securities	96.887	--	--	96.887
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	1.341.025	--	1.341.025
Other Securities	9.947	--	--	9.947
Financial Assets Available for Sale (*)	7.125.839	429.423	--	7.555.262
Public Sector Debt Securities	7.125.839	--	--	7.125.839
Other Securities	--	429.423	--	429.423
Hedging Purpose Derivatives	--	--	--	--
Total Assets	7.232.673	1.770.448	--	9.003.121
Derivative Financial Liabilities Held for Trading	--	1.248.386	--	1.248.386
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	1.248.386	--	1.248.386

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Unobservable inputs

(*) Share certificates amounting TL 3.956 (31 December 2016: TL 3.930), classified in financial assets available for sale that do not have quoted market prices in an active market or whose fair value cannot be measured, are carried at cost in the framework of TAS 39.

Investment property and portion of tangible fixed assets that are recorded by their fair value are classified as Level 3.

X. Transactions carried out on behalf and account of other parties and fiduciary transactions

a. Information on whether the Group performs sales, purchase, management, consultancy and custody services on behalf and account of others, or not

DFS Group performs sales, purchase, management, consultancy and custody services on behalf and account of others.

b. Transactions directly realized with other financial institutions depending on fiduciary contracts and probability of material effect of such transactions on the financial position of the Bank.

None.

XI. Explanations related to hedging transactions

a. Net Investment Risk

DFS Group applies net investment hedge strategy to hedge against the currency risk arising on a consolidated basis from the net investments amounting to a total of Euro 1.220 million and US Dollar 7 million of subsidiaries Denizbank AG and Eurodeniz. The part consisting of the same amounts of its foreign currency deposit has been defined as "hedging instrument". The effective part of the change in value of the foreign currency deposit arising from exchange rate has been recognized as "hedging funds" under equity.

On the other hand, as of 1 April 2014, the Parent Bank stopped applying net investment hedge accounting due to its net investment to hedge against the currency risk on the subsidiary of JSC Denizbank, and the total hedging fund which is booked under equity for that subsidiary is amounting to TL (57.744).

Total net investment hedging funds recognized under equity is amounting to TL (1.741.301) as of 31 December 2017 (31 December 2016: TL (1.006.604)).

b. Cash Flow Hedge

The Parent Bank stopped applying cash flow hedge accounting arising from the fluctuations in the interest rate and in which the hedging instrument was interest rate swaps and the hedged item was deposit, on 31 May 2013. Consequently, derivatives financial instruments which were previously in "hedging purpose derivatives assets/liabilities" because of being risk hedging instruments are classified in "financial assets/liabilities held for trading" lines. Negative differences amounting to TL (18.657) which were cumulated until the transfer date in "hedging funds" account under equity will be transferred to statement of income until the maturities of related derivative instruments and there is no valuation difference in shareholders' equity as of 31 December 2017 (31 December 2016: (616)).

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XII. Explanations related to the consolidated segment reporting

DFS Group is active in four areas; namely, wholesale banking, SME and agricultural banking, retail banking, and treasury.

Wholesale banking offers financial and banking solutions to large-scale local and international corporate and commercial customers. In order to meet customer needs related to projects, investment and working capital, corporate banking offers short and long-term working capital loans, investment loans, financial and operational leasing and factoring services, non-cash loans, foreign exchange transactions, export finance, project finance, structured finance, corporate finance, and deposit products and cash management services.

The Bank offers loan products (consumer loans, mortgage, vehicle, agricultural and investment loans), distinctive credit cards, producer card, investment products (mutual funds, shares, government bonds/treasury bills, and repos), deposit products (time, demand, protected), insurance products, SME loans, agricultural loans, financial and operational leasing and factoring services to the customers classified under retail, SME and agricultural segments. Alternative distribution channels allow customers to meet their banking needs without the need to physically visit the branches. Among products that meet every day needs of customers are overdraft loans, automated bill payment, checkbooks and rental safes.

Within treasury; sales, prop-trading and private banking departments offer spot and forward TL and foreign exchange transactions, trading of treasury bills, bonds and other local and international securities and derivative products. Providing medium and long-term financing, diversification of funding and maintenance an international investor base are also the activities defined in this segment.

Segment information is prepared in line with the Parent Bank's Management Information Systems and the prior period figures are also revised accordingly.

Segment information of the Group is presented in the following table:

Current Period (01.01.2017-31.12.2017)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	1.524.243	1.737.520	1.298.518	1.720.877	6.281.158
Net fees and commission income	211.153	722.828	747.448	(76.444)	1.604.985
Other income/loss, net	440.911	304.920	248.886	(1.229.768)	(235.051)
Total segment income	2.176.307	2.765.268	2.294.852	414.665	7.651.092
Other operational expenses	(586.491)	(1.112.413)	(1.418.932)	(97.691)	(3.215.527)
Impairment of loans and other rec.	(533.146)	(735.994)	(571.823)	(102.964)	(1.943.927)
Taxation					(589.506)
Net profit from continuing operations	1.056.670	916.861	304.097	214.010	1.902.132
Net profit from discontinued operations	--	--	--	--	--
Net profit for the period	1.056.670	916.861	304.097	214.010	1.902.132
Current Period (31.12.2017)					
Segment assets	58.066.374	36.664.330	20.098.688	41.851.547	156.680.939
Subsidiaries and associates					55.334
Undistributed assets					3.686.857
Total assets					160.423.130
Segment liabilities	26.226.248	66.868.879	16.676.505	32.773.798	142.545.430
Undistributed liabilities					5.024.293
Equity					12.853.407
Total liabilities and shareholders' equity					160.423.130

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Prior Period (01.01.2016-31.12.2016)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	1.471.456	1.480.410	1.133.206	1.017.059	5.102.131
Net fees and commission income	191.913	596.224	521.815	(56.194)	1.253.758
Other income/loss, net	436.256	310.982	329.987	(878.478)	198.747
Total segment income	2.099.625	2.387.616	1.985.008	82.387	6.554.636
Other operational expenses	(554.204)	(1.029.260)	(1.238.524)	(104.182)	(2.926.170)
Impairment of loans and other rec.	(616.645)	(703.621)	(479.747)	(3.396)	(1.803.409)
Taxation					(424.683)
Net profit from continuing operations	928.776	654.735	266.737	(25.191)	1.400.374
Net profit from discontinued operations	--	--	--	--	725
Net profit for the period	928.776	654.735	266.737	(25.191)	1.401.099
Current Period (31.12.2016)					
Segment assets	50.151.875	28.333.699	16.536.941	37.514.557	132.537.072
Subsidiaries and associates					25.180
Undistributed assets					2.991.746
Total assets					135.553.998
Segment liabilities	27.456.595	13.644.291	51.266.805	28.455.620	120.823.311
Undistributed liabilities					4.140.589
Equity					10.590.098
Total liabilities and shareholders' equity					135.553.998

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SECTION FIVE
DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to consolidated assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	1.100.516	795.623	876.276	947.988
Central Bank of the Republic of Turkey	1.966.321	13.106.352	1.405.531	11.609.546
Other (*)	--	--	--	20
Total	3.066.837	13.901.975	2.281.807	12.557.554

(*) Includes 20 TL purchased cheques balance for prior period.

2. Information on balances with the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	894.109	1.715.718	1.405.531	1.501.383
Unrestricted Time Deposits	1.072.212	--	--	--
Restricted Time Deposits	--	11.390.634	--	10.108.163
Total	1.966.321	13.106.352	1.405.531	11.609.546

Includes the balances of consolidated foreign subsidiaries at foreign central banks.

3. Information on reserve requirements

As of 31 December 2017, all banks operating in Turkey should provide a reserve in a range of 4% to 10,5% (31 December 2016: between 4% and 10,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 5% to 19% (31 December 2016: between 4,5% and 24,5%) in US Dollars or standard gold for their liabilities in foreign currencies.

CBRT began paying interest for the reserve deposits maintained in Turkish Lira as from November 2014 and for the reserve deposits maintained in US Dollar as from May 2015. The interest income of TL 101.420 derived from the reserve deposits maintained by the Parent Bank at CBRT (1 January - 31 December 2016: TL 56.689) has been recorded under the account "interests derived from reserve requirements".

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

1. Information on trading securities given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	7.797	--	8.380	--
Other	--	--	--	--
Total	7.797	--	8.380	--

2. Trading securities subject to repurchase agreements

None (31 December 2016: None).

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3. Positive value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	26.616	23.499	1.549	57.153
Swap Transactions	450.936	415.641	944.857	268.949
Futures Transactions	--	--	--	--
Options	5.117	53.999	523	67.994
Other	--	--	--	--
Total	482.669	493.139	946.929	394.096

c. Information on banks

1. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	805.940	404.928	6.383	655.752
Foreign	13.196	9.433.564	10.623	4.899.985
Foreign head offices and branches	--	--	--	--
Total	819.136	9.838.492	17.006	5.555.737

2. Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	8.558.316	4.216.039	--	--
USA, Canada	346.615	133.538	--	--
OECD Countries(*)	19.213	24.627	--	--
Off shore zones	45.462	42.362	--	--
Other	477.154	494.042	--	--
Total	9.446.760	4.910.608	--	--

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

d. Information on investment securities available-for-sale

1. Major types of investment securities available-for-sale

Investment securities available-for-sale consist of share certificates, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury and foreign private sector debt securities.

