TÜRK EXIMBANK

Annual Report 2017

The PDF version of the report is available at:
https://www.eximbank.gov.tr/en/investor-relations/annual-reports

Contents

In 2017, that marked its thirtieth anniversary, Turk Eximbank underwent a thorough structural transformation in a bid to better fulfill its mission of supporting exports. The Bank will continue to always stand by exporters with growing support.

Compliance Opinion

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CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Türkiye İhracat Kredi Bankası Anonim Şirketi

1) Opinion

We have audited the accompanying annual report of Türkiye İhracat Kredi Bankası Anonim Şirketi ("the Bank"), for the accounting period of 1 January 2017 to 31 December 2017.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors about the financial position of the Bank are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

2) Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette numbered 29314 and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Bank for the accounting period of 1 January 2017 to 31 December 2017 on 12 February 2018.

4) Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the reporting date of statement of financial position and submits it to the general meeting.

b) The Bank's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and financial position of the Bank. In this report, the financial position of the Bank is assessed in accordance with the Bank's financial statements. The annual report shall also clearly state the details about the Bank's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.

c) The annual report also includes:

– Significant events after the reporting period,

– The Bank's research and development activities,

– Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the board of directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

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

Our objective is to express an opinion on whether the financial information included in the annual report and analysis of the Board of Directors in relation to the financial position of the Bank are consistent with the audited financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that include this opinion in accordance with the TCC and the Regulation.

We conducted our audit in accordance with Regulation on Independent Audit of the Banks published in the Official Gazette numbered 29314 and TAS. Those standards are required that compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors for the financial position of the Bank are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member firm of KPMG International Cooperative

Orhan Akova, SMMM
Partner

30 March 2018
İstanbul, Turkey

30^{th} anniversary

Turk Eximbank undertook restructuring in its thirtieth year in operation in a bid to more efficiently fulfill its mission of supporting exports.

Türkiye İhracat Kredi Bankası A.Ş. (Turk Eximbank) is the only official export credit agency in Turkey.

Founded in 1987, Turk Eximbank's performance enabled it to quickly join the ranks of the world's leading issuers of export financing even though it was set up nearly half a century later than its COFACE (France), Euler Hermes (Germany), SACE (Italy), Atradius (Netherlands), ECGD (UK), and similar peers.

Today, Turk Eximbank serves exporters with exactly the same systems deployed by those in the most advanced countries. The Bank supplies an extensive lineup of financing products to international contractors, investors, shippers, tourism operators, and other cross-border businesses. Furthermore, unlike the export credit agencies of many other countries, Turk Eximbank's ability to combine credit, guarantee, and insurance products under the same roof allows it to provide its customers with fully-integrated service.

First in Turkey

As the first financial institution in Turkey to provide export credit insurance, Turk Eximbank fostered awareness of the concept and promoted its widespread adoption.

635

Turk Eximbank had 635 people on its payroll as of end-2017.

As the first financial institution in Turkey to provide export credit insurance, Turk Eximbank fostered awareness of the concept and promoted its widespread adoption. Turk Eximbank insurance programs today provide Turkish exporters that ship goods to 238 countries with coverage against their commercial (importer) and political (importing country) risks. In addition, the domestic credit insurance provides commercial risk coverage on the domestic receivables of exporters since the last quarter of 2013.

Turk Eximbank undertook restructuring in its thirtieth year in operation in a bid to more efficiently fulfill its mission of supporting exports. Thanks to the resulting reorganization, the Bank acquired a structure that will allow it to work with the exporters directly.

The Bank was reorganized to cover marketing, allocation and operation units as do commercial banks. In addition, the company rating (scoring) system, which was originally slated for completion towards the end of the year, was accelerated and launched in May. The Bank also joined the Treasury-Backed Credit Guarantee-Fund Portfolio Guarantee System (CGF-PGS) in June. Subsequently, the companies that directly applied to Turk Eximbank were analyzed and the Bank began to disburse loans by accepting the collaterals deemed necessary, including those other than bank letters of guarantee (lien, commercial enterprise pledge, personal surety, etc.).

Having undergone reorganization with the purpose of working with the exporters directly, Turk Eximbank converted its liaison offices opened in earlier years into branches in order to provide on-location service to more exporters. Accordingly, the Bank is headquartered in İstanbul (Asian Side) and has Ankara and Aegean Regional Directorates, along with 11 units covering İstanbul European Side, Gaziantep, Denizli, Bursa, Kayseri, Konya, Antalya, Adana and Gebze Branches, and nine liaison offices in Samsun, Trabzon, Aegean Region Chamber of Industry, Manisa Organized Industrial Zone, İzmir Kemalpaşa Organized Industrial Zone, Eskişehir Chamber of Commerce, Kahramanmaraş Chamber of Commerce and Industry, Hatay Mediterranean Exporters' Association and Çerkezköy Organized Industrial Zone.

Employing highly-qualified human resources because of the nature of the duties it must perform, Turk Eximbank had 635 people on its payroll as of end-2017. Apart from the headquarters, the Bank had 147 employees in total of whom 70 worked in the Ankara Regional Directorate, 37 in the Aegean Regional Directorate, 7 in the Gaziantep Branch, 2 in the Adana Branch, 4 in the Antalya Branch, 4 in the Bursa Branch, 6 in the Denizli Branch, 3 in the Kayseri Branch, 3 in the Konya Branch, 2 in the Gebze Branch, 5 in the İstanbul European Side Branch, 2 in the Samsun Liaison Office and 2 in the Trabzon Liaison Office. 6 of Turk Eximbank's employees have PhD, 187 master's degrees, 302 bachelor's degrees, and 29 associate degrees; 225 of them are proficient in at least one foreign language.

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Financial Summary

25 %

Having augmented by 25%, total assets rose to TL 85.4 billion as at year-end 2017.

94%

The share of loans to total assets of Turk Eximbank went up to 94% during 2017.

TURK EXIMBANK IN FIGURES

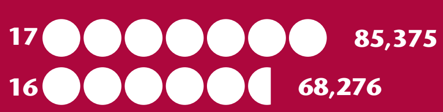
Balance Sheet Accounts
(TL thousand)

	2017	2016
Loans	80,271,104	61,609,764
Total Assets	85,375,189	68,276,314
Loans Borrowed	67,400,266	51,807,130
Funds Provided under Repurchase Agreements	138,000	69,000
Securities Issued (Net)	10,279,210	7,827,323
Equity	5,774,083	5,200,734
Paid-up Capital	4,800,000	3,700,000

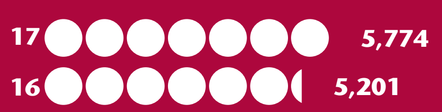
Profit-Loss Statement Accounts
(TL thousand)

	2017	2016
Interest Income	2,238,086	1,643,054
Interest Income on Loans	2,092,254	1,570,550
Interest Expenses	(1,224,198)	(784,056)
Net Interest Income	1,013,888	858,998
Other Operating Income	214,444	142,282
Provisions for Loans and Other Receivables	(77,418)	(26,305)
Other Operating Expenses	(294,236)	(229,036)
Net Profit for the Period	568,475	421,325

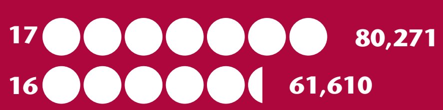
Total Assets
(TL million)



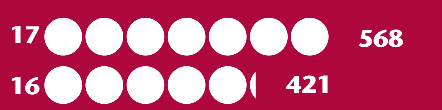
Equity
(TL million)



Loans
(TL million)



Net Profit for the Period
(TL million)



Summarized financial statements of Turk Eximbank for the years 2013-2017 are given on page 69.

Summary Activity Indicators

9.8%

During 2017, loans disbursed by Turk Eximbank grew by 9.8% in USD basis and amounted to USD 24.1 billion.

Credit Activities
(USD million)*

Short-Term Credit Activities	2017	2016
Total Short-Term Credits	21,595	18,977
Short-Term TL Credits	3,370	3,792
Short-Term FX Credits	18,225	15,185

Medium- and Long-Term Credit Activities	2017	2016
Medium- and Long-Term Credits	2,503	2,973

Total Credit Activities	2017	2016
Total Credits	24,098	21,950

* Credit disbursement figures also include credits with extended maturities.

19.2%

Total credit/insurance/guarantee support provided by the Bank increased by 19.2% in USD basis during 2017 and amounted to USD 39.3 billion.

Insurance Activities
(USD million)

Short-Term Credit Insurance	2017	2016
Covered Shipments	15,040	10,971
Risk Volume Undertaken (Total Commitments)	10,476	8,227

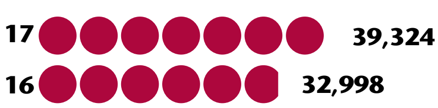
Medium- and Long-Term Export Credit Insurance	2017	2016
Covered Transaction Amount	186	67

Total Insurance Activities	2017	2016
Claims Paid	16	13.6
Total Insurance	15,226	11,038

Turk Eximbank's Total Support
(USD million)

	2017	2016
Total Credit/Insurance/Guarantee Support	39,324	32,988

Total Credit/Insurance/Guarantee Support (USD million)



successful performance

Aware of the strategic role that it necessarily plays in supporting exports, Turk Eximbank performed successfully thanks to a restructuring of its operations in 2017 and it will be focusing on sustaining that performance in 2018 as well.

The process of global-growth recovery that began as a result of measures taken in the wake of the 2008 global economic crisis, the biggest and most serious setback suffered by the global economy since the 1929 Great Depression, continues to unfold.

Despite persistent political and geopolitical risks, 2017 was not a bad year for either the world or Turkish economies. With the volume of global trade gradually on the mend, the current recovery is expected to continue into in the years ahead as well.

The adverse impact of the US Federal Reserve Bank's interest rate hikes in 2017 was relatively limited. In line with a general renormalization in monetary policy, short-term interest rates rose slightly while the increase in longer-term rates remained more subdued. Despite policy uncertainties last year, capital flows towards emerging economies gained strength as compared with previous years and financial risk indicators remained at quite low levels.

Turkey registered the strongest growth performance witnessed in recent years thanks not only to strong external demand but also to measures (such as the Credit Guarantee Fund) and to a variety of investment incentive and tax adjustments. Last year Turkey's year-on growth weighed in at 7.4%, a rate that was higher than that of any other G-20 country, surpassing China and India.

Turkey's export performance last year was consistent with the country's overall economic growth: exports, which were up by 8.5% in 2017, weighed in at USD 157.1 billion in value. Other than 2014, that is better than any year since the advent of the Republic in 1923.

Notwithstanding rising geopolitical risks and a worrisome rise in protectionist sentiments, both investments and global trade are likely to continue growing in 2018 and the synchronized vigor apparent in the global economy and international trade can be expected to prevail. Developments are such as to indicate that the export target of USD 170 billion set in Turkey's Medium-Term Program will be achieved.

With protectionism in international trade on the rise, the export-financing tools that Turk Eximbank specializes in–cash credits, export credit insurance, and guarantees–have become more important than ever for Turkey's exporters, foreign currency-earning firms, and international contractors. Aware of the strategic role that it necessarily plays in supporting exports, Turk Eximbank performed successfully thanks to a restructuring of its operations in 2017 and it will be focusing on sustaining that performance in 2018 as well. In order to ensure that it does, the Bank will be mobilizing its new organizational structure, its solid finances, and its superior human resources in its ongoing intensive efforts to serve the country's exporters even more quickly and effectively and give them the benefit of its programs.

Osman ÇELİK
Chairman of the Board of Directors

7.4%

Last year Turkey's year-on growth weighed in at 7.4%, a rate that was higher than that of any other G-20 country, surpassing China and India.

8.5%

Exports, which were up by 8.5% in 2017, weighed in at USD 157.1 billion in value.

structural transformation

In the history of Turk Eximbank, 2017 will be remembered as a year in which the bank underwent a structural transformation. In the thirtieth year since it was founded, Turk Eximbank reorganized itself in order to better fulfill its mission of supporting the country's export trade.

International trade and investment are integrating the world's emerging economies increasingly more tightly into the global economy. As this process continues to unfold, the international financial system is also being reshaped and its actors and the roles they play are being redefined. The world's economic center of gravity appears to be shifting eastward. While, the world's developing countries are dusting off their former protectionist sentiments intending to put them back into circulation in the face of this development, the acceleration in the European Union's recovery witnessed in 2017 is nonetheless good news for Turkey's export trade.

On the other hand the only way to be certain of satisfying Turkey's need for foreign exchange in the long term is by increasing its exports. With protectionism on the rise in international trade however, it becomes more important than ever to build up the strength of the country's export industries.

At USD 157.1 billion, Turkey's 2017 exports exceeded the year's targets…

Having registered USD 157.1 billion worth of exports in 2017, Turkey's export trade has embarked on 2018 with strong momentum behind it. Twelve-month export figures as of end-February 2018 indicate that the USD 159 billion level has already been passed. It is our sincerest wish that this growth should continue for the rest of the year. Turkey's exporters may be assured that Turk Eximbank will be giving them even more support to make certain that they do.

2017 was a year of structural transformation…

In the history of Turk Eximbank, 2017 will be remembered as a year in which the bank underwent a structural transformation. In the thirtieth year since it was founded, Turk Eximbank reorganized itself in order to better fulfill its mission of supporting the country's export trade. Significant changes in the bank's organization have created a structure that allows Turk Eximbank to interact and work directly with Turkey's exporters. The creation of separate Marketing, Allocation, and Operations units have made Turk Eximbank's structure stronger and enabled the bank to lend against an exporter's guarantees directly and without the need for the intermediation of a commercial bank.

In order to supply our services directly to exporters, we decided to convert our former liaison offices into full-fledged branches. In 2017 we opened eight such branches: Denizli, Bursa, Adana, Antalya, Konya, Kayseri, Gebze, and İstanbul Avrupa. In early 2018 we also opened a branch at our headquarters premises in İstanbul. The number of branches in our network now stands at twelve. Thanks to the completion of essential infrastructure, all of Turk Eximbank's branches are qualified to provide Turkey's exporters with credit and receivables insurance products and services.

In the period ahead we also plan to gradually open new liaison offices in major organized industrial zones where there are many exporters, as well as in places where our Bank does not yet operate.

The first instances of this new approach have already taken place. In April 2017 we opened a liaison office at the Kemalpaşa Organized Industrial Zone under a protocol agreement that we entered into with the Aegean Regional Chamber of Industry. That was followed last year by offices located in the Manisa Organized Industrial Zone (July), at the Eskişehir Chamber of Commerce (September), and at the Kahramanmaraş Chamber of Industry & Commerce (December). So far in 2018 two more Turk Eximbank liaison offices have been opened: one on the premises of the Mediterranean Exporters' Association in Hatay (February) and another in the Çerkezköy Organized Industrial Zone in Tekirdağ (March).

All these liaison offices are staffed by Turk Eximbank personnel whose familiarity with the bank's activities and operations facilitates access to the bank's products and services and also helps boost awareness of the advantages of exporting among those who make enquiries.

USD 39.3 billion worth of financing support for Turkey's exporters in 2017…

One consequence of the transformation to which I referred above is that 2017 was a year in which Turk Eximbank increased both the volume and the quality of the support that it provides. The bank's cash loans increased by 10% year-on and reached USD 24.1 billion in value last year. During the same twelve-month period, the bank's export credit insurance and guarantee support was also up by 38% and amounted to USD 15.2 billion. This performance corresponds to a net 19% year-on rise

25%

Turk Eximbank boosted its share of Turkey's export financing from 23% to 25%:

12 branches

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in Turk Eximbank's combined financing support, which weighed in at USD 39.3 billion last year. The bank also boosted its share of Turkey's export financing from 23% to 25%: to put that another way, 25 out of every 100 dollars' worth of Turkey's exports in 2017 were underwritten by Turk Eximbank.

As Turk Eximbank continues to grow rapidly, its funding resources expand and become more diversified…

The rapid growth achieved by Turk Eximbank in 2017 brought with it similarly rapid growth as well as diversification in its funding resources. As part of an overall effort to increase our Turkish-lira resources, at an extraordinary general meeting held on 12 January 2017, the bank's shareholder approved a changeover to the registered-capital system and increased the bank's capital ceiling to TL 10 billion. Last year the bank's paid-in capital was increased from TL 3.7 billion to TL 4.8 billion and it is planned to increase it to the TL 10-billion ceiling over the next five years. In line with this, our aim will be to increase the bank's paid-in capital by another TL 1.5 billion during 2018. An additional TL 1 billion cash injection is also being considered by the government, in which case we anticipate Turk Eximbank's paid-in capital reaching the TL 7.3 billion level by the end of this year.

We continued our efforts to increase Turk Eximbank's resources by regularly tapping domestic and international money and capital markets at appropriate interest rates. Evidence of the confidence felt in the bank is to be seen in Turk Eximbank's ability to secure a total of USD 3.7 billion in funding through broad-based loan syndications in which some of the world's leading banks took part as well as through bilateral commercial agreements and from supranational organizations. As a result of such borrowings, Turk Eximbank's funding resources increased by 21% last year and reached USD 9.5 billion, a figure that does not include funding supplied by the Central Bank of the Rebuplic of Turkey (CBRT). When CBRT funding is included, Turk Eximbank's stock of FX borrowings reached USD 20.6 billion last year.

In August 2017, a new syndication agreement for about USD 640 million was signed in London with 22 banks. With this syndication agreement, which has lowered the cost compared to the one concluded in March, the goal of reducing the cost of resources has been achieved. Turk Eximbank's having greater recourse to medium and long-term funding in line with the evolutionary changes in its balance-sheet structure is a matter of increasingly greater importance. In August it signed a three-year credit agreement worth USD 200 million with China Development Bank, the world's biggest development bank. In addition last year, Turk Eximbank also secured a total of USD 974 million worth of medium and long-term credit consisting of USD 250 million from ICBC Turkey (the Turkish arm of International Commercial Bank of China), USD 100 million from the Islamic Development Bank, about USD 155 million from International Bank for Reconstruction and Development, and miscellaneous amounts from various commercial banks.

As of September 2017, Turk Eximbank had also issued USD 500 million worth of five-year eurobonds at a cost of LIBOR + 2.625%. These bonds attracted about USD 2.7 billion worth of demand from around 260 international investors. That interest is yet another indication of the confidence that the Turkish economy in general and Turk Eximbank in particular inspire. Whereas in previous bond issues it was possible to borrow at rates between 75 and 100 basis points above the secondary-market yields of similar-maturity eurobonds issued by the Turkish government, in Turk Eximbank's latest issue the margin was down to 47 basis points. That makes the deal the best-priced bond issue ever undertaken by the bank to date. Turk Eximbank is currently working on a project to issue its first sukuk (Islamic bonds) in 2018.

Turkey's 9th biggest bank as measured by lending volume…

Thanks in part to these and similar developments, Turk Eximbank's lendings increased by 30.3% in the year to 31 December 2017 and reached TL 80.3 billion in value. That performance makes Turk Eximbank Turkey's 9th biggest bank as measured by lending volume.

Rediscount credit once again served as an important source of financing for Turkey's exporters in 2016…

The rediscount credit that Turk Eximbank extends within the limit assigned to it by CBRT is in strong demand because it is the most cost-effective financing available not only from our own bank but on the market as well.

The attractiveness of Turk Eximbank rediscount credit was significantly enhanced in August 2017 by an across-the-board 10 basis-point cut in the bank's rates, which corresponded to a reduction of up to 20%.

As a result of this change, the bank's rediscount lending rates were set at:

- LIBOR + 0.40 on bills with four-month maturities
- LIBOR + 0.50 on bills with six-month maturities (added in August)
- LIBOR + 0.65 on bills with eight-month maturities.

In the cases of exports of high-added value goods, of exports of high-tech manufactured goods for the purpose of market diversification, of exports to new markets, and of exports of foreign currency-earning services, the maximum maturity is 360 days but only the rate applicable to 240-day bills is charged instead.

Under the Turk Eximbank Post-Shipment Rediscount Credit Program, exporters' receivables on shipments which they have made under the Turk Eximbank Receivables Insurance Program are accepted as rediscount credit collateral. In effect this means that exporters can borrow against such receivables without having to put up any additional security.

The total amount of rediscount credit supplied under Turk Eximbank rediscount credit programs increased by 14% year-on and reached USD 16.2 billion in value in 2017.

Turk Eximbank is also expanding the medium and long-term credit facilities that it offers exporters…

Besides providing short-term credit support, Turk Eximbank also seeks to change the overall makeup of investment in Turkey by providing it with long-term support so as to give it a more export-oriented structures. One way in which it does this is through the export-oriented investment and working capital credit support which it provides to firms that want to finance investments to begin exporting or to increase their existing export capacity. These loans come with repayment terms of up to seven years. Recognizing the importance of branding as a way of increasing the value of exports, Turk Eximbank has a special program whose aim is to support firms in their acquisition of internationally-recognized brands. Turk Eximbank believes that by increasing the weight of medium and long-term lending in its portfolio, the bank can contribute significantly to the shift of Turkey's exports towards high-tech goods.

As a result of its efforts in this direction, Turk Eximbank successfully increased the share of medium and long-term lending in its overall portfolio from 24% in 2014 to 38% in 2016.

Expanding and diversifying Turk Eximbank's buyer's credit offerings…

Another way in which Turk Eximbank makes life easier for Turkey's exporters is by providing for the financing needs of their buyers. This addresses an issue which is often overlooked in export projects but which may be vitally essential to the completion of a deal. This approach helps reduce the constraints imposed on buyers by financing terms in their own countries while also facilitating Turkish firms' exports and making their dealings more secure.

The financing opportunities that Turk Eximbank provides to buyers are not limited solely to large-scale projects involving contractor services and suchlike. The bank also supplies buyer's credit when Turkish firms are exporting machinery & equipment and capital goods. We believe that by doing so, we are helping make Turkey's exporters more competitive than their rivals.

As of end-2017, Turk Eximbank had supplied USD 183.5 million worth of international buyer's credit, most of it consisting of a total of USD 128 million for projects in Ethiopia, Ghana, Cameroon, and Republic of Congo.

Through export credit insurance, Turk Eximbank shares exporters' risks in their existing markets while also encouraging their expansion into new ones…

Exporters wishing to make sales by doing business with a firm they don't know in a country they're not familiar with must contend with a host of uncertainties. In recognition of this, Turk Eximbank provides export receivables insurance through which it assumes most of the risks entailed by such uncertainties. Such insurance makes it possible for our country's exporters to sell goods to new buyers in new markets with greater assurance and

14%

The total amount of rediscount credit supplied under Turk Eximbank rediscount credit programs increased by 14% year-on and reached USD 16.2 billion in value in 2017.

38%

Turk Eximbank successfully increased the share of medium and long-term lending in its overall portfolio from 24% in 2014 to 38% in 2016.

innovation

2017 was a year of both change and innovation for Turk Eximbank.

in 2018...

Turk Eximbank's expanding network of branches and liaison offices and its ongoing digital transformation will enable it to provide Turkey's exporters with precisely-targeted and rapid service. Our goal in 2018 is to increase the number of exporters benefiting from the bank's products and services by 20%.

confidence. Turk Eximbank export receivables insurance provides exporters with coverage for their exposure both to buyer's risk and to the commercial and political risks of the countries in which they do business. In 238 countries, Turk Eximbank (rather than exporters themselves) assesses the risks inherent in a deal and provides coverage for 90% of them. In other words Turk Eximbank gives exporters confidence by largely assuming their risks.

In 2017 Turk Eximbank increased the total amount of its export credit support by 38% to USD 15.1 billion in value.

Many new improvements were introduced in 2017...

2017 was a year of both change and innovation for Turk Eximbank. Foremost among these changes involved channeling Turkish lira-loans from its own equity resources in order to meet the financing requirements of small and medium-sized enterprises (SME) that are in need of it. As a result of this innovation, pre-shipment export Turkish lira credit and pre-export Turkish lira credit are now being provided only to firms in the SME category.

Through one of its Buyer's Credit Program, which is based on the so-called "Commercial Interest Reference Rate" (the lowest rate that can be charged on export credits in countries that are members of the OECD), Turk Eximbank levels the playing field for Turkish exporters and allows them to compete on equal terms with firms from other OECD countries. Before the introduction of this program, Turk Eximbank-sourced buyer's credit was directed largely to countries in Asia and Africa, the most important reason for which being that the bank was incapable of charging rates that were competitive with those of developed countries. Under this new program, which benefits from support provided by Turkey's economy ministry, buyer's credit can be supplied at developed-country rates in order to finance export sales of Turkish-made medium and long-term capital goods. This significantly broadens Turkish exporters' competitive edge when buyer's credit needs to be provided in low-risk/high-buying power countries as well.

Another of last year's innovations was the inauguration of a GlobalData feed at Turk Eximbank. This linkup with one of the world's biggest data providers means that Turk Eximbank is now able to obtain the information it needs to make its insurance decisions instantaneously from a single source and to set coverage limits much more quickly and astutely.

The Turk Eximbank Export Support Services Center, which was set up with the support of its information technologies and which was formally opened by Minister of the Economy Nihat Zeybekci on 10 January 2018, enables Turkey's exporters to deal with issues faster by giving them more convenient access to the bank via telephone, email, and Turk Eximbank's newly-relaunched website. Through these channels, they can quickly obtain information about a host of matters such as Turk Eximbank programs as well as about the current status of their existing credit and insurance applications. In line with Turk Eximbank's strategy of working directly with exporters, engaging in a more frequent dialogue with them is very important because it means that customers can get first-hand information while the bank can not only explain the financial support that it provides unambiguously but also get a clearer picture of their needs and suggestions. Set up to be a powerful communication mechanism for the bank, the Turk Eximbank Export Support Services Center is staffed by an experienced team of bank personnel.

With its more user-friendly design and mobile-access compatibility, and state-of-the-art technologies, Turk Eximbank's newly-relaunched website represents an important step in the direction of digital banking. This website gives exporters more convenient access to information about Turk Eximbank's programs as well as about the products and services that are of particular interest to them while also allowing them to get in touch with the bank more quickly. Located at www.eximbank.gov.tr, the website makes Turk Eximbank a bank that can be accessed whenever, from wherever, and however a user may wish.

In December 2017, Turk Eximbank introduced forward-rate trading in foreign currencies, a method that is much employed by the banking industry because it is a simpler alternative to option contracts. Because it quotes the price without a profit concern, just like in option contracts, forward-rate FX trading lets Turk Eximbank keep exporters supplied with the foreign exchange they need more economically.

Turk Eximbank's goal in 2018 is to finance 27% of Turkey's exports by supplying exporters with USD 46 billion in support…

For 2018, Turk Eximbank has set a target of providing exporters with a total of USD 46 billion worth of financing support consisting of USD 28 billion in cash credit and USD 18 billion in export credit insurance and guarantees. By doing this it will also be increasing the share of Turkey's total export trade that is being supported by Turk Eximbank from 25% to 27%.

While increasing the overall support that it provides, Turk Eximbank will also continue to introduce even more innovations. The most important step in this direction is the completion of the bank's digital-transformation process, which is a matter of the utmost concern from the standpoint of accelerating and facilitating its exporting customers' business. We are currently working on a project in coordination with the Ministry of Economy to allow export-commitment contracts to be wound up electronically. The processing involved in letters of guarantee will likewise be considerably shortened with their movement to a digital environment. In addition, the infrastructure for the rediscount credits of all our branches will be completed with the e-bill system we will put into implementation with the CBRT.

Another goal in 2018 is to channel more of the domestic and international funding resources that Turk Eximbank obtains into the financing of Turkey's exporters and their buyers by increasing the variety and volume of its guarantee and insurance offerings. This year the bank will be introducing three new guarantee programs: a Working Capital Guarantee Program, a Collateral Insurance Guarantee Program, and a Buyer's Credit for Financial Institutions Guarantee Program.

Another project for 2018 is Turk Eximbank's commodity-backed financing (barter system) support, which will increase the effectiveness of its buyer's credit lending activities. Commodity-backed loans to be provided for the exports of the goods / services from Turkey and the repayments of are secured by the precious metals or commodities in the related country. This program is being introduced as a way of dealing with the limited borrowing capacity from which the public and private sectors especially of some African countries suffer. This project is being carried out together with Turkey's economy ministry and a number of other Turk Eximbank stakeholders. In 2017 we identified eight countries located in Sub-Saharan Africa and in Central Asia whose commercial relations and reserves would qualify them for this type of transaction and also what sorts of projects might be supported. In 2018 we will be conducting pilot projects in two or three of these countries. If these projects are successful, we intend to extend the model to include the others as well.

We also plan to introduce other new programs and practices by working more closely with exporters in order to come up with ways that better serve their needs and also to help Turk Eximbank carry out its mission. Turk Eximbank's expanding network of branches and liaison offices and its ongoing digital transformation will enable it to provide Turkey's exporters with precisely-targeted and rapid service. Our goal in 2018 is to increase the number of exporters benefiting from the bank's products and services by 20%.

In closing let me also note that, having made it a principle to constantly renew itself by taking advantage of the synergies arising from its relationships with firms that benefit from its support, Turk Eximbank will continue to be a bank that quickly adapts itself in order to keep pace with the constantly-changing conditions of the day.

Adnan YILDIRIM
General Manager

the sole official export credit agency

As the sole official export credit agency in Turkey, Turk Eximbank plays an especially important role through its policies in support of exports.

1987

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In the early 1980s, traditional import substitution policies began being replaced by foreign-oriented policies and thereafter exportation gained a high degree of importance to the Turkish economy. The task of supporting exports within this reorganization process was undertaken by Turk Eximbank, established in 1987.

Turk Eximbank was chartered by the Board of Ministers through Decision No. 87/11914, following the order of Law No. 3332 dated 31 March 1987 by maintaining the juridical and legal personality of the State Investment Bank. In effect, according to the charter, Turk Eximbank took over the State Investment Bank's credit, funding, support, insurance, guarantees of goods and services, exports and imports, overseas contracting services, manufacturing and sales of domestic investment goods, and foreign investments, but at the same time it was transformed into a joint stock company subject to the provisions of the Private Law of the State Investment Bank. Turk Eximbank was established in 1987 as the official export credit agency, according to international classifications, and started to implement its programs at the beginning of 1988.

The "Principles Regarding Establishment and Duties of the Export Credit Bank of Turkey", which has since been repealed, was prepared to reflect the changes in legislation required regarding the activities of the Bank in line with the Principles Appendix to Decision No. 87/11914 regulating the establishment of the Bank, Turkish Commercial Code No. 6102, the changes in the banking legislation, and global financial and economic developments that have occurred since the Bank's establishment, and was published in the Official Gazette dated 23 February 2013 as an attachment to Decision 2013/4286 of the Board of Ministers.

As the sole official export credit agency in Turkey, Turk Eximbank plays an especially important role through its policies in support of exports. The Bank's main objectives are:

- Increasing the volume of exports;
- Diversification of export goods and services;
- Developing new export markets;
- Increasing the exporters' share of international trade and providing necessary support for their initiatives;
- Gaining competitiveness and bringing assurance to exporters, overseas contractors and investors on the international markets; and
- Promoting and supporting the production and sale of investment goods for export through overseas investments.

As a means of aiding export development, Turk Eximbank offers specialized financial services to exporters, export-oriented manufacturers, and overseas investors and contractors through a variety of short, medium- and long-term cash and non-cash credit, insurance and guarantee programs.

In accordance with Article 4/C of the Chartering Law, which was amended by Act No. 3659 and Article 10 of the Law No. 4749, the Undersecretariat of Treasury covers any losses incurred by Turk Eximbank in its credit, insurance and guarantee transactions arising from political risks.

Turk Eximbank's role in funding export activities has steadily increased over the years. The two most important reasons for this are, first, to eliminate the direct export incentives implemented in previous years in accordance with Turkey's liabilities against international institutions regulating the world trade, and second, due to the commitment of Turkey about compliance with the commercial and competition policies of the EU as well as of the Customs Union established in 1996. As a result of these developments, the funding of exports through credit, guarantee and insurance programs has become the most significant stimulant in the market in terms of increasing the competitiveness of Turkish exports on international markets.

The export credit insurance system that gained currency in Turkey at the end of the 1950s was re-introduced by Turk Eximbank in 1989. The system was initially designed to provide cover against commercial and political risks only for short-term export claims, but its scope was later expanded to cover medium- and long-term goods and services claims.

According to Article 5 of the "Principles Regarding Establishment and Duties of the Export Credit Bank of Turkey", "The Bank is affiliated to the Prime Ministry or the Ministry to which the Bank is affiliated". Within this framework, Turk Eximbank has been affiliated to the Ministry of Economy based on the mandate published in the Official Gazette issue 29722 dated 25 May 2016 pursuant to Article 19/A of the Law no. 3046 dated 27 September 1984.

The operational framework of Turk Eximbank according to its "Establishment Principles and Charter" is shaped by its annual programs. These programs, which the Executive Board must follow, enter into force by decision of the Supreme Advisory and Credit Guidance Committee.

The committee is chaired by the Prime Minister or Minister with whom the Bank is affiliated and includes as members:

- The Undersecretary of the Ministry of Science, Industry and Technology,
- The Undersecretary of the Ministry of Economy,
- The Undersecretary of the Ministry of Customs and Trade,
- The Undersecretary of the Ministry of Development,
- The Undersecretary of the Ministry of Finance,
- The Undersecretary of Treasury,
- The President of the Central Bank of Republic of Turkey,
- The Chairman and Vice Chairman of the Board of Directors, and the Chief Executive Officer of Turk Eximbank.

The Supreme Advisory and Credit Guidance Committee notifies its decisions in matters concerning the Bank's objective and scope to the authorized bodies of the Bank for due consideration. The Committee is also authorized to determine the upper limits of the loans to be disbursed, guarantees to be furnished and insurance transactions to be performed by the Bank, whether generally or on the basis of countries, sectors or commodity groups.

supporting with credit, insurance and guarantee programs

Turk Eximbank offers specialized financial services to exporters, export-oriented manufacturers, and overseas investors and contractors through a variety of short, medium- and long-term credit, insurance and guarantee programs.

funding export activities

Turk Eximbank's role in funding export activities has steadily increased over the years.

Changes in the Articles of Association

TL 4.8 billion

In 2017, Turk Eximbank's share capital was increased to TL 4.8 billion.

At the Extraordinary General Assembly of Turk Eximbank convened on 12 January 2017, "Article 7 - Capital of the Bank" and "Article 8 – Capital Increase" of the articles of association were modified. With the modification made, the Bank switched to the registered capital system and the authorized capital was set as 10,000,000,000 (ten billion) Turkish Liras. Within the said limit, the Bank's share capital was increased to 4,800,000,000 (four billion eight hundred million) Turkish Liras based on the Board of Directors decision no. 90 dated 30 June 2017.

Paid-in Capital
(TL million)

Capital Structure

The Undersecretariat of Treasury holds all of the Bank's shares. Neither the chair nor the members of the Board of Directors nor the general manager nor any deputy general manager owns shares in the Bank.

Relations with Export Sector

Turk Eximbank meets the financial needs of export sectors in line with the developments taking place in the global and Turkish economies. When doing so, the Bank serves extensive lineup of customers ranging from domestic manufacturers to international contractors and carriers, and from those involved in the tourism industry to those providing FC-earning services such as software and project development and consultancy.

Since its establishment, Turk Eximbank has been constantly introducing new credit programs that address the demands and needs of exporters while making changes in existing programs in order to provide customers with the financing that they need.

Turk Eximbank conducts its operations in close collaboration with real-sector actors. Believing that it is necessary not only to address the real sector's financing problems, the Bank also examines and identifies its existing structural problems and develops remedial policies accordingly. In this context, Turk Eximbank actively engages with all export-industry agencies and organizations in order to come up with long-term solutions. The Bank also plays an effective role in the identification and resolution of problems by consulting with industry representatives.