2. Investment securities available-for-sale given as collateral and fair value

Available-for-sale financial assets which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and İstanbul Takas ve Saklama Bankası A.Ş. (Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL 754.234 (31 December 2016: TL 849.495).

3. Investment securities available-for-sale given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	--	--	--	--
T-bills, Bonds and Similar Securities	376.777	377.457	725.926	123.569
Other	--	--	--	--
Total	376.777	377.457	725.926	123.569

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4. Investment securities available-for-sale subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	2.481.553	235.350	3.830.370	--
Treasury Bills	--	--	--	--
Other Debt Securities	--	--	--	--
Bonds Issued or Guaranteed by Banks	--	271.707	--	--
Asset Backed Securities	--	--	--	--
Other	--	--	--	--
Total	2.481.553	507.057	3.830.370	--

5. Information on available-for-sale securities

	Current Period	Prior Period
Debt instruments	6.982.895	7.555.262
Quoted on Stock Exchange	6.982.895	7.555.262
Unquoted on Stock Exchange	--	--
Share certificates	63.138	41.728
Quoted on Stock Exchange	59.159	37.779
Unquoted on Stock Exchange	3.979	3.949
Impairment provision (-)	--	--
Total	7.046.033	7.596.990

e. Information related to loans

1. Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans Granted to Shareholders	--	4.655	--	7.721
Loans Granted to Employees	59.102	--	60.741	4
Total	59.102	4.655	60.741	7.725

2. Information on loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled

	Performing Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Agreement conditions modified			Agreement conditions modified		
	Loans and Other Receivables (Total)	Extension of Payment Plan	Other	Loans and Other Receivables (Total)	Extension of Payment Plan	Other
Non-specialized Loans	89.554.864	1.675.128	--	8.567.785	3.956.841	--
Working Capital Loans	36.523.074	467.807	--	1.208.814	587.392	--
Export Loans	1.200.764	11.277	--	28.064	617	--
Import Loans	--	--	--	--	--	--
Loans Given to Financial Sector	155.529	--	--	168.531	168.531	--
Consumer Loans	15.051.910	200.190	--	1.347.718	326.834	--
Credit Cards	5.830.718	6.838	--	391.233	101.519	--
Other	30.792.869	989.016	--	5.423.425	2.771.948	--
Specialization Loans	10.039.070	19.323	--	1.323.496	620.558	--
Other Receivables	--	--	--	--	--	--
Total	99.593.934	1.694.451	--	9.891.281	4.577.399	--

(*) The Bank has a cash loan exposure amounting to USD 93 million and EUR 19 million related with the acquisition finance of a telecommunication company within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral (31 December 2016: USD 93 million and EUR 19 million). Discussions among shareholders of the entity, creditor banks and related public institutions regarding restructuring of current main partner including change of shareholder have been commenced and it is expected that aforementioned discussions shall result in a positive development. Respective loan is classified under "Loans Under Close Monitoring and Other Receivables" as of 31 December 2017.

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	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	1.468.552	4.045.435
Extended by 3,4 or 5 times	225.834	519.558
Extended by more than 5 times	65	12.406
Total	1.694.451	4.577.399

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended payment period of time		
0-6 Months	7.091	200.731
6-12 Months	3.923	102.016
1-2 Years	17.420	200.526
2-5 Years	482.851	1.549.297
5 Year and Over	1.183.166	2.524.829
Total	1.694.451	4.577.399

3. Information on loans according to maturity structure concentration

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other Receivables	Restructured or Rescheduled	Loans and other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	18.917.202	7.567	1.729.484	144.472
Non-Specialized Loans	17.044.339	5.439	1.622.063	97.706
Specialized Loans	1.872.863	2.128	107.421	46.766
Other Receivables	--	--	--	--
Medium and Long-Term Loans and Other Receivables	80.676.732	1.686.884	8.161.797	4.432.927
Non-Specialized Loans	72.510.525	1.669.689	6.945.722	3.859.135
Specialized Loans	8.166.207	17.195	1.216.075	573.792
Other Receivables	--	--	--	--
Total	99.593.934	1.694.451	9.891.281	4.577.399

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

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	356.301	15.161.852	15.518.153
Real estate Loans	4.650	4.216.772	4.221.422
Vehicle Loans	467	234.148	234.615
General Purpose Loans	351.184	10.710.932	11.062.116
Other	--	--	--
Consumer Loans-Indexed to FC	--	23.910	23.910
Real estate Loans	--	23.528	23.528
Vehicle Loans	--	--	--
General Purpose Loans	--	382	382
Other	--	--	--
Consumer Loans-FC	2.282	48.318	50.600
Real estate Loans	3	2.233	2.236
Vehicle Loans	--	--	--
General Purpose Loans	2.279	46.085	48.364
Other	--	--	--
Individual Credit Cards-TL	5.283.424	306.469	5.589.893
Installment	2.527.450	306.469	2.833.919
Non installment	2.755.974	--	2.755.974
Individual Credit Cards-FC	1.697	--	1.697
Installment	--	--	--
Non installment	1.697	--	1.697
Loans Given to Employees-TL	3.513	27.874	31.387
Real estate Loans	--	1.380	1.380
Vehicle Loans	--	61	61
General Purpose Loans	3.513	26.433	29.946
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	84	236	320
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	66	--	66
Other	18	236	254
Personnel Credit Cards - TL	25.529	170	25.699
Installment	12.408	170	12.578
Non installment	13.121	--	13.121
Personnel Credit Cards - FC	40	--	40
Installment	--	--	--
Non installment	40	--	40
Overdraft Loans-TL (Real Persons) (*)	772.271	--	772.271
Overdraft Loans-FC (Real Persons)	2.987	--	2.987
Total	6.448.128	15.568.829	22.016.957

(*) Overdrafts used by the personnel of the Parent Bank are TL 1.657 (31 December 2016: TL 1.489).

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5. Information on installment commercial loans and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans - TL	569.463	12.634.330	13.203.793
Real estate Loans	146	181.785	181.931
Vehicle Loans	10.247	372.960	383.207
General Purpose Loans	559.070	12.079.585	12.638.655
Other	--	--	--
Installment Commercial Loans - Indexed to FC	42.369	1.510.440	1.552.809
Real estate Loans	--	6.445	6.445
Vehicle Loans	132	35.055	35.187
General Purpose Loans	42.237	1.468.940	1.511.177
Other	--	--	--
Installment Commercial Loans - FC	--	43.104	43.104
Real estate Loans	--	--	--
Vehicle Loans	--	73	73
General Purpose Loans	--	43.031	43.031
Other	--	--	--
Corporate Credit Cards - TL	604.485	68	604.553
Installment	222.583	68	222.651
Non installment	381.902	--	381.902
Corporate Credit Cards - FC	69	--	69
Installment	--	--	--
Non installment	69	--	69
Overdraft Loans-TL (Legal Entities)	1.564.278	--	1.564.278
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	2.780.664	14.187.942	16.968.606

6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	1.669.280	1.427.934
Private	107.815.935	88.718.870
Total	109.485.215	90.146.804

7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	96.953.552	82.206.250
Foreign Loans	12.531.663	7.940.554
Total	109.485.215	90.146.804

8. Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	13.583	14.139
Indirect loans granted to subsidiaries and associates	--	--
Total	13.583	14.139

9. Specific provisions for loans

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	189.939	128.655
Loans and Receivables with Doubtful Collectability	572.481	463.077
Uncollectible Loans and Receivables	2.366.103	2.056.223
Total	3.128.523	2.647.955

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10. Information on non-performing loans (Net)

(i) Information on non-performing loans restructured or rescheduled

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period	64.319	25.290	208.988
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	64.319	25.290	208.988
Prior Period	16.363	28.289	105.682
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	16.363	28.289	105.682

(ii) Movement of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Balances at Beginning of Period	571.012	866.753	2.213.874
Additions (+)	1.683.428	114.032	174.992
Transfers from Other Categories of Non-Performing Loans (+)	--	1.529.890	1.553.608
Transfers from Other Categories of Non-Performing Loans (-)	1.529.890	1.553.608	--
Collections (-)	263.457	204.927	436.835
Write-offs (-) (*)	--	--	694.258
Corporate and Commercial Loans	--	--	58.856
Retail Loans	--	--	246.807
Credit Cards	--	--	175.985
Other	--	--	212.610
Balances at End of the Period	461.093	752.140	2.811.381
Specific Provisions (-)	189.939	572.481	2.366.103
Net Balance on Balance Sheet	271.154	179.658	445.278

(*) On 31 March 2017, 18 May 2017, 8 December 2017, and 29 December 2017, the Parent Bank has sold its retail loan portfolio amounting to TL 418.883 for a consideration of TL 37.700; its SME loan portfolio amounting to TL 229.359 for a consideration of TL 32.322; and its corporate-commercial portfolio amounting to 507 TL, booked under non-performing loans, to asset management companies.

While the Parent Bank has applied the minimum rates for non-performing corporate and commercial loans, retail loans and credit cards within the framework of the "Regulation on Procedures and Principles Related to the Determination of the Qualifications of Banks as Loans and Other Receivables" in the previous periods, it provided additional provision amounting to TL 279.674 based on the maximum rates of the regulation in the current period.

(iii) Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period: 31 December 2017			
Balance as of the Period End	7.423	7.320	3.047
Specific Provisions (-)	1.373	7.320	1.543
Net Balance on Balance Sheet	6.050	--	1.504
Prior Period: 31 December 2016			
Balance as of the Period End	7.700	8.431	500
Specific Provisions (-)	2.979	8.298	138
Net Balance on Balance Sheet	4.721	133	362

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(iv) Information on non-performing loans according to beneficiary group

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net): 31 December 2017	271.156	179.658	445.278
Loans Granted to Real Persons and Legal Entities (Gross)	461.093	752.125	2.811.381
Specific provisions (-)	189.939	572.466	2.366.103
Loans Granted to Real Persons and Legal Entities (Net)	271.154	179.659	445.278
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	15	--
Specific provisions (-)	--	15	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net): 31 December 2016	410.488	384.234	208.962
Loans Granted to Real Persons and Legal Entities (Gross)	539.143	845.105	2.265.185
Specific provisions (-)	128.655	460.871	2.056.223
Loans Granted to Real Persons and Legal Entities (Net)	410.488	384.234	208.962
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	2.206	--
Specific provisions (-)	--	2.206	--
Other Loan and Receivables (Net)	--	--	--

11. Liquidation policy for uncollectible loans and receivables

For uncollectible loans and receivables, the Bank tries to solve the issue with the customer. If no result is obtained, all legal actions are taken. Such actions are completed when the insufficiency of collaterals is documented or a certificate of insolvency is obtained.

12. Information on write-off from assets policy

Unrecoverable non-performing loans are written off with the decision of the Board of Directors on condition that receivable of the Group is not material compared to the costs to be incurred for the preparation of necessary documentation. TL 13.694 of loan balance is written-off in 2017 (31 December 2016: None).

f. Information on investment securities held-to-maturity

1. Information on securities subject to repurchase agreement and given as collateral or blocked

(i) Information on securities subject to repurchase agreement

Held-to-maturity investments subject to repurchase agreement are TL 1.306.054 (31 December 2016: TL 1.797.997).

(ii) Information on securities subject to given as collateral or blocked

Collateralized held-to-maturity investments are government bonds, whose book value amounts to TL 2.048.110 (31 December 2016: TL 1.099.775).

2. Information on government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	5.335.639	5.018.478
Treasury Bills	--	--
Other Government Debt Securities	--	--
Total	5.335.639	5.018.478

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3. Information on investment securities held-to-maturity

	Current Period	Prior Period
Debt Securities	5.335.639	5.056.032
Quoted on Stock Exchange	5.335.639	5.018.478
Unquoted on Stock Exchange	--	37.554
Impairment (-)	--	--
Total	5.335.639	5.056.032

4. Information on the movement of investment securities held-to-maturity during the period

	Current Period	Prior Period
Balance at the beginning of the period	5.056.032	3.376.169
Foreign exchange differences (*)	390.215	260.354
Purchases during the year (**)	--	1.419.509
Disposals/Redemptions	(110.608)	--
Impairment losses (-)	--	--
Total	5.335.639	5.056.032

(*) Accruals of investment securities held-to-maturity are included in "foreign exchange differences".

(**) Classifications of available-for-sale financial assets are shown under "Purchases During The Year".

The Parent Bank transferred a portion of its securities from "investment securities available-for-sale" portfolio, with a new cost amounting to TL 2.826.026 and US Dollar 320.674 as of reclassification date, to the "investment securities held-to-maturity" portfolio due to change in the intention of holding on 23 July, 24 July, 26 December 2013, 24 January 2014 and 1 November 2016. The negative valuation differences amounting to TL 326.599 followed under equity until the date of classification will be amortized with effective interest method and recycled to profit/loss until the maturities of these securities. As of the balance sheet date, the remaining negative valuation difference under equity is TL 191.369 (31 December 2016: TL 224.805).

g. Investments in associates

1. Investments in unconsolidated associates

Title	Address (City/Country)	The Parent Bank's share percentage (%)	The Parent Bank's risk group share percentage (%)
1-Kredi Kayıt Bürosu A.Ş. ⁽¹⁾	Istanbul/Turkey	9	--
2-Kredi Garanti Fonu A.Ş. ⁽²⁾	Ankara/Turkey	2	--
3-Ege Tarım Ürünleri Lisanslı Dep. A.Ş. ⁽²⁾	İzmir/Turkey	9	--

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	259.153	175.797	172.993	4.049	--	36.919	16.458	--
2	314.961	304.494	6.585	18.431	--	5.530	5.483	--
3	10.819	10.496	7.996	152	--	(600)	(465)	--

⁽¹⁾ Information on the financial statements is presented as of the period ended 30 September 2017.

⁽²⁾ Information on the financial statements is presented as of the period ended 31 December 2016.

2. Investments in consolidated associates

There are no investments in consolidated associates.

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h. Investments in subsidiaries

1. Information on shareholders' of major subsidiaries

The parent Bank does not need any capital requirement due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

Amounts at below table are prepared within the scope of regulation valid for Denizbank AG and they are obtained from financial data of 31 December 2017.

	Denizbank AG
Paid-in capital	956.523
Share premium	1.402.632
Reserves	3.821.143
Deductions from capital	2.559
Total Common Equity	6.177.739
Total additional Tier I capital	--
Deductions from capital	10.238
Total Core Capital	6.167.501
Total supplementary capital	112.955
Capital	6.280.456
Deductions from capital	--
SHAREHOLDERS' EQUITY	6.280.456

2. Information on non-consolidated subsidiaries

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%)
1-Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Istanbul/Turkey	100	--
2-Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	100	--
3-Deniz Kartlı Ödeme Sistemleri A.Ş.	Istanbul/Turkey	--	100
4-Açık Deniz Radyo ve Televizyon İletişim Yayıncılık ve Sanayi A.Ş.	Istanbul/Turkey	--	100
5-Deniz Immobilien Service GmbH	Vienna/Austria	--	100
6-Ekspres Bilgi İşlem ve Ticaret A.Ş.	Istanbul/Turkey	71	29
7-Gündem Otel Turizm A.Ş. (*)	Istanbul/Turkey	--	100

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	155.806	(2.320)	61.099	3.419	--	872	(9.055)	--
2	1.246	1.241	--	--	--	(76)	44	--
3	202	202	--	11	--	(18)	(11)	--
4	324	318	--	--	--	15	12	--
5	93	93	--	--	--	3	(12)	--
6	18.112	16.762	2.301	1.484	--	1.018	1.285	--
7	29.440	29.440	29.440	--	--	--	--	--

(*) Deniz Gayrimenkul Yatırım Ortaklığı has purchased the shares of Gündem Otel Turizm A.Ş. on 24 November 2017 with a consideration of TL 29.440.

Information on the financial statements is presented as of the period ended 31 December 2017, and those subsidiaries are not included in consolidation because they are non-financial subsidiaries.

3. Information on consolidated subsidiaries

Title	Address (City/Country)	The Parent Bank's share percentage(%)	Other shareholders' share percentage (%) (*)	Consolidation Method
1 Denizbank AG	Vienna/Austria	100	--	Full consolidation
2 Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--	Full consolidation
3 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--	Full consolidation
4 JSC Denizbank Moskova	Moscow / Russia	49	51	Full consolidation
5 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100	Full consolidation
6 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51	Full consolidation
7 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--	Full consolidation
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	--	91	Full consolidation
9 CR Erdberg Eins GmbH & Co KG	Vienna/Austria	--	100	Full consolidation

(*) Presenting risk group of Bank's share percentage.

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	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
1	47.710.312	6.276.247	53.444	1.743.058	6.098	698.310	547.337	--	--
2	652.967	26.596	68	22.313	--	297	684	--	--
3	297.999	233.038	2.265	13.660	449	35.893	14.026	--	--
4	1.127.372	318.616	3.200	60.345	13.283	39.150	27.440	--	--
5	19.606	18.247	13	2.070	118	5.984	3.656	--	--
6	3.550.102	720.426	163.095	293.772	--	89.228	76.485	--	--
7	1.926.010	252.386	2.035	267.112	--	61.641	16.015	--	--
8	249.833	212.937	117	1.345	--	15.788	12.327	--	--
9	129.539	112.471	104.760	2	--	2.844	2.111	--	--

Includes information on the consolidated financial statements as of 31 December 2017.

(i) Movement of consolidated subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	2.378.988	2.307.921
Movements during the Period	352.589	71.067
Purchases (***)	209.094	--
Bonus Shares Received	--	--
Dividends from Current Year Profit	--	--
Sales (**)	--	(9.999)
Revaluation Increase, Effect of Inflation and F/X Difference	143.495	87.520
Other (*)	--	(6.454)
Allowance for impairment	--	--
Balance at the End of the Period	2.731.577	2.378.988
Capital Commitments	--	--
Share Percentage at the end of Period (%)	--	--

(*) Status of Ekspres Menkul Değerler A.Ş. has changed and it is excluded from consolidation scope.

(**) Shares of Destek Varlık Yönetim A.Ş., owned fully by Deniz Yatırım, Ekspres Bilgi İşlem, Deniz Finansal Kiralama, Deniz Faktoring and Intertech, were sold to Lider Faktoring and Merkez Faktoring with a total consideration of TL 12,320 on 29 December 2016 in accordance with the Board of Directors' decision dated 14 July 2016.

(***) Explanations related to purchases within the year are explained on Section Three, footnote III.