Every company residing in Turkey and conducting merchandise and services exports can benefit from Turk Eximbank's programs. In the conduct of its export-financing activities, Turk Eximbank treats all sectors equally. The composition of Turk Eximbank's credit portfolio is broadly representative of the overall sectoral distribution of Turkey's export trade.

In keeping with the "customer oriented" component of the Bank's vision and strategies, Turk Eximbank directors and specialists visit exporter firms in order both to promote its credit and insurance programs and to obtain exporters' views and opinions. They also attend and inform exporters at meetings and seminars organized around the country by the Ministry of Economy, the Small and Medium Enterprises Development Organization, the Union of Chambers and Commodity Exchanges of Turkey, local and regional chambers of commerce and industry, the Turkish Exporters Assembly (TIM), and exporters' associations etc.

Furthermore, Turk Eximbank increases the number of branches, makes organizations and holds meetings to promote the Bank's programs in cities with a dense population of SMEs.

In line with its goal of helping the national economy achieve a more balanced structure and especially of eliminating inter-regional inequalities, Turk Eximbank believes it is necessary to give special importance to investments in so-called "priority development areas" (PDA).

real sector

Turk Eximbank conducts its operations in close collaboration with real-sector actors.

long-term solutions

Turk Eximbank actively engages with all export-industry agencies and organizations in order to come up with long-term solutions.

Turk Eximbank's Position in the Turkish Banking Sector

19%

In the twelve months to end-2017, the Turkish banking sector's total assets grew by 19% and reached TL 3.3 trillion.

21%

The sector's total credit portfolio increased by 21% to TL 2.1 trillion

As at year-end of 2017, Turk Eximbank booked an RoA (return on assets) of 0.7% and an RoE (return on equity) of 9.8%. The Bank's CAR (capital adequacy ratio) is 13.6%.

Turk Eximbank conducts "International Credits" programs aimed at developing economic and political relations between Turkey and other countries and "Credit Insurance" programs that cover export sector's exposure against political and commercial risks, as well as "Export Credit" programs, which provide the export sector with low-cost financing. In addition to Law No. 3332 regulating its establishment and terms of operations, the Bank is also subject to Banking Law No. 5411. According to Banking Law No. 5411, Turk Eximbank is classified within the "Development and Investment Banks" group and represents this group in the Board of Directors of the Banks Association of Turkey. Within the framework of the obligations arising from Turkey's membership in the World Trade Organization (WTO) and the OECD Export Credit Group, and from the Customs Union Agreement between Turkey and the EU, Turk Eximbank carries out programs conforming to WTO, OECD and EU norms, as well as internationally accepted rules and regulations. The Bank is a full member of the International Associations of Export Credit and Investment Insurance Companies (Berne Union and Aman Union), with which it has a close relationship in the area of export credit insurance activities. In this respect, the Bank differs from commercial banks, participation banks, and other development and investment banks in the sector.

Turkish Banking Sector

Global markets suffered from remarkable fluctuations as a result of various geopolitical risks that were aggravated on a global scale due to a number of factors that included the protectionist economy policies the US turned towards in 2017 in the aftermath of the elections, the policy rate increased by the US Federal Reserve (the Fed), the uncertainties stemming from the UK's exit from the European Union (EU), the continued sanctions imposed against Russia at an increased extent which led to ongoing adverse impact on the region economies as well as in Russia, the independence decision adopted by the Catalan Parliament, the political tension between the US and North Korea, the political crisis in Venezuela, the disputed referendum carried out by the Kurdish Regional Government in Iraq, the visa crisis between Turkey and the US, the Qatar crisis in the Gulf Region and the developments in Syria.

In spite of the risks that arose from the volatilities in global markets, the international banking groups' interest was sustained in the Turkish banking sector that preserved its capital structure in 2017: operating permission was granted to the Bank of China Limited based in the People's Republic of China which was issued an incorporation permission in 2016, and the media reported that a bank would be acquired by major banking groups residing in the Gulf countries.

The government's support to secure the growth of participation banking and expansion of Islamic banking operations continued at an increasing extent, and participation banking activities kept flourishing with the contribution of such banks backed with public sector capital, although a participation bank taken over by the Savings Deposit Insurance Fund (SDIF) was declared bankrupt. In addition, the Credit Guarantee Fund (CGF) kept supplying Small and Medium Size Enterprises (SMEs) that have difficulties in accessing financing with Turkish Treasury-backed guarantee support, a practice initiated by the Government in 2016. The CGF even increased the said support that is extended via banks that are shareholders in the CGF.

The Turkish banking sector continues to grow…

In the twelve months to end-2017, the Turkish banking sector's total assets grew by 19% and reached TL 3.3 trillion while its total credit portfolio also increased by around 21% to TL 2.1 trillion. As a result of these developments, share of total credits in total assets was in parallel with year-end 2016 figure and registered as 64%.

While 51% of the sector's total credits consisted of corporate loans, retail and SME credits accounted for 25% and 24%, respectively. Export credits[1] increased by 25% annually to reach TL 191.8 billion as of December 2017, and made up 9.1% of total credits.

Non-performing loans grew by 10% in the twelve months to end-2017 and amounted to TL 63.9 billion; the percentage of loans going sour was down from 3.2% at year-end 2016 to 2.9% at year-end 2017 with the effect of the high rise in the loans portfolio.

The securities portfolio of the sector grew by 14% and reached TL 401.7 billion in 2016. The share of the securities portfolio in the sector's total assets slipped slightly from 13% in 2016 to 12% in 2017.

Structural changes in external funding

While total deposits increased by 18% and reached TL 1.7 trillion in 2017, their share of total foreign resources was flat with the year-end 2016 figure of 59% at year-end 2017. The loan-to-deposit ratio increased from 119% at year-end 2016 to 123% at year-end 2017.

The total value of the syndicated loans was up by 10% on US-dollar basis and amounted to USD 21.1 billion at the end of 2017. Turkish banks appeared not to have any problems in getting their syndications renewed in 2017 as well.

Capital structure remains sound…

Parallel to the growth in the paid-in capital of the sector and the positive impact of the differences arising from the revaluation of marketable securities, the sector's shareholders' equity grew by 20% and reached TL 359.1 billion as of end 2017.

At 15.6% at the end of 2016, the capital adequacy ratio increased to 16.9% at year-end 2017, and remained higher than the BRSA-mandated target of 12%

Profitability is increasing…

At end-2017, the Turkish banking sector showed a net current profit of TL 49.1 billion, 31% higher than at end-2016.

Return on assets ratio, which was 1.5% as at December 2016, was 1.6% in December 2017. Return on equity went up from 14.3% to 16% during the same twelve-month period.

31%

At end-2017, the Turkish banking sector showed a net current profit of TL 49.1 billion, 31% higher than at end-2016.

1.6%

The sector's return on assets ratio reached 1.6% in December 2017.

[1] Export credits consist of export credits, discount and documentary bills, export guaranteed investment credits and Eximbank credits that are not in the nature of consumer loans.

Turk Eximbank's Position in the Turkish Banking Sector

46.1%

Turk Eximbank was single-handedly responsible for nearly 46.1% of all of the export financing supplied by the Turkish banking sector in 2017.

94%

At 94% as of December 2017, the Bank's loan-to-asset ratio was one of the highest ratios of any bank in Turkey.

Turk Eximbank's Position in the Sector

The Bank's total assets increased by 25% in 2017 and reached TL 85.4 billion in value. Thus, in a repeat of 2016 rankings, the Bank preserved its 11th spot among the 51 banks (including participation banks) that make up the Turkish banking sector in 2017. The Bank's loan portfolio similarly increased by 30% during the same twelve-month period and reached TL 80.3 billion in value, a rate of growth that outpaced the overall sector average. The primary contributors to this performance were Turk Eximbank's ability to offer relatively attractive interest rates as compared with commercial banks, Treasury-backed guarantee support provided via CGF, and a substantial increase in the rediscount credit limit, which CBRT assigned to the Bank. Hence the Bank was single-handedly responsible for nearly 46.1% of all of the export financing supplied by the Turkish banking sector in 2017.

At 94% as of December 2017, the Bank's loan-to-asset ratio was one of the highest ratios of any bank in Turkey. In a similar vein, the Bank's 0.4% NPL ratio is also one of the sector's lowest, and the Bank's NPL were 65% provisioned.

The Bank's total equity increased by 11% year-on in 2017 and reached TL 5.8 billion, while its capital adequacy ratio was up from 13.4% at end-2016 to 13.6% at end-2017.

In 2017, the Bank generated a net profit of TL 568.5 million, 35% higher than what it was in 2016. The Bank's return on assets and return on equity ratios were 0.7% and 9.8%, respectively.

The Assessment of the Activities of Turk Eximbank in 2017

Turk Eximbank supports exporters, export-oriented manufacturers, international contractors and entrepreneurs, and firms supplying FC-earning services with short, medium- and long-term credit, insurance, and guarantee programs.

DOMESTIC LOANS

Turk Eximbank supplies firms with low-cost and short-term pre-shipment financing both directly and through intermediary banks. In order to help boost Turkey's export trade by making it easier for the exporters to enter new and/or targeted markets by offering their buyers more favorable terms, export receivables are discounted.

In 2017 Turk Eximbank supplied TL 73 billion (USD 20.1 billion) worth of short-term Turkish lira and foreign currency credit.

Of this short-term lending, 15.7% consisted of Turkish lira and 84.3% consisted of foreign currency loans.

Rediscount credits made up the largest share of short-term credits at 78.5%, while Pre-shipment Export Credits (PSECs), which were disbursed via intermediary commercial banks, made up an 11.6% share.

A total of 7,442 firms, which together accounted for a significant share of Turkey's overall exports, benefited from Turk Eximbank's export credit programs during 2017.

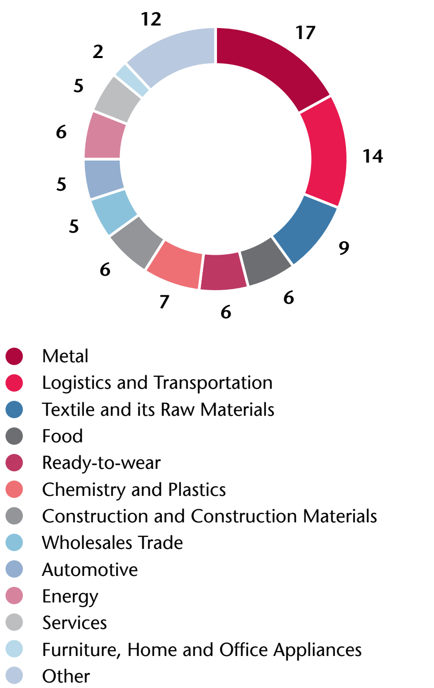
The sectoral distribution of the Bank's short-term lending shows that the biggest (17%) share went to the metal industry, while EU countries ranked first among country groups with a 51% share of the total.

In all of the Bank's lending programs, priority was given to firms based in the so-called PDA and to SME. As a result of this policy of giving precedence to supplying SMEs with funding, the total lending amounted to USD 2.9 billion. This means that 9% of credits was lent to SMEs.

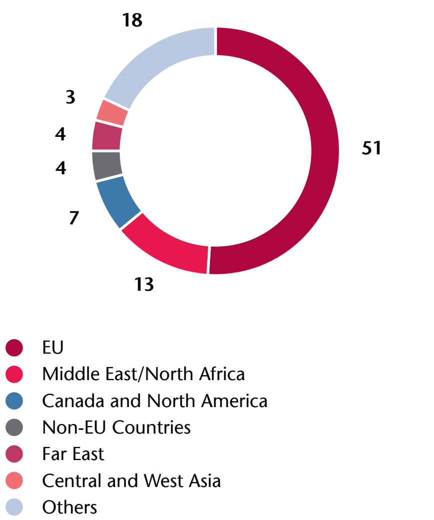
Recent Adjustments and Revisions in Domestic Credit Programs

- Funds were obtained from the World Bank, which is to be allocated by our Bank directly to SMEs and by intermediary banks and financial leasing companies to SMEs and to large-scale enterprises.
- TL loans disbursed from our Bank's resources are reserved only for companies that qualify as SMEs and to Agricultural Sales Cooperatives and Unions, a move that improved the competitive strength of the SMEs.
- During 2017, our Bank modified its organizational structure so as to be aligned with that of commercial banks and separated allocation, marketing and operation functions.
- Furthermore, credit information and analysis units were set up at the Bank following suit of commercial banks. Additionally, the company rating (scoring) system, which was originally slated for introduction at year-end 2017, was launched in May. The Bank joined the Treasury-Backed Credit Guarantee-Fund Portfolio Guarantee System (CGF-PGS) in June 2017.
- Hence, the companies applying within the scope of Treasury-backed guarantee system began to be allocated credit against other material collaterals (lien, pledge, surety, etc.) to be created in addition to the loans disbursed exclusively against bank letters of guarantee.
- Within the scope of the loans disbursed against lien and pledge as per the Treasury-backed CGF guarantee, the Bank began to receive appraisal and investment consultancy service.

Short-Term Credits by Sector
(%)



Short-Term Credits by Country Groups
(%)



TL 3.5 billion

During 2017, Turk Eximbank lent a total of TL 3.5 billion (USD 949 million) under the PSEC-TL program.

TL 5.5 billion

During 2017, Turk Eximbank lent a total of TL 5.5 billion (USD 1.5 billion) under the PSEC-FX program.

- In the Rediscount FC Loans, margin rates were reduced by 10 bps as of 10 August 2017. As a result, the interest rate on rediscount FC loans with a maturity of 4 months was decreased to LIBOR/EURIBOR+0.40 and on those with a maturity of 8 months to LIBOR/EURIBOR+0.65. Additionally, a new facility was made available with a 6-month term at a rate of LIBOR/EURIBOR+0.50. While this served to achieve increased diversity in maturity, the financing costs incurred by the exporters were reduced.

- The Bank's client companies were granted the opportunity to cover their export commitments arising from our Bank's loans with machinery, equipment and similar investment goods sales that they made to free zones within Turkey.

- The Bank's General Credit Agreement (GCA) concluded with the companies was revised due to the need to align it with our Bank's modified practices. The revised GCA was put into force at the onset of 2017 and thus, accelerated the borrowing processes of companies.

- The fund that our Bank obtained via the World Bank began to be disbursed in 2017 both via intermediary banks and leasing companies and via our Bank for the purpose of fulfilling Turkish exporters' working capital and investment credit needs. Out of the fund obtained, USD 240 million is intended to be disbursed by intermediary institutions and USD 60 million directly by our Bank to exporters.

Realizations Based on Domestic Credit Programs

Short-Term Domestic Credit Programs

Turk Eximbank allocates short-term export credit to exporters and export-oriented manufacturers, especially in order to meet their financing needs at the pre-shipment stage. These credits are extended either in Turkish lira or in foreign currency, either directly by Turk Eximbank or via other banks.

Credits Extended Via Commercial Banks

PSECs, including both the Pre-Shipment Turkish Lira Export Credit (PSEC-TL) and the Pre-Shipment Foreign Currency Export Credit (PSEC-FX), are credit facilities made available by commercial banks to support the companies exporting goods and FC-earning services. The maximum maturity on PSEC-TL and PSEC-FX loans are 360 and 540 days, respectively.

During 2017, Turk Eximbank lent a total of TL 3.5 billion (USD 949 million) under the PSEC-TL program and TL 5.5 billion (USD 1.5 billion) under the PSEC-FX program. In the case of both programs, intermediary banks are obliged to lend at least 30% of their assigned credit limits to SMEs. During 2017, a total of USD 1.5 billion was lent to SMEs through PSEC programs.

Credits Extended Directly

Turk Eximbank's Pre-Export Credit Programs are intended to provide FX loans to exporters and manufacturer-exporters during the pre-export preparatory stage. During 2017, the Bank extended USD 242 million (TL 880 million) as Pre-Export FX financing and TL 1.1 billion (USD 307 million) as Pre-Export TL financing.

Under Pre-Export Credit for SMEs Program, the Bank extended a combined total of TL 2.1 billion (USD 572 million) consisting of TL 1.7 billion (USD 457 million) as Pre-Export TL Credit for SMEs and USD 114 million (TL 415 million) as Pre-Export FX Credit for SMEs.

Credits Funded by CBRT: Subject to a USD 17 billion limit allocated to Turk Eximbank, the Bank, in cooperation with the CBRT, provides Rediscount Credit to exporters, export-oriented manufacturers and FC-earning services firms in all sectors in the pre-shipment stage to meet their pre-shipment financing requirements against an export commitment.

Loans extended in 2017 amounted to USD 15.1 billion (TL 55 billion) under the Rediscount Credit-FX Program and TL 5.7 billion (USD 1.6 billion) under the Rediscount Credit-TL Program. The combined total under both programs was thus USD 16.7 billion (TL 60.7 billion).

A total of USD 312 million of credit was provided during 2017 under the Post-Shipment Rediscount Credit (PSRC) program, which is intended to increase the competitive strength of exporters in international markets through expanded forward-sales possibilities and to encourage them to penetrate new and targeted markets free from country risk.

The Tourism Credit Program is intended to help private airlines, travel agencies and tourism businesses that mainly provide accommodation services thrive in foreign markets, and to increase tourism FC receipts generated under these services, with the ultimate goal of contributing to the balance of payments. Within the frame of the program, the loans disbursed in 2017 amounted to USD 47.1 million (TL 177.9 million).

The International Transportation & Marketing Credit Program aims to reduce the shipping costs of exporters by addressing the financing needs of firms engaged in international transportation. During 2017, credit extended under this program totaled USD 47.2 million (TL 172.3 million).

The Credit Program for Participating in Overseas Trade Fairs aims to support firms' participation in international fairs and exhibitions as part of their efforts to increase market share, to enter new and targeted markets, to learn about new technologies and products, and to contribute to the growth and development of exports.

Medium- and Long-Term Domestic Credit Programs

Medium- and long-term domestic credit programs are those other than the short-term export credit financing programs discussed above, and are of a complementary nature aiming project-based financing.

The Overseas Chain Stores Investment Credit Program is intended to finance investments that will contribute to the creation of a favorable "Made in Turkey" brand image through the international branding of Turkish products, investments in stores and shopping malls to be built in other countries, and investments that create fashion and strongly establish Turkish brands.

TL 2.1 billion

Under Pre-Export Credit for SMEs Program, the Bank extended a total of TL 2.1 billion (USD 572 million).

USD 16.7 billion

The total under Rediscount Credit programs was USD 16.7 billion (TL 60.7 billion).

USD 1.8 billion

During 2017, credits extended under the Export-Oriented Investment & Working Capital Credit Programs totaled USD 1.8 billion.

USD 192 million

During 2017, a total of USD 192 million worth of financing was provided under the EIB Credit Program.

The Ship Building & Export Financing Program aims to support Turkey's shipbuilding industry in its efforts to take a bigger share of international markets. Under this program, the Bank issues letters of guarantee for shipbuilding and export projects covering the project-owner's advances and progress payments. Turk Eximbank also supports this sector by means of a variety of cash loan products as well.

The Specific Export Credit Program is intended to provide short- and medium-term financing for the goods and services projects of export-oriented manufacturers in Turkey and of international contractors which Turk Eximbank deems to be meritable but which cannot otherwise be financed under the Bank's existing programs.

The Trademark Credit Program aims to provide financing for Turkey-based firms' acquisitions of new non-resident brands and of their acquisition of existing brands, companies, and/or brand-associated stores, facilities, etc.; for their international penetration and establishment projects aimed at enhancing the image of Turkish goods/brands, at creating fashion, and at entrenching Turkish brands. Under this program, firms are provided with two long-term options for financing their branding investments in other countries: a seven-year loan with a two-year grace period on the repayment of principal and a ten-year loan with a three-year grace period on the repayment of principal. The loans disbursed under the Trademark Credit Program amounted to USD 11.2 million in 2017.

The Export-Oriented Investment & Working Capital Credit Programs aim at providing finance for machinery, equipment, and other capital goods and working capital needed for the exportation of Turkish products. Working capital credit is provided to companies seeking to develop their export operations and is offered with three-year term. Investment credit is provided to firms with four different term options (four, five, six, and seven years), each with a grace period of one or two years. Additionally, the fund supplied by MIGA has been utilized to finance the medium- and long-term investment and working capital credit needs of exporters. During 2017, credits extended under these programs totaled USD 1.8 billion.

The EIB Credit Program is intended to provide fixed-capital investment and working capital financing for the exports and FC-earning services of SMEs that operate in the areas of manufacturing, tourism, and services. These loans are covered by an agreement between Turk Eximbank and the EIB. During 2017, a total of USD 192 million worth of financing was provided to SMEs under this program.

The Letter of Guarantee Program for Overseas Contractors' Services aims to support Turkish contractors in their efforts to strengthen their positions in existing markets and to venture into new markets by providing letters of guarantee for projects that they have undertaken or will undertake in other countries.

The Bridge Credit Program for Overseas Contractor Services aims to mitigate the impact of financial crises on the Turkish contracting industry and to protect Turkish contractors' investments and their long-term competitive strength in other countries' markets by keeping construction sites and mobilization-engine parks functioning.

INTERNATIONAL LOANS PROGRAMS

In line with the objectives of promoting our country's exports, diversifying the goods and services exported, finding new markets for export goods, helping the exporters acquire increased share from international trade, and providing Turkish companies with competitive strength and assurance in international markets, the loans disbursed under the International Loans Programs, whereby overseas contracting projects and non-resident buyers (private and public sector) of Turkey's products are financed, amounted to USD 184 million in 2017. The amount allocated is anticipated to further increase in the period ahead upon the introduction of planned projects.

In order to add momentum to International Loans programs and increase the trade volumes of Turkish goods and services and in view of the difficulties inherent in getting state guarantees, one of Turk Eximbank's goals in 2017 was to allocate more credit lines to recognized reputable banks. Within this framework, the Bank allocated credit lines for the first time to the National Bank for Foreign Economic Activities of Uzbekistan and UT Bank residing in Uzbekistan, Credit Bank of Moscow residing in Russia, and West Finance and Credit Bank residing in Ukraine, and also updated the lines allocated to Banka Kombetare Tregtare (Albania), International Bank of Azerbaijan (Azerbaijan), Belinvestbank (Belarus), Credit Europe Bank (Russia), Credit West Bank (Ukraine) and Afreximbank for financing exports and the projects to be carried out by Turkish companies. Hence, credit lines allocated to 22 overseas banks to date amounted in the aggregate to approximately USD 578 million.

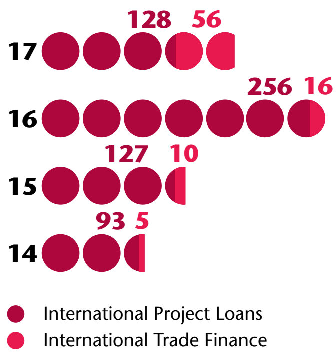
The Bank worked with public institutions/agencies and other stakeholders to formulate a "Commodity-Based Financing Model" which is aimed at covering the debts arising from the projects to be carried out by Turkish contractors in countries challenged in repayment with commodities to be received from indebted countries in lieu of cash payments.

With the objective of paving the way for buyers in foreign countries to obtain loans from other financial institutions under our Bank's insurance policy, work was initiated in 2017 to develop the "Financial Institutions Buyer's Credit Insurance Program", which is commonly supplied by many export credit agencies in the world.

In 2017, Turk Eximbank issued 64 letters of intent pertaining to the financing of projects and commodity exports, which Turkish firms plan to undertake in 25 countries in Africa, Asia, Europe and Latin America. Under these letters, the Bank declared its intentions to supply a total of USD 7.1 billion worth of credit to finance payments for goods and services to be exported from Turkey.

The Bank collects from related countries the amounts transferred from the Undersecretariat of Treasury to Turk Eximbank within the scope of political risk losses and transfers the same to the Undersecretariat of Treasury. In this context, USD 3.2 million was transferred in total in 2017.

International Loans
(USD million)



USD 184 million

The loans disbursed under the International Loans Programs amounted to USD 184 million in 2017.

USD 128 million

Loans worth USD 128 million were disbursed for the projects carried out in Ethiopia, Ghana, Cameroon and Republic of the Congo in 2017.

permanent member

Asian Exim Banks Forum's Annual Meeting held in Australia has seen our Bank, which was an associate member of the Forum since 2015, earn the status of a permanent member.

International Cooperation

The cooperation agreement signed with the UK Export Finance (UKEF) in 2017 is intended to provide co-financing in the form of guarantee, counter guarantee and reinsurance for projects to be jointly undertaken by Turkish and UK firms in third countries.

The cooperation agreement signed by and between Turk Eximbank and Exim Thailand stipulates co-financing of projects to be realized by Turkish and Thai firms in third countries, development of new products to be utilized by the two countries' exporters, cooperation in the field of insurance, and mutual information exchange.

Targeting to promote cooperation between the export credit agencies (ECA) of Asian countries, Asian Exim Banks Forum's Annual Meeting held in Australia has seen our Bank, which was an associate member of the Forum since 2015, earn the status of a permanent member. During the same meeting, representatives of 11 member institutions executed the "Framework Agreement" that concerns the credit lines that will finance the reciprocal trade of the countries. It was also resolved that the Annual Meeting of the Forum to be convened in 2020 be hosted by Turk Eximbank.

Realizations by International Credit Programs

International Project Loans Programs

Within the scope of the International Project Loans that provide financing facilities to the foreign buyers of Turkish goods and services exported by Turkish firms operating in the contracting industry, loans worth USD 128 million were disbursed for the projects carried out in Ethiopia, Ghana, Cameroon and Republic of the Congo in 2017.

Credit disbursements under the project finance agreement for USD 300 million signed with Ethiopian Railways for the USD 1.7 billion Awash-Woldia Railway Project being undertaken in that country were completed during 2017.

Credit disbursements under the credit agreement for USD 135.9 million with Ghana's Ministry of Finance and Economic Planning to finance Akim Oda, Akwatia and Winneba Water Supply Projects worth USD 164.9 million in that country were completed during 2017.

Disbursements commenced during 2017 under the credit agreement for EUR 197.5 million signed with Congo's Ministry of Economy, Finance, Budget and Public Assets for the Brazzaville International Business Center with a total project cost of EUR 280 million being carried out in the Republic of Congo.

Disbursements commenced during 2017 under the credit agreement for USD 190.5 million signed with Cameroon's Ministry of Economy Planning and Regional Development for the USD 232-million Japoma-Douala Sports Complex Project carried out in Cameroon.

A credit agreement for USD 89 million was signed with Senegal's Ministry of Economy, Finance and Planning for the Marketplace and Truck Park project with a cost of USD 106 million that will be undertaken in that country.

A credit agreement for EUR 134 million was signed with Senegal's Ministry of Economy, Finance and Planning for the Business Hotel, Exhibition Center and Sports Complex project with a cost of EUR 147.5 million that will be undertaken in that country.

A Memorandum of Understanding was signed for opening a credit line of USD 250 million for the financing of projects to be undertaken in Uzbekistan and of commodity exports to be performed under trade finance transactions by our Bank under the Uzbek state guarantee.

International Trade Finance Programs

The functionality and awareness of the four programs mentioned below were enhanced during the reporting period in line with the expectations of exporters and foreign buyers.

- Export Receivables Discount Program,
- Domestic Bank Buyer's Credit,
- Foreign Bank Buyer's Credit,
- Transactions with State Guarantee.

- **Export Receivables Discount Program:**

Under the program, discounting is provided for medium- and long-term export receivables that are covered by Turk Eximbank. Within this frame, credits extended for 63 shipments during 2017 amounted to USD 29 million.

- **Domestic Bank Buyer's Credit:**

The credit is extended through the branches, subsidiaries, or correspondents of banks that are residents of Turkey to importers who want to import goods from Turkey.

Under this program, a total financing of approximately USD 10 million was made available for 50 shipments in total via İşbank and Ziraat Bank during 2017.

- **Foreign Bank Buyer's Credit:**

The credit is extended through foreign banks, which have been allocated credit limits by Turk Eximbank, to importers who want to import goods from Turkey.

Revolving trade finance credit agreements signed with 16 banks who are residents of 11 different countries under the limits allocated to foreign banks amounted to USD 226.8 million in total. Under the program, credits disbursed for 44 shipments were worth USD 17 million.

- **Transactions with State Guarantee:**

Within the frame of the credit agreement for USD 10 million signed between our Bank and Djibouti's Ministry of Finance and Economy in charge of Industry, the production process for the exportation of "Geothermal Drilling Equipment Park" to Djibouti has been completed substantially in 2017, and disbursements are planned to commence during 2018.

Work continued to bring into force the framework agreement for USD 200 million signed between Tunisia's Ministry of Development, Investment and International Cooperation and Turk Eximbank.

Negotiations are underway for the draft credit agreement concerning the provision of a EUR 31.6 million funding facility by our Bank for the exportation of Communication Equipment with a cost of EUR 37.1 million planned to be made to Ukraine.

USD 10 million

Under Domestic Bank Buyer's Credit Program, a total financing of approximately USD 10 million was made available for 50 shipments.

USD 17 million

Under the Foreign Bank Buyer's Credit Program, credits disbursed for 44 shipments were worth USD 17 million.

new markets

The spectrum of countries that we provide financing to was broadened in 2017, and Turkish exporters' sales to Germany, Azerbaijan, Morocco, Gabon, Mexico, Senegal, Chile and Tunisia were supported with buyer's credits, thus facilitating their penetration to new markets.

USD 15.2 billion

Under Short-Term Export Credit Insurance, Short-Term Domestic Credit Insurance and Medium- and Long-Term Export Credit Insurance, shipments worth USD 15.2 billion in total were insured in 2017.

Highlights of 2017:

During the reporting period, the Bank set some goals in order to increase the efficiency of trade finance programs, to fulfill exporters' expectations at the maximum extent possible, and to be more proactive with foreign buyers:

- In an attempt to help exporters get increased share in strategic markets with intense competition, medium- and long-term financing support at OECD's CIRR (Commercial Interest Reference Rate) was initiated for the financing of investment goods exports.
- The financing facility with our "competitive" interest rates provided to a buyer residing in Germany under the Export Receivables Discount Program constituted the first "supplier credit" made available in that country.
- The spectrum of countries that we provide financing to was broadened in 2017, and Turkish exporters' sales to Germany, Azerbaijan, Morocco, Gabon, Mexico, Senegal, Chile and Tunisia were supported with buyer's credits, thus facilitating their penetration to new markets.
- The total number of export deals financed through International Trade Finance Programs went up from 74 in 2016 to 157 in 2017, while credits disbursed rose from USD 16 million to USD 56 million.
- The Bank's diversified financing options in buyer/supplier credits and expanded international trade finance product portfolio is intended to strengthen exporters' ability to make sales on medium- and long-term credit terms, especially when exporting Turkey's high added-value goods.

CREDIT INSURANCE

Turk Eximbank offers credit insurance, which covers, within specified limits, export receivables against commercial and political risks and also the domestic receivables of exporters and group companies against commercial risks.

Export receivables are insured against commercial and political risks within certain limits by means of export credit insurance programs, which is one of Turk Eximbank's main areas of activity. An additional advantage of these programs is that it enables exporters to obtain funding from financial institutions at favorable terms through the insurance policies.

Under Short-Term Export Credit Insurance, Short-Term Domestic Credit Insurance and Medium- and Long-Term Export Credit Insurance, shipments worth USD 15.2 billion in total were insured in 2017.

Short-Term Export Credit Insurance

The Turk Eximbank Short-Term Export Credit Insurance Program provides exporters with commercial and political risk coverage for up to 360 days on all shipments that they make during the one-year policy.

Since its original introduction by Turk Eximbank in 1989, short-term export credit insurance has become the Bank's best-known and most widely-used product among Turkish exporters. As of end-2017, 2,961 exporters were Turk Eximbank short-term export credit insurance policyholders, and 16,544 exporters have been short-term export credit insurance policyholders at least once since the program's inception.

Coverage under the program has been provided for 238 countries since 1 April 2012. In 2017, insurance coverage was provided for exports whose aggregate value amounted to USD 12.9 billion while the premiums collected for insured shipments amounted to USD 39 million.

A sectoral distribution of the exports insured in 2017 shows that the biggest share consisted of policies on machinery, electrical appliances and metal goods with 31%. In terms of regional distribution, EU countries were the leading market with a 50% share.

During 2017, total number of buyers under the Turk Eximbank Short-Term Export Credit Insurance Program was 241,028. The number of active buyers among total buyers was 46,085 and the number of buyers allocated with a consistent credit limit was 36,831.

In 2017, Turk Eximbank paid out USD 16.05 million worth of claims in total arising from shipments to various countries, which could not be collected when due; of this amount, USD 15.5 million was within the scope of Short-Term Export Credit Insurance, USD 0.27 million was within the scope of Short-Term Domestic Credit Insurance, and USD 0.28 million was within the scope of Specific Export Credit Insurance programs. The entire amount of said claims was paid out due to commercial risks.

During 2017, Turk Eximbank recovered USD 2 million of the former claims paid.

The entire amount of said claims was related to receivables issued within commercial risks. Turk Eximbank continued to cede 60% of the commercial and political risks borne under the Short-Term Export Credit Insurance Program to domestic and overseas reinsurance firms during 2017 for the countries that are not members of the OECD.

Besides channeling commercial banking system resources into export finance with Turk Eximbank guarantees in order to expand the opportunities for such financing, Turk Eximbank also seeks to act as an effective export credit agency that provides export financing through insurance and guarantee programs comparable to those in other developed countries. In line with both goals, Turk Eximbank has signed credit protocols with commercial banks, namely Akbank, Aktif Yatırım Bank, Alternatifbank, Burganbank, Citibank, Denizbank, Fibabank, Finansbank, HSBC, ING Bank, Şekerbank, Ziraat Bank, Türk Ekonomi Bank, Garanti Bank, İşbank, VakıfBank and Yapı Kredi Bank. As of end-2017, the number of banks from which financing can be obtained was 17. Last year some USD 30.9 million worth of financing was provided, thereby bringing the total volume of loans supplied to date to about USD 147.9 million.

To increase service quality and meet the increasing demands and expectations of exporters within the scope of the Short-Term Export Credit Insurance Program, 50% discount over current premium rates in the List of Country Conditions and Premium Rates continued to be applied to certain buyer companies with high credibility and low risk in the information report in 2017.

Within the scope of the Post-Shipment Rediscount Credit Program in which the Short-Term Export Credit Insurance Policy is used as the primary collateral, upon demand from some insured companies having intense transactions, the "Application for Global Buyers" was continued in 2017 by receiving the Advice Letter containing the original signatures of the export company and buyer company concerning the assignment of the export receivables to the Bank only once at the beginning, instead of requiring the same for each shipment and for each credit application.

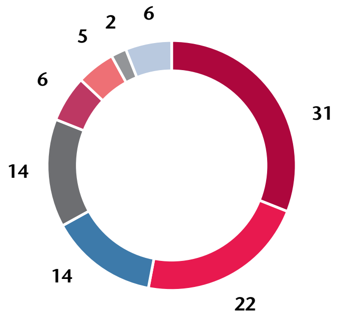
more than 240 thousand

During 2017, total number of buyers under the Turk Eximbank Short-Term Export Credit Insurance Program was 241,028.

USD 12.9 billion

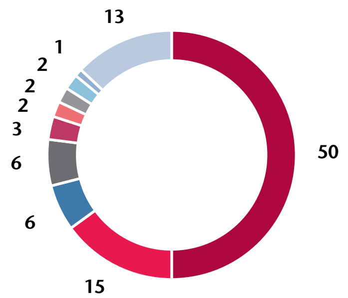
In 2017 under the Short-Term Export Credit Insurance that covers 238 countries insurance coverage was provided for exports whose aggregate value amounted to USD 12.9 billion.

Sectoral Breakdown of the Exports Insured Under Short-Term Export Credit Insurance Program (%)



- Machinery/Electrical Devices/Metal Goods
- Textile/Ready-to-wear/Leather
- Chemistry Industry, Plastic and Rubber Products
- Food/Agriculture/Livestock
- Land-Based Industrial Products
- Motor Vehicles
- Mining
- Others

Breakdown of the Exports Insured Under Short-Term Export Credit Insurance Program by Country Groups (%)



- EU
- Middle East / North Africa
- North and Central America
- Other European Countries
- Far East
- Central and West Asia
- South America
- Africa
- Japan and Oceania
- Other

Notwithstanding, the Bank began performing transactions without receiving the said documents from buyer companies that are deemed qualified in cases when confirmation of assignment (backed by the relevant invoices) or confirmation on the basis of an introductory letter cannot be obtained due to the existing business conduct between the insured companies and buyer companies or due to the business conduct of the buyer firm, provided that the exporter's IBAN number before our Bank is inscribed on the invoices, together with a remark stating that the invoice is assigned to our Bank and the payment will be effected to our Bank.

The protocol being made with commercial banks was revised to enable factoring companies to be the loss-payee on the basis of buyer companies of the insurance policy without necessitating to obtain an approval from Turk Eximbank for each transaction. Contacts about the revision with the Association of Financial Institutions were finalized and protocols were signed with Arena, Garanti, İş, Strateji and TEB Factoring.

Short-Term Domestic Credit Insurance

Another branch of Turk Eximbank's insurance business line consists of short-term domestic credit insurance, which is intended for exporters and group companies.

Under the program, commercial risk coverage within specified limits is provided to exporters and group companies for their receivables arising from their credit-sale shipments up to 360 days, which are associated with their domestic operations.

As of end-2017, 129 firms had availed themselves of this service and insurance coverage had been provided for USD 2,167 million worth of goods shipped to 10,616 buyers. In this scope, USD 6.75 million had been collected as premiums on the insured shipments and USD 272,958 worth of claims have been paid out.

Medium- and Long-Term Export Credit Insurance

Specific Export Credit Insurance Post-Shipment Risk Program provides coverage for exporters' receivables from credit-sale shipments, which they make with repayment terms of up to 18 years. While coverage under this program is subject to certain conditions (such as there must be a single contract of sale and the minimum repayment terms must comply with OECD rules concerning such matters), support is provided for the exportation of any and all manner of goods and services that originate in Turkey. Based on the revision made in the program in 2016, sales through subsidiaries were also included in the policy.

On another front, with the Specific Export Credit Insurance Pre-Shipment Risk Program that went into force in 2016 expenses directly incurred by exporters are insured against commercial and political risks within certain limits in the event that the goods manufactured under the sales agreement signed between the exporter and the buyer are not yet delivered. The program is intended to prevent or mitigate the potential losses of exporters during the pre-shipment period.

Based on the special importance attached by our Bank's management to Specific Export Credit Insurance Risk Programs, Turk Eximbank provided insurance support worth USD 66.8 million in 2016 on the basis of the steps taken to bring this program intro force in line with the practices of contemporary institutions. The momentum gained in this respect continued also in 2017, and the total amount insured reached USD 186.2 million. Of this figure, USD 124.9 million was insured under the Specific Export Credit Insurance Post-Shipment Risk Policy, whereas the remaining portion of USD 61.3 million was insured under the Specific Export Credit Insurance Pre-Shipment Risk Policy. On the other hand, the Bank paid out claims in the total amount of USD 282,267 within the scope of Specific Export Credit Insurance Post-Shipment Risk Policy. During 2017, meetings were held with qualifying firms to make an introduction to the program.

Since 2014, Specific Export Credit Insurance Post-Shipment Risk Policy is being accepted as an irrevocable guarantee under the Draft & Letter of Credit Discount Program that was developed and provides exporters with low-cost and convenient financing. The scope of that program was expanded in 2015 so as to include cash against goods shipments as well. This program launched under the name "Export Receivables Discount Program" was received with great interest also in 2017.

Under annexes to the agreements signed with Akbank, Aktif Yatırım Bank, Alternatifbank, Burganbank, Citibank, Denizbank, Fibabank, Finansbank, HSBC, ING Bank, Şekerbank, Ziraat Bank, Türk Ekonomi Bank, Garanti Bank, İşbank, VakıfBank and Yapı Kredi Bank concerning shipments insured under the Short-Term Export Credit Insurance Program, it has now become possible to finance export deals carried out under Medium- and Long-Term Export Credit Insurance Programs.

In 2017, the Bank continued to include the risks underwritten within the scope of the Medium- and Long-Term Export Credit Insurance transactions in reinsurance contracts based on specific acceptances to be received from the reinsurers.

Realizations on the Basis of Credit Insurance Programs

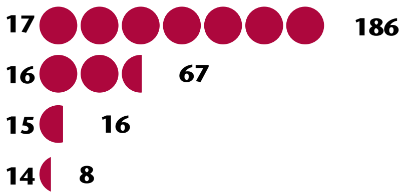
As the official export credit agency in Turkey, Turk Eximbank keeps a close watch on developments taking place both in technology and legal frameworks and among its peers around the world. After introducing its "Online Banking" project to insured firms in 2014 in an effort to set up a system that will reduce the paperwork of credit and insurance activities, and provide fast and accessible operations, the Bank carried on with this initiative with the second phase of revisions in 2017.

The tender Turk Eximbank put out for user-friendly development of insurance screens, reduction of the volume of manual transactions to minimize user errors, and revision of the insurance module so as to quickly respond to questions and needs of exporters and those related to bank and non-bank insurance activities has been finalized in 2015, and analyses among the related company and insurance units were completed in 2016. The project is slated for introduction in January 2019.

Within the scope of the Short-Term Export Credit Insurance, the Bank continued in 2017 to insure the prices of goods manufactured by affiliates of the insured companies holding at least 50% of the capital.

Within the scope of short-, medium-and long-term transactions, cooperation with export credit and insurance companies in various countries continued in order to extend the support given to Turkish exporters and entrepreneurs in 2017.

Total Insured Shipments Under Specific Export Credit Insurance Risk Programs
(USD million)



USD 186.2 million

Under the Specific Export Credit Insurance Risk Programs the total amount insured reached USD 186.2 million in 2017.

TL 4.8 billion

Turk Eximbank's paid-in capital was increased from TL 3.7 billion to TL 4.8 billion in August 2017.

USD 11.1 billion

Turk Eximbank heavily utilized the rediscount facility of the CBRT in 2017. As of 31 December 2017, the outstanding balance of these resources amounted to USD 11.1 billion.

FUNDING AND TREASURY OPERATIONS

In 2017, Turk Eximbank diversified its funding structure for financing exports and export-oriented investments, and increased its borrowings apart from CBRT to USD 9.5 billion, up by 20% year-to-year.

Developments Regarding the Capital

As approved at the Extraordinary General Assembly convened on 12 January 2017, Turk Eximbank switched to the "Registered Capital System" in accordance with the Turkish Commercial Code no. 6102. The said decision was registered with the trade registry and promulgated in the Turkish Trade Registry Gazette issue 9252 dated 30 January 2017.

Accordingly, the Bank's authorized capital was set as TL 10 billion and the Bank's Board of Directors was authorized to increase the paid-in capital up to the authorized capital in the five-year period until the end of 2021.

On the other hand, Turk Eximbank's paid-in capital was increased from TL 3.7 billion to TL 4.8 billion in August 2017 and TL 1.1 billion was capitalized from 2016 profit reserves.

Borrowing Transactions

For the funding of its 2017 Turkish lira loans, Turk Eximbank made use of:

- Paid-up capital,
- Interest collections,
- TL funds by CBRT within the scope of Rediscount Credits that are extended to exporters in TL as well as in foreign currency.

Details concerning the Bank's FX borrowings in 2017 are presented below:

- Turk Eximbank heavily utilized the rediscount facility of the CBRT in 2017. As of 31 December 2017, the outstanding balance of these resources amounted to USD 11.1 billion.
- Under a single syndicated loan raised from a consortium consisting of 21 banks, the Bank secured EUR 370.5 million and USD 31 million with 1-year maturity.
- Under a 1-year syndicated loan raised in two tranches from 23 banks, the Bank secured EUR 469.5 million and USD 87 million in total,
- Under a 3-year syndicated loan raised from 7 banks, the Bank obtained a total of EUR 186.5 million in two parts,
- The Bank obtained a total of USD 155.8 million with 22 years maturity including a 7-year grace period from the World Bank,
- A 10-year loan of USD 100.7 million was secured from the Islamic Development Bank (IDB), which is covered by the guarantee of the Undersecretariat of Treasury and has a 3-year initial grace period.
- Other loans received in 2017 from overseas banks amounted to USD 1.6 billion in value.
- Through two Eurobond issues, the Bank secured funds in the amount of USD 500 million with a maturity of 5 years.

Fund Management Activities

Turk Eximbank kept a close watch on national and global developments, and achieved effective liquidity and asset & liability management, paying maximum attention to liquidity, interest rate and exchange rate risks and taking into account such issues as high volatility in interest and exchange rates, global macroeconomic conjuncture, and return-cost balance in 2017. Turkish lira resources derived from mainly by FX/TL swaps and repo generated high yields by being invested in both the Takasbank Money Market and the interbank market. Proactive FX forward transactions were carried out in order to effectively manage the exchange rate risk exposure, which the Bank incurred on account of borrowing from CBRT on FC basis but lending to exporters on TL basis. Hedge-accounting techniques were deployed when booking these transactions. Last year the Bank also continued its practice of making use of hedge-accounting when booking the interest rate and cross-currency swaps that it engaged in order to achieve a better match between its own asset structure and the FX-denominated resources that it secured from international markets through its bond issues or other borrowings.

The liquidity volume managed by the Treasury Department, which was kept within the legal limits laid out in the BRSA Regulation Concerning Measurement and Evaluation of Liquidity Adequacy of Banks, averaged TL 2.9 billion throughout 2017, of which TL 0.2 billion was used in the security portfolio consisting of treasury bonds and government bonds.

Of Turk Eximbank's swap operations in 2017, USD 24.4 billion were in short-term assets while the remaining USD 1.6 billion were kept in long-term assets in order to manage the Bank's FX position more effectively and to enable credit allocation to exporters in the type of FC they demand. The volume of "forward foreign-currency purchase/sale" transactions continued in 2017 within the scope of foreign currency management and was realized at USD 1.7 billion.

The scope of exchange rate risk-based derivative products, which are intended to protect exporters' competitive strength in global markets, was expanded in 2017 with the addition of cash-settled exchange rate forward service besides cash-settled exchange rate options. This further increased exporters' ability to manage exchange rate risks stemming from both FC receivables and FC liabilities.

USD 26 billion

In 2017 the volume of Turk Eximbank's swap operations reached USD 26 billion.

USD 1.7 billion

The volume of "forward foreign-currency purchase/sale" transactions was realized at USD 1.7 billion.

close cooperation

Turk Eximbank continued to work closely with export credit and insurance agencies and international financial institutions in 2017.

Aman Union

The 8th Annual Meeting of the Aman Union, of which Turk Eximbank is a founding member, took place in November in İstanbul. At this meeting, Turk Eximbank General Manager was elected the new Secretary General of the Union.

INTERNATIONAL RELATIONS

Turk Eximbank continued to work closely with export credit and insurance agencies and international financial institutions in 2017.

The Bank maintained its close relationships with the Berne Union and the Aman Union, of which it is a member, and continued to participate in meetings, seminars, and similar organizations held thereby in 2017, as well as in their General Assemblies/ Executive Boards.

The 8th Annual Meeting of the Aman Union, of which Turk Eximbank is a founding member, took place in November in İstanbul. At this meeting, Turk Eximbank General Manager was elected the new Secretary General of the Union.

At the 23rd Annual Meeting of Asian Exim Banks Forum (AEBF), which was held in Australia in November 2017, Turk Eximbank became a permanent member of the Forum, which it had joined in 2015. In that Annual Meeting, an agreement was reached on the wording of a Framework Agreement concerning the credit lines that member countries will open to one another to ensure increased reciprocal trade and investments, and the related Memorandum has been signed by eleven member countries. In addition, the Bank also took part in the Technical Task Force meeting of the AEBF in 2017.

Efforts continued to sign new cooperation agreements by and between Turk Eximbank and export credit agencies of other countries with a special focus on agreements that will enable co-financing of the projects undertaken by Turkish and foreign contractors collectively in a third country. Within this framework, new agreements have been executed in 2017 with Credendo (Belgium), SACE (Italy), NEXI (Japan), UKEF (UK), K-SURE (South Korea), EXIM Thailand and Russian Kyrgyz Development Fund. In 2017, close cooperation was maintained with other export credit and insurance agencies and international financial institutions within the framework of cooperation agreements signed with US Eximbank (USA); EDC (Canada); COFACE (France); EulerHermes (Germany); ONDD (Belgium); ASHRA (Israel); Eximbank of China, SINOSURE, and TEBC (China); EGAP (Czechia); NEXI (Japan); SID (Slovenia); KUKE (Poland); EDBI and EGFI (Iran); ECGE and Export Development Bank of Egypt (Egypt); Eximbanka SR (Slovakia); Eximbank Romania (Romania); Eximbank of Russia and Vnesheconombank (Russia); EKF (Denmark); HBOR (Croatia); MBDP (Macedonia); JLGC (Jordan); GARANT and OeKB (Austria); CAGEX (Algeria); ICIEC, DHAMAN, MIGA, EBID/ECOWAS, World Bank, Qatar Development Bank, Asian Development Bank, EBRD).

Turk Eximbank participated on behalf of Turkey and monitored the regulations on officially supported export credits in the meetings of the OECD Export Credits and Credit Guarantees Group, which was set up to bring the programs implemented by export credit agencies into alignment with the OECD Arrangement on Officially Supported Export Credits, to facilitate information and opinion exchange between the related agencies of member countries, to ensure unity in policies, and of which Turkey became a member in April 1998, as well as in the meetings of the Participants Group (PG) and of its sub-groups, where the Bank holds an observer status since November 2006.

Turkey's official application in 2017 to have her observer status converted into that of a participant was included in the Participants Group Meeting agenda held in November and is currently being evaluated.

The International Working Group on Export Credits (IWG) was set up in 2012 under the leadership of the USA and China to discuss a new international arrangement to which non-OECD emerging countries like Brazil, China, South Africa, India, and Russia that are beginning to get significant shares in export credits would be a party and which would redefine the guidelines and standards pertaining to officially supported export credits, increase transparency and information sharing in export credit-related issues. Turk Eximbank officially represents Turkey at the meetings of this Group during which it makes contributions that are compatible with national policies in view of Turkey's needs and interests.

Turk Eximbank participated in the annual meetings of the Berne Union, the Aman Union, CreditAlliance, IIF, the World Bank, EIB, IMF, OECD, EBRD, ITFC, the Asian Development Bank and IDB, and maintained top-level contacts with these institutions concerning its funding activities on international markets, its foreign credit activities, as well as with its reinsurers during the year.

Besides foreign commercial banks that possess an efficient position in international markets in terms of treasury and borrowing operations, Turk Eximbank maintained close relations in 2017 with the IBRD, EIB, MIGA ITFC, ICIEC. In this framework, bilateral business opportunities have been evaluated during international meetings with the above-mentioned institutions.

INFORMATION TECHNOLOGIES

Turk Eximbank continues to improve both the speed and the efficiency of its operations and the effectiveness of its resource utilization by supporting its service infrastructure with innovations made possible by advances in information technology. Turk Eximbank's IT infrastructure is managed so as to ensure its effective, uninterrupted, correct, and secure operation.

In line with the needs of operational units regarding efficiency, changes in guidelines, and new implementations, activities were carried out all year long in 2017 with respect to software development and updates; transformation projects, efficient monitoring for projects; intensive testing for deliveries and commissioning; supporting business units' testing activities; work on the Quality Management System; and internal and external audits.

Key highlights of 2017 IT activities included the following:

- Improvement of the Credit application continued throughout the year, which was revamped with a process-based architecture and new technologies in the previous year. Necessary revisions were made pursuant to the protocol executed with the CGF.
- New Insurance Project analyses and developments continued within the scope of revamping the insurance infrastructure and its management by processes.
- Development and testing were completed for transitioning the Financing application to the SAP-TRM infrastructure, and the same went live.

speed and efficiency

Turk Eximbank continues to improve both the speed and the efficiency of its operations and the effectiveness of its resource utilization by supporting its service infrastructure with innovations made possible by advances in information technology.

effective and uninterrupted

Turk Eximbank's IT infrastructure is managed so as to ensure its effective, uninterrupted, correct, and secure operation.

new website

The Bank's Corporate Website was revamped with a user-friendly, mobile-compatible design and current technologies, and launched.

IT processes

All IT processes were revised, and adapted according to the revised new format. Updates are in progress.

- Jira software was introduced as the Project Management Tool, and began to be actively used for Credit applications.
- The Bank's Corporate Website was revamped with a user-friendly, mobile-compatible design and current technologies, and launched.
- Communication infrastructure and hardware installations have been carried out for the "Export Support Services" center that began operating for effective information flow to our customers regarding products and services, and a new web-based application has been developed.
- Analyses and developments were carried out for new regulatory reports required by relevant authorities and particularly by the Financial Crimes Investigation Board (MASAK).
- The exclusion list implementation was adopted at the Bank and began to be tested.
- In order to migrate relevant business processes along with all written communication to the digital environment, research was carried out for the Electronic Document Management System application, meetings were held with the firms, and technical specifications were prepared for the purchase.
- Applications were modified as necessary; computer, IP phone and communication network infrastructures were provided and support was extended within the scope of the Branch transformation activities being carried out at the Bank.
- All IT processes were revised, and adapted according to the revised new format. Updates are in progress.
- Necessary support was extended to the audit firm and the Internal Audit Board, and demands were fulfilled within the scope of 2017 IT, Banking Processes Audit and internal audit.
- During the reporting period, quarterly Information Security Committee and Risk Committee activities were carried out, which were succeeded by the follow-up of corrective and preventive activities.
- In order to automate the principles of the Change Management Process, necessary arrangements were made to integrate transfers to production with the Turkish lira infrastructure.
- Adjustment to the Swift Customer Security Program framework was coordinated and Statement of Security Controls was provided.
- Contacts were held with related firms and evaluations were made with respect to the Identity Management System applications that will be used to ensure role management and separation of duties in the implementations at the Bank.
- Necessary preparations were completed for the capacity increase of servers and storage units in the Head Office and Data Backup Center in order to fulfill the Bank's growing business needs, and the tender was carried out for product purchase.
- Technical specifications are finalized for the procurement of the backbone network device and redundancy for upgrading the network infrastructure, and preparations for the purchasing process are underway.
- In order to efficiently track the working times of the personnel employed in branches and liaison offices on the basis of the Personnel Attendance Control System, 22 additional devices were procured and necessary integration is in progress.

Targets and Activities of Turk Eximbank in the Forthcoming Period

Turk Eximbank's strategy for the forthcoming period is to support the export and FC-earning services mainly through medium- and long-term credit, insurance and guarantee programs.

Targets

In the period ahead, Turk Eximbank intends to place greater emphasis on export credit insurance and guarantee programs as well as medium- and long-term loans in keeping with the general mission of export finance agencies of developed countries.

Giving Greater Weight to Medium- and Long-Term Financing Facilities Provided to Exporters

Within the frame of Turk Eximbank's vision and strategy which is formulated acknowledging that it is one of the institutions most responsible for helping our country achieve its 2023 vision, the Bank will be giving greater weight to medium- and long-term loans, to export credit insurance, and to guarantee operations in keeping with the overall mission of developed countries' export finance agencies in the period ahead. At the same time, however, the Bank will also continue to provide short-term export credit and short-term export credit insurance during the pre-export stage in order to safeguard and increase the competitive strength of Turkish exporters in products, which are in need of short-term financing.

The Bank's medium- and long-term credit programs will be used to support the exportation, production and marketing processes of branded products that are based in innovation and R&D, offer high added-value, and are of the quality to strengthen and establish "Made in Turkey" image, as well as products with medium and advanced technology.

Financial support will be ongoing for FC-earning services such as tourism, logistics, consultancy, software, information and communication technologies, ship overhaul and repair. Within this framework, the Bank targets to make available its medium- and long-term credit programs to companies engaged in tourism and logistics activities in particular.

For medium- and long-term loans, Turk Eximbank obtains funds for medium- and long-term financing mostly from overseas financial institutions and by way of bond issues. Working to increase the funds secured from international institutions for medium- and long-term loans in the period ahead, the Bank will keep utilizing those secured from international institutions such as the Council of Europe Development Bank (ECB), International Bank for Reconstruction and Development (IBRD), and Islamic Development Bank to finance its medium- and long-term loans, giving the priority to supporting export-oriented investments in their disbursement.

Providing More Financing Support to SMEs

The Bank will disburse TL loans funded from its equity capital exclusively to SMEs.

For Turk Eximbank, 2017 has been a transitional period for analyzing companies within the frame of CGF-PGS and extending loans against collaterals other than bank letters of guarantee (lien, pledge, etc.). The experience gained in company analysis coupled with a stronger IT infrastructure will let the Bank disburse loans more effectively within the scope of CGF-PGS in 2018. In addition, Turk Eximbank will strive to broaden the scope of credit extension against other collaterals besides bank letters of guarantee in 2018 for resolving the collateralization issue, which is the greatest obstacle in exporters' access to

target

In the period ahead, Turk Eximbank intends to place greater emphasis on export credit insurance and guarantee programs as well as medium- and long-term loans in keeping with the general mission of export finance agencies of developed countries.

support to SMEs

The Bank will disburse TL loans funded from its equity capital exclusively to SMEs.

easier reach to financing

Turk Eximbank will give weight to mechanisms that will provide easier reach to financing supplied by commercial banks and other financial institutions to Turkish exporters.

e-transformation

Activities for e-transformation will be ongoing at the Bank also in 2018.

credit. This will allow more companies and especially more SMEs to make use of our Bank's facilities.

The gradual increase in the support extended to the SMEs within the scope of Short-Term Credit Insurance Programs is intended to introduce the said programs to SMEs that possess the exports potential but lack exportation experience. To this end, the Bank will keep heavily supporting technical know-how, training, orientation and similar activities that will address the SMEs.

Developing and Diversifying the Bank's Programs

The gradually sharpened competitive conditions in the international arena constantly augment the importance of guarantee and insurance programs. The Bank will give weight to mechanisms that will provide easier reach to financing supplied by commercial banks and other financial institutions to Turkish exporters, who are granted the opportunity to work in an environment free from commercial and political risks thanks to insurance programs. Accordingly, the Bank will launch Working Capital Loan Guarantee, Collateralization Insurance Guarantee (Surety Bond) and Financial Institutions Buyer's Credit Insurance program during the course of the year.

Additional goals include the introduction of the "Commodity-Backed Financing" model in 2018.

Cooperation with other export credit agencies, regional and multinational financing institutions will be expanded, and support will be extended to Turkish companies' transactions to be performed abroad within the frame of co-financing, insurance, reinsurance and coinsurance agreements to be executed.

Within the frame of credits provided to projects undertaken in foreign countries, the Bank will keep cooperating with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and other insurance agencies for obtaining cover against non-repayment risk by borrowing countries.

The Bank will continue to provide "Letters of Intent" in favor of firms planning to engage in new undertakings abroad or targeting to participate in international tenders provided that the related project is compatible with our fundamental financing principles.

Activities will be carried out to increase the recognition of Export Receivables Rediscount Program.

In an attempt to help exporters get increased share in strategic markets, medium- and long-term financing support at OECD's CIRR (Commercial Interest Reference Rate) will continue for the financing of investment goods exports.

In order to boost the competitive strengths of our exporters and contractors in major export markets such as Africa, Turk Eximbank targets to finalize the necessary infrastructural work for being able to allocate credit lines to be used for trade finance transactions in the nature of buyer's credit to those banks which do not have financial statements drawn up in accordance with the International Financial Reporting Standards (IFRS) but which are allocated credit limits by international financial institutions such as the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). Upon completion of the relevant infrastructure, Turk Eximbank intends to allocate these credit lines to such banks mentioned above and to begin disbursements during the year.

Activities for e-transformation will be ongoing at the Bank also in 2018.

International Obligations

Turk Eximbank continues to carry out works to comply with WTO, OECD and EU norms as well as other international regulations for its programs, and these rules are taken into consideration while implementing the programs.

International Rules

Turk Eximbank, within its programs, must comply with the norms of the WTO, the OECD and the EU, as well as with other international regulations arising from Turkey's obligations in relation to its membership of the WTO, the OECD ECG and OECD Participants Group, and in relation to the agreement of the Customs Union and the EU accession process. Violation of these increasingly challenging rules and regulations prompts subsidy and anti-dumping investigations, and, in cases where those investigations are concluded unfavorably, leads to sanctions such as anti-dumping tax and countervailing duties. In this context, the process of adjusting Turk Eximbank's programs to adhere to the regulations of the EU, the WTO and the OECD is being carried out, and these rules are taken into account in the programs implemented.

Efforts for Joining the Participants Group:

Within the scope of membership application to the Participants Group (PG), where our country currently holds an observer status, a presentation was made to participating countries about the Bank's operations and our membership request.

Turk Eximbank activities at OECD ECG

1. Combating the bribery of foreign public officials in international business transactions: Application guidelines concerning rules to be followed by Turk Eximbank in line with an advisory resolution passed by the OECD Ministerial Council on 14 December 2006 were prepared and published in 2007. The Bank is closely monitoring the ECG's activities on this issue.

2. Environmental and Social Impact Assessment: Within the scope of the revisions made to the "Common Approaches" document, upon which ECG reached an agreement, Turk Eximbank's Environmental Guidelines were updated in 2017 and renamed "Turk Eximbank Environmental and Social Guidelines". Also the text was revised to incorporate impacts regarding human rights.

3. Provision of Officially Supported Export Credits within the Framework of the Principles and Guidelines for the Promotion of Sustainable Lending Practices in Officially Supported Export Credits to Low-Income Countries (LICs): Officially supported cash and non-cash export credit support with a 1-year or longer repayment period is not made available to public sector buyers that do not have a borrowing limit at commercial terms (Zero NCB Limit Country) according to the "List of Countries Subject to IMF/World Bank Group Debt Limits Conditionality" published on the IMF website. Work began in 2017 on converting these principles into a legally binding recommendation approved by the OECD Ministerial Council. If the buyer country is designated as a Non-Zero NCB Limit Country in the said list, information is provided to the IMF and the World Bank Group and a confirmation is received from the buyer country on the basis of each deal that there are no obstacles in her borrowing at commercial terms.

Harmonization with the EU Acquis

The Bank's activities are covered under the "Competition Policy" and "External Relations" chapters of the EU Acquis.

Competition Policy: Owing to their expertise-demanding nature, all short-, medium-, and long-term export credit insurance matters have hitherto been the responsibility of Turk Eximbank. One consequence of the EU Acquis harmonization process is compliance with a rule which states that the marketable risks associated with short-term export credit insurance must be incurred by entities that do not receive state assistance. This means that all of Turk Eximbank's short-term insurance transactions are going to have to be transferred to some other entity. The restructuring involved in complying with this EU directive will be carried out in line with the Undersecretariat of Treasury's instructions and guidance. Turk Eximbank envisages the formation of a separate insurer with the involvement of other insurance companies, banks, and the Turkish Exporters Assembly.

External Relations: Under the headings of the technical issues related to medium- and long-term insurance operations and of transactions which may be co-insured together with the export support agencies of other OECD members, work will be carried out in order to harmonize Turkish national legislation with EU directives governing the mutual obligations of parties involved in such matters.

Information on Management and Corporate Governance Practices at Turk Eximbank

BOARD OF DIRECTORS AND AUDIT COMMITTEE

OSMAN ÇELİK
Chairman

İBRAHİM ŞENEL
Vice Chairman

ADNAN YILDIRIM
Member of the Board and General Manager

RACİ KAYA
Member of the Board and Member of Audit Committee

BÜLENT GÖKHAN GÜNAY
Member of the Board and Member of Audit Committee

MEHMET BÜYÜKEKŞİ
Member of the Board

IŞINSU KESTELLİ
Member of the Board

Cavit DAĞDAŞ served as the Chairman of the Board of Directors from 25 May 2015 until 12 January 2017.

Adnan Ersoy Ulubaş served as Member of the Board of Directors between 26 February 2003 and 12 January 2017.

Hatice Zeynep Bodur Okyay served as Member of the Board of Directors between 25 April 2016 and 12 January 2017.

In 2017, the Board of Directors of Turk Eximbank held 13 meetings, 12 in İstanbul and one in İzmir. The Board of Directors passed 160 decisions, including 11 interim decisions. Of these Board of Directors meetings, eight were held with full participation of all members, and five with one excused absence.

OSMAN ÇELİK
Chairman
Erzincan, 1964. Mr. Çelik holds a BA in Economics from the Middle East Technical University's Faculty of Economics and Administrative Sciences. He worked as an economist with the State Statistical Institute in 1986 and 1987. He then joined Faisal Finance where he worked as a specialist and chief specialist in the Project Evaluation and Preparation Department from 1988 until 1995. He was Project and Marketing Manager at İhlas Finance from 1995 through 1999, and Deputy General Manager of Anadolu Finance from 2000 through 2005. After functioning as Deputy General Manager of Credits at Türkiye Finans Participation Bank from 2006 to 2013, he then served as Deputy General Manager of Commercial Banking from October 2013 and as General Manager from June 2015. Mr. Çelik was appointed as Undersecretary of Treasury on 29 June 2016, in which position he still serves.

Holding a member's seat on the Board of Directors of Turk Eximbank since 12 January 2017, Mr. Çelik was appointed as Chairman of the Board of Turk Eximbank on 21 January 2017.

İBRAHİM ŞENEL
Vice Chairman
Tokat, 1966. Mr. Şenel holds a BA in Economics from Ankara University's Faculty of Political Sciences. After functioning as an Assistant Specialist at the State Planning Organization between 1989 and 1991, he started working at the Undersecretariat of Treasury and Foreign Trade in 1991.

From 2003 to 2007, he served as Head of Department and Deputy Director General of Exports, and as Deputy Commercial Counselor in Baku. He was Deputy Undersecretary at the Undersecretariat of Customs from 2007 to 2009, Director General of Exports from 2009 to 2011, and Deputy Undersecretary at the Ministry of Economy from 2011 to 2014. On 16 September 2013, he began serving as acting Undersecretary of the Ministry of Economy, and he was assigned as Undersecretary in full capacity on 8 January 2014, a position he still holds. In tandem, Mr. Şenel also functions as a member of the State Aids Monitoring and Supervision Board.

Holding a member's seat on the Board of Directors of Turk Eximbank since 18 March 2015, Mr. Şenel also served as a member of the Audit Committee between 16 September 2015 - 21 January 2017, and has also been serving as the Vice Chairman of the Board of Directors since 25 May 2015.

ADNAN YILDIRIM
Member of the Board and General Manager
Denizli, 1959. Mr. Yıldırım holds a degree in Economics and Public Finance from Ankara University's Faculty of Political Sciences and a master's degree in economics from the Vanderbilt University in the US.

Mr. Yıldırım started his professional life as an assistant auditor on the Board of Auditors at the Ministry of Finance in 1981, where he then worked as an auditor and chief auditor.

He was a Department Head at the Ministry of Finance from 1991 to 1996, before working as the CFO of EGS Group, General Manager of Denizli Free Zone, board member of İpekyolu Vadisi Serbest Bölge Kurucu ve İşletmecisi A.Ş., and Financial Advisor for Aegean Exporters' Association.

Having served as Secretary General of İzmir Chamber of Commerce from 2006 to 2010, Mr. Yıldırım was a founding partner of Pamukkale Consulting and of Batı Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. He held the positions of Advisor to the Chairman of the Aegean Region Chamber of Industry, Advisor to the Board of Directors of İzmir Commodity Exchange, Advisor to the Board of Directors of Kemalpaşa Organized Industrial Site, and Financial Advisor for İzmir Free Zone.

Mr. Yıldırım served as Deputy Minister of Economy in 2014-2015 and as Chief Advisor to the Minister of Economy in 2015-2016. Appointed as Acting General Manager of Turk Eximbank on 29 November 2016, Mr. Yıldırım has been serving in this position in full capacity since 19 January 2018.

RACİ KAYA
Member of the Board and Member of Audit Committee
Ankara, 1967. Mr. Kaya holds a bachelor's degree in Public Administration from the Middle East Technical University, a master's degree in Economics from Hacettepe University and a doctorate degree from Marmara University. He started his career as an Assistant Specialist of International Relations at Halkbank in 1990. After holding managerial positions at various banks and private sector companies, he worked as Deputy General Manager of Aktif Investment Bank from 2007 through 2014, and as Deputy General Manager of Treasury Management and International Banking of Ziraat Katılım Bankası from 18 February 2015. Appointed as Acting Deputy Undersecretary of Treasury effective 17 August 2016, Mr. Kaya has been brought to the position of Deputy Undersecretary of Treasury in full capacity from 27 December 2016.

Mr. Kaya has been a member of the Board of Directors of Turk Eximbank since 30 March 2016 and a member of the Bank's Audit Committee since 4 April 2016.

BÜLENT GÖKHAN GÜNAY
Member of the Board and Member of Audit Committee
Sakarya, 1962. Mr. Günay started his career at Türkiye Sınai Kalkınma Bankası (TSKB) in 1986 and then held the positions of Deputy General Manager of Treasury, International Relations, Retail Banking, Securities, Advertising and Public Relations at various banks. From 2002 to 2016, he was Deputy General Manager of Treasury and Retail Banking of Anadolubank, Chief Deputy General Manager and then General Manager of the same bank, from which position he resigned in 2016.

Mr. Günay has been a member of the Board of Directors of Turk Eximbank since 12 January 2017 and a member of the Bank's Audit Committee since 21 January 2017.

MEHMET BÜYÜKEKŞİ
Member of the Board
Gaziantep, 1961. Mr. Büyükekşi graduated from the Faculty of Architecture, Yıldız Technical University in 1984. He received a degree in Business Administration and English Language Education at Marmara University and in England. He currently serves as the Chairman of the Turkish Exporters Assembly, Board member of Turk Eximbank, Board member of Turkish Airlines, Assembly member of Istanbul Chamber of Commerce, Board member of Istanbul Development Agency, Board member of İstanbul Leather and Leather Products Exporters' Association, Board member of Energy Efficiency Association, and General Coordinator of Ziylan Group.

He has been a member of the board at the Turkish Leather Foundation; Vice Chairman of Turkish Exporters Assembly for five years; Board member of İstanbul Chamber of Industry for eight years, Board member of the Turkish Leather Foundation for 6 years, of TOBB-BİS Organize Sanayi ve Teknoloji Bölgeleri A.Ş., TOBTİM Uluslararası Ticaret Merkezi A.Ş., Turkish Do&Co, and Energy Efficiency Association. He was the Chairman of Turkish Shoes Industrialists' Association; Chairman of the Board of İstanbul Leather and Leather Products Exporters' Association between 2000 and 2006, and Founding Chairman of Turkish Footwear Industry Research, Development and Education Foundation between 1997 and 2008.

Mr. Büyükekşi has been a member of the Board of Directors of Turk Eximbank since 24 October 2002.

IŞINSU KESTELLİ
Member of the Board
Konya, 1962. Mrs. Kestelli holds a BA in Economics from 9 Eylül University, Faculty of Economics and Administrative Sciences. She is the founding partner of Agrilink Tarım Ürünleri San. ve Tic. Ltd. engaged in international edible oil industry. She became a member of the Edible Oils Professional Committee of İzmir Commodity Exchange in 1992 and was elected a member of the Board of Directors in 1995, where she later served as Vice Chairperson of the Board of Directors from 2003 to 2009. She was elected as Chairperson of the Board of Directors in 2009. She currently serves as the Chairperson of İzmir Commodity Exchange, Board member of Borsa İstanbul A.Ş., member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Strategy Development High Council, Board member of Economic Development Foundation, Board of Trustees member of the Aegean Foundation for Economic Development, member of TOBB Women Entrepreneurs Council, member of Advisory Board of Aegean Young Businessmen Association (EGİAD), Turkey-EU Joint Consultative Committee Member, member of İzmir Economic Development Coordination Board, member of the Advisory Board of Ege University Women's Issues Research Center (EKAM), and member of the Board of Trustees of Anadolu Autism Foundation.