(ii) Sectorial information on the consolidated subsidiaries and the related carrying amounts

	Current Period	Prior Period
Banks	1.640.202	1.417.857
Insurance Companies	--	--
Factoring Companies	138.107	138.107
Leasing Companies	590.518	512.877
Finance Companies	--	--
Other Subsidiaries	362.750	310.147
Total	2.731.577	2.378.988

Balances of the consolidated subsidiaries above have been eliminated in the accompanying financial statements.

(iii) Quoted subsidiaries within the consolidation scope

	Current Period	Prior Period
Quoted on domestic markets	123.368	67.141
Quoted on foreign markets	--	--

(iv) Consolidated subsidiaries disposed during the current period: None

(v) Consolidated subsidiaries acquired during the current period: None

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i. Entities Under Common Control (Joint Ventures)

1. Entities Under Common Control (Joint Ventures)

Title	The Parent Bank's share percentage (%)	The Group's share percentage (%)	Current Assets	Non-Current Assets	Non-Current Liabilities	Income	Expenses
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33	33	27.170	35.262	5.985	114.595	(102.730)

Information on the unaudited financial statements is presented as of the period ended 31 October 2017.

2. Reasons of being non-consolidated for non-consolidated entities under common control (Joint Ventures) and methods of recognition of entities under common control (Joint Ventures) in the Parent Bank's unconsolidated financial statements

The Parent Bank, although represents Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") with 33% of ownership rate as entities under common control in its financial statements, it was not consolidated due to being a non-financial entity. This investment is carried at cost.

Information on receivables from leasing activities

1. Maturity analysis of finance lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.051.886	820.577	192.240	184.849
Between 1-4 years	1.589.089	1.260.956	1.425.809	1.269.652
Over 4 years	604.991	520.408	1.583.458	1.182.806
Total	3.245.966	2.601.941	3.201.507	2.637.307

2. Information on net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivable	3.245.966	3.201.507
Unearned finance income (-)	644.025	564.200
Cancelled leasing agreements (-)	--	--
Net investment on finance leases	2.601.941	2.637.307

3. Information on operating lease activities

Deniz Finansal Kiralama A.Ş. started to fleet rental operations in the scope of operational leasing in June 2014.

Future receivables arising from leased assets are not recognized in the Group's balance sheet. Receivables arising from the rents invoiced within the period are recognized in the Group's balance sheet.

As of 31 December 2017, the Group's receivables which arise from its operational leasing agreements and will emerge in the future are distributed as follows by year:

	Current Period	Prior Period
Up to 1 year	35.705	31.158
Between 1-5 years	25.391	29.254
5 years and over	--	--
Total	61.096	60.412

j. Explanation on hedging purpose derivatives

None (31 December 2016: None).

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k. Information on tangible assets

	Real Estate	Tangible Fixed Assets Retained With Leasing	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	141.429	216.670	135.502	914.474	1.408.075
Accumulated Depreciation	--	(173.361)	(16.161)	(553.974)	(743.496)
Net Book Value	141.429	43.309	119.341	360.500	664.579
Current Period					
Net Book Value at the Beginning of the Period	141.429	43.309	119.341	360.500	664.579
Changes In the Period (Net)	14.789	1	53.258	120.200	188.248
Depreciation Cost	(2.207)	(13.999)	(11.929)	(98.536)	(126.671)
Provision For Decrease In Value	--	--	--	--	--
FX Differences (Net)	16.849	--	27	6.482	23.358
Cost At the End of the Period	170.860	213.351	186.449	1.028.394	1.599.054
Accumulated Depreciation At the End of the Period	--	(184.040)	(25.752)	(639.748)	(849.540)
Net Book Value At The End Of The Period	170.860	29.311	160.697	388.646	749.514

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Positive differences between property value in expertise reports prepared by licenced valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are recorded under income statement.

Revaluation difference amounting to TL 61.816 (31 December 2016: TL 45.894) is recognized under equity as a result of revaluation process, and impairment provision made in previous period for related properties amounting to TL (3.719) is cancelled and an impairment provision amounting to TL (2.981) is booked for related properties.

l. Information on intangible assets

	Other	Goodwill	Total
Prior Period			
Cost	640.132	869	641.001
Accumulated Depreciation	(436.182)	--	(436.182)
Net Book Value	203.950	869	204.819
Current Period			
Net Book Value at the Beginning of the Period	203.950	869	204.819
Differences During the Period (Net)	88.237	--	88.237
Depreciation Cost	(106.282)	--	(106.282)
Provision For Decrease In Value	--	--	--
FX Differences (Net)	1.977	--	1.977
Cost At the End of the Period	734.631	869	735.500
Accumulated Depreciation At the End of the Period	(546.749)	--	(546.749)
Net Book Value At The End Of The Period	187.882	869	188.751

m. Explanation on investment property

Investment properties are properties held by Deniz GYO for the basic purpose of making lease profit.

As of 31 December 2017, the Group has investment property is amounting to TL 171.467 (31 December 2016: TL 164.527) which are carried by their fair value on the Group's Financial Statements.

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n. Information on deferred tax asset

Deferred tax asset calculated on the basis of related regulation is TL 216.618 (31 December 2016: TL 153.176) and deferred tax liability is TL 27.217 (31 December 2016: TL 15.446). These balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

The following table presents the deferred tax assets according to nature:

	Current Period	Prior Period
Miscellaneous Provisions	144.718	102.894
Unearned Revenue	67.527	56.753
Valuation Differences of Derivatives	41.818	--
Provision for Employee Benefits	29.225	22.882
Tax Losses Carried Forward	--	22.110
Others	--	629
Deferred Tax Assets	283.288	205.268
Valuation Differences of Tangible Fixed Assets	(49.457)	(32.269)
Valuation Differences of Financial Assets	(14.085)	--
Valuation Differences of Derivatives	--	(16.007)
Others	(30.345)	(19.262)
Deferred Tax Liabilities	(93.887)	(67.538)
Net Deferred Tax Assets	189.401	137.730

(*) Miscellaneous provisions include balances of Deniz Leasing and Deniz Faktoring, as well.

o. Explanation on property and equipment held for sale and related to discontinued operations

DFG Group has no held for trade assets and discontinuing operations in current period. (31 December 2016: None).

p. Information on other assets

1. Information on prepaid expense, taxes and similar items

DFS Group's total prepaid expenses are TL 533.432 (31 December 2016: TL 300.053).

2. Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

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II. Explanations and disclosures related to consolidated liabilities

a. Information on deposits

1. Information on maturity structure of deposits

Current period - 31 December 2017:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.733.644	--	2.184.088	21.454.732	1.014.816	421.343	381.727	18.953	28.209.303
Foreign Currency Deposits (*)	16.133.455	--	3.970.271	14.116.738	1.916.662	6.996.210	21.934.506	1.485	65.069.327
Residents in Turkey	5.760.988	--	3.172.110	12.830.289	1.188.694	1.971.765	2.050.528	1.310	26.975.684
Residents Abroad	10.372.467	--	798.161	1.286.449	727.968	5.024.445	19.883.978	175	38.093.643
Public Sector Deposits	515.330	--	60.012	73.405	13.340	70	4.297	--	666.454
Commercial Deposits	3.110.416	--	2.123.010	4.923.835	161.657	235.947	134.702	--	10.689.567
Other Ins. Deposits	121.224	--	245.123	1.120.697	498.612	135.924	19.708	--	2.141.288
Precious Metal Deposits	275.983	--	41.758	270.412	24.620	25.990	8.470	5.733	652.966
Bank Deposits	184.537	--	2.137.759	413.018	6.635	802.952	436.658	--	3.981.559
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	8.500	--	1.617.817	77.332	6.132	--	--	--	1.709.781
Foreign Banks	175.275	--	519.942	335.686	503	802.952	436.658	--	2.271.016
Special Finan. Inst.	762	--	--	--	--	--	--	--	762
Other	--	--	--	--	--	--	--	--	--
Total	23.074.589	--	10.762.021	42.372.837	3.636.342	8.618.436	22.920.068	26.171	111.410.464

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 45.928.588 and Commercial Deposit customers at the amount of TL 19.140.739.

Prior period - 31 December 2016:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.322.348	--	2.355.686	15.076.048	701.221	153.831	252.692	26.694	20.888.520
Foreign Currency Deposits (*)	12.890.613	--	2.975.273	11.835.876	1.553.924	6.001.084	19.819.205	1.325	55.077.300
Residents in Turkey	5.861.977	--	2.696.271	10.866.308	1.278.067	1.962.383	1.588.328	1.165	24.254.499
Residents Abroad	7.028.636	--	279.002	969.568	275.857	4.038.701	18.230.877	160	30.822.801
Public Sector Deposits	486.443	--	38.636	51.363	3.669	349	10.808	--	591.268
Commercial Deposits	2.820.471	--	2.206.973	5.371.941	711.082	155.101	226.933	--	11.492.501
Other Ins. Deposits	102.245	--	103.356	1.515.642	128.363	9.358	178.377	--	2.037.341
Precious Metal Deposits	265.351	--	29.656	151.809	41.997	28.783	12.364	4.268	534.228
Bank Deposits	76.053	--	507.818	882.414	860	1.767	105.881	--	1.574.793
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	7.198	--	111.364	27.378	--	1.767	--	--	147.707
Foreign Banks	44.298	--	396.454	855.036	860	--	105.881	--	1.402.529
Special Finan. Inst.	24.557	--	--	--	--	--	--	--	24.557
Other	--	--	--	--	--	--	--	--	--
Total	18.963.524	--	8.217.398	34.885.093	3.141.116	6.350.273	20.606.260	32.287	92.195.951

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 36.483.244 and Commercial Deposit customers at the amount of TL 18.594.056.