Mrs. Kestelli has been appointed as a member of the Board of Directors of Turk Eximbank on 12 January 2017.

Information on Management and Corporate Governance Practices at Turk Eximbank

SENIOR MANAGEMENT

NECDET KARADENİZ
Deputy General Manager

ENİS GÜLTEKİN
Deputy General Manager

ALİ KORAY ERDEN
Deputy General Manager

M. ERTAN TANRIYAKUL
Deputy General Manager

HÜSEYİN ÇELİK
Deputy General Manager

AHMET KOPAR
Deputy General Manager

Appointed as Deputy General Manager in charge of Credits at Turk Eximbank on 15 July 2011, Mr. Gürsoy retired as of 24 March 2017.

Serving as Deputy General Manager in charge of Economic Research, Accounting and Financial Reporting, Information Technologies and Coordination at Turk Eximbank since 1 October 1997, Mr. Necati Yeniaras departed from the Bank on 1 May 2017.

Appointed as Deputy General Manager in charge of International Credits at Turk Eximbank on 15 July 2011, Mr. Alaaddin Metin retired on 18 July 2017.

NECDET KARADENİZ
Deputy General Manager
Iğdır, 1959. Mr. Karadeniz holds a BSc. degree in metallurgical engineering from İstanbul Technical University and an MBA from İstanbul University. Having started his professional life in 1987, he held the positions of manager and department head at Emlakbank, Türkiye Finans Participation Bank, Alternatifbank and Ziraat Bank, in order, and joined Turk Eximbank in December 2012.

Appointed as a Deputy General Manager of Turk Eximbank on 26 May 2017, Mr. Karadeniz currently serves as the Deputy General Manager in charge of Loan/Insurance Allocation.

ENİS GÜLTEKİN
Deputy General Manager
Kars, Sarıkamış, 1976. Mr. Gültekin graduated from the Department of Public Finance of the Faculty of Political Sciences at Ankara University, and received his master's degree from the Finance Department of Illinois University in the US. He started his professional career as an Assistant Specialist at Turk Eximbank in 1998, and served on the Board of Sworn in Bank Auditors at the Undersecretariat of Treasury in 1999, then on the Board of Sworn in Bank Auditors in the Banking Regulatory and Supervision Agency, and became the chief auditor.

Mr. Gültekin was appointed as the Deputy General Manager in charge of Insurance transactions at Turk Eximbank on 17 December 2013. He currently serves as the Deputy General Manager in charge of Loan/Insurance Marketing.

ALİ KORAY ERDEN
Deputy General Manager
Ankara, 1968. Mr. Erden holds a bachelor's degree in economics from the Faculty of Political Sciences at Ankara University and a master's degree in economics from The City University of New York. Having started his professional life as a specialist in the Funding Department of Turk Eximbank in 1993, he worked in the fields of international relations, corporate finance and project finance in various public and private sector institutions in and out of Turkey between 1996 and 2012. Mr. Erden had most recently served as Senior Financial Policy Advisor in Ontario Financing Authority, an agency of the Province of Ontario, Canada before returning to Turk Eximbank as the Director of International Loans Department in 2012.

Having been appointed as Acting Deputy General Manager in Charge of International Relations and Loans on 30 January 2018, Mr. Erden has been serving in this position in full capacity since 2 March 2018.

M. ERTAN TANRIYAKUL
Deputy General Manager
İstanbul, 1962. Mr. Tanrıyakul graduated from the Economics Department at the Middle East Technical University. He started his professional career at the Project Evaluation Department of the State Investment Bank as Assistant Specialist, and worked in Credit Analysis and Treasury Departments after the bank was transformed into Turk Eximbank in 1987, serving until 1992, he took charge as Manager and Head of Department in the Finance Department, responsible for national and international borrowing during the 1992-98 period.

Mr. Tanrıyakul has been serving as a Deputy General Manager of Turk Eximbank since 2 March 1998, and currently serves as the Deputy General Manager in charge of Treasury, Funding, Economic Research and Coordination.

HÜSEYİN ÇELİK
Deputy General Manager
Safranbolu, 1962. Mr. Çelik holds a bachelor's degree in public finance from the Faculty of Economics and Administrative Sciences at Uludağ University and is an Independent Auditor and Certified Public Accountant. Having started his professional life at İktisat Bank in 1987, he held the position of Deputy General Manager at Sümerbank, Toprakbank, Yatırım Leasing, Pamuk Leasing and Anadolubank, in order.

Appointed as a Deputy General Manager at Turk Eximbank on 29 May 2017, Mr. Çelik currently serves as the Deputy General Manager in charge of Accounting/Operation.

AHMET KOPAR
Deputy General Manager
Elazığ, 1955. Mr. Kopar graduated from the Department of Mathematical Engineering at the Karadeniz Technical University and received his master's degree in Statistics from the Academy of Economical and Commercial Sciences, Ankara. He started his professional career as a Programmer in the Turkish State Meteorological Service, and joined Turk Eximbank in May 1987. Mr. Kopar served in different positions at the Information Technology Department before being appointed as the Head of Information Technology Department in October 2000.

Appointed as a Deputy General Manager at Turk Eximbank on 15 July 2011, Mr. Kopar currently serves as the Deputy General Manager in charge of Technology, Human Resources and Support Services.

MANAGERS OF INTERNAL SYSTEM UNITS

HÜSEYİN ŞAHİN
Head of Internal Audit

MURAT ŞENOL
Head of Risk Management

A. NİHAT PULAK
Head of Internal Control

NERGİS CEVHER
Manager of Compliance Department

HÜSEYİN ŞAHİN*
Head of Internal Audit
Adıyaman, 1967. Mr. Şahin holds a BA degree in business administration from the Faculty of Economics and Administrative Sciences at Dokuz Eylül University. He started his professional life as an assistant inspector on the Board of Inspectors of Yaşarbank in 1990, where he rose to the positions of Inspector and Head of the Board of Inspectors. Later he held the positions of Deputy General Manager and Board of Directors member in various companies engaged in banking, insurance, money and capital markets.

Having joined Turk Eximbank on 12 November 2012, Mr. Şahin has been appointed as the Head of Internal Audit by the Board of Directors decision no. 78 dated 1 June 2017, in which role he still serves.

**Based on the Board of Directors decision no. 78 dated 1 June 2017, Mr. Hüseyin Şahin has been appointed as the Head of Internal Audit to succeed Mr. Mustafa Taylan Öktem.*

MURAT ŞENOL
Head of Risk Management
Ankara, 1966. Mr. Şenol holds a bachelor's degree in economics from Hacettepe University, and a master's degree in capital markets from İstanbul Commerce University. He started his professional career at the Central Bank of the Republic of Turkey in 1988 in the General Directorate of Money Markets and Fund Management. He joined Turk Eximbank in 1995 and worked as Manager in the Pre-Shipment Export Credits, Foreign Trade Companies Short-Term Export Credits and Pre-Export Credits Departments. He was appointed as Chief Risk Officer at Turk Eximbank in 15 July 2011.

A. NİHAT PULAK
Head of Internal Control
Ankara, 1960. Mr. Pulak graduated from the Business Administration Department at the Academy of Economical and Commercial Sciences in Ankara. He started his professional life at Kutlutaş Ltd. in 1981 and his banking career at Interbank A.Ş. (Uluslararası Endüstri ve Ticaret Bankası) in 1985. He joined Turk Eximbank as Manager of the Training Department in 1989, and has also worked as Manager in the Credits, Budgeting and Financial Planning fields. Mr. Pulak was appointed as Head of Internal Control on 15 July 2011.

NERGİS CEVHER
Manager of Compliance Department
Isperih, Bulgaria, 1960. Ms. Cevher graduated from the Economics-Insurance Department at Sviştov Dr. A. Asenov, Bulgarian Academy of Economics and Finance. Having joined Turk Eximbank in 1989 in the Pre-Shipment Export Credits Unit, Nergis Cevher worked as an Assistant Manager in the Credit Control Department, and as a Manager in the Performance Credits and Compliance Department. Mrs. Cevher was appointed as Manager of Compliance Department of Turk Eximbank on 7 July 2015, in which position she still serves.

The Committees for Risk Management and Bank Transactions at Turk Eximbank

Audit Committee

Member:	Bülent Gökhan Günay (Member of the Board)*
Member:	Raci Kaya (Member of the Board)

The Audit Committee was established by the decision of the Board of Directors dated 31 October 2006. On behalf of the Board of Directors, the Audit Committee is authorized and responsible for: ensuring the efficiency and adequacy of the internal control, risk management and internal audit systems; monitoring the operations of internal systems, accounting and reporting systems, and the integrity of the information generated by them in compliance with related legislation; and, during the Board of Directors' process of choosing independent auditors, rating institutions, evaluation and support services firms, performing pre-assessment of candidates and regularly monitoring the activities of the selected institutions. The Regulations on the Procedure and Principles of the Operations of the Audit Committee was approved by the Board's decision dated 5 February 2007.

* Bülent Gökhan GÜNAY has replaced İbrahim ŞENEL as a member of the Audit Committee on 21 January 2017.

Executive Committee

Chairman:	Adnan Yıldırım (General Manager)
Member:	Necdet Karadeniz (Deputy General Manager in charge of Loan/Insurance Allocation)*
Member:	Enis Gültekin (Deputy General Manager in charge of Loan/Insurance Marketing)
Member:	Ali Koray Erden (Deputy General Manager in charge of International Relations and Loans)**
Member:	M. Ertan Tanrıyakul (Deputy General Manager in charge of Treasury/Finance)
Member:	Hüseyin Çelik (Deputy General Manager in charge of Accounting/Operation)***
Member:	Ahmet Kopar (Deputy General Manager in charge of Technology/HR/Support Services)

The Executive Committee was established by the Board of Directors Decree No. 97/17-70, dated 6 August 1997. The main function of the Committee is to negotiate the issues to be submitted to the Board of Directors for approval. It also analyzes and evaluates draft arrangements on credit principles as well as technical and administrative issues. The main responsibilities of this Committee are: to manage assets and liabilities; to submit eligible credit applications of both domestic and overseas projects to the Board of Directors for approval; and to carry out duties assigned by the Board of Directors. Reports on the balance sheet, income statement, financial structure, placement and funding activities are submitted to the Board of Directors at least quarterly.

* Mesut Gürsoy retired on 24 March 2017.
** Alaaddin Metin retired on 18 July 2017.
*** Necati Yeniaras departed from the Bank on 1 May 2017.

Credit Committees (Domestic and International)

Credit Committee*

Chairman:	General Manager (Adnan Yıldırım)
Member:	Member of the Board (Bülent Gökhan Günay)*
Member:	Member of the Board (Raci Kaya)**

The Credit Committee is vested with the authority to issue to a real or legal person:

- A domestic or international loan up to ten percent (10%) of the Bank's equities provided that other collaterals deemed appropriate by the Board of Directors are created other than the CGF-Treasury Guarantee,
- A domestic loan in the amount of TL 50 million, provided that the same is collateralized by CGF-Treasury Guarantee.

The Credit Committee fulfills the said duty delegated thereto by the Board of Directors within the frame of the procedures and principles set out in the applicable legislation in accordance with Article 31 of the Bank's Articles of Association.

* Determined according to the Board of Directors Decision no. 03 dated 21 January 2017.
** Adnan Ersoy Ulubaş served as Member of the Credit Committee between 22 March 2016 and 12 January 2017.

General Directorate Credit Committee*

Chairman:	General Manager (Adnan Yıldırım)
Member:	Deputy General Manager in charge of Loan/Insurance Allocation (Necdet Karadeniz)**
	Deputy General Manager in charge of International Relations and Loans (Ali Koray Erden)***
Member:	Allocation Department
	Head of Relevant Department/Regional Director/Branch Director
Member	Marketing Department
Member	Head of Financial Analysis and Investigation Department

The General Directorate Credit Committee is vested with the authority to issue to a real or legal person:

- A domestic or international loan up to one percent (1%) of the Bank's equities provided that other collaterals deemed appropriate by the Board of Directors are created other than the CGF-Treasury Guarantee,
- A domestic loan in the amount of TL 10 million, provided that the same is collateralized by CGF-Treasury Guarantee.

The General Directorate Credit Committee fulfills the said duty delegated thereto by the Board of Directors within the frame of the procedures and principles set out in the applicable legislation.

* Determined according to the Board of Directors Decision no. 85 dated 30 June 2017.
** Mesut GÜRSOY retired on 24 March 2017.
*** Alaaddin Metin retired on 18 July 2017.

Allocation Committee under the Deputy General Manager*

Chairman:	Deputy General Manager in charge of Loan/Insurance Allocation (Necdet Karadeniz)**
Member:	Allocation Department
Member:	Marketing Department
Member:	Head of Financial Analysis and Investigation Department

The Allocation Committee under the Deputy General Manager is vested with the authority to issue to a real or legal person:

- A domestic loan up to nine thousandth (0.9%) of the Bank's equities provided that other collaterals deemed appropriate by the Board of Directors are created other than the CGF-Treasury Guarantee,
- A domestic loan in the amount of TL 5 million, provided that the same is collateralized by CGF-Treasury Guarantee.

The Allocation Committee under the Deputy General Manager fulfills the said duty delegated thereto by the Board of Directors within the frame of the procedures and principles set out in the applicable legislation.

* Determined according to the Board of Directors Decision no. 85 dated 30 June 2017.
** Mesut GÜRSOY retired on 24 March 2017.

The Committees for Risk Management and Bank Transactions at Turk Eximbank

Departmental Credit Committee*

Chairman:	Head of Allocation Department
Member:	Allocation Manager
Member:	Head of Marketing Department

The Departmental Credit Committee is vested with the authority to issue to a real or legal person:

- A domestic loan up to seven thousandth (0.7%) of the Bank's equities provided that other collaterals deemed appropriate by the Board of Directors are created other than the CGF-Treasury Guarantee,
- A domestic loan in the amount of TL 3 million, provided that the same is collateralized by CGF-Treasury Guarantee.

The Departmental Credit Committee fulfills the said duty delegated thereto by the Board of Directors within the frame of the procedures and principles set out in the applicable legislation.

* Determined according to the Board of Directors Decision no. 85 dated 30 June 2017.

Unit Credit Allocation Committee

Chairman:	Deputy General Manager in charge of International Relations and Loans (Ali Koray Erden)*
Member:	Head of Relevant Department/Regional Director/Branch Director
Member:	Head of Relevant Department Manager/Regional Director/Assistant Branch Director

The Unit Credit Committee is vested with the authority to issue a credit up to a maximum of nine thousandth (0.9%) of the Bank's equities to a real or legal person, and fulfills the said duty delegated thereto by the Board of Directors within the frame of the procedures and principles set out in the applicable legislation.

* Alaaddin Metin retired on 18 July 2017.

Summary Report for 2017 Submitted by the Board of Directors to the General Assembly of Türkiye İhracat Kredi Bankası A.Ş. (Turk Eximbank)

Turk Eximbank continued to support Turkish exporters with financing in 2017. In the reporting period, the Bank increased its total financing support by 19% year-over-year, up from USD 32.9 billion in 2016 to USD 39.3 billion in 2017. The Bank's loan portfolio was worth USD 24.1 billion, of which USD 21.6 billion are short-term credits and USD 2.5 billion are medium- and long-term credits. On the other hand, the Bank's insurance support amounted to USD 15.2 billion, all of which bring the rate of support extended by Turk Eximbank to national exports to 25% in 2017.

The number of firms that have become credit customers of the Bank within the past one year went up by 17% to 7,442. The number of insured exporters, on the other hand, grew 13% over the last one year and reached 2,961. Hence, the total number of customers increased by more than 16% to 8,954; of these firms, 66% are SMEs.

A general overview of 2017 activities...

There was a strong demand for the CBRT-sourced rediscount credits, which represent an important source of financing for Turkish exporters also in 2017. In order to let the Turkish exporters benefit from the decline secured in funding costs during the reporting period, the Bank decreased the CBRT-sourced Rediscount FC Credit margins by 10 bps (i.e. by up to 20%). Accordingly, the interest rate on Rediscount Credit began to be applied as LIBOR + 0.40 for 4-month maturity, LIBOR + 0.50 for the newly added 6-month maturity, and as LIBOR+0.65 for 8-month maturity. 360-day maturity option is offered for the exportation of advanced-technology industrial products, exports to new markets and FC-earning services. The Bank disbursed USD 17.2 billion in rediscount credits during 2017, which accounted for 82.5% of all short-term loans issued by the Bank.

In addition, in an effort to facilitate SMEs' access to financing, a decision was passed to extend TL loans, which are restricted to the Bank's equities firstly to the SMEs as of August 2017. Within this scope, an additional funding worth TL 2.5 billion was created for our SME customers in the last quarter of 2017 through disbursement of Pre-Shipment Turkish Lira Export Credits and Pre-Export Turkish Lira Credits to SMEs.

The loans made available under International Credit Programs in 2017 amounted to USD 184 million, and 64 letters of intent were issued for projects/export deals to be carried out in 25 countries with goods and services export potential worth USD 7.1 billion. Through the Incentivized Buyer's Credit Program, which is implemented within the scope of the support granted by the Ministry of Economy within the frame of International Trade Finance based on "Commercial Interest Reference Rate" (CIRR) which is the lowest interest rate that can be applied in OECD-member countries, the buyers of Turkish exporters of investment goods are offered financing facilities at the interest rates of developed countries. Hence, Turkish exporters of investment goods are not restricted to the Asian and African markets, and acquire a significant competitive strength also in low-risk countries with high purchasing power.

Of all of Turk Eximbank's insurance programs, our Short-Term Export Credit Insurance Program remains the one for which demand is the greatest. The Bank's Domestic Credit Insurance Program that provides coverage for exporters' domestic receivables likewise attracted considerable attention. In order to make it easier for exporters to put up their guarantees, in 2017, Turk Eximbank also continued to accept its Short-Term Export Credit Insurance Policies as collateral for the CBRT-sourced Post-Shipment Rediscount Credit financing that it supplies.

From early December 2017, Turk Eximbank initiated forward foreign-currency purchase/sale transactions, which have a simpler structure as compared with options and are heavily used in the banking sector. Firms that are exporting goods and services, which have executed a "Derivatives Framework Agreement" with the Bank, were the first to begin making use of end-of-maturity cash-settled currency forwards being implemented by the Bank.

In 2017, Turk Eximbank secured funds worth USD 3.7 billion in total, out of which USD 974 million were medium- and long-term funds raised through Eurobond issues, as well as broad-based syndicated loans and bilateral commercial loans secured from supranational organizations and some of the world's leading banks, which serves as an evidence of the confidence held in the Bank. As a result of such borrowings, Turk Eximbank's funding stock increased by 21% year-over-year and reached USD 9.5 billion, a figure that does not include funding supplied by the Central Bank of the Republic of Turkey (CBRT). Debt repayments in the same timeframe amounted to USD 2.7 billion.

Summary Report for 2017 Submitted by the Board of Directors to the General Assembly of Türkiye İhracat Kredi Bankası A.Ş. (Turk Eximbank)

Turk Eximbank has been restructured with the aim of reaching the exporters directly...

For Turk Eximbank, 2017 has been a year of restructuring in keeping with the Bank's goal to more efficiently fulfill the financing needs of exporters, FC-earning service providers, contractors and investors operating abroad, and to work directly with them. Marketing, allocation and operation units were set up at the Bank and a direct working relationship was established. Accordingly, the preparatory work was accelerated and the company rating (scoring) system, which was originally slated for introduction at the end of the year, was launched in May 2017. Hence, Turk Eximbank established the structure that allows the Bank to extend credits collateralized otherwise than bank letters of guarantee to Turkish exporters, by performing an assessment of the firms, as do commercial banks. From June 2017, the Bank also transitioned to the Credit Guarantee Fund-Portfolio Guarantee System (CGF-PGS), under which Turk Eximbank began to disburse loans by accepting material collaterals (lien, commercial enterprise pledge) or personal surety.

On another front, a substantial portion of our liaison offices opened in earlier years was converted into branches in order to deliver on-location service directly to the exporters. Within this scope, the Bank opened Denizli, Bursa, Adana, Antalya, Konya, Kayseri, Gebze and İstanbul European Side branches, which began servicing the exporters in 2017. Including Ankara, İzmir and Gaziantep branches, the Bank's network reached 11 branches.

In addition, for having a presence in major exportation cities and in large Organized Industrial Zones with export potential, Turk Eximbank opened liaison offices in the Aegean Region Chamber of Industry (EBSO) in April, in Manisa Organized Industrial Zone in July, in Kemalpaşa Organized Industrial Zone in August, in Eskişehir Chamber of Commerce in September, and in Kahramanmaraş Chamber of Commerce and Industry in December. Thus, the number of the Bank's liaison offices reached seven including those in Samsun and Trabzon opened in earlier years. By way of staffing the liaison offices with employees knowledgeable about Turk Eximbank's operations, it is intended to make it easier to reach the Bank's services and also to raise increased awareness of the advantages of engaging in exportation.

To broaden our branch and representation office network also in foreign countries, representatives from Turk Eximbank will also be assigned at Turkish Trade Centers opened abroad. Accordingly, our first representative began serving at the Trade Center that became operational in Tehran in 2017.

Cooperation agreements create new business opportunities...

Turk Eximbank also collaborates with other export credit agencies in order to help increase the competitive strength of Turkish exporters and contractors in the international arena. Concerning joint projects to be undertaken in third countries, these cooperation agreements stipulate provision of direct loan, guarantee and insurance support to exports by each agency for the exportation that will be carried out from its own country or information exchange and training opportunities among the agencies. While previous cooperation agreements included those executed with various export credit agencies, international financial institutions and development agencies such as US Exim, Qatar Development Bank, ICIEC, and DHAMAN, new agreements were signed in 2017 with Credendo (Belgium), SACE (Italy), NEXI (Japan), UKEF (UK), K-SURE (South Korea) and Exim Thailand.

Turk Eximbank General Manager took over the position of the Secretary General of Aman Union, which is a professional forum assembling export support agencies in Islamic countries, at its 8th Annual Meeting hosted by Turk Eximbank in November. Within the scope of this role, work will be carried out to promote and improve trade, co-financing/insurance and guarantee facilities and technical know-how exchange, as well as cooperation in collection and information between the member countries of the Organization of Islamic Cooperation.

In addition to the above, Turk Eximbank earned the status of a permanent member of the Asian Exim Banks Forum established to promote cooperation between the export credit agencies (ECA) of member countries in Asia at the 2017 Annual Meeting held in November. Also framework agreements were executed with Forum-member agencies concerning opening reciprocal credit lines for increasing trade.

Explanations about Turk Eximbank's Balance Sheet and Profit & Loss Statement

Turk Eximbank's total assets reached TL 85.4 billion (USD 22.6 billion) as of 31 December 2017.

Turk Eximbank's total assets consist of 94% loans, 4% liquid assets and 2% securities held-to-maturity and other assets.

The Bank's loan portfolio reached TL 80.3 billion as of the end of 2016, and increased by 30% over the previous year. Of the total credits, 62% (TL 49.8.7 billion) are short-term credits and 38% (TL 30.5 billion) are medium- and long- term credits. The credit volume it has reached took the Bank one step higher, and put it in 9th spot in the overall banking sector in terms of credit in September 2017. By using appropriate risk management techniques, Turk Eximbank has shown great efforts to collect receivables on time and in full. Thus, although the Bank extends most of its resources as loans to the export sector, the NPLs ratio is low, at 0.4%, when compared to the banking sector average.

Turk Eximbank's liabilities reached TL 85.4 billion as of the end of 2017. Of these, 7% (TL 5.8 billion) was shareholder's equity, 91% (TL 77.8 billion) was funds obtained from domestic and external markets, and 2% (TL 1.8 billion) was provisions and other liabilities.

The Bank's shareholders' equity was TL 5.8 billion, of which 83% (TL 4.8 billion) was paid-up capital, 7% (TL 406 million) was capital reserves and profit reserves, and 10% (TL 568 million) was net profit.

The TL 77.8 billion in real foreign resources used for funding the Bank's assets consisted of TL 42,024 million worth of credits provided from the Central Bank of the Republic of Turkey, TL 25,344 million credits provided from domestic and foreign banks, TL 10,279 million in marketable securities issued, TL 152 million in borrowings from money markets and TL 32 million in subordinated credits.

At its Extraordinary General Assembly convened on 12 January 2017, Turk Eximbank switched to the registered capital system and increased the authorized capital to TL 10 billion. The Bank's paid-in capital is currently TL 4.8 billion.

As per Article 13 implemented by BRSA, entitled "Exemptions of Regulations Concerning the Determination of Natures of Credits and Other Receivables of Banks and Procedures and Principles of the Provisions for These by Banks", although the private and general provisioning ratio for the Bank for the transaction is set at zero percent, Turk Eximbank makes provisions within prudent banking principles.

The liquid assets-to-short-term liabilities ratio of Turk Eximbank has been realized at 105% as of 31 December 2017.

As the balance of Turk Eximbank is concentrated on credits, its effects can be seen on incomes. Of the Bank's TL 2,238 million in total interest income, 93% (TL 2,092 million) came from interest earned from credits. On the other hand, the Bank's interest expense was TL 1,224 million, of which 61% (TL 743 million) was interest paid on borrowings from domestic international money markets, 38% (TL 468 million) was interest paid on marketable securities issued and 1% (TL 13 million) was other interest expenses. Net interest income was TL 1,014 million.

Summary Report for 2017 Submitted by the Board of Directors to the General Assembly of Türkiye İhracat Kredi Bankası A.Ş. (Turk Eximbank)

The Bank's net profit was TL 568 million as of 31 December 2017, yielding return on assets and return on equity ratios of 0.7% and 10.9%, respectively.

The Bank's financial statements have been audited by the independent auditing company KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in line with Turkish Auditing Standards and the audit was finalized without any critique. The financial statements have been prepared in accordance with Article 37 of Banking Law No. 5411, the Regulation on Principles and Procedures Regarding Accounting Applications and Maintenance of Documents for Banks (published in issue No. 26333 of the Official Gazette dated 1 November 2006), Turkish Accounting Standards, Turkish Financial Reporting Standards, and other legislation related to accounting and financial reporting published by the BRSA and the BRSA comments, as well as in accordance with the Bank's accounting records.

In line with the Bank's Articles of Association and relevant legislation, we hereby present the summary report of audited financial statements as of 31 December 2017.

Osman ÇELİK
Chairman

İbrahim ŞENEL
Vice Chairman

Adnan YILDIRIM
Member

Mehmet BÜYÜKEKŞİ
Member

Raci KAYA
Member

Işınsu KESTELLİ
Member

Bülent Gökhan GÜNAY
Member

Organizational Activities

Organizational Developments

The following took place within the frame of the reorganization undertaken at Turk Eximbank in 2017:

- The position of Deputy General Manager in charge of Credit/Insurance Allocation was set up, along with Allocation I Department, Allocation II Department, Allocation III Department, and Financial Analysis and Information Department organized thereunder.
- Allocation I-1 and Allocation I-2 units were affiliated to Allocation I Department, Allocation II-1 and Allocation II-2 units to Allocation II Department, Banks and Financial Institutions, Domestic Insurance, Overseas Insurance units to Allocation III Department, and Analysis I and Analysis II units to Financial Analysis and Information Department.
- The position of Deputy General Manager in charge of Loans/Insurance Marketing was set up, along with Marketing I and Marketing II Departments organized thereunder.
- Adana, Antalya and Denizli Liaison Offices were converted into branches and affiliated to Marketing I Department together with Aegean Region, Gaziantep Branch, the recently opened Gebze Branch, Marketing I-1, Marketing I-2 and Marketing I-3 units.
- Bursa, Kayseri, Konya, İstanbul European Side Liaison Offices were converted into branches, and affiliated to Marketing II Department together with Marketing II-1, Marketing II-2, Ankara Regional Directorate, Samsun Liaison Office and Trabzon Liaison Office.
- Within the framework of cooperation protocols, İzmir Kemalpaşa OIZ Liaison Office, Manisa OIZ Liaison Office, Eskişehir Chamber of Commerce Liaison Office and Kahramanmaraş Chamber of Commerce and Industry Liaison Office were set up.
- The positions of the Deputy General Manager in charge of Financial Affairs/Operations was set up with the Loans Operation Department, Accounting and Financial Reporting Department, Insurance and Treasury Operation Department and Risk Monitoring and Follow-up Department organized thereunder.
- Loans Operation I, Loans Operation II, Commitment Closure and Process Management were affiliated to the Loans Operation Department; Accounting and Financial Reporting, and Budget and Payments to Accounting and Financial Reporting Department; Insurance Operation and Treasury Operation to Insurance and Treasury Operation Department; Risk Monitoring and Follow-up, Overseas Insurance Risk Monitoring, Insurance Claims Settlement Monitoring and Collection to Risk Monitoring and Follow-up Department.
- International Relations and Reinsurance Department that reports to the Deputy General Manager in charge of Treasury/Finance/International Loans* was set up together with the sub-units of International Relations and Reinsurance Relations.
- Software and Business Development Department and its sub-units Software Development and Project, Business Development and Quality Management; Technological Infrastructure Department and its Infrastructure Support sub-unit were affiliated to the Deputy General Manager in charge of Technology/HR/Support.

* In 2017, International Loans, Treasury and Finance were affiliated to a single Deputy General Manager. However, the position of Deputy General Manager in charge of International Relations and Loans was set up on 30 January 2018.

Human Resources Practices

Human Resources Policy

The Bank's human resources policy is executed according to the general principles dictated in the Bank's Articles of Association and Human Resources Regulations.

The main principles of the Bank's human resources policy are as follows:

1. To employ an efficient number of competent, exceptionally skilled, creative and inquisitive personnel who have a capacity for analytical thinking, for the execution of the Bank's activities in order to reach its goals;

2. To take special care in recruiting and authorizing personnel according to principles of equity and under equal conditions, determining the recruitment criteria in writing by use of titles, and applying these criteria;

3. To provide personnel with an equal-opportunity work environment in which they can utilize and improve their abilities and qualifications;

4. To establish an employee personal rights and wage system that increases personnel motivation and encourages them to work at the Bank, allowing the Bank to employ manpower with qualifications and numbers required by the service.

The specialized nature of the Bank's operations requires a highly qualified and professional staff, hence career development is very important.

After two years of service, assistant specialists prepare a thesis, and after three years, they take a qualification exam to be appointed as specialists.

In 2017, 49 personnel were recruited and 45 personnel resigned.

Training Studies

The Bank's training policy reflects an understanding of how to improve both the theoretical and practical knowledge and skills of its personnel regarding their duties, thereby changing their attitudes in a positive way through the principles of efficiency, savings and effectiveness in their services.

Training needs analyses are performed each year to consider the qualifications of the Bank's personnel and units, and a plan is established to determine in what ways and from which resources their training needs will be met. Within this framework, trainings were either held in-house or received through outside professional institutions. In addition, the Bank may send personnel abroad for the same purpose.

In line with the training needs of the Bank's departments, it benefits from the training given in the periodic training catalogs prepared and through seminars and conferences on current subjects. In addition, the relevant training facilities of other well-qualified and specialized private training institutions are utilized, and the attendance of the Bank's personnel at these facilities is enforced.

In 2017, 575 personnel attended 175 training programs, with 1,053 participants in total.

Regarding foreign language training, training programs were put into use for English, French, Italian, Arabic, Spanish and Russian in 2017. A total of 71 personnel utilized this foreign language training of which 10 was general class and 21 was private class.

Within the scope of the internship program of the Bank, 50 students (three high school students and 47 university students) served an internship at the General Directorate and the Aegean District Office during the semester and summer periods in 2017.

Relations of Turk Eximbank with Its Risk Group

Turk Eximbank does not have a Risk Group, since the Bank is fully owned by the Turkish Treasury and does not have subsidiaries or affiliates which it controls, either directly or indirectly.

Support Services Obtained by Turk Eximbank

Within the scope of the BRSA's "Regulation on Support Services to be Received by Banks" that went into force upon its publication in the Official Gazette issue 28106 dated 5 November 2011, Turk Eximbank received nine support services detailed below in 2017.

Support Service Provider	Service Received by the Bank
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Unit Office Connection and Swift Alliance Support Consultancy
Prodea Bilgi Teknolojileri Danışmanlık A.Ş.	SAP TRM License Maintenance and BASİS Technical Support
ELC Stratejik Bilgi Sistemleri ve Yönetim Danışmanlığı Eğitim Yazılım Pazarlama Sanayi Ticaret Limited Şirketi	Consultancy, Maintenance, and Support Service for SAP TRM Products for Treasury and Funding Application for a period of 6 months
JFORCE Bilişim Teknoloji A.Ş.	Software, Training, Consultancy and Support Services Provision for New Loan Application Development
V.R.P Veri Raporlama Prog. Bil. Yaz. ve Dan. Hiz. Tic. A.Ş.	Development and support service for the Internet Branch application reached from the Bank's website
Vizyoneks Bilgi Teknolojileri Anonim Şirketi	Software, Maintenance and Training Services Provision Necessary for the New Insurance Application
Datasafe Arşivleme Hizmetleri Anonim Şirketi	Retention of Hard-Copy Documents
Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.	Registration of Real Properties that will be received as collateral by our Bank as Collateral in the name of our Bank at the Land Registry
FU Gayrimenkul Yatırım Danışmanlık A.Ş.	Registration of Real Properties that will be received as collateral by our Bank as Collateral in the name of our Bank at the Land Registry

The General Assessment of the Audit Committee for the Year 2017 Regarding Activities and Risk Management, Internal Control and Internal Audit Systems at Turk Eximbank

As the sole official export credit agency in Turkey, Turk Eximbank supports the export sector with its credit, guarantee and insurance programs through non-profit activities. However, the Bank also seeks to ensure the most appropriate rate of return in order to maintain its capital and financial strength, and it complies with broadly accepted banking and investment principles in all its activities. In this regard, while conducting its legal function, which is "to provide financial support to the export sector", the Bank maintains its risk level without weakening its financial strength.

As per the provisions of the legislation issued by the BRSA regarding Banking Law No. 5411, necessary organizational changes were made at the Bank on 31 October 2006, internal systems of the Bank were established with their current status, and an Audit Committee was established. Internal Audit, Internal Control, Risk Management and Compliance departments carry out their activities under the supervision of the Audit Committee made up of two members elected by the Board of Directors from amongst its own members.

Internal Audit

The Internal Audit Department carries out its responsibilities to the Board of Directors via the Audit Committee, which was established to perform the supervisory and regulatory obligations of the Board of Directors and to perform the following tasks within the framework of Audit Committee Regulation issued in line with the principles established within the scope of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process:

- Analyzing the compliance of the Bank's activities with the relevant laws, legislation, regulations, decrees, communiqués, instructions and other statutes;
- Reviewing and evaluating the efficiency and adequacy of the Bank's internal control and risk management systems;
- Conducting investigations and examinations of operations, accounts and activities in the Bank's headquarters units, branches and liaison offices.

Internal Audit activities have been performed in an impartial and independent manner using a risk-based approach, with the aim of ensuring that the current resources are used efficiently and that all activities make the maximum contribution to the Bank. The annual audit plans are prepared and implemented using risk assessments of the risk appraisal report. In order to ensure effective continuity of internal audit activities, the Internal Audit Department has performed inspections at the units, branches and representatives of the Bank within the framework of the annual audit plan. The Audit Department reports to the Board of Directors by way of the Audit Committee, and it monitors the measures taken against inappropriate conduct. In addition, the Board of Directors keeps abreast of the activities of the Internal Audit Department through its quarterly and annual activity reports submitted via the Audit Committee.