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2. Information on deposit insurance

- (i) Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

Deposits owned by foreign subsidiaries in scope of consolidation are under insurance coverage according to legislations of countries in which they are located and are not included in following table.

	Saving Deposit Insurance Fund		Exceeding the Insurance Coverage Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	14.280.818	10.732.125	13.842.565	10.067.622
Foreign Currency Saving Deposits	3.444.973	2.373.888	11.546.115	9.536.921
Other Saving Deposits	--	--	--	--
Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--	--	--
Total	17.725.791	13.106.013	25.388.680	19.604.543

- (ii) Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	90.381	162.530
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	55.016	41.124
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--	--
Deposits belong to Off-Shore Banks who are established in Turkey	245.974	24.265
Total	391.371	227.919

- (iii) Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

b. Information on trading purpose derivatives

1. Negative value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	9.968	36.629	40.220	19.978
Swap Transactions	630.077	511.969	506.384	595.267
Futures Transactions	--	--	--	--
Options	13.082	83.740	7	86.530
Other	--	--	--	--
Total	653.127	632.338	546.611	701.775

c. Information on funds borrowed

1. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank Loans	--	--	--	--
Domestic Banks and Institutions	1.081.828	885.776	1.094.208	740.691
Foreign Banks, Institutions and Funds	1.026.369	11.686.269	1.035.318	8.388.474
Total	2.108.197	12.572.045	2.129.526	9.129.165

2. Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1.521.592	5.982.179	1.602.323	3.571.403
Medium and Long-Term	586.605	6.589.866	527.203	5.557.762
Total	2.108.197	12.572.045	2.129.526	9.129.165

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3. Additional explanation on concentrations of the Group's liabilities

Deposits constitute the most important fund of the Group, and they account for 69% of total funds (31 December 2016: 68%). Loans received, subordinated loans, debts to money markets and issued securities account for 17% of total funds (31 December 2016: 19%).

d. Information on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	27.942	1.100.070	--	1.309.730
Bills	2.296.203	--	1.766.245	--
Asset Backed Securities	248.543	--	415.080	--
Total	2.572.688	1.100.070	2.181.325	1.309.730

Nominal value of TL 73.637 (31 December 2016: TL 70.095) of the securities issued were repurchased by the Parent Bank and offset in the financial statements.

e. If other liabilities line of the balance sheet exceeds 10% of the balance sheet total; excluding the off balance sheet commitments; information on components making up at least 20% of the other liabilities

Other liabilities do not exceed 10% of the balance sheet total excluding the off-balance sheet items.

f. Information on lease payables

None (31 December 2016: None).

1. Changes in agreements and further commitments arising

None (31 December 2016: None).

2. Obligations under finance leases

None (31 December 2016: None).

3. Explanations on operational leases

DFS Group has operational lease agreements for its bank branches, motor vehicles and ATM locations. Rental payments for the majority of these agreements are made and expensed on a monthly basis. The unexpired portion of prepayments made for rent agreements on a yearly basis are accounted for under prepaid expenses in "other assets".

4. Explanation on "sell-and-lease back" agreements

There is no sale and lease back transactions in the current period.

g. Information on liabilities arising from hedging purpose derivatives

None (31 December 2016: None).

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h. Explanation on provisions

1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.035.450	907.233
Additional Provision for Loans with Extended Maturities	29.113	71.838
Provisions for Loans and Receivables in Group II	299.763	258.866
Additional Provision for Loans with Extended Maturities	158.654	160.565
Provisions for Non Cash Loans	105.552	103.255
Other	--	--
Total	1.440.765	1.269.354

The minimum provision rates for the calculation of the general provision are defined in "Regulation on the Amendment of the Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks and the Other Receivables and Provisions to be Issued" published in the Official Gazette dated 14 December 2016 and numbered 29918, and the Bank provided a general provision above the minimum provision rates as of 31 December 2017. If the minimum allowance rates stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 1.125.000 (31 December 2016: TL 868.000).

2. Provision for currency exchange gain/loss on foreign currency indexed loans

As of 31 December 2017, the reserves allocated for the exchange rate differences of loans indexed to foreign currency amount to TL 11.313 (31 December 2016: TL 128). Provisions for exchange rate differences pertaining to loans indexed to foreign currency are netted off against the loans and receivables under assets in the financial statements.

3. Liabilities on provision for employee benefits

TAS 19 requires using the actuarial method for calculation of obligations the company.

Accordingly, the following actuarial assumptions were used in the calculation of the total reserve for employee termination benefits:

	Current Period	Prior Period
Discount rate	4,69%	5,71%
Interest rate	11,50%	11,00%
Expected rate of salary/limit increase	6,50%	5,00%

As of 31 December 2017, TL 111.109 of provision for employee termination benefits (31 December 2016: TL 86.385) and TL 32.549 of unused vacation accruals (31 December 2016: TL 35.334) were reflected to the consolidated financial statements.

Movement of the provision during the period:

	Current Period	Prior Period
Balance at the Beginning of the Period	86.385	70.923
Changes in the period	36.946	21.344
Actuarial loss/gain	13.704	8.388
Paid in the period	(26.595)	(14.517)
FX difference	669	247
Balance at the End of the Period	111.109	86.385

4. Information on other provisions

(i) Information on other provisions exceeding 10% of total provisions

TL 398.822 of other provisions is provided for possible future losses related to certain loans in the loan portfolio (31 December 2016: TL 233.823), TL 98.485 (31 December 2016: TL 85.998) specific provisions for non-cash loans, TL 65.000 provision for possible developments in the overall economic and market conditions, TL 43.336 (31 December 2016: TL 29.059) for provisions for the litigations against the Bank and provisions for operational risk and TL 37.747 includes other provisions (31 December 2016: TL 8.198).

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i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2017, the corporate tax provision of DFS Group is TL 443.436 (31 December 2016: TL 320.330), and it has been offset with prepaid taxes amounting to TL 342.395 (31 December 2016: TL 312.220).

(ii) Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	101.041	8.110
Taxation on securities	71.157	52.785
Capital gains taxes on property	2.093	1.992
Banking Insurance Transaction Tax (BITT)	62.735	50.659
Taxes on foreign exchange transactions	--	--
Value added taxes payable	4.638	3.636
Other	50.942	46.938
Total	292.606	164.120

(iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	9.386	8.154
Social security premiums- employer share	10.481	8.933
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	464	348
Pension fund membership fees and provisions- employer share	568	426
Unemployment insurance- employee share	669	582
Unemployment insurance- employer share	1.299	1.111
Other	5.044	6.045
Total	27.911	25.599

2. Information on deferred tax liabilities

Deferred tax liability calculated on the basis of related regulation is TL 27.217 (31 December 2016: TL 15.446). Information on deferred taxes is disclosed in Note "m" of explanations and disclosures related to consolidated assets.

j. Information on debts of fixed assets held for sales purposes and related to discontinuing operations

None.

k. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Other Domestic Institutions	--	--	--	--
Foreign Banks	--	5.261.522	--	5.483.501
Other Foreign Institutions	--	--	--	--
Total	--	5.261.522	--	5.483.501

Information on subordinated loans are provided in note numbered I-b in Fourth section.

l. Information on shareholders' equity

1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.316.100	3.316.100
Preferred Stock	--	--

Paid-in capital of the Parent Bank is shown at nominal value.

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2. **Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital**

Registered paid-in capital system is not applied.

3. **Information on share capital increases and their sources; other information on any increase in capital shares during the current period**

None.

4. **Information on share capital increases from revaluation funds**

None.

5. **Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments**

The capital is totally paid in and there are no capital commitments.

6. **Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators**

Balance sheets of the entities under DFS Group are managed prudently, to minimize the negative effects of interest rate, foreign currency and credit risks. This policy contributes to the progress of DFS Group's profitability with a steady increasing trend.

7. **Information on the privileges given to stocks representing the capital**

The Parent Bank does not have any preferred stocks.

8. **Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Shares (*)	50.368.526	50.368.526
Preferred Stock	--	--
Common Stock Issue Premium (**)	15	15
Common Stock Cancellation Profits	--	--
Other Equity Instruments	--	--
Total Common Stock Issued (*)	50.369	50.369

(*) Related to the Bank's paid-in capital increase on 27 September 2004. At that date, the paid-in capital was increased from TL 202.000 to TL 290.000; and TL 50.369 of this TL 88.000 increase was received in cash through issuance of new shares to the public.

(**) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008. Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015. A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

9. **Securities Revaluation Reserve**

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and JVs	--	--	--	--
Valuation Difference	(428.373)	(19.026)	(444.941)	(110.354)
FX Difference	--	--	--	--
Total	(428.373)	(19.026)	(444.941)	(110.354)

10. **Information on hedging funds**

Explanations about hedging funds are in Note VIII of Section Four.

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11. Information on minority shares

	Current Period	Prior Period
Balance at the Beginning of the Period	8.270	7.198
Minority interest in net income of consolidated subsidiaries	1.374	1.072
Increase/(decrease) in minority interest due to disposals	--	--
Other	--	--
Balance at the End of the Period	9.644	8.270

12. Information on revaluation differences of tangible assets

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Revaluation difference amount of TL 50.906 is recognized under equities as a result of revaluation process.