According to the relevant legislation issued by the BRSA, the Bank must present a "management declaration" to its external independent auditors, signed by the Board of Directors for each audit period, concerning the current situation and internal control activities carried out on information systems and banking processes. In this regard, the control and audit activities intended to be the basis of this management declaration were prepared by the Internal Control Department and the Internal Audit Department for information systems and banking processes, and the report prepared was presented to the Board of Directors. The Management Declaration was signed by the Board of Directors on 26 January 2018 and submitted to the external auditor.

The Audit Committee continued its activities in 2017 with the aim of developing the activities of the Bank and adding value to them, and it ensured that the internal control activities that form the basis of the management declaration are performed in a coordinated manner.

Internal Control

The primary objective of the internal control system established at the Bank based on the provisions of the legislation published by the BRSA is to secure the protection of the Bank's assets; to ensure performance of the Bank's activities effectively and efficiently and in compliance with the Law, other applicable legislation, internal policies, guidelines and banking customs, and to guarantee the reliability and integrity of accounting and financial reporting system, and timely availability of information.

The Internal Control Department is responsible for the design of the internal control system and for the coordination of internal control activities. The Internal Control Department is established to develop various mechanisms to examine, monitor and control the adequacy of internal controls within the banking processes carried out by executive units and the effective operation of the internal control system. The duties of the said department are set out in the Internal Control Department Bylaws that went into force upon being approved by the Board of Directors.

Within the duties delegated to it, the Internal Control Department performed activities observing the matters mentioned below, giving priority to processes and transactions identified based on a risk-focused approach and within the materiality criteria during 2017:

- Existence of approved and up-to-date procedures pertaining to work processes and workflow charts and their accessibility by related individuals,
- Integrity and reliability of the accounting system, financial reporting system and information systems,
- Functionality of internal communication channels that will ensure communicating the information produced and problems confronted with related individuals,
- Identification of the deficiencies or weaknesses in the design of operation of internal control mechanisms embedded in information systems applications employed in the performance of credit, insurance and treasury operations,
- System access authorizations in information systems and banking processes made so as to preclude conflicts of interest by observing separation of functional duties,
- Existence and operation of manual and systematic approval mechanisms concerning critical transactions,
- Usage security of payment systems such as EFT, RPS and SWIFT,
- Implementation of guidelines set regarding the recording, retention and accessibility of documents and assets kept in physical safe deposit boxes and especially the guarantees received,
- Existence and currency of business continuity plans.

The quarterly reports of the Internal Control Department relating internal control activities were presented to the Audit Committee regularly. The control and audit activities concerning information systems and banking processes that form the basis of the Management Declaration to be submitted to the independent auditor were carried out by the Internal Control Department and the Internal Audit Department, and the report produced was presented to the Board of Directors.

During the routine examination, control and monitoring activities in 2017, and as a result of the manual examinations and systemic screen tests of banking processes carried out for the preparatory studies for the Management Declaration, there are no findings that pose risks for the Bank.

The General Assessment of the Audit Committee for the Year 2017 Regarding Activities and Risk Management, Internal Control and Internal Audit Systems at Turk Eximbank

Risk Management

According to the Charter and Procedures of the Risk Management Department approved by the Board of Directors, the Risk Management Department is responsible for:

- Defining, measuring, analyzing, managing and monitoring all risks faced by the Bank; developing and researching risk policies and procedures to be approved by the Board of Directors; and
- Computing profits and costs regarding all risks and management of such, together with related line departments, and reporting the results to the Audit Committee and Senior Management.

Risk management activities

Credit Risk: Risks arising from lending and guarantee transactions within the limits imposed by law and by the Bank's own policies were monitored. Since the greatest risk category to which the Bank was exposed was domestic and overseas bank credits, the internal rating system for banks was used in the measurement of the Banks' limits. Credit Risk is reported to the BRSA according to the BRSA's Standard Method.

Market Risk: Market risk is calculated monthly using the Standard Method devised by the BRSA and is considered in the calculation of the Capital Adequacy Ratio. In addition, as almost the entire portfolio subject to market risk is hedged, market risk is very low. The Bank implements hedge accounting principles regarding derivative transactions.

Operational Risk: Risks arising from banking activities are identified, assessed and monitored. An IT risk matrix was created for monitoring and managing the IT risks. Tasks related to Operational Risk Entry/Tracking screen are carried out by the Internal Control Department.

ICAAP: Stress Testing section of the Internal Capital Adequacy Assessment Process (ICAAP) Report that banks are obliged to submit under the "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published by the BRSA in the Official Gazette issue 29057 dated 11 July 2014 and the ICAAP Report are approved by the Audit Committee and the Board of Directors, and delivered to the BRSA by the Risk Management Division in March. Within the scope of ICAAP, Turk Eximbank has espoused it as a risk appetite indicator to keep the capital adequacy ratio in the order of 13% to 15%, and recognized the principle that any capital adequacy ratio below 13% is to trigger capital increase activities.

Stress Tests: In addition to the Standard Method, and since Turk Eximbank provides credit mainly through the commercial banking system, the economic capital figures are regularly calculated through the ratings given by international rating agencies to the commercial banks to which we have allocated credits. Also regularly calculated are Possibility of Default (PD) and Loss Given Default (LGD). These calculations are renewed under stress factors including scenarios where PDs change negatively and LGDs increase sharply.

The credit risk stress tests carried out with the Internal Models indicate that, with its stable and strong capital structure, the Bank can operate free of any problems while under intense stress factors.

In addition to all these activities, reports incorporating scenario analysis of GAP, Duration, Assets and Liabilities management are regularly submitted to the Bank's senior management.

Notes on risk management prepared pursuant to Communiqué on Financial Statements to be Publicly Disclosed by Banks and the Descriptions and Notes thereto which was published in the Official Gazette issue 28337 dated 28 June 2012, and to Communiqué on Disclosures about Risk Management to be Announced to Public by Banks, which was published in the Official Gazette issue 29511 dated 23 October 2015, are drawn up on a quarterly basis, which are then coordinated by the Accounting and Financial Reporting Department for external audit.

Regulatory Compliance

Regulatory Compliance Division was established on 7 July 2015 and is charged with following up legal and administrative regulations in order to ensure alignment of the Company's operations with the legislation governing the Bank. The Division makes sure that the Bank's internal practices incorporate the said regulatory framework, takes part in anti-bribery activities with respect to export credits before the OECD, and supports the establishment of related internal policies and procedures. In addition, the Division carries out the activities for putting into practice the regulations in relation to anti money-laundering and prevention of terrorist financing. The Division is also assigned with exchanging opinions with regulatory and supervisory authorities, and sharing the opinions received with related units.

Arrangements Introduced within the frame of BASEL Requirements

In 2017, the Bank continued to submit reports regarding credit and operational risks and on Capital Adequacy and Equity to the BRSA within the frame of Basel-II and Basel III Requirements. The Bank achieved full compliance with all legal limits and ratios stipulated by the requirements. On the other hand, the BRSA continued to implement the Liquidity Coverage Ratio (LCR), a Basel-III requirement, as zero percent for development and investment banks due to their different structures until otherwise decided by the Board. The leverage ratio, which is another key ratio under Basel-III, also remained below the regulatory limits. Also ongoing was the reporting of the Standard Ratio of Banking Book Interest Rate Risk, which started to be reported from September 2011 within the frame of the Second Pillar of Basel-II as per the BRSA circular dated 23 August 2011, and which is used to measure the sensitivity of the Bank's balance sheet to interest rate shocks. The ratio, which is legally required to be 20% maximum, remained in single-digits in 2017, as it did in 2016, thanks to the Bank's solid equity, the balanced composition of assets and liabilities, and the variable interest rates applied on majority of the products.

The Bank continued to submit Risk Report forms launched upon the BRSA letter no. 22361 dated 19 September 2014 to the BRSA following the system improvements undertaken in 2017.

Best Practice Guides

The work for achieving alignment with the Best Practice Guides the BRSA published to secure full compliance with Basel standards under the Regulatory Consistency Assessment Programme (RCAP) is carried out in coordination with the relevant units.

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) Report that banks are obliged to submit under the BRSA "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published in the Official Gazette issue 29057 dated 11 July 2014 drawn up using the 2016 data was delivered in March 2017, whereas the 2018 report prepared with 2017 data will be approved by the Audit Committee and the Board of Directors, and be delivered to the BRSA by the Risk Management Division in March.

Raci KAYA	Bülent Gökhan GÜNAY
Member of the Audit Committee	Member of the Audit Committee

Evaluation of Financial Position

Turk Eximbank's total assets reached TL 85.4 billion (USD 22.6 billion) as of 31 December 2017.

Assets

Turk Eximbank's total assets consist of 94% loans, 4% liquid assets and 2% securities held-to-maturity and other assets.

The Bank's loan balance reached TL 80.3 billion as of the end of 2017, and increased by 30% over the previous year. Of the total credits, 62% (TL 49.8 billion) are short-term credits and 38% (TL 30.5 billion) are medium- and long- term credits. By using appropriate risk management techniques, Turk Eximbank has shown great efforts to collect receivables on time and in full. Thus, although the Bank extends most of its resources as loans to the export sector, the NPLs ratio is low, at 0.4%, when compared to the banking sector average.

Liabilities

Turk Eximbank's liabilities reached TL 85.4 billion as of the end of 2017. Of these, 7% (TL 5.8 billion) was shareholder's equity, 91% (TL 77.8 billion) was funds obtained from domestic and external markets, and 2% (TL 1.8 billion) was provisions and other liabilities.

The Bank's shareholders' equity was TL 5.8 billion, of which 83% (TL 4.8 billion) was paid-up capital, 7% (TL 406 million) was capital reserves and profit reserves, and 10% (TL 568 million) was net profit.

The TL 77.8 billion in real foreign resources used for funding the Bank's assets consisted of TL 42,024 million worth of credits provided from the Central Bank of the Republic of Turkey, TL 25,344 million credits provided from domestic and foreign banks, TL 10,279 million in marketable securities issued, TL 152 million in borrowings from money markets and TL 32 million in subordinated credits.

The Bank's nominal capital, which was TL 4.8 billion as of 31 December 2017, was fully paid-up.

As per Article 13 implemented by BRSA, entitled "Exemptions of Regulations Concerning the Determination of Natures of Credits and Other Receivables of Banks and Procedures and Principles of the Provisions for These by Banks", although the private and general provisioning ratio for the Bank for the transaction is set at zero percent, Turk Eximbank makes provisions within prudent banking principles.

Solvency

The liquid assets-to-short-term liabilities ratio of Turk Eximbank has been realized at 105% as of 31 December 2017.

Profit & Loss Statement and Profitability

As the balance of Turk Eximbank is concentrated on credits, its effects can be seen on incomes. Of the Bank's TL 2,238 million in total interest income, 93% (TL 2,092 million) came from interest earned from credits. On the other hand, the Bank's interest expense was TL 1,224 million, of which 61% (TL 743 million) was interest paid on borrowings from domestic international money markets, 38% (TL 468 million) was interest paid on marketable securities issued and 1% (TL 13 million) was other interest expenses. Net interest income was TL 1,014 million.

The Bank's net profit was TL 568 million as of 31 December 2017, yielding return on assets and return on equity ratios of 0.7% and 10.9%, respectively.

Risk Management Policies Based on Risk Types

Credit Risk

Credit risk indicates the failure of a borrower to fulfill its capital, interest payments and other obligations, the failure of an institution exporting securities to fulfill its obligations in cash credits, and losses arising from indemnity payment by the Bank to a financing institution afforded with a guarantee or to an exporter, contractor or institution afforded with insurance cover in non-cash credits.

The risk weights of the Bank's assets are determined within the boundaries of the regulations of the BRSA.

The framework of the annual activities of Türkiye İhracat Kredi Bankası A.Ş. is set out in the Law Concerning the Transformation of Devlet Yatırım Bankası into Türkiye İhracat Kredi Bankası A.Ş., dated 31 March 1987; the Law dated 26 September 1990 and Law No. 3659 amending Law No. 3332; other relevant legislation; regulations regarding bank activities; and the Turk Eximbank Annual Program, approved by the Supreme Advisory and Credit Guidance Committee (SCLGC) as per Article 25 of Decree No. 87/11914 (regulating the "Articles of Association" of the Bank) of the Council of Ministers dated 21 August 1987. The SCLGC is chaired by the Prime Minister, or the Minister, with whom the Bank is affiliated, and other members are the executives of related government departments.

Loans are extended under various credit programs within the framework of the authority given to the Board of Directors by the SCLGC for the realization of the Bank's objectives as set out in its annual programs.

Losses sustained by Turk Eximbank due to political risks undertaken for the sake of credit, guarantee and insurance activities are covered by the Undersecretariat of Treasury according to Article 4/C, added to Law No. 3332 under Law No. 3659 and Law No. 4749 on the Regulation of Public Finance and Debt Management dated 28 March 2002. The Decree on the Credit, Guarantee and Insurance Support Provided by Türkiye İhracat Kredi Bankası Anonim Şirketi went into force by the Council of Ministers Decree dated 15 July 2009 and numbered 2009/15198.

The limits of international credits are set by the Annual Programs within the foreign economic policy of Turkey by SCLGC and are approved by the Council of Ministers. International credits are granted by approval of the Board of Directors and approval of the Minister to whom the Undersecretariat of Treasury is reporting, according to Article 10 of Act No. 4749 dated 28 March 2002 on the Regulation of Public Finance and Debt Management. Applications for grant loans are made by the ministries of economy and/or finance of related countries to the Turkish Treasury and are put into effect upon the approval of the Council of Ministers of Turkey. The limit of a country is restricted by both the maximum risk that can be undertaken and the maximum amount that can be utilized annually.

The fundamental collateral of the international credits is the sovereign guarantee of the counter country or the guarantee of banks that Turk Eximbank accepts as accredited. Sovereign guarantee letters are regulated by the Finance or Economy Ministry related to the counter country legislations. Letters of Guarantee cover the principal, interest and all other obligations of the borrower and are valid until the maturity date. In addition to state guarantees, additional guarantees such as debt notes may be requested depending on the status of the debtor and project, the "comfort letter", and the "deposit account" issued by the authorities of the relevant countries.

The Bank reviews various reports of the OECD on country risk classification, reports of the members of the Berne Union, and reports of independent credit rating institutions, as well as the financial statements of banks and the country reports prepared by the Bank during the assessment and review of loans granted.

The risks and limits of companies and banks are monitored by both loan and risk analysis departments on a daily and weekly basis.

The risk ratings of banks are determined by analyzing financial and other indicators, such as the group to which a bank belongs, the shareholders of a bank, whether a bank is part of a financial holding company, the situation of a bank's sister companies, whether a bank is a foreign bank, the situation of the ultimate parent company, ratings issued by international rating agencies, and evaluation of subjective criterion like management quality and information from the press.

Risk Management Policies Based on Risk Types

Besides the financial and organizational information given by companies, the Bank receives intelligence from other sources (such as the Risk Centralization Records of the Central Bank of the Republic of Turkey, the Turkish Trade Registry Gazettes, the registration information from the Chamber of Commerce, other companies in the same sector, etc.) for proof and for detailed research on companies. At the same time, the Bank takes into consideration the overall situation of the sector of the company in question; the economic and political circumstances of foreign target markets; and the advantages and disadvantages of the company compared to domestic and/or foreign competing companies. If the company is a subsidiary of a holding company or is a member of a group of companies, the bank loans of the group and the scenarios which may affect the activities of the group are investigated and the risk of the whole group is considered while analyzing the company.

All operations denominated in foreign currency and other derivative transactions of the Bank are carried out under the limits approved by the Board of Directors. Sectoral and regional distributions of credit risks are conducted in parallel with the export composition of Turkey, and this is monitored by the Bank regularly.

Guarantees that are indemnified are converted to loans by decision of the Credit Committee. They are weighted as overdue loans and then recorded as "non-performing loans items" and classified according to their collateral.

Turk Eximbank is not obliged to conform to Article 54 of Banking Law No. 5411 on loan limits. Nevertheless, the Bank obeys the general credit limit constraints mentioned in the Banking Law (on single customer risk, affiliated customers group risk, etc.). As per guaranteeing policy, since credits are mostly extended based on the risk of the domestic bank, the Bank can undertake risk of up to 20% of the cash and non-cash total credit risk amount, excluding treasury transactions for a single bank, in order to fulfill its mission to provide credits depending on the economic conjuncture.

Turk Eximbank's short-, medium- and long-term credit programs are carried out with respect to financial conditions (terms, interest rates, collaterals, etc.) and procedures approved by the Board of Directors. Cost of funds, maturity of the transaction, structure of the collateral and variation in market interest rates are taken into consideration. The Bank's mission to provide financing opportunities with costs that will lead exporters to gain competitive advantages in existing markets and risky or new countries is also considered during the process of pricing loans.

Each year, Turk Eximbank cedes the commercial and political risks borne under its Short-Term Export Credit Insurance Program to a group of domestic and overseas reinsurance companies under renewed agreements. Turk Eximbank holds a certain portion of the aforementioned risks that can be indemnified from its own sources. This portion was 40% in 2017.

Premium rates for Short-Term Export Credit Insurance vary according to criteria such as the risk classification of the buyer's country, payment terms, credit length and the legal status of the buyer (private or public). The premium rates increase as the risk classification of the buyer's country rises and/or as the payment terms are longer. The premium rates are revised regularly and are valid after being approved by the Board of Directors. The quotation strategy, which is the basis for determining premium rates, is generated taking into account domestic market conditions, international quotations of export credit insurance services, and the size of accumulated losses in past years.

Short-Term Export Credits and Credits for Foreign Currency-Earning Services are granted to companies upon approval by the General Directorate Credit Committee within the guarantee determined by the Board of Directors and maturity and interest rate elements determined by the General Directorate, provided that the credit risk level that can be reached by a given firm will not be exceeded. This authorization is limited to 1% of the Bank's equity. Notwithstanding, the Committee is authorized to extend a maximum credit amount of TL 10 million within the frame of the protocol signed with the Credit Guarantee Fund (CGF) on 2 May 2017.

The collateral required for the Pre-Shipment Export Credits Program is the Debtor Bank's Current Account Undertaking Contract, similar to a comprehensive bond, issued by intermediary commercial banks in accordance with their respective credit limits allocated by Turk Eximbank.

The short-term credits and guarantee limits (local-currency and foreign-currency) of such intermediary banks are also approved by the Board of Directors. These limits can be changed under restrictions determined by the Board of Directors.

Direct lending secured by fundamental collateral amounts to 100% of the principal, interest and export commitment risk of the loan. Fundamental collateral is generally secured in the form of letter of bank guarantees, government securities and Credit Guarantee Fund guarantees.

In the Bank's annual program, within the framework of the insurance and buyers' credit facilities including foreign risk, the limit of a country implies the "maximum limit that can be undertaken", and the exposure limit of a country implies "maximum amount that can be utilized annually".

Within the framework of the authority given by the Board of Directors, up to the authorized amount of buyers' limits are granted by the underwriting department. The higher amounts are granted directly by the Board of Directors.

The maximum amount of credit risk to which the Bank may be exposed is indicated in the Application Principles of relevant credits, and these amounts are determined by the decision of the Board of Directors.

Taking into consideration the Provisioning Regulations of the Bank:

- The Bank has espoused the principle of setting aside special provisions covering 100% of non-performing loans within the scope of the credits disbursed. (The Bank is exempted from the regulation regarding general provisions).
- For its insurance activities, the Bank additionally sets aside fixed collateral of an amount determined with the approval of the relevant Minister, and sets aside variable collateral out of the definite rate of the premium income. In addition, in case of claims payments, the Bank sets aside specific provisions based on the coverage rate indicated in the insurance policy out of quota Bank's share.
- The Bank sets aside provisions for probable risks for the insurance activities.

Market Risk

Market risk is defined as the probability of loss at the Bank's on- and off-balance-sheet positions due to price, interest and exchange-rate movements arising from market fluctuations, leading to variations in income statement items and profitability of shareholders' equity.

For measuring its market risk exposure, the Bank calculates the "Exchange Rate Risk" and the "Interest Rate Risk" based on the "Market Risk Measurement Using the Standardized Approach" issued by the BRSA (the Bank is not exposed to any equity position risk). The market risk covering the aggregate interest and exchange rate risks calculated according to the said approach is prepared and reported to the BRSA on a monthly basis, whereas the exchange rate risk calculated according to the "Regulation on Measurement and Implementation of Banks' Net Overall FC Position / Equity Standard Ratio on a Consolidated and Unconsolidated Basis" is calculated and reported to the BRSA on a weekly basis.

The market risk portion of the Capital Adequacy Analysis Form covering "interest risk" and "exchange rate risks" (Turk Eximbank has no equity position), is calculated by using the "Standard Method for Market Risk Measurement Approach" put forward by the BRSA. The market risk covering the aggregate interest and exchange rate risks calculated according to the said approach is prepared and reported to the BRSA on a monthly basis, whereas the exchange rate risk calculated according to the "Regulation on Measurement and Implementation of Banks' Net Overall FC Position / Equity Standard Ratio on a Consolidated and Unconsolidated Basis" is calculated and reported to the BRSA on a weekly basis.

Currency Risk

The Bank's foreign exchange positions are monitored daily. All positions are managed by authorized personnel within the limits set out in the Risk Management Implementation Principles approved by the Bank's Board of Directors, considering the market developments and expectations.

The Bank gives high importance to implementing the strategy of matching its assets and liabilities in terms of currency, maturity and interest. In this framework, debt management is pursued in accordance with the Bank's asset structure to the greatest possible extent. In cases where this is not possible, the Bank tries to achieve a matching strategy using the appropriate types of swap transactions (cross-currency swaps, interest swaps or currency swaps) or by changing the asset structure of the Bank in such ways as may be possible under the given conditions.

The Bank follows a balanced strategy with respect to exchange rate risk between assets and liabilities.

The exchange rate risk for each currency is monitored separately and on a daily basis. The effects of the Bank's activities and of market conditions on the Bank's positions are closely monitored, and the necessary measures are taken promptly. Due to foreign currency denominated credits, the lira against foreign currency and the foreign currency against foreign currency operations are heavily used on a daily basis so as to manage foreign currency exposure.

Interest Rate Risk

The interest structure (fixed or floating) of interest-sensitive assets and liabilities, and their weight in total assets and liabilities, are evaluated to determine the probable effects of changes in market rates on the Bank's profitability. The Bank's approach is that all assets and liabilities bearing fixed interest rates will be repriced at maturity, and that those bearing floating rates are at the payment terms. By using this approach, the Bank calculates the interest-sensitive gap or surplus for each period (1 months, 1-3 months, 3-6 months, 6-12 months, more than 12 months, etc.) remaining to contractual reprising dates (gapping report). The gapping report is used to predict how the Bank will be affected by the probable market rate changes at any period of time provided that all assets and liabilities sensitive to interest are sorted according to the interest renewal periods.

Maturity mismatches are monitored periodically for dollar-denominated assets and liabilities (separately in all foreign currencies and with the total in dollars), and lira-denominated assets and liabilities are monitored via tables showing weighted averages of days to maturity, which are prepared periodically.

The Bank places high importance on matching the fixed and floating interest-bearing assets and liabilities for each currency separately according to the Risk Management Implementation Principles approved by the Board of Directors. There is a 20% ratio restriction on floating/fixed interest-bearing assets and liabilities mismatches to total assets, in order to limit the negative impacts of rate changes on the Bank's profitability.

Currently the Bank matches medium- and long-term floating interest-bearing foreign currency denominated assets to fixed interest-bearing liabilities denominated in another foreign currency by interest rate and cross-currency swaps. In addition, interest rate swaps have been used to cover the mismatch between medium- and long-term fixed-rate-bearing liabilities and medium- and long-term fixed-interest assets.

In accordance with the "Regulation on Calculation and Evaluation of Interest Rate Risk Arising from the Banking Accounts with Standard Shock Methods" issued by the BRSA and published in the Official Gazette, issue No. 28034, on 23 August 2011, submission of a report that is intended to act as a stress test by measuring the impact of interest rate shocks (of between +5% and -4% for lira and between +2% and -2% for foreign currencies) on the Bank's balance sheet, has continued in 2017.

According to the circular, the ratio of net present value changes caused by interest rate shocks on the equity of the related month must not exceed 20%.

The standard ratio of the interest rate of banking book items risk remains well below the legal limit owing to the Bank's solid equity structure and the very low share of fixed-rate products within assets and liabilities.

Liquidity Risk

The Bank's cash flows are prepared under positive, neutral and negative scenarios taking into account the collection of loans and prospective funds for better liquidity management. The Bank's Board of Directors determines the minimum liquidity levels and urgent liquidity sources.

The Bank meets its short-term liquidity needs via domestic and foreign banks, and meets its long-term liquidity needs via international institutions like the World Bank or Japan Bank for International Cooperation through medium- and long-term funds and issued marketable securities.

The Bank tries to match short-term loans with short-term borrowings and long-term loans with long-term borrowings, and tries to minimize the maturity mismatch of assets and liabilities.

The Bank prepares weekly, monthly and annual cash flow forecasts in TL and foreign currency separately by considering the debt payment obligations, estimated loan grants, loan collections, possible capital additions and political risk loss compensations as well as the current loan stocks and cash balances. The Bank determines the need and timing of additional funds based on the results of these cash flow forecasts.

Operational Risk

Operational risk is defined as the probability of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Within the framework of the BRSA regulations, determination of the appropriate amount of operational are calculated on the basis of the "Fundamental Indicator" approach used in capital adequacy calculations.

Support Services

The Risk Management Department prepared detailed "Risk Analysis Reports" and "Risk Management Program" related to SWIFT Services, Treasury and Risk Management Software, Installation, Development and Consultancy Service, Internet Branch Application Maintenance Service, New Credit Application, Archive Management Service, Lien and Pledge Transactions, New Insurance Application Service and SAP TRM Application Basis Technical Support Service, which fall under the scope of the "Regulation on Support Services to be Received by Banks" published in the Official Gazette issue 28106 dated 5 November 2011 as notified by the independent auditor responsible for Turk Eximbank's audit, and submitted the same to the Board of Directors with the approval of the Audit Committee on 22 August 2017.

Credit Ratings Assigned to Turk Eximbank by International Rating Agencies

The issuer credit ratings assigned to the Bank by Moody's and Fitch Ratings as of the end of 2017 are as follows:

	FOREIGN CURRENCY		LOCAL CURRENCY	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Moody's*	Ba1 (Negative)			
Fitch Ratings	BB+ (Stable)	B	BBB- (Stable)	F3

* In March 2018, Moody's downgraded Turkey's credit rating to "Ba2" with a "Stable" outlook. Accordingly, our Bank's long-term FC rating was revised as Ba2 (Stable).

Financial Indicators for the 2013-2017 Period

Balance Sheet Accounts (TL thousand)

	2017	2016	2015	2014	2013
Loans	80,271,104	61,609,764	43,159,126	31,889,864	23,035,036
Total Assets	85,375,189	68,276,314	44,437,795	33,742,277	24,809,762
Loans Borrowed	67,400,266	51,807,130	33,109,841	24,387,152	17,286,700
Funds Provided under Repurchase Agreements	138,000	69,000	200,000	220,064	163,945
Securities Issued (Net)	10,279,210	7,827,323	5,088,218	4,054,191	2,604,828
Equity	5,774,083	5,200,734	4,780,705	4,314,915	3,901,865
Paid-up Capital	4,800,000	3,700,000	2,500,000	2,400,000	2,200,000

Profit-Loss Statement Accounts (TL thousand)

	2017	2016	2015	2014	2013
Interest Income	2,238,086	1,643,054	1,193,866	962,847	603,088
Interest Income on Loans	2,092,254	1,570,550	1,134,114	886,588	546,059
Interest Expenses	(1,224,198)	(784,056)	(482,628)	(333,491)	(218,900)
Net Interest Income	1,013,888	858,998	711,238	629,356	384,188
Other Operating Income	214,444	142,282	125,702	124,812	86,838
Provisions for Loans and Other Receivables	(77,418)	(26,305)	(24,685)	(18,905)	(36,653)
Other Operating Expenses	(294,236)	(229,036)	(191,451)	(173,214)	(139,573)
Net Period Profit	568,475	421,325	489,406	427,009	245,927

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR YEAR ENDED 31 DECEMBER 2017 WITH INDEPENDENT AUDITORS' REPORT THEREON

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of Türkiye İhracat Kredi Bankası Anonim Şirketi;

Report on the Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye İhracat Kredi Bankası Anonim Şirketi ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2017 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İhracat Kredi Bankası Anonim Şirketi as at 31 December 2017, and its financial performance and 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 the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA"s) published 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 the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans

Refer to Section Three, Note VII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments for impairment of loans.

Key audit matter	*The audit of matter*
Loans and receivables comprise 94% of the Bank's assets. The Bank categorizes its loans and receivables according to subjective criterias based on management judgments and objective criterias and allocates specific provisions. Identification of impairment and determination of reasonable loan loss provisions are significantly based on the Bank's management's judgements and estimates, as explained above. There is a risk that loans and receivables cannot be classified correctly therefore the impairment cannot be determined. Disclosures related to credit risk are presented in Section Four, Note II, "Explanations Related to Credit Risk".	Our audit procedures for testing management judgements which are used for classification of loans and receivables: • Design and operational effectiveness of the controls on lending, allocation, collateralization, collection, follow-up, classification and impairment processes have been tested. • Loan reviews for selected samples including confirmation and detailed reviews of collection and follow-up have been performed. • Consistency of impairment losses with the Bank management's impairment policies have been tested. • Sufficiency of disclosures for impairment of loan losses in the unconsolidated financial statements have been assessed.

Hedge accounting

The detailed explanations related to hedge accounting are presented in Section Three, Note III.

Key audit matter	*The audit of matter*
The Bank applies fair value hedge and cash flow hedge transactions to manage interest rate and foreign currency risk and applies hedge accounting. The criteria for the application of the hedge accounting in accordance with TAS include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due to the fact that hedge accounting has a complicated structure and requires technical calculations, we considered this to be a key audit matter.	The procedures that we have applied; the assessment of the hedge relationship in accordance with TAS, the examination of the documentation subject to hedge accounting, the recalculation of the fair value calculations, the review of the Bank's hedge effectiveness tests and the assessment of the accounting records' appropriateness of the relevant TAS.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Regulation on Independent Audit of the Banks and TSAs 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 unconsolidated financial statements.

As part of an audit in accordance with Regulation on Independent Audit of the Banks and TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

Report on Other Legal and Regulatory Requirements

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

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Orhan Akova
Partner, SMMM

12 February 2018
Istanbul, Turkey

Additional paragraph for convenience translation to English:

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE İHRACAT KREDİ BANKASI AŞ ("TÜRK EXIMBANK") AS OF 31 DECEMBER 2017

Saray Mah. Ahmet Tevfik İleri Cad. No: 19 34768 Ümraniye/İSTANBUL
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The unconsolidated financial report includes the following sections in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

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

Osman ÇELİK
Chairman of Board of Directors

Adnan YILDIRIM
General Manager

Hüseyin ÇELİK
Deputy General Manager
Responsible for Reporting

Muhittin AKBAŞ
Head of Accounting and
Reporting Unit

Bülent Gökhan GÜNAY
Member of Directors/Member
of the Audit Committee

Raci KAYA
Member of the Board of Directors/Member
of the Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:
Name-Surname/Title: Muhittin AKBAŞ/Head of Accounting and Reporting Unit

Telephone Number : (216) 666 55 00
Fax Number : (216) 666 55 99

CONTENTS

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

SECTION ONE

GENERAL INFORMATION

I. Bank's date of foundation, initial status, history regarding the changes in this status

Türkiye İhracat Kredi Bankası AŞ ("the Bank" or "Eximbank") was established as Turkey's "Official Export Credit Agency" on 25 March 1987 with Act number 3332 as a development and investment bank and accordingly, the Bank does not accept deposits.

II. Explanation about the Bank's capital structure and shareholders who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters throughout the year (if any) and the group of the Bank

The Bank has implemented the registered capital system and the upper limit of registered capital of the Bank is TL 10.000.000 (ten billion).

The total share capital of the Bank is TL 4.800.000 (four billion and eight-hundred million). The Bank's paid-in-capital committed by the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("the Turkish Treasury") consists of 4.800.000.000 shares of TL 1 nominal each (full TL amount).

III. Explanation on the Board of directors, members of the audit committee, president and executive vice presidents and their shareholding at the Bank, if applicable

	Name:	**Academic Background:**
Chairman of the Board of Directors:	Osman Çelik	Undergraduate
Vice Chairman of the Board of Directors:	İbrahim ŞENEL	Undergraduate
Members of the Board of Directors:	Adnan YILDIRIM	Graduate
	Dr. Raci KAYA	Postgraduate
	Mehmet BÜYÜKEKŞİ	Undergraduate
	Işınsu KESTELLİ	Undergraduate
	Bülent GÖKHAN GÜNAY	Graduate
Members of the Audit Committee:	Bülent GÖKHAN GÜNAY	Graduate
	Dr. Raci KAYA	Postgraduate
General Manager:	Adnan YILDIRIM	Graduate
Deputy General Managers[(3)]:	Hüseyin ÇELİK[(2)]	Undergraduate
	Necdet KARADENİZ[(1)]	Graduate
	Enis GÜLTEKİN	Graduate
	M. Ertan TANRIYAKUL	Undergraduate
	Ahmet KOPAR	Graduate

(1) Mesut GÜRSOY has resigned from the position of Deputy General Manager of the Bank on 24 March 2017 due to his retirement. As of 26 May 2017, Necdet KARADENİZ was appointed as the Deputy General Manager of the Bank.

(2) Necati YENİARAS has resigned from the position of Deputy General Manager of the Bank on 2 May 2017. As of 29 May 2017, Hüseyin ÇELİK was appointed as the Deputy General Manager of the Bank.

(3) Alaaddin METİN has resigned from the position of Deputy General Manager of the Bank on 18 July 2017 due to his retirement.

General Manager is Adnan YILDIRIM, Assistant General Manager responsible for Credit/Insurance Allocation is Necdet KARADENİZ, Assistant General Manager responsible for Credit/Insurance Marketing is Enis GÜLTEKİN, Assistant General Manager of Financial Affairs/Operations is Hüseyin ÇELİK, Assistant General Manager Responsible for Treasury/Finance is Mustafa Ertan TANRIYAKUL and Assistant General Manager responsible for Technology/HR/Support is Ahmet KOPAR.

The Bank's chairman and members of the board of directors, the members of the audit committee, general manager and assistant general managers do not own shares of the Bank.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

IV. Information on the shareholders owning control shares

Name/Commercial title	Share amount	Share percentage	Paid-in capital	Unpaid portion	Upper Limit of Registered Capital
The Turkish Treasury	All	100%	4.800.000	-	All

V. Brief information on the Bank's service type and fields of operation

The Bank has been founded to support the development of export, venture investments, foreign trade through diversification of the exported goods and services, by increasing the share of exporters and entrepreneurs in international trade, to encourage foreign investments and production and sales of foreign currency earning commodities and to create new markets for the exported commodities, to provide exporters and overseas contractors with support to increase their competitiveness.

As a means of aiding export development services, the Bank performs loan, guarantee and insurance services in order to financially support export and foreign currency earning services. While performing the above mentioned operations, in addition to its own equity, the Bank provides short, medium or long term, domestic and foreign currency lending through borrowings from domestic and foreign money and capital markets.

On the other hand, the Bank also performs fund management (treasury) operations related with its core banking operations. These operations are Turkish Lira and foreign currency capital market operations, Turkish Lira and foreign currency money market operations, foreign currency market operations and derivative transactions, all of which are approved by the Board of Directors. As a result of Decision No. 4106 dated 11 March 2011 of the Banking Regulation and Supervisory Board published in Official Gazette No. 27876, dated 16 March 2011, permission was granted to the Bank to allow it to be engaged in the purchase and sale of foreign exchange-based options. The losses due to the political risks arising on loan, guarantee and insurance operations of the Bank, are transferred to the Turkish Treasury according to article 4/c of Act number 3332 that was appended by Act number 3659 and according to Act regarding the Public Financing and Debt Management, No 4749, dated 28 March 2002. In addition, Banking Regulation and Supervision Agency authorized the Bank to operate in "Purchase and sale of precious metals and stones" and "purchase and sale of the transaction based on the precious metals" on 8 April 2014 and published in the Official Gazette No. 28966 within the scope of paragraphs (h) and (i) paragraph of Article 4 of the Banking Law No. 5411.

VI. Short explanation about those entities subject to full consolidation or proportionate consolidation with the differences regarding the consolidation transactions performed in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, those deducted from the equities or not included in these three methods

There are not any transactions of the Bank subject to consolidation.

VII. Existing or potential, actual or legal barriers for the immediate transfer of equities among the subsidiaries of the Bank or the repayment of debts

The Bank does not have any subsidiaries.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION) AS AT 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2017			PRIOR PERIOD Audited 31 December 2016		
	ASSETS	**Notes**	**TL**	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
I.	**CASH AND BALANCES WITH CENTRAL BANK**	**(1)**	**260**	**631.932**	**632.192**	**987**	**370.004**	**370.991**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS (Net)**		**16.959**	**10.304**	**27.263**	**12.703**	**116.578**	**129.281**
2.1	Trading Financial Assets		16.959	10.304	27.263	12.703	116.578	129.281
2.1.1	Government Debt Securities		11.710	-	11.710	10.678	-	10.678
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading	(3)	5.249	10.304	15.553	2.025	116.578	118.603
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	**BANKS**	**(4)**	**191.882**	**1.890.519**	**2.082.401**	**120.537**	**2.397.511**	**2.518.048**
IV.	**MONEY MARKETS**		**831.691**	**-**	**831.691**	**368.160**	**-**	**368.160**
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		831.691	-	831.691	368.160	-	368.160
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	**(6)**	**30.318**	**-**	**30.318**	**21.124**	**-**	**21.124**
5.1	Share Certificates		30.318	-	30.318	21.124	-	21.124
5.2	Government Debt Securities		-	-	-	-	-	-
5.3	Other Marketable Securities		-	-	-	-	-	-
VI.	**LOANS AND RECEIVABLES**	**(7)**	**9.091.148**	**71.179.956**	**80.271.104**	**8.045.787**	**53.563.977**	**61.609.764**
6.1	Loans and receivables		8.988.646	71.179.956	80.168.602	7.956.484	53.563.977	61.520.461
6.1.1	Loans to Bank's risk group		-	-	-	-	-	-
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		8.988.646	71.179.956	80.168.602	7.956.484	53.563.977	61.520.461
6.2	Loans under Follow-up		294.231	-	294.231	233.087	-	233.087
6.3	Specific Provisions (-)		(191.279)	-	(191.729)	(143.784)	-	(143.784)
VII.	**FACTORING RECEIVABLES**		-	-	-	-	-	-
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	**(8)**	**180.461**	**-**	**180.461**	**98.549**	**-**	**98.549**
8.1	Government Debt Securities		180.461	-	180.461	98.549	-	98.549
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	(9)	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-Financial Investments in Associates		-	-	-	-	-	-
X.	**SUBSIDIARIES (Net)**	(10)	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	**JOINT VENTURES (Net)**	(11)	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	**FINANCIAL LEASE RECEIVABLES**	(12)	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	**HEDGING DERIVATIVE FINANCIAL ASSETS**	**(13)**	**77.064**	**56.542**	**133.606**	**354.757**	**105.554**	**460.311**
13.1	Fair Value Hedge		77.064	12.857	89.921	354.757	65.274	420.031
13.2	Cash Flow Hedge		-	43.685	43.685	-	40.280	40.280
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**	**(14)**	**5.430**	**-**	**5.430**	**7.404**	**-**	**7.404**
XV.	**INTANGIBLE ASSETS (Net)**	**(15)**	**6.055**	**-**	**6.055**	**2.759**	**-**	**2.759**
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		6.055	-	6.055	2.759	-	2.759
XVI.	**INVESTMENT PROPERTY (Net)**	**(16)**	**2.236**	**-**	**2.236**	**2.331**	**-**	**2.331**
XVII.	**TAX ASSET**		-	-	-	-	-	-
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		-	-	-	-	-	-
XVIII.	**ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		**90**	**-**	**90**	**-**	**-**	**-**
18.1	Held for Sale Purpose	(18)	90	-	90	-	-	-
18.2	Related to Discontinued Operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**		**525.689**	**646.653**	**1.172.342**	**521.403**	**2.166.189**	**2.687.592**
	TOTAL ASSETS		**10.959.283**	**74.415.906**	**85.375.189**	**9.556.501**	**58.719.813**	**68.276.314**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION) AS AT 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2017			PRIOR PERIOD Audited 31 December 2016		
	LIABILITIES	**Notes**	**TL**	**FC**	**TOTAL**	**TL**	**FC**	**TOTAL**
I.	**DEPOSITS**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Deposits of Bank's risk group		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	**HELD FOR TRADING DERIVATIVE FINANCIAL LIABILITIES**	**(2)**	**22.300**	**362.051**	**348.351**	**217**	**41.105**	**41.322**
III.	**BORROWINGS**	**(3.1)**	**-**	**67.368.670**	**67.368.670**	**-**	**51.718.845**	**51.718.845**
IV.	**DUE TO MONEY MARKETS**		**152.000**	**-**	**152.000**	**69.000**	**-**	**69.000**
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		14.000	-	14.000	-	-	-
4.3	Funds Provided Under Repurchase Agreements		138.000	-	138.000	69.000	-	69.000
V.	**MARKETABLE SECURITIES ISSUED (Net)**	**(4)**	**-**	**10.279.210**	**10.279.210**	**-**	**7.827.323**	**7.827.323**
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	10.279.210	10.279.210	-	7.827.323	7.827.323
VI.	**FUNDS**		**13**	**-**	**13**	**13**	**-**	**13**
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		13	-	13	13	-	13
VII.	**MISCELLANEOUS PAYABLES**		**16.610**	**649.204**	**665.814**	**12.851**	**2.734.597**	**2.747.448**
VIII.	**OTHER LIABILITIES**	**(5)**	**6.566**	**246.219**	**252.785**	**3.498**	**190.848**	**194.346**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**FINANCIAL LEASE PAYABLES (Net)**	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**	**(7)**	**11.244**	**177.042**	**188.286**	**1.515**	**149.014**	**150.529**
11.1	Fair Value Hedge		11.244	177.042	188.286	1.515	149.014	150.529
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	**(8)**	**268.419**	**-**	**268.419**	**230.229**	**-**	**230.229**
12.1	General Loan Loss Provision		130.214	-	130.214	130.214	-	130.214
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		60.253	-	60.253	51.383	-	51.383
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		77.952	-	77.952	48.632	-	48.632
XIII.	**TAX LIABILITY**	**(9)**	**9.962**	**-**	**9.962**	**8.240**	**-**	**8.240**
13.1	Current Tax Liability		9.962	-	9.962	8.240	-	8.240
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
14.1	Held for Sale Purpose		-	-	-	-	-	-
14.2	Related to Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**(10)**	**-**	**31.596**	**31.596**	**-**	**88.285**	**88.285**
XVI.	**SHAREHOLDERS' EQUITY**	**(11)**	**5.775.595**	**(1.512)**	**5.774.083**	**5.201.168**	**(434)**	**5.200.734**
16.1	**Paid-in capital**		4.800.000	-	4.800.000	3.700.000	-	3.700.000
16.2	**Capital Reserves**		19.589	(1.512)	18.077	10.477	(434)	10.043
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		21.154	-	21.154	11.960	-	11.960
16.2.4	Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6	Revaluation Differences of Investment Property		-	-	-	-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Funds (Effective portion)		-	(1.512)	(1.512)	-	(434)	(434)
16.2.9	Value increase of Non-current Asset Held for Sale and Discounted Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(1.565)	-	(1.565)	(1.483)	-	(1.483)
16.3	**Profit Reserves**		**387.531**	**-**	**387.531**	**1.069.366**	**-**	**1.069.366**
16.3.1	Legal Reserves		349.896	-	349.896	328.050	-	328.050
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3.	Extraordinary Reserves		37.635	-	37.635	718.573	-	718.573
16.3.4.	Other Profit Reserves		-	-	-	22.743	-	22.743
16.4	**Profit or Loss**		**568.475**	**-**	**568.475**	**421.325**	**-**	**421.325**
16.4.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.4.2	Current Period Profit/Loss		568.475	-	568.475	421.325	-	421.325
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6.262.709**	**79.112.480**	**85.375.189**	**5.526.731**	**62.749.583**	**68.276.314**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2017			PRIOR PERIOD Audited 31 December 2016		
		Notes	TL	FC	TL	FC	TL	FC
A.	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**7.818.753**	**70.608.092**	**78.426.845**	**6.246.845**	**45.344.216**	**51.591.061**
I.	**GUARANTEES AND WARRANTIES**	**(1.2)**	**-**	**6.241.263**	**6.241.263**	**-**	**3.863.578**	**3.863.578**
1.1.	Letters of Guarantee		-	-	-	-	-	-
1.1.1.	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.	Other Letters of Guarantee		-	-	-	-	-	-
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	-	-	-	-	-
1.3.1.	Documentary Letters of Credit		-	-	-	-	-	-
1.3.2.	Other Letters of Credit		-	-	-	-	-	-
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7.	Factoring Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		-	6.241.263	6.241.263	-	3.863.578	3.863.578
1.9.	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**2.811.553**	**20.900.292**	**23.711.845**	**2.438.531**	**17.164.838**	**19.603.369**
2.1.	Irrevocable Commitments		-	14.819	14.819	-	2.920.904	2.920.904
2.1.1.	Asset Purchase and Sale Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Loan Granting Commitments		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		-	-	-	-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	14.819	14.819	-	2.920.904	2.920.904
2.2.	Revocable Commitments		2.811.553	20.885.473	23.697.026	2.438.531	14.243.934	16.682.465
2.2.1.	Revocable Loan Granting Commitments		2.811.553	20.885.473	23.697.026	2.438.531	14.243.934	16.682.465
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(1.5)**	**5.007.200**	**43.466.537**	**48.473.737**	**3.808.314**	**24.315.800**	**28.124.114**
3.1.	Hedging Derivative Financial Instruments		3.988.955	20.820.190	24.809.145	3.547.489	15.952.012	19.499.501
3.1.1.	Transactions for Fair Value Hedge		3.952.735	20.744.690	24.697.425	3.511.269	15.881.596	19.392.865
3.1.2.	Transactions for Cash Flow Hedge		36.220	75.500	117.720	36.220	70.416	106.636

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

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2017			PRIOR PERIOD Audited 31 December 2016		
		Notes	TL	FC	TL	FC	TL	FC
3.1.3.	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2.	Trading Transactions		1.018.245	22.646.347	23.664.592	260.825	8.363.788	8.624.613
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		255.974	236.994	492.968	30.368	31.705	62.073
3.2.1.1.	Forward Foreign Currency Transactions-Buy		127.099	119.554	246.653	3.764	28.008	31.772
3.2.2.2.	Forward Foreign Currency Transactions-Sell		128.875	117.440	246.315	26.604	3.697	30.301
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		762.271	22.409.353	23.171.624	229.017	8.330.603	8.559.620
3.2.2.1.	Foreign Currency Swap-Buy		-	7.874.969	7.874.969	-	3.643.040	3.643.040
3.2.2.2.	Foreign Currency Swap-Sell		762.271	7.468.982	8.231.253	229.017	3.346.961	3.575.978
3.2.2.3.	Interest Rate Swap-Buy		-	3.532.701	3.532.701	-	670.301	670.301
3.2.2.4.	Interest Rate Swap-Sell		-	3.532.701	3.532.701	-	670.301	670.301
3.2.3.	Foreign Currency, Interest rate and Securities Options		-	-	-	1.440	1.480	2.920
3.2.3.1	Foreign Currency Options-Buy		-	-	-	720	740	1.460
3.2.3.2	Foreign Currency Options-Sell		-	-	-	720	740	1.460
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5.	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**3.678.180**	**71.025.814**	**74.703.994**	**136.744**	**18.343.038**	**18.479.782**
IV.	**ITEMS HELD IN CUSTODY**		-	-	-	-	-	-
4.1.	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		-	-	-	-	-	-
4.3.	Cheques Received for Collection		-	-	-	-	-	-
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**343.372**	**1.906.616**	**2.249.988**	**22.412**	**203.613**	**226.025**
5.1.	Marketable Securities		-	25.369	25.369	-	23.661	23.661
5.2.	Guarantee Notes		-	-	-	-	-	-
5.3	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Immovable		326.160	1.702.075	2.028.235	9.400	48.246	57.646
5.6.	Other Pledged Items		17.212	179.172	196.384	13.012	131.706	144.718
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTEES**		**3.334.808**	**69.119.198**	**72.454.006**	**114.332**	**18.139.425**	**18.253.757**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**11.496.933**	**141.633.906**	**153.130.839**	**6.383.589**	**63.687.254**	**70.070.843**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	INCOME AND EXPENSE ITEMS	Notes	CURRENT PERIOD Audited 1 January - 31 December 2017	PRIOR PERIOD Audited 1 January - 31 December 2016
I.	**INTEREST INCOME**	**(1)**	**2.238.086**	**1.643.054**
1.1	Interest on loans		2.092.254	1.570.550
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks		66.638	38.296
1.4	Interest Received from Money Market Transactions		56.824	8.286
1.5	Interest Received from Marketable Securities Portfolio		21.386	24.934
1.5.1	Held for Trading Financial Assets		1.127	915
1.5.2	Financial Assets Designated at Fair Value Through Profit or (loss)		-	-
1.5.3	Available-for-sale Financial Assets		-	-
1.5.4	Held to maturity Investments		20.259	24.019
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		984	988
II.	**INTEREST EXPENSE**	**(2)**	**1.224.198**	**784.056**
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		742.550	398.351
2.3	Interest Expense on Money Market Transactions		56	-
2.4	Interest on Securities Issued		468.138	369.261
2.5	Other Interest Expenses		13.454	16.444
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**1.013.888**	**858.998**
IV.	**NET FEES AND COMMISSIONS INCOME**		**(7.082)**	**13.856**
4.1	Fees and Commissions Received		21.409	34.753
4.1.1	Non-cash Loans		-	-
4.1.2	Other		21.409	34.753
4.2	Fees and Commissions Paid		(28.491)	(20.897)
4.2.1	Non-cash Loans		-	-
4.2.2	Other		(28.491)	(20.897)
V.	**DIVIDEND INCOME**		-	-
VI.	**TRADING INCOME/LOSS (Net)**	**(3)**	**(281.121)**	**(338.470)**
6.1	Trading Gains/Losses on Securities		(5)	9
6.2	Trading Gains/Losses on Derivative Financial Assets		(683.719)	662.142
6.3	Foreign Exchange Gains/Losses		402.603	(1.000.621)
VII.	**OTHER OPERATING INCOME**	**(4)**	**214.444**	**142.282**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**940.129**	**676.666**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(5)**	**77.418**	**26.305**
X.	**OTHER OPERATING EXPENSES (-)**	**(6)**	**294.236**	**229.036**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**568.475**	**421.325**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-
XIII.	**PROFIT/(LOSS) ON EQUITY METHOD**		-	-
XIV.	**GAIN/(LOSS) ON NET MONETARY POSITION**		-	-
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)**		**568.475**	**421.325**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**		-	-
16.1	Current Tax Provision		-	-
16.2	Deferred Tax Provision		-	-
XVII.	**NET PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)**		**568.475**	**421.325**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses from Discontinued Operations		-	-
XX.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII - XIX)**		-	-
XXI.	**PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)**		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX ± XXI)**		-	-
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**		**568.475**	**421.325**
	Earnings/Loss per share (Full TL)		0,11843	0,11387

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

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS RECOGNIZED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	Notes	CURRENT PERIOD Audited 1 January - 31 December 2017	PRIOR PERIOD Audited 1 January - 31 December 2016
I.	**ADDITIONS TO THE MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS**		**9.194**	**3.074**
II.	**PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES**		-	-
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**		-	-
IV.	**CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**		-	-
V.	**PROFIT/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value changes)**		**(1.078)**	**(767)**
VI.	**PROFIT/LOSS ON FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of fair value changes)**		-	-
VII.	**EFFECT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS**		-	-
VIII.	**OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS**		**(82)**	**68**
IX.	**DEFERRED TAX RELATED TO VALUATION DIFFERENCES**		-	-
X.	**NET PROFIT/LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY**		**8.034**	**2.375**
XI.	**CURRENT PERIOD PROFIT/LOSS**		**568.475**	**421.325**
11.1	Net change in fair value of marketable securities (Transfer to Profit/Loss)		-	-
11.2	Part of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement		-	-
11.3	Part of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement		-	-
11.4	Other		568.475	421.325
XII.	**TOTAL PROFIT/LOSS RELATED TO CURRENT PERIOD**		**576.509**	**423.700**

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	CHANGES IN THE SHAREHOLDERS' EQUITY	Notes	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves
I.	**Opening Balance - 31 December 2016**		**2.500.000**	-	-	-	**302.905**	-
II.	**Changes in Accounting Policies according to TAS 8**		-	-	-	-	-	-
2.1	Effects of errors		-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-
III.	**New Balance (I+II)**		**2.500.000**	-	-	-	**302.905**	-
	Changes in the period							
IV	**Increase/Decrease due to the Merger**		-	-	-	-	-	-
V.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-
VI.	**Hedging Transactions**		-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-
6.2	Foreign Net Investment Hedge		-	-	-	-	-	-
VII.	**Property and Equipment Revaluation Differences**		-	-	-	-	-	-
VIII.	**Intangible Fixed Assets Revaluation Differences**		-	-	-	-	-	-
IX.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-
X.	**Foreign Exchange Differences**		-	-	-	-	-	-
XI.	**Changes due to the Disposal of Assets**		-	-	-	-	-	-
XII.	**Changes due to the Reclassification of Assets**		-	-	-	-	-	-
XIII.	**Effect of Changes in Equity of Investments in Associates**		-	-	-	-	-	-
XIV.	**Capital Increase**		1.200.000	-	-	-	-	-
14.1	Cash increase		-	-	-	-	-	-
14.2	Internal Resources		1.200.000	-	-	-	-	-
XV.	**Share Premium**							
XVI.	**Share Cancellation Profits**							
XVII.	**Paid-in-capital inflation adjustment difference**							
XVIII.	**Other**		-	-	-	-	-	-
XIX.	**Current Year Net Profit or Loss**		-	-	-	-	-	-
XX.	**Profit Distribution**		-	-	-	-	25.145	-
20.1	Dividends Paid		-	-	-	-	-	-
20.2	Transfer to Reserves		-	-	-	-	25.145	-
20.3	Other		-	-	-	-	-	-
	Period End Balance		**3.700.000**	-	-	-	**328.050**	-
	Current Period - 31 December 2017							
I.	**Prior Period End Balance**		**3.700.000**	-	-	-	**328.050**	-
	Changes in the period							
II.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-
III.	**Marketable Securities Valuation Differences**	**(1.2)**	-	-	-	-	-	-
IV.	**Hedging Transactions Funds**	**(1.3)**	-	-	-	-	-	-
4.1	Cash flow Hedge		-	-	-	-	-	-
4.2	Foreign Net Investment Hedge		-	-	-	-	-	-
V.	**Property and Equipment Revaluation Differences**		-	-	-	-	-	-
VI.	**Intangible Fixed Assets Revaluation Differences**		-	-	-	-	-	-
VII.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-
VIII.	**Foreign Exchange Differences**		-	-	-	-	-	-
IX.	**Changes due to the disposal of assets**		-	-	-	-	-	-
X.	**Changes due to the reclassification of assets**		-	-	-	-	-	-
XI.	**Effect of Changes in Equity of Investments in Associates**		-	-	-	-	-	-
XII.	**Capital Increase**		1.100.000	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-
12.2	Internal Resources		1.100.000	-	-	-	-	-
XIII.	**Share Premium**		-	-	-	-	-	-
XIV.	**Share Cancellation Profits**		-	-	-	-	-	-
XV.	**Paid-in-capital inflation adjustment difference**		-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-
XVII.	**Current Year Net Profit or Loss**		-	-	-	-	-	-
XVIII.	**Profit Distribution**		-	-	-	-	21.846	-
18.1	Dividends Paid		-	-	-	-	-	-
18.2	Transfers to Reserves	(4)	-	-	-	-	21.846	-
18.3	Other		-	-	-	-	-	-
	Period End Balance		**4.800.000**	-	-	-	**349.896**	-

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

Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
858.326	**620.849**	**-**	**489.406**	**8.886**	**-**	**-**	**333**	**-**	**4.780.705**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
858.326	**620.849**	**-**	**489.406**	**8.886**	**-**	**-**	**333**	**-**	**4.780.705**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(3.074)	-	-	-	-	3.074
-	-	-	-	-	-	-	(767)	-	(767)
-	-	-	-	-	-	-	(767)	-	(767)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(600.343)	(599.657)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(600.343)	(599.657)	-	-	-	-	-	-	-	-
-	68	-	-	-	-	-	-	-	68
-	-	421.325	-	-	-	-	-	-	421.325
460.590	-	-	(489.406)	-	-	-	-	-	(3.671)
-	-	-	(3.671)	-	-	-	-	-	(3.671)
460.590	-	-	(485.735)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
718.573	**21.260**	**421.325**	**-**	**11.960**	**-**	**-**	**(434)**	**-**	**5.200.734**
718.573	**21.260**	**-**	**421.325**	**11.960**	**-**	**-**	**(434)**	**-**	**5.200.734**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	9.194	-	-	-	-	9.194
-	-	-	-	-	-	-	(1.078)	-	(1.078)
-	-	-	-	-	-	-	(1.078)	-	(1.078)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(1.077.257)	(22.743)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(1.077.257)	(22.743)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	(82)	-	-	-	-	-	-	-	(82)
-	-	568.475	-	-	-	-	-	-	568.475
396.319	-	-	(421.325)	-	-	-	-	-	(3.160)
-	-	-	(3.160)	-	-	-	-	-	(3.160)
396.319	-	-	(418.165)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
37.635	**(1.565)**	**568.475**	**-**	**21.154**	**-**	**-**	**(1.512)**	**-**	**5.774.083**

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Note	CURRENT PERIOD Audited 1 January - 31 December 2017	PRIOR PERIOD Audited 1 January - 31 December 2016
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit before changes in operating assets and liabilities**		**1.730.389**	**3.120.294**
1.1.1	Interest received		2.165.125	1.582.438
1.1.2	Interest paid		(728.806)	(745.193)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		21.114	34.753
1.1.5	Other income		214.444	804.433
1.1.6	Collections from previously written-off loans and other receivables		7.065	54.854
1.1.7	Payments to personnel and service suppliers		(159.764)	(126.080)
1.1.8	Taxes paid		(25.299)	(2.632)
1.1.9	Other	(1.3)	236.510	1.517.721
1.2	**Changes in operating assets and liabilities**		**(2.945.263)**	**(2.215.799)**
1.2.1	Net (increase)/decrease in trading securities		(980)	(4.143)
1.2.2	Net (increase)/decrease in fair value through profit/(loss) financial assets		-	-
1.2.3	Net (increase)/decrease in due from banks		-	-
1.2.4	Net (increase)/decrease in loans		(10.747.602)	(18.389.918)
1.2.5	Net (increase)/decrease in other assets		(114.919)	(1.983.319)
1.2.6	Net increase/(decrease) in bank deposits		-	-
1.2.7	Net increase/(decrease) in other deposits		-	-
1.2.8	Net increase/(decrease) in funds borrowed		8.215.708	16.328.408
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase/(decrease) in other liabilities	(1.3)	297.470	1.833.173
I.	**Net cash provided from banking operations**		**1.214.874**	**904.495**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(79.686)**	**155.280**
2.1	Cash paid for acquisition of associates, subsidiaries and joint ventures		-	-
2.2	Cash obtained from disposal of associates, subsidiaries and joint ventures		-	-
2.3	Purchases of property and equipment		(1.729)	(1.591)
2.4	Disposals of property and equipment		778	3.454
2.5	Cash paid for purchase of available-for-sale investments		-	-
2.6	Cash obtained from sale of available-for-sale investments		-	-
2.7	Cash paid for purchase of investment securities		(238.756)	(18.250)
2.8	Cash obtained from sale of investment securities		164.403	172.196
2.9	Other		(4.382)	(529)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from financing activities**		**1.218.287**	**1.487.164**
3.1	Cash obtained from funds borrowed and securities issued		1.716.276	1.539.386
3.2	Cash used for repayment of funds borrowed and securities issued		(494.829)	(48.551)
3.3	Issued capital instruments		-	-
3.4	Dividends paid		(3.160)	(3.671)
3.5	Payments for finance leases		-	-
3.6	Other		-	-
				-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**365.358**	**544.631**
V.	**Net increase in cash and cash equivalents**		**289.085**	**3.091.570**
VI.	**Cash and cash equivalents at the beginning of the period**	(1.1)	**3.257.199**	**165. 629**
VII.	**Cash and cash equivalents at the end of the period**	(1.2)	**3.546.284**	**3.257.199**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

VII. PROFIT DISTRIBUTION STATEMENT	Current Period 31 December 2017(*)	Prior Period 31 December 2016
I. DISTRIBUTION OF PROFIT		
1.1. Current Year Income	580.077	429.923
1.2 Taxes And Duties Payable (-)	11.602	8.598
1.2.1 Corporate Tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	11.602	8.598
A. NET INCOME FOR THE YEAR (1.1-1.2)	**568.475**	**421.325**
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	-	21.066
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	**-**	**400.259**
1.6. First Dividend To Shareholders (-)	-	3.160
1.6.1 To Owners Of Ordinary Shares	-	3.160
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.7. Dividends To Personnel (-)(**)	-	7.602
1.8. Dividends To Board Of Directors (-)	-	-
1.9. Second Dividend To Shareholders (-)	-	-
1.9.1 To Owners Of Ordinary Shares	-	-
1.9.2 To Owners Of Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	780
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	396.319
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 Owners Of Ordinary Shares	-	-
2.3.2 To Owners Of Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And Loss Sharing Certificates	-	-
2.4 Dividends To Personnel (-)	-	-
2.5 Dividends To Board Of Directors (-)	-	-
III. EARNINGS PER SHARE		
3.1 To Owners Of Ordinary Shares	0,1184	0,1139
3.2 To Owners Of Ordinary Shares (%)	11,84	11,39
3.3 To Owners Of Privileged Shares	-	-
3.4 To Owners Of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE	**-**	**-**
4.1 To Owners Of Ordinary Shares	-	-
4.2 To Owners Of Ordinary Shares (%)	-	-
4.3 To Owners Of Privileged Shares	-	-
4.4 To Owners Of Privileged Shares (%)	-	-

(*) As of the report date, there is no decision related to 2017 profit distribution, therefore, distributable net profit of the period is not presented.

(**) The amount of dividend distributed to personnel has been provided in 2016 net profit. Therefore, it is not included in profit distribution, but presented for information.

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

The Bank prepares its legal records, financial statements and underlying documents in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards (TFRS), other explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA"). Turkish Accounting Standards/Turkish Financial Reporting Standards and additions and comments ("TAS/TFRS") published by Public Oversight, Accounting and Auditing Standards Authority ("POA") are taken as basis for preparation of financial statements.

Accounting policies applied and valuation methods used in the preparation of the unconsolidated financial statements are expressed in detail below.

Amounts in the financial statements and related explanations and disclosures are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

The financial statements are prepared as TL in accordance with the historical cost basis except for the financial assets at fair value through profit or loss, available-for-sale financial assets whose fair value can be reliably measured, derivative financial assets and liabilities held for trading purpose and derivative financial assets and liabilities held for hedging purposes.

The preparation of the unconsolidated financial statements in conformity with TAS requires the Bank management to use of certain make assumptions and estimates on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement.

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2017 have no material effect on the Bank's accounting policies, financial position and performance. New and revised Turkish Accounting Standards issued but not yet effective have no material effect on the financial position and performance except for TFRS 9 which will be effective from periods beginning on or after 1 January 2018. The Bank continues adaptation for TFRS 9 standard, and the related disclosures are summarized in Note XXIII Other disclosures.

2. Accounting policies and valuation principles applied in the preparation of the financial statements

The accounting policies and valuation principles applied in the preparation of the financial statements are determined and applied in accordance with the principles of TAS. These accounting policies and valuation principles are explained in Notes II to XXIII below.

3. Preparing financial statements in the consolidated financial statements, the ratios of items for which different accounting policies have been applied and their related items in the consolidated financial statements

None.

4. Presentation of the information regarding the consolidated affiliates

None.

5. Additional paragraph for convenience translation to English

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

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

The Bank uses derivatives to balance its foreign currency asset/liability positions for managing its exposure to currency risk.

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

As of 31 December 2017, the exchange rates used in translation of foreign currency denominated balances into Turkish Lira are TL 3,7750 for US dollar, TL 4,5138 for Euro, TL 3,3511 for 100 JPY and TL 5,0861 for GBP.

III. Explanations on forward transactions, options and derivative instruments

The Bank uses derivative financial instruments in order to avoid exposure to foreign currency and interest rate risks.

As of the balance sheet date, there are outstanding currency and interest rate swap purchase and sales contracts and forward transactions in TL and foreign currency.

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded in profit or loss. The following periods of initial reporting, they are measured with their fair values. The result of this assessment, offsetting debit and credits stemming from each contract debit and credits are reflected to the financial statements as a contract-based single asset and liability. The method of accounting gain or loss changes according to related derivative transaction whether to be held for cash flow hedges or not and to the content of hedge account.

The Bank notifies in written the relationship between hedging instrument and related account, risk management aims of hedge and strategies and the methods using to measure of the hedge effectiveness. The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions under fair value hedges are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/Losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to "Trading gains/losses on derivative financial instruments" account in the income statement.

The Bank hedges its cash flow risk arising from floating-rate liabilities in foreign currency and TL by cross-currency swaps. In this context, the fair value changes of the effective portion of the hedging instruments are accounted under the "hedge funds" account within equity. In the period in which the cash flows affect the income statement for the hedged item, the hedging instrument relating to the profit/loss is extracted from equity and recognized in the income statement.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders' equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity, are transferred to income statement.

The Bank classifies its derivative instruments except for derivatives held for fair value hedges and cash flow hedges as "Held-for-hedging" or "Held-for-trading" in accordance with "Financial Instruments: Turkish Accounting Standard for Recognition and Measurement ("TAS 39")". According to this, certain derivative transactions while providing effective economic hedges under the Bank's risk management position, are recorded under the specific rules of TAS 39 and are treated as derivatives "Held-for-trading".

Payables and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values. Derivative instruments are remeasured at fair value after initial recognition. If the fair value of a derivative financial instrument is positive, it is disclosed under the main account "Financial assets at fair value through profit or loss" in "Derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities held for trading". Differences in the fair value of trading derivative instruments are accounted under "trading income/loss" in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

IV. Explanations on interest income and expense

Interest income and expenses are recognized in profit or loss on an accrual basis.

The Bank ceases accruing interest income on non-performing loans. Interest income is recorded for non-performing loans when the collection is made.

V. Explanations on fee and commission income and expenses

All fees and commission income/expenses are recognized on an accrual basis, except for certain commission income and fees for various banking services which are recorded as income at the time of collection.

VI. Explanations on financial assets

The Bank categorizes and recognitions its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

Financial assets at the fair value through profit or loss category have two sub categories: "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition."

Trading financial assets are initially recognized at cost. Acquisition and sale transactions of trading financial assets are recognized and derecognized at the settlement date.

The government bonds and treasury bills recognized under trading financial assets which are traded on Borsa İstanbul AŞ ("BIST") are valued with weighted average prices settled on the BIST as of the balance sheet date; and those government bonds and treasury bills traded on the BIST but which are not subject to trading on the BIST as of the balance sheet date are valued with weighted average prices at the latest trading date.

The financial assets classified under trading financial assets and whose fair values cannot be measured reliably are carried at amortized cost using the "effective yield method". The difference between the purchase cost and the amortized cost at the selling date is recorded as interest income.

If the selling price of a trading financial asset is above its amortized cost as of the sale date, the positive difference between the selling price and the amortized cost is recognized as income under trading gains on securities and if the selling price of a trading security is lower than its amortized cost as of the sale date, the negative difference between the selling price and the amortized cost is recognized as expense under trading losses on securities.

Derivative financial instruments are classified as trading financial assets unless they are designated as hedging instruments. The principles regarding the accounting of derivative financial instruments' details are explained in Note III under Section Three.

The Bank does not have any financial assets designated as financial assets at fair value through profit or loss.

Held-to-maturity financial assets are assets that are not classified under loans and receivables with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Loans and receivables are financial assets that are originated by the Bank by providing money, services or goods to borrowers other than trading financial assets and financial assets held for the purpose of short-term profit making. Available for sale financial assets are financial assets other than loans and receivables, held to maturity financial assets and financial assets at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized and derecognized at the settlement date. The Bank holds Government Bonds, Treasury Bills and foreign currency bonds issued in Turkey and abroad by the Turkish Treasury under the held-to-maturity portfolio.

Held-to-maturity financial assets are initially recognized at cost and are subsequently carried at amortized cost using the effective interest method. Interest earned from held-to-maturity financial assets is recorded as interest income. All regular way purchases and sales of held-to-maturity financial assets are accounted at the settlement date. There are not any financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

Available-for-sale financial assets are marketable securities other than "Held-to-maturity investments" and "Trading securities". Available-for-sale financial assets are subsequently remeasured at fair value. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at amortized cost, less provision for impairment.

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized under shareholders' equity as "Marketable securities value increase fund", until the collection of the fair value of financial assets, the sale of the financial assets, permanent impairment in the fair values of such assets or the disposal of the financial assets. When these securities are disposed of or the fair value of such securities is collected, the accumulated fair value differences in the shareholders' equity are reflected to profit or loss.

Bank loans and receivables; consist of other than those, goods or services to be created by the purchase-sale or the financial assets that held for sale in the short term. Bank loans and receivables are initially recognized at cost value. Banks are accounted for at cost-based loans at amortized cost, they are classified as short and long-term loans, open and covered. FX type loans are recognized at fixed prices and are revalued with the Bank's spot foreign exchange buying rate at the end of the period.

VII. Explanations on impairment of financial assets

Financial assets are considered as impaired when the recoverable amount of financial assets, which is calculating expected future cash flows with using "internal rate of return" method, are lower than book value. A provision is made for the diminution in value of the impaired financial asset and this is charged against the income for the year.

The Bank is exempted from the general and specific provisions in accordance with Article 13 "Exceptions of the Regulation on Principles and Procedures Related to the Determination of the Qualifications of Banks' Loans and Other Receivables and Provisioning for these Loans and Other Receivables" which says "specific and general provision rates for transactions made in accordance with Law No: 3332 dated 25 March 1987 are considered as zero percent". In accordance with the decision taken by the Board of Directors, in accordance with the precautionary principle, the Bank may reserve specific provision for receivables secured by 1st and 2nd Group collaterals in the Regulation from non-performing loans and receivables, up to 20% which is first stage specific reserve ratio in the Regulation, for receivables secured by 3rd, 4th and 5th Group collaterals in the Regulation and unsecured receivables, up to 100%.

VIII. Explanations on offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously. Otherwise, no offsetting is made in relation with the financial assets and liabilities.

IX. Explanations on sales and repurchase agreements and securities lending transactions

The Bank does not have any sales and repurchase agreements and securities lending transactions at the balance sheet date.

X. Explanations on assets held for sale and discontinued operations and explanations on liabilities related with these assets

Assets which meet the criteria to be classified as held for sale are measured by the book value and no more amortization is made for these assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan.