The account also includes TL 66.854 gain on sale of real estate, associates, subsidiaries and equity securities classified as available-for-sale and recorded in equity.

13. Explanation of profit distribution

According to the dividend distribution proposal of the Parent Bank's Board of Directors at the Ordinary General Assembly held on 29 March 2017, TL 70.464 is allocated as legal reserve, 75% of sales income of real estate and participation shares amounting to TL 66.854 is allocated to savings funds in accordance with Article 5 subparagraph 1/e of the Law of Corporate Tax No 5520. It has been decided that the remaining TL 1.271.963 from the net profit of the year 2016 amounting to TL 1.409.281 is allocated to extraordinary reserves.

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

a. Information related to off-balance sheet commitments

1. Type and amount of irrevocable commitments

All of DFS Group's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2017, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 28.371.266, TL 14.216.415 and TL 2.375.880, respectively. (31 December 2016: TL 28.782.015, TL 12.764.645 and TL 2.111.130, respectively). These items are detailed in the off-balance sheet accounts.

2. Type and amount of possible losses from off-balance sheet items referred to below

(i) Guarantees, bills of exchange and acceptances and other letters of credit which can be considered as financial collateral

As of 31 December 2017, DFS Group has letters of guarantee amounting to TL 22.531.211, bills of exchange and acceptances amounting to TL 204.541, and guarantees and sureties on letters of credit amounting to TL 3.132.744 and other guarantees and sureties amounting to TL 2.502.770.

As of 31 December 2016 DFS Group has letters of guarantee amounting to TL 21.782.215, bills of exchange and acceptances amounting to TL 256.830, and guarantees and sureties on letters of credit amounting to TL 2.426.616 and other guarantees and sureties amounting to TL 4.316.354.

(ii) Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	946.459	1.103.750
Final Letters of Guarantee	14.140.276	14.223.149
Letters of Guarantee for Advances	2.402.152	2.874.152
Letters of Guarantee given to Customs Offices	161.951	169.797
Other Letters of Guarantee	4.880.373	3.411.367
Total	22.531.211	21.782.215

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3. Information on non-cash loans

(i) Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	8.125.808	8.211.637
With Original Maturity of 1 Year or Less	7.691.929	7.816.907
With Original Maturity of More Than 1 Year	433.879	394.730
Other Non-Cash Loans	20.245.458	20.570.378
Total	28.371.266	28.782.015

(ii) Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	139.420	1,25	193.480	1,13	125.897	1,25	115.147	0,61
Farming and Cattle	136.563	1,22	192.397	1,12	124.881	1,24	113.637	0,61
Forestry	1.775	0,02	1.083	0,01	584	0,01	768	--
Fishing	1.082	0,01	--	--	432	--	742	--
Manufacturing	1.882.658	16,87	7.596.277	44,12	2.217.779	22,09	8.391.528	44,78
Mining	161.110	1,44	219.513	1,28	325.222	3,24	277.560	1,48
Production	1.561.839	14,00	6.689.187	38,85	1.558.544	15,52	7.509.548	40,07
Electric, Gas, Water	159.709	1,43	687.577	3,99	334.013	3,33	604.420	3,23
Construction	3.430.640	30,75	4.099.609	23,81	2.982.079	29,70	5.275.696	28,15
Services	3.724.310	33,39	3.905.656	22,69	3.304.228	32,89	3.421.731	18,26
Wholesale and Retail Trade	2.220.924	19,91	2.350.478	13,65	1.963.421	19,55	1.788.412	9,54
Hotel and Restaurant Services	244.290	2,19	385.461	2,24	250.429	2,49	351.862	1,88
Transportation and telecommunication	526.167	4,72	790.567	4,59	489.354	4,87	855.957	4,57
Financial institutions	286.184	2,57	318.039	1,85	296.000	2,95	340.408	1,82
Real estate and letting services	47.336	0,42	4.878	0,03	21.577	0,21	3.998	0,02
Self-employment services	--	--	--	--	--	--	--	--
Education services	216.080	1,94	13.086	0,08	38.997	0,39	11.688	0,06
Health and social services	183.329	1,64	43.147	0,25	244.450	2,43	69.406	0,37
Other	1.978.211	17,74	1.421.005	8,25	1.411.681	14,07	1.536.249	8,20
Total	11.155.239	100,00	17.216.027	100,00	10.041.664	100,00	18.740.351	100,00

(iii) Information about the first and second group of non-cash loans

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	10.794.733	11.153.294	344.932	238.252
Bank Acceptances	4.773	199.768	--	--
Letters of Credit	--	3.132.744	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	10.801	2.491.969	--	--
Total	10.810.307	16.977.775	344.932	238.252

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b. Information related to derivative financial instruments

Current Period	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	39.433.403	15.159.401	16.064.785	5.503.039	--	76.160.628
Forward FC Call Transactions	1.922.370	1.084.914	949.064	73.733	--	4.030.081
Forward FC Pull Transactions	1.912.783	1.095.765	925.124	72.907	--	4.006.579
Swap FC Call Transactions	16.907.008	4.617.033	4.075.612	2.550.481	--	28.150.134
Swap FC Pull Transactions	15.703.344	4.577.968	3.885.763	2.791.720	--	26.958.795
Options FC Call Transactions	1.479.656	1.879.799	3.073.114	7.022	--	6.439.591
Options FC Pull Transactions	1.508.242	1.903.922	3.156.108	7.176	--	6.575.448
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	1.100.000	1.129.706	2.364.060	9.169.318	12.940.194	26.703.278
Swap Interest Call Transactions	550.000	164.853	782.030	4.584.659	6.412.677	12.494.219
Swap Interest Pull Transactions	550.000	164.853	782.030	4.584.659	6.412.677	12.494.219
Options Interest Call Transactions	--	--	800.000	--	57.420	857.420
Options Interest Pull Transactions	--	800.000	--	--	57.420	857.420
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.694.012	258.648	312.748	--	--	2.265.408
B. Total Types of Trading Transactions (I + II + III)	42.227.415	16.547.755	18.741.593	14.672.357	12.940.194	105.129.314
Total Derivatives Transactions (A+B)	42.227.415	16.547.755	18.741.593	14.672.357	12.940.194	105.129.314

Prior Period	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	34.214.405	16.867.847	5.859.534	4.509.821	--	61.451.607
Forward FC Call Transactions	1.165.432	174.033	687.902	--	--	2.027.367
Forward FC Pull Transactions	388.688	927.659	689.440	--	--	2.005.787
Swap FC Call Transactions	14.903.585	7.050.000	890.994	2.170.588	--	25.015.167
Swap FC Pull Transactions	13.239.897	7.109.478	718.065	2.339.233	--	23.406.673
Options FC Call Transactions	2.241.094	825.161	1.410.230	--	--	4.476.485
Options FC Pull Transactions	2.275.709	781.516	1.462.903	--	--	4.520.128
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	19.259	1.073.356	2.583.656	3.918.759	12.445.642	20.040.672
Swap Interest Call Transactions	10.557	536.678	1.291.828	1.958.678	6.159.507	9.957.248
Swap Interest Pull Transactions	8.702	536.678	1.291.828	1.960.081	6.159.507	9.956.796
Options Interest Call Transactions	--	--	--	--	63.314	63.314
Options Interest Pull Transactions	--	--	--	--	63.314	63.314
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.556.043	34.940	169.418	332.334	--	2.092.735
B. Total Types of Trading Transactions (I + II + III)	35.789.707	17.976.143	8.612.608	8.760.914	12.445.642	83.585.014
Total Derivatives Transactions (A+B)	35.789.707	17.976.143	8.612.608	8.760.914	12.445.642	83.585.014

c. Credit derivatives and risk exposures on credit derivatives

None.

d. Contingent assets and liabilities

A tax investigation report for 2010 has been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file costs collected from customers who use individual credits, with respect to Resource Utilization Support Fund ("RUSF"). Accordingly, a payment accrual slip including Resource Utilization Support Fund at an amount of TL 1.774 and delaying penalty at an amount of TL 2.141 has been submitted on account of the fact that the Bank has not calculated RUSF over file cost collected from customers who use individual credits. There is no provision made in financial statements since the implementation of the Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenues rather than interest revenue in Uniform Chart of Account published by Banking Regulation and Supervision Agency and similar decisions of the Courts. The Bank has appealed to the court for the stay of execution on 29 January 2016. The defendant tax office has notified the Bank regarding payment orders on 15 March 2016 since the aforementioned case has not been concluded. The Bank has paid a total amount of TL 3.957 to Large Taxpayers Office with prejudice including a RUSF at an amount of TL 1.774, a penalty rate amounting to TL 2.141 and a late fee at an amount of TL 42 on 21 March 2016 and has applied to Istanbul Tax Court for the stay of execution and cancellation of payment orders on 22 March 2016. According to the court decision communicated on 2 March 2017, the accrued and penalty interest amount related to RUSF for the period January-December 2010 and the paid amounts to the Large Taxpayers Office was decided to be returned to the Bank. The related amount has been deducted on 27 March 2017. The defendant administration went to the appeal process to reverse the judgement.

A tax investigation report for 2011 has been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file costs collected from customers who use individual credits, with respect to RUSF. Accordingly, a payment accrual slip including RUSF at an amount of TL 2.182 and delaying penalty at an amount of TL 2.911 has been submitted on account of the fact that the Bank has not calculated RUSF over file cost collected from customers who use individual credits. There is no provision made in financial statements since the implementation of the Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenues rather than interest revenue in Uniform Chart of Account published by Banking Regulation and Supervision Agency and similar decisions of the Courts. The Bank has appealed to the Istanbul Administrative Court for the stay of execution on 16 January 2017. It is decided to suspend execution on 19 January 2017. The lawsuit process is still in progress.

Tax investigation reports for the years 2012, 2013, 2014 have been issued by the Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file costs collected from customers who use individual credits with respect to RUSF. Fund. In tax inspection reports, accrual payment slips including RUSF at amounts of TL 6.620 for 2012, TL 2.345 for 2013, TL 3.776 for 2014 and delaying penalties at amounts of TL 6.885 for 2012, TL 2.016 for 2013 and TL 2.265 for 2014 have been submitted on account of the fact that the Parent Bank has not calculated RUSF over file cost collected from customers who use individual credits. There are no provisions made in financial statements since the implementation of the Parent Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenue rather than interest revenue, and that the repayment of file expenditures in court decisions should not be considered as interest, in Uniform Chart of Account published by Banking Regulation and Supervision Agency. The Parent Bank has filed claims in order for suspension of execution for the years 2012, 2013 and 2014, respectively to Istanbul 2nd Administrative Court, to Istanbul 12th Administrative Court and to Istanbul 7th Administrative Court on 5 September 2017. Suspensions of execution have been decreed with regards to the claims, and the lawsuit process is still in progress.

In addition to the matters explained in detail above, the Group has provided a provision amounting to TL 38.146 (31 December 2016: TL 23.959) for the lawsuits against the Group in accordance with the precautionary principle. These provisions are classified among "Other provisions". Except for those provisioned, other ongoing lawsuits are unlikely to result in a negative conclusion and cash outflow is not foreseen for them.

e. Activities carried out on behalf and account of other persons

The Bank provides trading, custody, management and consultancy services to its customers.

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IV. Explanations and disclosures related to consolidated statement of income

a. Interest income

1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term Loans	2.665.117	139.133	2.525.685	111.928
Medium and Long Term Loans	5.782.087	2.398.566	4.190.252	1.851.111
Loans Under Follow-Up	62.303	--	44.456	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
Total	8.509.507	2.537.699	6.760.393	1.963.039

Interest income received from loans also includes fees and commissions from cash loans granted.

2. Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	113.514	576	2	602
Domestic Banks	74.824	9.653	2.365	9.825
Foreign Banks	3.079	18.580	343	1.473
Foreign Head Offices and Branches	--	--	--	--
Total	191.417	28.809	2.710	11.900

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to TL 101.420 (1 January - 31 December 2016: 56.689) recognized under "Interest Income Received From Required Reserves" account.

3. Information on interest income received from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	10.181	6.724	3.334	293
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Investment Securities Available-for-Sale	527.387	54.682	576.263	97.476
Investment Securities Held-to-Maturity	428.610	79.842	288.851	30.477
Total	966.178	141.248	868.448	128.246

4. Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	552	359

b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	224.898	653.533	179.630	520.306
Central Bank of the Republic of Turkey	61	--	52	--
Domestic Banks	85.021	24.095	103.919	8.451
Foreign Banks	139.816	629.438	75.659	511.855
Foreign Head Offices and Branches	--	--	--	--
Other Institutions	--	--	--	--
Total	224.898	653.533	179.630	520.306

Interest expense related to funds borrowed also includes fees and commission expenses.

2. Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	8.039	3.344

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3. Information on interest expense paid to securities issued

	Current Period	Prior Period
Interest Paid to Securities Issued	336.432	226.336

4. Maturity structure of the interest expense on deposits

Account Name	Demand Deposits	Up to 1 Month	Time Deposit				Cumulative Deposit	Total
			Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year		
TL								
Bank Deposits	14	63.805	--	--	--	--	--	63.819
Saving Deposits	32	244.740	2.166.069	96.928	31.920	34.646	1.761	2.576.096
Public Sector Deposits	--	3.179	14.958	789	34	958	--	19.918
Commercial Deposits	1	271.463	626.344	23.398	25.049	17.023	--	963.278
Other Deposits	--	11.938	139.938	54.767	30.638	8.853	--	246.134
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Total	47	595.125	2.947.309	175.882	87.641	61.480	1.761	3.869.245
FC								
Foreign Currency Deposits	3.274	560.839	432.809	64.166	34.823	38.259	6	1.134.176
Bank Deposits	1.719	21.603	--	--	--	--	--	23.322
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	4	10.914	3.151	568	1.584	244	91	16.556
Total	4.997	593.356	435.960	64.734	36.407	38.503	97	1.174.054
Grand Total	5.044	1.188.481	3.383.269	240.616	124.048	99.983	1.858	5.043.299

c. Dividend Income

	Current Period	Prior Period
Trading Securities	--	--
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-For-Sale	262	--
Other(*)	968	205
Total	1.230	205

(*) Presents dividend income from unconsolidated subsidiaries and associates.

d. Information on trading income/loss

	Current Period	Prior Period
Income	314.041.836	231.976.770
Capital Market Transactions	19.078	19.677
Derivative Financial Instruments	6.062.753	4.575.590
Foreign Exchange Gains	307.960.005	227.381.503
Loss (-)	315.019.697	232.546.890
Capital Market Transactions	59.160	48.117
Derivative Financial Instruments	7.038.693	4.517.646
Foreign Exchange Losses	307.921.844	227.981.127
Net Trading Income / Loss	(977.861)	(570.120)

Net gain from foreign exchange translation differences related to derivative financial instruments is TL (1.525.389) (net gain for the period 1 January - 31 December 2016: TL 265.964).

e. Information on other operating income

	Current Period	Prior Period
Reversal of prior periods' provisions	319.749	332.407
Gain on sale of properties	31.452	13.262
Communication income	10.568	10.957
Cheque book fees	3.676	3.743
Other	376.135	408.293
Total	741.580	768.662

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f. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	1.449.404	1.241.892
<i>Loans and Receivables in Group III</i>	<i>254.978</i>	<i>123.029</i>
<i>Loans and Receivables in Group IV</i>	<i>423.308</i>	<i>313.688</i>
<i>Loans and Receivables in Group V</i>	<i>771.118</i>	<i>805.175</i>
Non-performing Commissions and Other Receivables	--	--
General Loan Loss Provisions	171.411	294.015
Free Provision for Probable Risks	172.943	222.471
Impairment Losses on Securities	--	--
<i>Financial Assets at Fair Value Through Profit or Loss</i>	<i>--</i>	<i>--</i>
<i>Investment Securities Available-for-Sale</i>	<i>--</i>	<i>--</i>
Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities Held to Maturity	--	--
<i>Associates</i>	<i>--</i>	<i>--</i>
<i>Subsidiaries</i>	<i>--</i>	<i>--</i>
<i>Joint Ventures</i>	<i>--</i>	<i>--</i>
<i>Investment Securities Held-to-Maturity</i>	<i>--</i>	<i>--</i>
Other	150.169	45.031
Total	1.943.927	1.803.409

g. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	1.457.912	1.359.190
Reserve for Employee Termination Benefits	4.835	7.202
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	3.719
Depreciation Charges of Tangible Assets	126.671	120.372
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	106.282	92.092
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	1.508	2.579
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	1.125.266	975.872
<i>Operational Lease Expenses</i>	<i>313.100</i>	<i>242.400</i>
<i>Repair and Maintenance Expenses</i>	<i>71.797</i>	<i>60.462</i>
<i>Advertisement Expenses</i>	<i>90.487</i>	<i>92.763</i>
<i>Other Expenses (*)</i>	<i>649.882</i>	<i>580.247</i>
Losses on Sale of Assets	4.655	4.376
Other	388.398	360.768
Total	3.215.527	2.926.170

(*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationary, entertainment and representation, heating and lighting, credit card service fee and others amounting to TL 67.539, TL 102.923, TL 26.769, TL 8.704, TL 27.508, TL 190.254 and TL 225.536, respectively (1 January - 31 December 2016: TL 78.141, TL 82.257, TL 21.216, TL 5.105, TL 24.813, TL 113.765 and TL 252.015, respectively).

h. Information on profit / loss before tax from continued and discontinued operations

As 1 January - 31 December 2017, DFS Group has a profit before tax from continuing operations amounting to TL 2.491.638 (1 January-31 December 2016: TL 1.825.057).

i. Information on tax provision for continued and discontinued operations

1. Current period taxation benefit or charge and deferred tax benefit or charge

As 1 January - 31 December 2017 the current period taxation charge on continuing operations is TL 425.560 (1 January - 31 December 2016: TL 301.748) while deferred tax charge is TL 163.946 (1 January - 31 December 2016: TL 122.935 deferred tax benefit).

There are not current period taxation charge on discontinuing operations. (1 January - 31 December 2016: none).

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2. Deferred tax benefit / (charge) arising from origination or reversal of temporary differences

Deferred tax benefit/charge arising from temporary differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	160.750	24.307
Arising from Reversal of Deductible Temporary Differences (-)	(314.539)	(124.207)
Arising from Origination of Taxable Temporary Differences (-)	(52.999)	(55.351)
Arising from Reversal of Taxable Temporary Differences (+)	42.842	32.316
Total	(163.946)	(122.935)

3. Deferred tax benefit / (charge) arising from temporary differences, tax losses or unused tax credits

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(153.607)	(28.777)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(10.158)	(23.035)
Arising from Origination (+)/ Reversal (-) of Tax Losses	(181)	(71.123)
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	(163.946)	(122.935)

j. Information on continuing and discontinued operations net profit/loss

DFS Group has a net profit is amounting to TL 1.902.132 (31 December 2016: TL 1.401.099).