Furthermore, the asset (or group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is sufficient evidence that the related delay has occurred beyond the Bank's control and that the Bank's plans for selling the related asset (or group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

XI. Explanations on goodwill and other intangible assets

As of 31 December 2017 and 31 December 2016, the Bank does not have any goodwill in its accompanying financial statements.

Intangible assets consist of computer software licenses. Intangible assets result in net book value as of the balance sheet date by deducting their acquisition cost to accumulated amortization. Intangible assets are amortized by the straight-line method, considering their useful life and amortization rates published by Republic of Turkey Ministry of Finance. During the current year, there has been no change in the depreciation method. The Bank does not expect any changes in accounting estimates, useful lives, depreciation method and residual value during the current and the following periods.

Implemented yearly amortization rates as follows;

Licence:	6,66%
Software:	33,33%

XII. Explanations on property and equipment

All property and equipment are initially recognized at cost. Subsequently property and equipment are carried at cost less accumulated depreciation at the balance sheet date. Depreciation is calculated over the cost of property and equipment using the straight-line method over its estimated useful life. There has been no change in the depreciation method during the current period.

The depreciation rates are as follows;

Buildings:	2%
Furniture, fixtures and vehicles:	6-33%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment. Gains and losses on the disposal of property and equipment are booked to the income statement accounts for the period at an amount equal to the book value. Where the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution in value is charged to the income statement. Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized over the cost of the tangible asset. The capital expenditures include the cost components that increase the useful life, capacity of the asset or quality of the product or that decrease the costs.

There are not any pledges, mortgages or any other contingencies and commitments over property and equipment that restrict their usage. The Bank does not expect any changes in accounting estimates that will have a material impact in future periods in relation with the property and equipment.

XIII. Explanations on investment property

Investment properties consist of assets held to obtain rent and/or unearned increment profit. These properties are carried on accompanying unconsolidated financial statements at cost less accumulated depreciation and impairment. Investment properties are depreciated in accordance with the useful life principles with straight-line depreciation method. Gains and losses resulted from disposal of investment properties or withdrawn from service of a tangible asset are determined as the difference between sales proceeds and the carrying amount of the asset and included in the income statement.

XIV. Explanations on lease

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease instalments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognized. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not perform financial leasing transactions as a "Lessor".

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

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

XV. Explanations on provisions and contingent liabilities

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

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated reliably it is considered that a "Contingent" liability exists. When the amount of the obligation can be estimated reliably and when there is a high possibility of an outflow of resources from the Bank, the Bank recognizes a provision for such liability.

As of the balance sheet date, there is not any contingent liability based on past events for which there is a possibility of an outflow of resources and whose obligation can be reliably estimated.

XVI. Explanations on obligations related to employee rights

Under the Turkish Labor Law, the Bank is required to pay a specific amount to employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law.

Obligations related to employee termination and vacation rights are calculated for in accordance with "Turkish Accounting Standard for Employee Benefits" ("TAS 19").

Revised TAS 19 is effective being published on the Official Gazette dated 12 March 2013 by Public Oversight Accounting and Auditing Standards Authority. According to revised TAS 19, once the Actuarial Gains and Losses occur, they are recorded under equity and are not associated with the income statement. Benefit costs arising interest cost due to being 1 year more closer to the payment of benefit and service cost as a result of given service by employee are required to be shown in income statement.

TL 82 accounted as actuarial valuation difference is recorded under equity, TL 1.983 accounted as service and interest cost is associated with the income statement accounts. Assumptions used in the calculation are shown below.

	Current Period	Prior Period
Discount ratio	11,65%	11,20%
Inflation	8,30%	8,00%
Salary increase rate	11,00%	9,00%

As of 31 December 2017, the calculated employment termination obligation amount is TL 19.116 (31 December 2016: TL 17.050). For the year ended 31 December 2017, the Bank also provided 100% provision for vacation pay liability relating to prior periods amounting to TL 13.733 (31 December 2016: TL 12.033).

The Bank has allocated a provision amounting to TL 17,806 (31 December 2016: TL 14,500) based on the success premium to be paid in January 2018 for the second half of the year and a provision amounting to TL 9,598 (31 December 2016: TL 7,800) for the dividend payable to the employees in 2018 from the profit of 2017.

XVII. Explanations on taxation

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 3rd Article of the same act; the above mentioned exemption became valid from 1 January 1988. In accordance with clause 9 of the Provisional Article 1 of Corporate Tax Law No. 5520, which states "The provision of Article 35 shall not apply to exemptions, allowances and deductions included in other laws in relation to Corporation Tax prior to the effective date of the Law No. 5520", the exemption from Corporation Tax continues. Accordingly, deferred tax asset or liability is not recognized in these financial statements.

XVIII. Additional explanations on borrowings

Trading financial liabilities and derivative instruments are carried at their fair values and other financial liabilities including debt securities issued are carried at "Amortized cost" using the "Effective interest method".

The Bank has issued six bonds. In April 2012, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 5,875% every six months and the total maturity is seven years. In October 2012, the Bank issued bonds amounting USD 250 million (TL 943.750). The bond is subject to annual fixed interest payment of 5,875% every six months and the total maturity is seven years. In September 2014, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 5,000% every six months and the total maturity is seven years. In February 2016, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 5,375% every six months and the total maturity is five years. In October 2016, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 5,375% every six months and the total maturity is seven years. In September 2017, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 4,250% every six months and the total maturity is five years. The Bank applied hedge accounting for the measurement of derivative financial instruments which are related to the bonds issued and accounted for hedge accounting during this period.

Moreover, the Bank has provided fixed rate TL loans that were provided as part of the foreign source FC with floating rate of by Rediscount Credit Programs of the CBRT. Hedge accounting has been made to the risk of currency risk as a result of these measurement of derivative transactions was calculated within the scope of hedge accounting was also reflected to the relevant accounts.

XIX. Explanations on issuance of share certificates

As the Bank's total paid-in capital is owned by the Turkish Treasury, there is no cost related to share issuance. Profit appropriation of the Bank is resolved at the General Assembly meeting. As of 2 May 2017, dividend distribution for 2016 was approved by Banking Regulation and Supervision Agency and profit distribution was made according to the resolution of the meeting.

XX. Explanations on avalized drafts and acceptances

The Bank keeps its guarantee bills and acceptances in the off-balance liabilities.

XXI. Explanations on government grants

The Bank benefits from the Government Advancement provided by the Ministry of Economy as of 31 December 2017. In accordance with the decision of the Ministry of Economy Money-Credit and Coordination Board dated 2016/8, the interest expense of bank which is corresponding with difference between the bank interest rate and reference commercial interest rate is supported on merchandise exports medium-long-term buyer's loans that are characteristic of investment property which is extended credit by bank. These incentives are recognized by adopting an income approach in accordance with "Accounting for Government Grants and Disclosure of Government Assistance" ("TAS 20").

XXII. Explanations on segment reporting

The Bank emphasizes the scope of business method for segment reporting by considering the Bank's main source and character of risks and earnings. The Bank's activities mainly concentrate on corporate and investment banking.

XXIII. Explanations on other issues

i) The Bank does not accept deposits. The Bank has been mandated to export loan operations, export loan insurance and export grants. On the other hand, the Bank also performs domestic and foreign currency money, capital and FX market operations within the context of Treasury operations.

   The Bank engages in derivative transactions, currency and interest rate swaps, forward and option transactions and obtains funds by means of syndicated loans, subordinated loans, bond issuance and bank borrowings.

ii) The Bank has executed the tender for the services required to comply with TFRS 9 Financial Instruments and is in contracting process with the company. Considering that it is expected that the private and general provision rates will be applied as 0% within the framework of Article 21 of the BRSA's provisioning Regulation regarding the expected loan provisions, a response has been received that there is no need for compliance work related to the subject. Necessary preparation is made within the scope of classification requirements of TFRS 9.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK

I. Information about shareholders' equity items

Equity amount and capital adequacy standard ratio are calculated within the framework of "Regulation Regarding Equities of Banks" and "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy".

As of 31 December 2017, the shareholders' equity of the Bank is TL 5.897.781 (31 December 2016: TL 5.326.438) and the capital adequacy standard ratio is 13,55% (31 December 2016: 13,41%). The capital adequacy standard ratio of the Bank is above the minimum ratio determined by the relevant legislation.

	Current Period	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL	**5.768.777**	
Paid-in Capital to be Entitled for Compensation after All Creditors	4.800.000	
Share Premium	-	
Reserves	387.531	
Other Comprehensive Income according to TAS	21.154	
Profit	568.475	
Net Current Period Profit	568.475	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	**5.777.160**	
Deductions From Common Equity Tier I Capital	**8.383**	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1.512	
Leasehold Improvements on Operational Leases (-)	462	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	4.844	
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	1.565	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Current Period	Amount as per the regulation before 1/1/2014(*)
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	**8.383**	
Total Common Equity Tier I Capital	**5.768.777**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier 1 Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier 1 Capital during the Transition Period	**1.211**	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	1.211	
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-	
Deduction from Additional Tier 1 Capital when there is not enough Tier II Capital (-)	-	

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Current Period	Amount as per the regulation before 1/1/2014(*)
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**5.767.566**	
TIER II CAPITAL	**130.214**	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	130.214	
Total Deductions from Tier II Capital	**130.214**	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**130.214**	
Total Equity (Total Tier I and Tier II Capital)	**5.897.781**	
The sum of Tier I Capital and Tier II Capital (Total Capital)	**5.897.781**	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Current Period	Amount as per the regulation before 1/1/2014(*)
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
CAPITAL	**5.897.781**	
Total Capital (Total of Tier I Capital and Tier II Capital)	**5.897.781**	
Total Risk Weighted Assets	**43.525.396**	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Ratio (%)	13,25	
Tier I Capital Ratio (%)	13,25	
Capital Adequacy Ratio (%)	13,55	
BUFFERS		
Bank-specific total Common Equity Tier I Capital Ratio	1,250	
Capital conservation buffer requirement (%)	1,250	
Bank specific countercyclical buffer requirement (%)	-	
Systemically important bank buffer requirement (%)	-	
Additional Common Equity Tier I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	8,75	
Amounts Lower Than Excesses as per Deduction Rules	**30.318**	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	30.318	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation	**130.214**	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	130.214	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4		
(effective between 01.01.2018-01.01.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(*) Represents the amounts taken into consideration according to transition clauses

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Prior Period	Amounts related to treatment before 1/1/2014(*)
TIER CAPITAL	**5.197.328**	
Paid in Capital to be Entitled for compensation after all Creditors	3.700.000	
Share Premium	-	
Legal Reserves	1.069.366	
Other Comprehensive Income according to TAS	11.960	
Profit	421.325	
Net Current Period Profit	421.325	
Prior Years' Profit	-	
Bonus shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
Tier 1 Capital before Deductions	**5.202.651**	
Deductions from Tier 1 Capital	**5.323**	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	-	
Leasehold Improvements on Operational Leases	2.185	
Goodwill and Intangible Assets and Related Deferred Tax Liabilities	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	1.655	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Net defined benefit plan assets	1.483	
Investments in own common equity	-	
Shares obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Banks does not own 10% or less of the Issued share Capital Exceeding the 10% Threshold of above Tier 1 Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Banks does not own 10% or less of the Issued share Capital Exceeding the 10% Threshold of above Tier 1 Capital	-	

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Prior Period	Amounts related to treatment before 1/1/2014(*)
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier 1 Capital	-	
Net Deferred tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier 1 Capital	-	
Amount Exceeding the 15% Threshold of Tier 1 Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Portion of the Investments in Equity of Unconsolidated Banks and Financial Institutions where the Bank own 10% or more of the Issues Share Capital Not Deducted from Tier I Capital	-	
Mortgage Servicing Rights not deductions	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other Items to be Defined by the BRSA	-	
Deductions from Tier 1 Capital in cases where there are no adequate Additional Tier 1 or Tier II Capitals	-	
Total regulatory adjustments to Tier 1 capital	**5.323**	
Tier Capital	**5.197.328**	
ADDITIONAL CORE CAPITAL	-	
Preferred Stock not Included in Tier I Capital and the related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Temporary Article 4)	-	
Additional Core Capital before Deductions	-	
Deductions from Core Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Core Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Direct and Indirect Investments in Additional Tier I Capital of Unconsolidated Banks of Financial Institutions where the Banks owns more than 10% of the Issued Share Capital	-	
Other Items to be Defined by the BRSA	-	
Components to continue to be deducted from Core Capital during transition period	**1.104**	

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Prior Period	Amounts related to treatment before 1/1/2014(*)
Goodwill and other Intangible Assets and Related Deferred taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Rations of Banks	1.104	
Net Deferred Tax Assets/Liabilities not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Rations of Banks	-	
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital	-	
Total Deductions from Additional Core Capital	-	
Total Additional Core Capital	-	
Total Core Capital	**5.196.224**	
SUPPLEMENTARY CAPITAL	**130.214**	
Debts Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debts Instruments and the Related Issuance Premiums Defined by the BRSA (Temporary Article 4)	-	
General Provisions (Amounts stated in the first paragraph of article 8 of the Regulation on Equities of Banks)	130.214	
Tier II Capital Before	**130.214**	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank own 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other Items to be Defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**130.214**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**5.326.438**	
The sum of Tier I Capital and Tier II Capital (Total Capital)	**5.326.438**	
Loans Granted against the Article 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for sale but Retained more than Five Years	-	
Other Items to be Defined by the BRSA	-	
Components to continue to be deducted from Total Core Capital and Supplementary Capital during transition period	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Prior Period	Amounts related to treatment before 1/1/2014(*)
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	
TOTAL CAPITAL	**5.326.438**	
Total capital	**5.326.438**	
Total risk weighted items	**39.711.831**	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	13,09	
Tier 1 Capital Adequacy Ratio (%)	13,09	
Capital Adequacy Standard Ratio (%)	13,41	
BUFFERS		
Total buffer requirement	0,625	
Capital conservation buffer requirement (%)	0,625	
Bank specific countercyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	8,59	
Amounts Lower then Excesses as per Deduction Rules	**21.124**	
Remaining Total of the Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	21.124	
Remaining Total of the Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits related to provisions considered in Tier II calculation	**130.214**	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	130.214	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4	-	
(to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) *Represents the amounts taken into consideration according to transition clauses*

II. Credit risk

According to Article No. 25 of the decree (regulating the "Articles of Association" of the Bank) of the Council of Ministers dated 17 June 1987; the scope of the annual operations of the Bank is determined by the Bank's Annual Program that is approved by the Supreme Advisory and Credit Guidance Committee ("SCLGC"). The SCLGC is chaired by the Prime Minister or State Minister appointed by the Prime Minister and includes executive managers. The Board of Directors of the Bank is authorized to allocate the risk limits of loans and guarantee and insurance premiums to country, sector and commodity groups, within the boundaries of the Annual Program. Within the framework of the targets determined by the annual program, the Board of Directors of Türk Eximbank is authorized to manage credit, guarantee and insurance program limits on the basis of country, sector and goods groups.

As the Bank does not accept deposits, it is not subject to the provisions of Article 77 of the Banking Act No. 5411. However, the Bank applies general loan restrictions stated in the 54th article of the Banking Law.

Limit controls on the basis of the company and bank, financial statements provided for the related credits, profit and loss statements as the appendix of these statements, along with cash/non-cash guarantees given for the relevant transactions are regularly inspected by the Internal Control and Monitoring Unit. Credit ratings for the credits and other receivables are followed by the Risk Analysis and Evaluation Division together with the Credit and Risk Assessment Directorate.

In accordance with the collateral policy, domestic short, medium and long term loans are based on risk of bank.

The cash and non-cash limits of domestic banks for short, medium and long-term credits are approved by the Board of Directors.

The Bank's Board of Directors authorized loan extensions to real and corporate persons in the scope of the Article 5 of the Regulation for Banks' Loan Transactions ("Loan Transactions Regulation") and these authorization levels were determined as restricted by loans made available with certain collateral mentioned in the Article 5 of the Loan Transactions Regulation.

The risk limits of the foreign country loans are determined by annual programs which are approved by the SCLGC within the foreign economic policy.

Country loans are granted with the approval of the Board of Directors and the approval of the Minister and the Council of Ministers, according to article 10 of Act number 4749 dated 28 March 2002 related to the regulation of Public Finance and Debt Management.

The fundamental collateral of the foreign country loans are the government guarantees of the counter country and the guarantees of banks that the Bank accepts as accredited.

The limit of a country is restricted by both the maximum limit that can be undertaken and the maximum amount that can be used annually which are determined by the Bank's Annual Program.

Each year, 60% of risks that emerge in the Short Term Export Insurance Program is transferred to international reinsurance companies under renewed agreements.

According to article 4/C of Act number 3332 that was appended by Act number 3659 and the Act number 4749 regarding the regulation of Public Financing and Debt Management dated 28 March 2002, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury.

The Bank reviews reports of OECD country risk groupings, reports of the members of the International Union of Credit (Berne - Union) and Investment Insurers, reports of independent credit rating institutions and the financial statements of the banks during the assessment and review of loans granted. At the same time, the Bank benefits from the reports prepared in-house related with the country loans and short-term country risk groupings.

Risks and limits of the banks and companies are monitored daily and weekly by the responsible departments.

The cash and non-cash limits of the Bank for transactions in terms of foreign currency and the other financial instruments are approved by the Board of Directors.

Business and geographic distribution of the loan risks run parallel with the export composition of Turkey and this is followed up by the Bank regularly.

Non-cash loans turned into cash loans are classified under follow-up accounts with the approval of the Loan Committee. Uncollected non-cash loans are subject to the same risk weights as cash loans and classified under the relevant follow-up accounts in relation to their collateral.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The Bank provides impairment provision for non-performing loans and other receivables without considering the relevant collaterals in line with a prudent approach.

In accordance with the letter sent by the Turkish Treasury No.B.02.0.1.HM.KİT.03.02.52321/4-51898 dated 6 November 1997 and the "Application Procedures of Amounts Transferred by the Undersecretariat of Treasury to Türkiye İhracat Kredi Bankası AŞ" each year, the Bank's political risks arising on loan, guarantee and insurance operations and deferred receivables are communicated to the Turkish Treasury by the end of each September.

As of 31 December 2017, the Bank has no credits due to redemption plan or any credits due to restructured standard credits or assets. The Bank has a total sum of TL 1.808.123 as standard credits and assets and has a total of TL 227.102 as loans under close monitoring which have been subject to changes in contract.

For transactions in the frame of the Law No. 3332 dated 25 March 1987, "General and special provision rates are considered to be zero" clause according to Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No.26333 dated 1 November 2006 exemptions entitled article 13, although the Bank is within the exemption up to date by prudence within the scope of statute transaction occurs and within the context of exemption as of 1 January 2013, the Bank applied to BRSA and in accordance with the confirmation from BRSA, general provision amount of TL 62.475 was cancelled which had been made as a provision till 30 June 2013. The general provision amounting to TL 130.214 which is booked as of 31 December 2012 is still in progress.

The proportion of the Bank's top 100 cash loan balances (whose risk belongs to the Bank) in total cash loans portfolio is 50% and 54% as of 31 December 2017 and 31 December 2016, respectively.

The proportion of the Bank's top 200 cash loan balances (whose risk belongs to the Bank) in total cash loans portfolio is 64% and 67% as of 31 December 2017 and 31 December 2016, respectively.

The proportion of the Bank's top 100 non-cash loan balances (whose risk belongs to the Bank) in total non-cash loans portfolio is 50% and 58% as of 31 December 2017 and 31 December 2016, respectively.

The proportion of the Bank's top 200 non-cash loan balances (whose risk belongs to the Bank) in total non-cash loans portfolio is 76% and 72% as of 31 December 2017 and 31 December 2016, respectively.

As of 31 December 2017, the share of cash and non-cash receivable amounts belonging to its top 100 and 200 credit customers in the total cash and non-cash loans are 51% and 65%, respectively (31 December 2016: 54% and 68%).

The Bank grants loans only to corporate customers in line with its mandate and follows its credit portfolio under categories specified below:

	Current Period		**Prior Period**	
	Corporate	**Personnel loans**	**Corporate**	**Personnel loans**
Standard loans	79.669.309	10.081	61.278.334	9.297
Loans under close monitoring	489.212	-	232.830	-
Loans under follow-up	294.231	-	233.087	-
Gross	**80.452.752**	**10.081**	**61.744.251**	**9.297**
Specific provision	(191.729)	-	(143.784)	-
Net	**80.261.023**	**10.081**	**61.600.467**	**9.297**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

As of 31 December 2017 and 31 December 2016, there is not any past due loans classified under standard loans and the details of the loans under close monitoring are as follows:

	Current Period	Prior Period
Past due up to 30 days	469.592	232.227
Past due 30-60 days	18.693	603
Past due 60-90 days	927	-
Total	**489.212**	**232.830**

As of 31 December 2017 and 31 December 2016, the fair value of collaterals held for loans granted by the Bank are as follows:

	Current Period	Prior Period
Loans under close monitoring	489.212	232.830
Loans under legal follow-up	294.231	233.087
Total	**783.443**	**465.917**

As of 31 December 2017, the Bank does not have any repossessed collaterals (31 December 2016: None).

Loan rating system of the Bank

Risk evaluation of banks and other financial institutions:

The Bank requests independent auditor's report (financial statements and notes) and net foreign currency position from banks and other financial institutions on a quarterly basis.

Financial statement information derived from the independent audit or review reports of banks and other financial institutions is recorded to a database into a standard format and percentage changes and ratios related with capital adequacy, asset quality, liquidity and profitability of banks and other financial institutions are calculated. In addition, the standard ratio percentages for capital adequacy, asset quality, liquidity and profitability ratios are redefined periodically considering the operations of the banking groups and acceptable intervals for standards ratios are defined.

In relation with the standard ratios, the financial analysis groups are defined by assigning grades from 1 to 4 to banks and other financial institutions. Group with grade 1 consists of the lowest risk profile of banks and financial institutions and group with grade 4 consists of the highest risk profile of banks and financial institutions.

In accordance with the financial analysis group of the Banks and other financial institutions, the final risk groups are determined by considering some qualitative criteria like shareholding structure, group companies, credit ratings from international credit rating institutions, quality of management and information obtained from media.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

As of 31 December 2017, loans granted by the Bank to domestic banks and other financial institutions amount to TL 8.437.884 (31 December 2016: TL 6.637.509). The concentration levels of the loans to Banks and other financial institutions in accordance with the defined financial analysis groups of the Bank are as follows:

	Rating Class	Current Period Concentration Level (%)	Prior Period Concentration Level (%)
Low	1-2	76%	65%
Medium	3	21%	23%
High	4	3%	12%

The risk evaluation of companies:

In the risk evaluation of the companies, the Bank obtains financial and organizational information both from the companies and also from various sources (such as CBRT records, Trade Registry Gazette, Chamber of Trade records, information obtained from the Undersecretariat of Foreign Trade, Banks, companies operating in the same sector) and uses comprehensive investigation and verification methods. In addition to the analysis of last three year financial statements of companies, the Bank also analyzes the current status of the sectors in which the companies operate, economic and political changes affecting the target sectors in the international markets, the advantages and disadvantages of the companies compared to their rival companies operating in or outside Turkey. In case the company is a member of a group of companies not organized as holding companies, the developments that affect the group's operations are monitored and outstanding bank debts of group are also assessed and company analysis reports are prepared taking into account the group risk as well. The Bank does not utilize a separate rating system regarding the risk assessment of the companies.

As of 31 December 2017 and 31 December 2016, the classification of the loans to banks and other financial institutions and companies and individuals are as follows:

	Current Period		Prior Period	
	Loans	Specific Provision (%)	Loans	Specific Provision (%)
Standard loans	99,02%	-	99,25%	-
Loans under close monitoring	0,61%	-	0,38%	-
Loans under follow-up	0,37%	65,00%	0,37%	62,00%
Total	**100,00%**	**0,24%**	**100,00%**	**0,23%**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The Bank’s maximum exposure to credit risk as of 31 December 2017 and 31 December 2016:

	Current Period	**Prior Period**
Banks	2.082.401	2.518.048
Interbank Money Market Placements	831.691	368.160
Loans to Domestic Banks and Other Financial Institutions	8.437.884	6.637.509
Loans to Foreign Banks and Other Financial Institutions	2.294.529	1.710.880
Loans to Companies and Individuals	69.436.189	53.172.072
Financial Assets at Fair Value Through Profit or Loss [1]	11.710	10.678
Trading Derivative Financial Assets	15.553	118.603
Held-to-Maturity Investments	180.461	98.549
Other Assets	163.924	481.435
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	6.241.263	3.863.578
Commitments	-	-
Total	**89.695.605**	**68.979.512**

[1] Except derivative financial assets held for trading.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The Risk Profile According to Substantial Regions

		Risk Groups[(*)]						
		Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables
	Current Period							
1	Domestic	2.248.695	-	-	-	-	20.926.751	78.356.765
2	European Union Countries	-	-	-	-	-	1.053.924	2.544.748
3	OECD Countries	-	-	-	-	-	1.246	367.792
4	Offshore Banking Regions	-	-	-	-	-	-	122.697
5	USA, Canada	-	-	-	-	-	898.527	280.772
6	Other Countries	2.178.049	-	-	-	-	71.434	1.175.503
7	Affiliate, Subsidiary and Jointly Controlled Partnerships	-	-	-	-	-	-	-
8	Undistributed Assets/ Liabilities	-	-	-	-	-	-	-
9	**Total**	**4.426.744**	-	-	-	-	**22.951.882**	**82.848.277**

[(*)] EU countries, OECD countries except USA and Canada

The Risk Profile According to Substantial Regions

		Risk Groups[(*)]						
		Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables
	Current Period							
1	Domestic	2.240.500	-	-	-	-	20.475.314	56.794.099
2	European Union Countries	-	-	-	-	-	1.817.088	1.514.725
3	OECD Countries	-	-	-	-	-	6.769	195.465
4	Offshore Banking Regions	-	-	-	-	-	-	97.003
5	USA, Canada	-	-	-	-	-	55.159	188.268
6	Other Countries	1.615.901	-	-	-	-	24.536	727.598
7	Affiliate, Subsidiary and Jointly Controlled Partnerships	-	-	-	-	-	-	-
8	Undistributed Assets/ Liabilities	-	-	-	-	-	-	-
9	**Total**	**3.856.401**	-	-	-	-	**22.378.866**	**59.517.158**

[(*)] EU countries, OECD countries except USA and Canada

Risk Groups(*)										
Conditional and Un-conditional Retail Receivables	Conditional and Un-conditional Receivables Collateralized with Real Estate	Non-performing Receivables	Receivables determined to have high levels of risk by the Board	Securities with Mortgage Guarantees	Securiti-zation Positions	Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	Investments in the Nature of Collective Investment Organization	Shares	Other Receivables (net)	Total
3.900.704	242.436	102.502	-	-	-	-	-	30.318	1.179.662	106.987.834
386.839	-	-	-	-	-	-	-	-		3.985.511
37.308	-	-	-	-	-	-	-	-		406.346
26.535	-	-	-	-	-	-	-	-		149.232
27.559	-	-	-	-	-	-	-	-		1.206.858
140.638	-	-	-	-	-	-	-	-		3.565.624
-	-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-	-		-
4.519.583	**242.436**	**102.502**	-	-	-	-	-	**30.318**	**1.179.662**	**116.301.405**

Risk Groups(*)										
Conditional and Un-conditional Retail Receivables	Conditional and Un-conditional Receivables Collateralized with Real Estate	Non-performing Receivables	Receivables determined to have high levels of risk by the Board	Securities with Mortgage Guarantees	Securiti-zation Positions	Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	Investments in the Nature of Collective Investment Organization	Shares	Other Receivables (net)	Total
2.775.441	16.392	89.303	-	-	-	-	-	21.114	2.695.177	85.107.350
466.366	-	-	-	-	-	-	-	-	-	3.798.179
48.711	-	-	-	-	-	-	-	-	-	250.945
26.725	-	-	-	-	-	-	-	-	-	123.728
28.822	-	-	-	-	-	-	-	-	-	272.249
152.613	-	-	-	-	-	-	-	-	-	2.520.648
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
3.498.678	**16.392**	**89.303**	-	-	-	-	-	**21.114**	**2.695.177**	**92.073.099**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The Risk Profile According to Sector or Third Party

	Sectors and third parties	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables
1	Agriculture	-	-	-	-	-	832.620	7.339.841
1.1	Farming and Livestock	-	-	-	-	-	571.194	5.035.285
1.2	Forestry	-	-	-	-	-	171.130	1.508.571
1.3	Fishery	-	-	-	-	-	90.296	795.985
2	Industry	-	-	-	-	-	5.066.405	44.662.144
2.1	Mining and Quarry Sector	-	-	-	-	-	-	-
2.2	Manufacturing Industry	-	-	-	-	-	4.512.266	39.777.216
2.3	Electric, Gas and Water	-	-	-	-	-	554.139	4.884.928
3	Construction	2.178.050	-	-	-	-	540.812	4.767.447
4	Services	-	-	-	-	-	15.094.408	16.785.815
4.1	Wholesale and retail trade	-	-	-	-	-	534.234	4.709.462
4.2	Hotel and Restaurant Services	-	-	-	-	-	-	-
4.3	Transportation and Communications	-	-	-	-	-	1.336.753	11.783.947
4.4	Financial institutions	-	-	-	-	-	13.190.252	-
4.5	Real Estate and Leasing Services	-	-	-	-	-	-	-
4.6	Professional Services	-	-	-	-	-	-	-
4.7	Training Services	-	-	-	-	-	-	-
4.8	Health and Social Services	-	-	-	-	-	33.169	292.406
5	Other	2.248.694	-	-	-	-	1.417.637	9.293.030
6	Total	**4.426.744**	-	-	-	-	**22.951.882**	**82.848.277**

Conditional and Un-conditional Retail Receivables	Conditional and Un-conditional Receivables Collate-ralized with Real Estate	Non-performing Receivables	Recei-vables deter-mined to have high levels of risk by the Board	Securities with Mortgage Guaran-tees	Securi-tization Positions	Current Receivables from Banks and Inter-mediary Institutions and Current Corporate Receivables	Invest-ments in the Nature of Collective Investment Organi-zation	Shares	Other Receivables (net)	Total	Conditional or Un-conditional Receivables from Central Admini-strations or Central Banks	Conditional or Un-conditional Receivables from Regional Admini-strations or Local Admini-strations
367.884	21.255	9.740	-	-	-	-	-	-	-	953.146	7.618.194	8.571.340
252.376	14.581	6.682	-	-	-	-	-	-	-	653.878	5.226.240	5.880.118
75.612	4.369	2.001	-	-	-	-	-	-	-	195.901	1.565.782	1.761.683
39.896	2.305	1.057	-	-	-	-	-	-	-	103.367	826.172	929.539
2.238.529	129.335	59.265	-	-	-	-	-	-	-	5.799.787	46.355.891	52.155.678
-	-	-	-	-	-	-	-	-	-	-	-	-
1.993.690	115.189	52.783	-	-	-	-	-	-	-	5.165.435	41.285.709	46.451.144
244.839	14.146	6.482	-	-	-	-	-	-	-	634.352	5.070.182	5.704.534
238.951	32.553	6.326	-	-	-	-	-	-	-	619.097	7.145.042	7.764.139
841.329	48.609	22.274	-	-	-	-	-	30.318	-	5.095.348	27.727. 405	32.822.753
236.045	13.638	6.249	-	-	-	-	-	-	-	611.567	4.888.061	5.499.628
-	-	-	-	-	-	-	-	-	-	-	-	-
590.628	34.124	15.637	-	-	-	-	-	-	-	1.530.253	12.230.836	13.761.089
-	-	-	-	-	-	-	-	30.318	-	2.915.556	10.305.014	13.220.570
-	-	-	-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	-	-	-	-	-	-
14.656	847	388	-	-	-	-	-	-	-	37.972	303.494	341.466
832.890	10.684	4.897	-	-	-	-	-	-	1.179.663	2.051.859	12.935.636	14.987.495
4.519.583	**242.436**	**102.502**	-	-	-	-	-	**30.318**	**1.179.663**	**14.519.237**	**101.782.168**	**116.301.405**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Distribution of the Risks related to Maturity by Remaining Periods to Maturity

	Remaining Period to Maturity				
Risk Groups	**1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**
Conditional or Unconditional Receivables from Central Administrations or Central Banks	1.926.701	46.606	75.206	198.340	2.179.891
Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	-	-	-	-	-
Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	-	-	-	-	-
Conditional or Unconditional Receivables from Multi-lateral Development Banks	-	-	-	-	-
Conditional or Unconditional Receivables from International Organizations	-	-	-	-	-
Conditional or Unconditional Receivables from Banks and Intermediary Institutions	13.596.842	901.561	1.703.973	4.367.196	2.382.310
Conditional and Unconditional Corporate Receivables	19.833.327	13.344.194	14.849.445	13.360.501	21.460.810
Conditional and Unconditional Retail Receivables	821.599	405.732	457.284	1.082.814	1.752.154
Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	-	-	1.280	15.197	225.959
Non-performing Receivables (Net)	50.515	-	6.619	1.466	43.902
Receivables determined to have high levels of risk by the Board	-	-	-	-	-
Securities with Mortgage Guarantees	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	-	-	-	-	-
Investments in the Nature of Collective Investment Organization	-	-	-	-	-
Shares	30.318	-	-	-	-
Other Receivables (net)	1.179.662	-	-	-	-

There are not any credit rating company or export credit agency assigned.

Risk Amounts by Risk Weights

Risk Weight	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**200%**	**Mitigation in Shareholders' Equity**
The amount before credit risk mitigation	42.165.132	-	2.299.845	-	3.450.948	3.218.051	38.342.488	-	-	9.594
The amount after credit risk mitigation	42.398.304	-	2.162.294	1.290	6.345.133	1.790.819	36.778.624	-	-	9.594

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Various Information by Significant Sectors or Counter-Party Types

		Loans			
	Significant Sectors/Counter Parties	**Impaired**	**Non-performed**	**Value Adjustments**	**Provisions**
1	Agriculture	-	8.004	-	5.592
2	Energy	-	662	-	662
3	Food	-	26.670	-	13.402
4	Textile	-	95.136	-	63.353
5	Paper and Related Products	-	2.869	-	2.869
6	Chemistry and Related Products	-	5.418	-	3.942
7	Metal Industry	-	33.497	-	14.499
8	Ceramic	-	1.196	-	1.196
9	Machinery and Equipment	-	35.079	-	11.005
10	Electrical Household Appliances	-	9.621	-	7.500
11	Medical Devices	-	-	-	-
12	Ship	-	39.615	-	39.615
13	Motor Vehicles	-	634	-	634
14	Furniture	-	183	-	183
15	Construction	-	302	-	302
16	Wholesale	-	12.143	-	12.143
17	Shipping	-	1.834	-	387
18	Consulting	-	918	-	918
19	Leather and Leather Products Industry	-	1.157	-	293
20	Other Manufacturing Industry	-	10.306	-	10.306
21	Other	-	8.987	-	2.928
	Total	-	**294.231**	-	**191.729**

Information Regarding Value Adjustments and Change of Credit Provisions

		Opening Balance	**Provision amounts allocated within the period**	**Cancellation of Provisions**	**Other Adjustments**	**Ending Balance**
1	Specific Provisions	143.784	48.999	(1.054)	-	191.729
2	General Provisions	130.214	-	-	-	130.214

III. Currency risk

1. If the parent bank is subject to the exchange risk, the effects of such occurrence are estimated and the Board of Directors determines the limits regarding the positions monitored daily

The Bank's foreign exchange position is followed daily, and the transactions are performed in accordance with the expectations in the market and within the limits determined by the Risk Management Principles approved by the Board of Directors of the Bank.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. The scale of the hedging performed through hedge-oriented derivatives for debt instruments in foreign currency and net foreign currency investments

The basic principle for foreign currency assets and liabilities is to secure a balance between currency type, maturity and interest type. For this purpose, borrowing strategies are determined in accordance with the Bank's asset structure to the extent possible. When this determination is not possible, the Bank aims to change the asset structure or utilize derivative instruments such as "cross currency" (currency and interest) and currency swaps.