DFS Group does not have discontinuing operations.

k. Information on net profit and loss

- The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

Income generated from DFS Group's ordinary banking transactions during the current and prior period are mainly consisted of interest income from loans and marketable securities and income from other banking services. Main expense items are the interest expenses related to deposits and borrowings which are the main funding sources of marketable securities and loans.

2. Profit or loss attributable to minority interests

	Current Period	Prior Period
Profit/(loss) attributable to minority interests	1.374	1.072

- No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.

- If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items

Other Fees and Commissions Received	Current Period	Prior Period
Credit card clearing and other commissions	750.717	608.509
Contracted merchant / POS commissions	288.249	258.470
Insurance services	263.739	158.719
Filing fees	203.754	145.506
Intermediary services	91.541	84.490
Account management fees	57.251	56.528
Remittance commissions	54.360	42.472
Expertise fees	18.795	16.767
Other	157.045	113.970
Total	1.885.450	1.485.431

Other Fees and Commissions Paid	Current Period	Prior Period
Credit card / POS commissions	401.789	305.524
EFT fees and commissions	11.954	10.163
Other	98.120	95.493
Total	511.863	411.180

V.

- VI. Explanations and disclosures related to consolidated statement of changes in shareholders' equity**
- a. Information on capital increase**
- Parent Bank has increased its paid-in capital at a total amount of TL 1.500.000 consisting of share premiums amount of TL 39, sales profits from shares of subsidiaries and associates and properties amounting to TL 113.097, extraordinary reserves amounting to TL 636.864 and in cash amounting to TL 750.000 on 28 June 2016.
- b. Information on issuance of shares**
- Share premium, at an amount of TL 39, has been added to paid-in capital with the capital increase made by the Bank on 28 June 2016.
- A premium of issued shares amounting to TL 15 was formed as a result of capital increase of TL 1.500.000 made on 28 June 2016.
- c. Information on distribution of profit**
- General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.
- d. Information on increase/decrease amounts resulting from merger**
- None.
- e. Information on investments available-for-sale**
- "Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.
- f. Hedging transactions**
- Explained in Information on hedging transactions in Note XI of Section Four.
- g. Revaluation difference on tangible assets**
- Revaluation differences on tangible assets includes gains on sales of subsidiaries and gains on sales of real estates and explained in detail in Note II-I-12 of Section Five.
- h. Information on foreign exchange differences**
- Balance sheet items of Bahrain branch of the Parent Bank and subsidiaries of the Group located outside Turkey are retranslated into Turkish Lira with the foreign exchange rates prevailing at the balance sheet date, and income statements items are translated into Turkish Lira with the average foreign exchange rates. Related foreign exchange differences are accounted in the shareholders' equity under "Other profit reserves."
- Detailed explanations in detail are provided in "Information on foreign exchange difference in Note II-b of Section Three".
- i. Other**
- None.
- j. Amounts transferred to reserves**
- The Parent Bank transferred TL 145.881 (31 December 2016: TL 715.091) to extraordinary reserves from prior period profits in 2017. TL 70.464 is transferred to legal reserves in 2017 (31 December 2016: TL 38.132).

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VII. Explanations and disclosures related to consolidated cash flow statement

a. Information on cash and cash equivalents

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

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities less than three months are defined as "Cash equivalents".

i. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	01.01.2017	01.01.2016
Cash	6.111.804	5.066.168
Cash in Vault, foreign currencies and other	1.824.283	1.411.721
Banks demand deposits	4.287.521	3.654.447
Cash and Cash Equivalent	7.850.740	4.880.925
Interbank Money market placements	3.001.570	1.213.997
Banks time deposits	4.734.305	3.333.389
Securities	114.865	333.539
Total Cash and Cash Equivalents	13.962.544	9.947.093

ii. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
	31.12.2017	31.12.2016
Cash	9.981.924	6.111.804
Cash in Vault, foreign currencies and other	1.896.119	1.824.283
Banks demand deposits	8.085.805	4.287.521
Cash and Cash Equivalent	6.654.104	7.850.740
Interbank Money market placements	784.845	3.001.570
Banks time deposits	5.736.860	4.734.305
Securities	132.399	114.865
Total Cash and Cash Equivalents	16.636.028	13.962.544

b. Information on cash and cash equivalent assets of DFS Group that are not available for free use due to legal restrictions or other reasons

DFS Group made a total provision for required reserves on CB of Turkey and other foreign Central Banks in amount of TL 15.072.673 (31 December 2016: TL 13.015.077).

c. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents

"Other" item amounting to TL (2.444.013) (31 December 2016: TL (5.183.999)) before "changes in operating assets and liabilities" comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 13.962.544 (31 December 2016: TL 9.947.093) to TL 16.636.028 in 2016 (31 December 2016: TL 13.962.544).

"Other liabilities" item included in "change in assets and liabilities arising from banking activities", amounting to TL (363.826) (31 December 2016: TL (1.444.812)) comprise changes in sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 602.221 as of 31 December 2017 (31 December 2016: TL 803.652).

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
Consolidated Financial Report
Originally Issued in Turkish,
See Note 3.1.c*

VIII. Explanations and disclosures related to DFS Group's risk group

a. Information on loans and other receivables to DFS Group's risk group

Current Period

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	14.146	128.405	5.448	7.721	56	4
Balance at the End of the Period	13.587	130.539	9.439	4.655	19.046	--
Interest and Commission Income Received	559	28	484	5	4	--

(*) As described in the Article 49 of Banking Law no.5411.

Prior Period

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	2	35.394	2.299	19.970	33	30
Balance at the End of the Period	14.146	128.405	5.448	7.721	56	4
Interest and Commission Income Received	377	54	126	8	3	--

(*) As described in the Article 49 of Banking Law no.5411.

b. Information on deposits held by and funds borrowed from DFS Group's risk group

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder (**)		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	102.325	27.778	6.607.506	6.257.056	9.247	8.552
Balance at the End of the Period	60.929	102.325	8.811.959	6.607.506	18.991	9.247
Interest and Commission Income Received	8.680	1.925	410.154	231.906	594	1.028

(*) As described in the Article 49 of Banking Law no.5411.

(**) Includes the subordinated loan of US Dollar 1.050 million and Euro 115 million received from Sberbank.

c. Information on forward and option agreements and similar agreements made with DFS Group's risk group

DFS Group's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	6.368
Balance at the End of the Period	--	--	51.000	--	--	--
Total Income/(Loss)	--	--	8.264	(5.989)	--	(388)
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

(*) As described in the Article 49 of Banking Law no.5411.

d. Information on benefit provided to top management

DFS Group made payment amounting to TL 83.415 (31 December 2016: TL 81.609) to its top management in 2017.

e. Information on transactions with DFS Group's risk group

As of 31 December 2017, cash loans and other receivables of the risk group represent 0,03% of DFS Group's total cash loans and bank deposits granted the deposits and borrowings represent 6,7% of DFS Group's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,5% of the total balance.

The risk group, which DFS Group belongs to, has finance and operation lease contracts with Deniz Leasing. The Parent Bank gives brokerage services through its branches for Deniz Yatırım. As part of the consolidation adjustments, these balances and transactions have been eliminated from the accompanying financial statements.

IX. Domestic, foreign and off-shore banking branches and foreign representatives of the Parent Bank

a. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Number of Employees			
Domestic branch	696	12.251			
			Country of Incorporations		
Foreign representation	-	-	-		
				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	8.492.506	-

b. Explanations on the Parent Bank's branch and agency openings or closings

The Parent Bank opened 28 new branches and closed 25 branches in 2017.

c. The branches of associates and subsidiaries

There are 43 branches of Denizbank AG, of which headquarter is located centrally in Vienna. 27 of branches are located in Austria, 16 branches are in Germany.

JSC Denizbank Moscow, which is located in Moscow, does not have any branches.

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. Other explanations related to DFS Group's operations

a. Explanations related to DFS Group's operations

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies

Moody's(*)		Fitch Ratings(**)	
Outlook	Negative	Outlook	Positive
Long Term Foreign Currency Deposits	Ba2	Long Term Foreign Currency	BB+
Short Term Foreign Currency Deposits	Not Prime	Short Term Foreign Currency	B
Long Term Local Currency Deposits	Ba2	Long Term Local Currency	BB+
Short Term Local Currency Deposits	Not Prime	Short Term Local Currency	B
Bank Financial Strenght Rating (BCA)	ba3	Viability	bb
		Support	3
		National	AA (tur)
*As of 20.07.2017		**As of 05.10.2017	

c. Subsequent events

Sberbank of Russia (Sberbank), commenced initial strategic discussions with Emirates NBD Bank PJSC (Emirates NBD) regarding Denizbank A.Ş. (Denizbank), including the possibility of Emirates NBD acquiring Sberbank's existing shareholding in Denizbank. Discussions are at a very preliminary stage and there is no certainty that any transaction will be entered into.

Sberbank also stated that it routinely evaluates potential opportunities in different markets and a further announcement will only be made if there is a significant development.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Matters to be disclosed related to Independent Audit Report

Consolidated financial statements and notes of DFS Group are subject to independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and audit report dated 7 February 2018 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditor

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of DFS Group.