	TL	USD	GBP	EUR	JPY
TRADING DERIVATIVE FINANCIAL INSTRUMENTS	**1.018.245**	**12.064.223**	**54.676**	**9.724.799**	**802.649**
Forward Transactions	**255.974**	**236.994**	**-**	**-**	**-**
Forward Foreign Exchange Purchase Transactions	127.099	119.554	-	-	-
Forward Foreign Exchange Sell Transactions	128.875	117.440	-	-	-
Swap Transactions	**762.271**	**11.827.229**	**54.676**	**9.724.799**	**802.649**
Swap Money Purchase Transactions	-	-	-	-	-
Swap Money Purchase Transactions FC-TL	-	743.675	-	-	-
Swap Money Purchase Transactions FC-FC	-	6.333.732	-	-	797.562
Swap Money Sale Transactions FC-TL	762.271	-	-	-	-
Swap Money Sale Transactions FC-FC	-	-	54.676	7.409.219	5.087
Swap Interest Purchase Transactions FC-FC	-	2.374.911	-	1.157.790	-
Swap Interest Sale Transactions FC-FC	-	2.374.911	-	1.157.790	-
Option Money Purchase Transactions	**-**	**-**	**-**	**-**	**-**
Money Purchase of Options	-	-	-	-	-
Money Sale of Options	-	-	-	-	-
HEDGING DERIVATIVE FINANCIAL ASSETS	**3.988.955**	**18.491.660**	**-**	**2.328.530**	**-**
Forward Transactions	**3.952.735**	**3.920.160**	**-**	**-**	**-**
Forward Foreign Exchange Purchase Transactions	-	3.920.160	-	-	-
Forward Foreign Exchange Sell Transactions	3.952.735	-	-	-	-
Swap Transactions	**36.220**	**14.571.500**	**-**	**2.328.530**	**-**
Swap Money Purchase Transactions	-	2.416.000	-	-	-
Swap Money Sale Transactions	36.220	-	-	2.328.530	-
Swap Interest Purchase Transactions	-	6.077.750	-	-	-
Swap Interest Sale Transactions	-	6.077.750	-	-	-

The Bank uses "Fair Value Hedge Accounting" starting from 1 January 2013.

Financial derivatives which are used for Fair Value Hedge Accounting are cross currency and interest swaps and forward transactions.

	31 December 2017		
	Principal(1)	**Asset**	**Liability**
Derivative Financial Instruments			
Cross currency swap and interest rate swaps	16.824.530	12.857	177.042
Forward foreign currency buy/sell transactions	7.872.895	77.064	11.244
Total	**24.697.425**	**89.921**	**188.286**

(1) Sum of purchase and sale.

The method of derivatives' fair value measurement shown above is explained in the accounting policy in Section Three No III.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Fair value hedge accounting

Starting from 1 January 2013, the Bank has hedged the possible fair value effects of changes in Libor interest rates on 5,375% and 5,875% fixed interest rate debt securities amounting USD 500 million with maturity 5 years and USD 610 million with maturity 7 years funding by using interest rate swaps. USD debt securities issued in total amount to USD 750 million with 5,875% fixed interest rate and maturity 7 years by the Bank. Remaining risk amount to USD 140 million hedged with cross currency swaps in year 2012 but starting from 13 August 2015, this remaining portion is subject to fair value hedge accounting. In September 2014, the Bank issued 5% fixed interest rate debt securities with seven years maturity amounting USD 500 million and they are not subject to fair value hedge accounting.

Also, changes in fair value of USD debt security, issued in February 2016 and in October 2016 amounting to USD 500 million with 5 and 7 years maturities, respectively, 5,375% fixed interest rate, arising from fluctuation in Libor interest rates are hedged by applying fair value hedge accounting via interest rate swap transactions dated February 2016 and October 2016.

Starting from 31 May 2014, the Bank hedged the possible fair value risk of CBRT Rediscount loans amounting to TL 3.704.917 as of 31 December 2017 related to interest rate changes with forward transactions by using fair value hedge accounting. Changes in the fair value of forward transactions related to TL interest rate risks hedge fair value risk of the TL 3.693.443 denominated CBRT Rediscount Loans related to changes in interest rates.

The impact of fair value hedge accounting is summarized below:

31 December 2017					
Hedging instrument	**Hedged items**	**Hedged risk**	**Net fair value of hedged items**		**Amount of hedge funds**
			Asset	**Liability**	
Interest rate swaps	Issued securities denominated in USD with fixed interest rate	Fixed interest rate risk	12.857	177.042	-
Forward transactions	Originated CBRT- Rediscount TL Loans	Interest rate risk	77.064	11.244	-

The Bank evaluates the effectiveness of the hedge accounting at initial date and at every reporting period. Effectiveness test is performed by using "Dollar off-set method". The Bank continues the hedge accounting if the effectiveness is between 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading gains and losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the fair value hedge accounting in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way in accordance with the Bank's risk management policies. Effectiveness tests were chosen among methods allowed within the context of TAS 39 in accordance with the Bank's risk management policies. The Bank's assumptions, which used for determining fair values of derivative instruments, were used while calculating fair value of hedged items on the effectiveness tests. The effectiveness tests are performed and effectiveness of risk relations are measured on a monthly basis. The effectiveness tests are performed rewardingly at the beginning of risk relations. If the underlying hedge does not conform to the accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, in the context of the fair value hedge, adjustments on the carrying value of the hedged item is reflected on the on "Derivative Financial Transactions Gains/Losses" accounts by using straight line method of amortization.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Cash flow hedge accounting

Starting from 13 August 2015, the Bank uses "Cash Flow Hedge" accounting.

Financial derivatives which are used for Cash Flow Hedge Accounting are cross currency swaps.

	31 December 2017		
	Principal[1]	**Asset**	**Liability**
Derivative Financial Instruments			
Cross Currency Swap Interest Transactions	111.720	43.685	-
Total	**111.720**	**43.685**	**-**

[1] Sum of purchase and sale.

The method of derivatives' cash flow hedge shown above is explained in Section Three, No III accounting policy.

The impact of cash flow hedge accounting is summarized below:

31 December 2017					
Hedging Instrument	**Hedging Asset and Liability**	**Risk Hedge**	**Fair value of hedged asset**		**Net fair value of hedging account**
			Asset	**Liability**	
Cross Currency Swap Transactions	Fixed interest rate US dollar debt securities	Currency Risk	43.685	-	(1.512)

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the cash flow hedge accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies. The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the cash flow hedge accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur the net cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

3. Policy on foreign currency risk management

The Bank has followed a balanced policy of assets and liabilities with respect to currency risk during the year. As of 31 December 2017, the net foreign Currency Position/Shareholders' Equity ratio is (0,26)% (31 December 2016: (0,11)%). Foreign currency position is followed daily by the type of foreign currency. The Bank monitors the changes in the market conditions and their effect over the activities and positions of the Bank and make decisions in line with the strategies of the Bank.

4. Approach adopted under internal capital adequacy assessment process for monitoring the adequacy of internal capital for current and future activities

Fully paid capital by the Turkish Republic Treasury, the Bank's legal capital is evaluated prospectively, in order to protect capital adequacy under the some stress scenario like rapid and large scale currency and interest rate changes the Bank calculates capital requirement. The Bank both within own group and within the all banking system works with shareholders equity and capital ratio which are above the average. First pillar credit for calculation of legal capital adequacy, adding to market and operational risk, interest rate risk (BHFOR) due to second pillar banking calculations and concentration risk are considered.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

5. The Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below

DATE	25/12/2017	26/12/2017	27/12/2017	28/12/2017	29/12/2017
USD	3,80640	3,80280	3,82160	3,81150	3,77500
AUD	2,94230	2,93650	2,96400	2,97560	2,94410
DKK	0,60688	0,60647	0,60939	0,61160	0,60618
SEK	0,45764	0,45567	0,45810	0,46275	0,45827
CHF	3,81790	3,84550	3,85900	3,88730	3,86620
100JPY	3,35720	3,35640	3,37660	3,38170	3,35110
CAD	2,99080	2,99150	3,01820	3,02310	3,00750
NOK	0,45765	0,45684	0,45922	0,46326	0,45875
GBP	5,09640	5,08590	5,11750	5,12650	5,08610
SAR	1,01499	1,01403	1,01901	1,01632	1,00651
EUR	4,52010	4,51470	4,53660	4,55280	4,51380
KWD	12,60000	12,58800	12,65000	12,62500	12,50800
XDR	5,38870	5,38360	5,41560	5,40430	5,36310
BGN	2,31110	2,30820	2,31910	2,32790	2,30750
100IRR	0,01059	0,01056	0,01060	0,01057	0,01046
RON	0,97316	0,97311	0,97704	0,97896	0,96815
RUB	0,06549	0,06591	0,06646	0,06623	0,06557

6. The simple arithmetic averages of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date are presented in the table below

Currency	Average December 2017
USD	3,8365
AUD	2,9368
DKK	0,6104
SEK	0,4572
CHF	3,8856
100 JPY	3,3967
CAD	3,0070
NOK	0,4609
GBP	5,1447
SAR	1,0230
EUR	4,5437
KWD	12,7010
XDR	5,4288
BGN	2,3230
IRR	0,0108
RON	0,9799
RUB	0,0656

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7. Information related to Bank's Currency Risk

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)	631.932	-	-	**631.932**
Banks	14.642	1.861.696	14.181	**1.890.519**
Financial Assets at Fair Value Through Profit or Loss [1]	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-
Loans	40.199.266	30.797.165	183.525	**71.179.956**
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	56.542	-	**56.542**
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	300.185	346.257	211	**646.653**
Total Assets	**41.146.025**	**33.061.660**	**197.917**	**74.405.602**
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	30.986.969	35.446.157	935.544	**67.368.670**
Marketable Securities Issued	-	10.279.210	-	**10.279.210**
Miscellaneous Payables	375.611	272.435	1.158	**649.204**
Derivative Financial Liabilities for Hedging Purposes	-	177.042	-	**177.042**
Other Liabilities	41.464	234.495	344	**276.303**
Total Liabilities	**31.404.044**	**46.409.339**	**937.046**	**78.750.429**
Net Balance Sheet Position	**9.741.981**	**(13.347.679)**	**(739.129)**	**(4.344.827)**
Net off Balance Sheet Position	**(9.737.749)**	**13.415.681**	**737.799**	**4.415.731**
Financial Derivative Assets	1.157.790	21.985.782	797.562	23.941.134
Financial Derivative Liabilities	10.895.539	8.570.101	59.763	19.525.403
Non-Cash Loans	167.820	6.073.168	275	6.241.263
Prior Period				
Total Assets	30.276.789	28.127.032	199.414	58.603.235
Total Liabilities	26.635.465	35.227.997	845.016	62.708.478
Net on Balance Sheet Position	**3.641.324**	**(7.100.965)**	**(645.602)**	**(4.105.243)**
Net off Balance Sheet Position	**(3.636.425)**	**7.205.240**	**643.601**	**4.212.416**
Financial Derivative Assets	740	13.547.726	715.642	14.264.108
Financial Derivative Liabilities	3.637.165	6.342.486	72.041	10.051.692
Non-Cash Loans	52.968	3.810.377	233	3.863.578

[1] In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Income Accruals of Derivative Financial Instruments TL 10.304 and Foreign Currency Expense Accruals of Derivative Financial Instruments TL 362.051 are not included.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The effect of the Bank's currency positions as of 31 December 2017 and 31 December 2016 on net profit and equity under the assumption of devaluation of TL against other currencies by 10% with all other variables held constant is as follows:

	Current Period		Prior Period	
	Gain/(Loss) Effect	**Effect on Equity[(1)]**	**Gain/(Loss) Effect**	**Effect on Equity[(1)]**
USD	6.800	6.800	9.231	9.231
EUR	423	423	490	490
JPY	-	-	-	-
Other foreign currency	(133)	(133)	(200)	(200)
Total, net	**7.090**	**7.090**	**9.521**	**9.521**

[(1)] Effect on equity also includes effect on net profit.

As of 31 December 2017 and 31 December 2016, the effect of the appreciation of TL by 10% against other currencies with all other variables held constant on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

IV. Interest rate risk

The Bank estimates the effects of the changes in interest rates over the profitability of the Bank by analyzing TL and foreign currency denominated interest rate sensitive assets and liabilities considering both their interest components as being fixed rate or variable rate and also analyzing their weights among the Bank's total assets and liabilities. Long or short positions (gapping report) arising from interest rate risk are determined by currency types at the related maturity intervals (1 month, 1-3 months, 3-12 months, 1-5 years and over 5 years) as of the period remaining to reprising date, considering the reprising of TL and foreign currency-denominated "interest sensitive" assets and liabilities at maturity date (for fixed rate) or at interest payment dates (for floating rate). By classifying interest sensitive assets and liabilities according to their reprising dates, Bank's exposure to possible variations in market interest rates are determined.

The Bank determines maturity mismatches of assets and liabilities by analyzing the weighted average days to maturity of TL and foreign currency-denominated (for each currency and their USD equivalent) assets and liabilities.

According to the Risk Management Policy approved by the Board of Directors, the Bank emphasizes the matching of foreign currency denominated assets and liabilities with fixed and floating interest rates. The Bank also pays special attention to the level of maturity mismatch of assets and liability with floating and fixed interests in order to restrict negative effects of interest rate changes on the Bank's profitability.

As of 31 December 2017 the compatibility of 11 interest rate swaps and floating rate assets with fixed-rate liabilities and 18 basis swap transactions and interest payment periods of floating rate transactions, which are consist of 13 short-term and 16 long-term swaps denominated in foreign currency, tried to be brought to the same basis.

As of 31 December 2017, 23 short-term and 8 long-term FC-FC money swaps and 1 FC-TL long-term money swap transaction, 18 FC-TL short-term money swap transactions, 305 TL-FC forward transactions, 6 FC-TL forward transactions have been carried out.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

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

(Periods remaining to reprising dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Year	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	-	-	-	-	632.192	632.192
Banks	2.032.663	-	-	-	-	49.738	2.082.401
Financial Assets at Fair Value Through Profit/Loss	905	4.281	12.270	1.191	8.616	-	27.263
Interbank Money Market Placements	831.691	-	-	-	-	-	831.691
Available-for-sale Financial Assets	-	-	-	-	-	30.318	30.318
Loans(1)	12.812.621	22.428.887	44.493.552	433.542	-	102.502	80.271.104
Held-to-maturity investments	-	17.208	142.161	21.092	-	-	180.461
Other Assets	3.376	35.284	94.946	-		1.186.153	1.319.759
Total Assets	**15.681.256**	**22.485.660**	**44.742.929**	**455.825**	**8.616**	**2.000.903**	**85.375.189**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	152.000	-	-	-	-	-	152.000
Miscellaneous Payables	-	-	11.602	180	-	654.032	665.814
Issued Marketable Securities	-	3.732.210	4.565.724	1.981.276	-	-	10.279.210
Funds Borrowed from other Financial Institutions	9.012.558	24.195.582	34.160.530	-	-	-	67.368.670
Other Liabilities(2)	48.575	137.965	142.998	284.657	-	6.295.300	6.909.495
Total Liabilities	**9.213.133**	**28.065.757**	**38.880.854**	**2.266.113**	**-**	**6.949.332**	**85.375.189**
Balance Sheet Long Position	6.468.123	-	5.862.075	-	8.616	-	12.338.814
Balance Sheet Short Position	-	(5.580.097)	-	(1.810.288)	-	(4.948.429)	(12.338.814)
Off-balance Sheet Long Position	4.567.045	8.366.756	6.646.202	4.488.231	-	-	24.068.234
Off-balance Sheet Short Position	(4.604.812)	(8.417.130)	(6.622.786)	(4.760.776)	-	-	(24.405.504)
Total Position	**6.430.356**	**(5.630.471)**	**5.885.491**	**(2.082.833)**	**8.616**	**(4.948.429)**	**(337.270)**

(1) "Non-interest bearing" column of loans is composed of non-performing loans amounting TL 102.502.

(2) In other liabilities line the "non-interest bearing" column amounting TL 6.295.300, includes equity amounting to TL 5.774.083, provisions amounting to TL 268.419, other liabilities amounting to TL 252.785 and funds amounting to TL 13.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Prior Period	Up to 1 month	1-3 Months	3 -12 Months	1-5 Years	Over 5 Year	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	-	-	-	-	370.991	370.991
Banks	2.133.055	-	-	-	-	384.993	2.518.048
Financial Assets at Fair Value Through Profit or Loss	118.590	13	-	2.051	8.627	-	129.281
Interbank Money Market Placements	368.160	-	-	-	-	-	368.160
Available-for-sale Financial Assets	-	-	-	-	-	21.124	21.124
Loans(1)	11.352.636	16.689.889	32.995.452	482.484	-	89.303	61.609.764
Held-to-maturity Investments	59.395	-	39.154	-	-	-	98.549
Other Assets	44.475	96.426	236.812	82.598		2.700.086	3.160.397
Total Assets	**14.076.311**	**16.786.328**	**33.271.418**	**567.133**	**8.627**	**3.566.497**	**68.276.314**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	69.000	-	-	-	-	-	69.000
Miscellaneous Payables	-	-	8.780	-	-	2.738.668	2.747.448
Marketable Securities Issued	-	90.558	335.515	6.042.471	1.358.779	-	7.827.323
Funds Borrowed From Other Financial Institutions	3.679.258	16.297.728	29.095.987	2.645.872	-	-	51.718.845
Other Liabilities(2)	9.232	51.183	189.543	38.416	-	5.625.324	5.913.698
Total Liabilities	**3.757.490**	**16.439.469**	**29.629.825**	**8.726.759**	**1.358.779**	**8.363.992**	**68.276.314**
Balance Sheet Long Position	10.318.821	346.859	3.641.593	-	-	-	14.307.273
Balance Sheet Short Position	-	-	-	(8.159.626)	(1.350.152)	(4.797.495)	(14.307.273)
Off-balance Sheet Long Position	3.108.334	4.666.413	4.750.032	-	-	-	12.524.779
Off-balance Sheet Short Position	(3.074.717)	(4.667.193)	(4.831.424)	-	-	-	(12.573.334)
Total Position	**10.352.438**	**346.079**	**3.560.201**	**(8.159.626)**	**(1.350.152)**	**(4.797.495)**	**(48.555)**

(1) "Non-interest bearing" column of loans is composed of non-performing loans amounting TL 89.303.

(2) In other liabilities line the "non-interest bearing" column amounting TL 5.625.324, includes equity amounting to TL 5.200.734 and provisions amounting to TL 230.229.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Average interest rates for monetary financial instruments

As of 31 December 2017, average interest rates applied to monetary financial instruments are shown below;

	EUR	USD	GBP	JPY	TL
Current Period					
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	-	-	-	-
Banks	0,01	1,09	-	-	11,95
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	8,49
Interbank Money Market Placements	-	-	-	-	13,26
Available-for-sale Financial Assets	-	-	-	-	-
Loans	1,27	2,29	1,30	0,98	8,78
Held-to-maturity Investments	-	-	-	-	11,57
Liabilities					
Bank Deposits	-	-	-	-	-
Other Deposits	-	-	-	-	-
Funds From Interbank Money Market	-	-	-	-	12,18
Miscellaneous Payables	-	-	-	-	-
Issued Marketable Securities	-	5,18	-	-	-
Funds Borrowed from Other Financial Institutions	0,53	1,28	1,18	1,70	-

As of 31 December 2016, average interest rates applied to monetary financial instruments are shown below;

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	0,40	-	-
Banks	0,09	0,54	-	9,82
Financial Assets at Fair Value Through Profit/Loss	-	-	-	8,30
Interbank Money Market Placements	-	-	-	10,29
Available-for-sale Financial Assets	-	-	-	-
Loans	1,54	2,09	1,68	8,41
Held-to-maturity Investments	-	-	-	10,72
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	8,82
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities	-	5,38	-	-
Funds Borrowed from Other Financial Institutions	0,55	0,98	1,70	-

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

V. Share position risk resulting from the banking accounts

1. Assumptions, factors affecting valuation, significant changes and general information about valuation methods and accounting methods used and separation of risks according to purpose including strategic reasons and relationship between earnings presented in equity

The Bank owns 9,78% of Garanti Faktoring A.Ş shares and the detail of shares are shown below.

Share Group	Privilege Type	Rate (%)	Amount
A	Privileged	7,56	6.006
B	Non-privileged	2,22	1.767

The Bank has participated in Credit Guarantee Fund (CGF) shares with its 1,69% shares. In the framework of provision in the Capital Markets Law No.6362 Articles of Associations' which express four percent of capital is transferred without charge subsequent to registration and announcement of articles of association, 15.971.094 units BIST group (C) shares, each one of BIST group C shares being worth 1 Kuruş, total amounting to TL 160 were transferred to the Bank without charge.

2. Comparison with market price if the balance sheet value, the fair value and market value for publicly traded is significantly different

None.

3. Types and amounts of positions traded, private equity investments in sufficiently diversified portfolios and other risks

None.

4. Cumulative realized gains and losses resulting from the sales and liquidations during the period

There are no cumulative realized gains or losses arising from sales and liquidations made during the period.

5. Total unrealized gains and losses, total revaluation value increases and their amounts included in core and supplementary capital

			Revaluation value increases		Unrealized gains/losses		
	Portfolio	Realized gains/ losses during the period	Total	Included in supplementary capital	Total	Included in the core capital	Included in supplementary capital
1	Private equity investments	-	-	-	-	-	-
2	Shares quoted to the stock market	-	-	-	-	-	-
3	Other shares	-	15.060	-	-	-	-
4	**Total**	**-**	**15.060**	**-**	**-**	**-**	**-**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

6. The bank has chosen a capital requirement calculation method as stated in the official statements concerning credit risk standard qualifications and internal-based rating approach to credit risk total has affected the stock investments diffraction

Credit risk is calculated based on standard method. The breakdown of the capital requirement amounts on the basis of equity shown in the table.

	Amount	Amount subject to credit risk	Capital requirement
Quoted to Stock Exchange	10.202	10.202	816
Not Quoted	5.056	5.056	404
Impairment in securities	15.060	15.060	1.205

VI. Liquidity risk

a) The Bank's risk capacity is the legal limits stipulated by the BRSA Regulation on the Measurement and Evaluation of Liquidity Adequacy of Banks. General policy of the Bank's liquidity risk, cost-effective in amounts that can meet the needs of potential cash flow under various operational conditions are based on maintaining a liquidity level. For this purpose, the existing loan stock and move weekly from existing cash balances, including the monthly and annual basis, debt payment obligations, estimated disbursements, credit collections, taking into account the political risk of loss compensation with potential capital inflows Turkish lira and foreign currency denominated cash flow statements are prepared separately and the need for additional resources from the movement and timing of cash flows results are determined. The Bank's cash flow, credit collections and optimistic in terms of additional resources can be found, it is organized in a way that helps the neutral and pessimistic scenarios under decision in terms of liquidity management mechanisms. As well as liquidity ratios liquidity management, other balance sheet ratios, liquid assets in the amount and maturity structure and rules relating to the diversification of funding sources are taken into account.

b) The Bank's sole shareholder is the Republic of Turkey Undersecretariat of Treasury. Therefore another shareholding structure is not available. In terms of liquidity, share of resources that has original maturity longer than 1 year, cannot exceed 20% share in total resources of future repayments.

c) The Bank maintains its short term liquidity needs through short term loans from international and domestic banks and long term liquidity needs through capital markets funds such as medium and long term loans and bonds issued by international institutions such as the World Bank and the European Investment Bank. The Bank tries to fund short-term loans from short-term, medium-long-term loans from medium-long-term sources, and tries to reduce the inconsistency in this issue as much as possible.

d) The Bank's main sources of funds denominated in USD and EUR and TL denominated loans are financed with equity and liabilities side in USD and EUR denominated loans to avoid to foreign currency risk in its credit is granted.

e) In terms of liquidity, the Bank prefers to use borrowing limits from Central Bank, Foreign Exchange markets and other domestic and foreign sources only in emergency situations. In addition, due to the status of the Bank's as an investment and development bank, to eliminate the risk of sudden absence of deposits and draws is a significant contribution to the reduction of liquidity risk. In addition, the bank's fundamental liquidity risk reduction techniques are finding the fund first and then providing credit facilities and before amortisation of external obligations such as syndicated loans etc., repaying a debt by accumulating money.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

f) Stress tests are made by the end of the year and sent to BRSA within the frame of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and BRSA good practice guideline until the end of March of the following year. The results of stress tests are reported to top management and considered on internal bank decisions.

g) The first measure for unexpected liquidity needs that may arise, having more short term assets with a high liquidity rather than short term greater amount of liabilities. In this context:

- Increasing the level of liquid assets and/or
- Trying to extend the maturity of existing debt and/or,
- Limited new loan demand are covered and/or,
- Maturity of the loans be shortened and/or,
- Limits of traded financial institutions are constantly reviewed and/or,
- Part of the securities turn into more liquid form through outright sale or repurchase.

1. Liquidity Coverage Ratio (%) Max and Minimum Weeks

Current Period							
Week Info	**TL+FC (Max)**	**Week Info**	**TL+FC (Min)**	**Week Info**	**FC (Max)**	**Week Info**	**FC (Min)**
8 December 2017	99,22	15 December 2017	58,73	8 December 2017	91,04	15 December 2017	53,06

Prior Period							
Week Info	**TL+FC (Max)**	**Week Info**	**TL+FC (Min)**	**Week Info**	**FC (Max)**	**Week Info**	**FC (Min)**
11 November 2016	99,34	7 October 2016	30,26	11 November 2016	93,85	7 October 2016	20,75

According to the Banking Regulation and Supervision Agency’s 7123 numbered and 12 December 2016 dated decision unless otherwise stated, the consolidated and non-consolidated total money and foreign money liquidation rates shall be considered zero for development and investment banks. The aforementioned rates are still being reported to the Agency.

Also Eximbank is subject to the liquidity coverage ratio outlined in Regulations Considering The Calculation And Assessment Of Bank Liquidity Coverage Ratio and the Bank is keeping these ratios above the stated limit.

Also since the Bank has a mission and only operates in export financing, Türk Eximbank is trying to utilize all its assets so as not to keep them idle. Otherwise, Türk Eximbank has the resources to keep the weekly liquidity coverage ratio above the limits specified in the related regulation regarding the liquidity coverage ratio in total and foreign currency basis. However, the alternative cost of this application will show itself as a reduction of support for the export and real sector.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Liquidity Coverage Ratio

		Total Unweighted Value (Average)(*)		Total Weighted Value (Average)(*)	
Current Period		**TL+FC**	**FC**	**TL+FC**	**FC**
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)			615.186	590.769
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	-	-	-	-
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	6.572.323	6.491.306	2.869.366	2.836.959
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	20.338	9.246	20.338	9.246
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	264.508	262.007	105.803	104.802
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	5.689.840	5.689.840	284.491	284.491
16	**Total Cash Outflows**			**3.279.998**	**3.325.498**
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	10.777.787	7.959.329	7.240.841	4.800.873
19	Other cash inflows	25.363	7.499	25.362	7.499
20	**Total Cash Inflows**	**10.803.150**	**7.966.828**	**7.266.203**	**4.808.372**
				Max limit applied values	
21	**Total HQLA**			**615.186**	**590.769**
22	**Total Net Cash Outflows**			**821.044**	**809.919**
23	**Liquidity Coverage Ratio (%)**			**74,93**	**72,94**

(*) The average of last three months' liquidity coverage ratio calculated by monthly and weekly simple averages.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Total Unweighted Value (Average)(*)		Total Weighted Value (Average)(*)	
Prior Period		**TL+FC**	**FC**	**TL+FC**	**FC**
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)			600.004	546.181
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	-	-	-	-
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	3.509.804	3.509.804	3.509.804	3.509.804
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	218.070	214.620	218.070	214.620
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	1.131.953	1.131.739	1.131.953	1.131.739
14	Other revocable off-balance sheet commitments and contractual obligations	149.549	127.387	149.549	127.387
15	Other irrevocable or conditionally revocable off-balance sheet obligations	174.493	174.493	174.493	174.493
16	**Total Cash Outflows**			**5.183.869**	**5.158.043**
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	6.043.595	4.736.001	6.043.595	4.736.001
19	Other cash inflows	62.858	2.928	62.858	2.928
20	**Total Cash Inflows**	**6.106.453**	**4.738.929**	**6.106.453**	**4.738.929**
				Max limit applied values	
21	**Total HQLA**			**600.004**	**546.181**
22	**Total Net Cash Outflows**			**1.387.808**	**1.589.450**
23	**Liquidity Coverage Ratio (%)**			**43,23**	**34,36**

(*) The average of last three months' liquidity coverage ratio calculated by monthly and weekly simple averages.

With regard to the Liquidity Coverage Ratio banks explain the essential issues as follows;

a) Due to the low level of complexity of the bank, cash inflows and outflows have not shown significant fluctuations during the period and cash inflows have been realized above the cash outflows throughout the period. The Bank's high quality liquid asset stock primarily consists of cash, the accounts held at CBRT and unencumbered government bonds which are issued by Turkish Treasury.

b) The Bank's high quality liquid asset stock primarily consists of cash, the account held at CBRT and unencumbered government bonds which are issued by Turkish Treasury.

c) Main funding sources of the Bank are funds from CBRT rediscount loans, short-term loans from domestic and overseas banks, medium and long-term funds borrowed from international organizations like World Bank, European Investment Bank and funds obtained from capital market transactions by issuing debt securities.

d) Most of the derivative instruments used for hedging purposes are forward transactions for currency risk and swap transactions within the scope of interest rate risk.

e) Total amount of funds borrowed from a single counterparty or a risk group is closely and instantaneously monitored, taking liquidity concentration limits into account. The Bank distributes funding sources between CBRT, domestic banks and international development and investment banks carefully and in a balanced manner. The Bank's principle to take first quality collaterals such as letters of guarantee. To prevent concentration risk, the Bank monitors the breakdown of the collaterals taken from banks and made policy limit controls to keep the risk up to 20% of each banks' total cash and non-cash loans.

f) Taking into account the legal and operational liquidity transfer inhibiting factors, the needed funds and the liquidity risk exposure based on the Bank itself, the branches in foreign countries and consolidated partnerships:

None.

g) Taken in the calculation of liquidity coverage ratio but not included in the disclosure template in the second paragraph and the information regarding the other cash inflows and cash outflows items which are thought to be related to the Bank's liquidity profile:

None.

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3. Groupings of assets and liabilities on the remaining period to maturity

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallo-cated[1]	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	632.192	-	-	-	-	-	-	**632.192**
Banks	49.738	2.032.663	-	-	-	-	-	**2.082.401**
Financial Assets at Fair Value Through Profit or Loss	-	905	4.134	3.296	1.316	17.612	-	**27.263**
Interbank Money Market Placements	-	831.691	-	-	-	-	-	**831.691**
Available-for-sale Financial Assets	30.318	-	-	-	-	-	-	**30.318**
Loans [4]	-	7.818.745	14.542.969	37.244.587	16.516.704	4.045.597	102.502	**80.271.104**
Held-to-maturity Investments	-	-	17.208	142.161	21.092	-	-	**180.461**
Other Assets	-	1.569	35.284	40.211	54.735	1.807	1.186.153	**1.319.759**
Total Assets	**712.248**	**10.685.573**	**14.599.595**	**37.430.255**	**16.593.847**	**4.065.016**	**1.288.655**	**85.375.189**
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	6.420.112	17.199.600	29.489.958	9.967.455	4.291.545	-	**67.368.670**
Funds From Interbank Money Market	-	152.000	-	-	-	-	-	**152.000**
Marketable Securities Issued	-	-	-	-	8.457.438	1.821.772	-	**10.279.210**
Miscellaneous Payables	-	-	-	11.602	180	-	654.032	**665.814**
Other Liabilities[2][3]	-	48.163	6.257	44.486	225.955	289.334	6.295.300	**6.909.495**
Total Liabilities	-	**6.620.275**	**17.205.857**	**29.546.046**	**18.651.028**	**6.402.651**	**6.949.332**	**85.375.189**
Liquidity Gap	**712.248**	**4.065.298**	**(2.606.262)**	**7.884.209**	**(2.057.181)**	**(2.337.635)**	**(5.660.677)**	-
Net Off Balance Sheet Position	-	**(37.768)**	**(1.009)**	**(27.849)**	**(70.435)**	**(200.208)**	-	**(337.269)**
Derivative Financial Assets	-	4.389.619	2.436.923	2.873.036	10.133.136	4.235.520	-	**24.068.234**
Derivative Financial Liabilities	-	4.427.387	2.437.932	2.900.885	10.203.571	4.435.728	-	**24.405.503**
Non-Cash Loans	-	-	-	-	-	-	6.241.263	**6.241.263**
Prior Period								
Total Assets	777.108	10.162.454	11.058.439	27.817.230	14.692.517	979.177	2.789.389	**68.276.314**
Total Liabilities	-	526.791	12.219.525	25.918.462	12.939.396	8.308.148	8.363.992	**68.276.314**
Net Liquidity Gap	777.108	9.635.663	(1.161.086)	1.898.768	1.753.121	(7.328.971)	(5.574.603)	-
Net Off-Balance Sheet Position	-	**(3.606)**	**61.871**	**149.671**	**59.656**	**103.916**	-	**371.508**
Derivative Financial Assets	-	1.011.921	711.136	3.390.049	5.116.642	4.018.063	-	**14.247.811**
Derivative Financial Liabilities	-	1.015.527	649.265	3.240.378	5.056.986	3.914.147	-	**13.876.303**
Non-Cash Loans	-	-	-	-	-	-	3.863.578	**3.863.578**

[1] Assets such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets are classified in this column.

[2] Liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as equity, provisions, miscellaneous payables are classified in this column.

[3] In other liabilities line amount of TL 6.295.300 at the “unallocated” column, includes the shareholders’ equity amounting to TL 5.774.083, provisions amounting to TL 268.419, other liabilities amounting to TL 252.785 and funds amounting to TL 13.

[4] Loans consist of net value of non-performing loans at “non-interest bearing” column amounting TL 102.502.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

4. The undiscounted cash flows of liabilities based on the remaining period to maturity dates are as follows:

Current Period	Book Value	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Liabilities								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	67.368.670	6.587.817	17.273.932	29.366.684	10.167.643	5.347.592	-	68.743.668
Funds borrowed from Interbank money market	152.000	152.179	-	-	-	-	-	152.179
Marketable securities issued	10.279.210	-	138.023	405.841	9.840.377	1.988.953	-	12.373.195
Miscellaneous payables	665.814	-	-	11.602	180	-	654.032	665.814
Other liabilities	1.135.412	48.163	6.257	44.486	225.955	289.334	521.217	1.135.412
Total liabilities	**79.601.106**	**6.788.159**	**17.418.212**	**29.828.613**	**20.234.155**	**7.625.879**	**1.175.249**	**83.070.268**
Guarantees and commitments	-	-	-	6.241.263	-	-	-	**6.241.263**

Prior Period	Book Value	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Liabilities								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	51.718.845	6.897.573	9.370.564	24.417.231	6.464.869	4.684.999	-	51.835.236
Funds borrowed from Interbank money market	69.000	69.000	-	-	-	-	-	69.000
Marketable securities issued	7.827.323	-	91.321	341.104	7.455.884	1.949.643	-	9.837.952
Miscellaneous payables	2.747.448	-	-	8.780	-	-	2.738.668	2.747.448
Other liabilities	482.735	9.232	580	43.127	124.665	110.771	194.360	482.735
Total liabilities	**62.845.351**	**6.975.805**	**9.462.465**	**24.810.242**	**14.045.418**	**6.745.413**	**2.933.028**	**64.972.371**
Guarantees and commitments		-	-	3.863.578	-	-	-	**3.863.578**

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5. The undiscounted cash inflows and outflows of derivatives of the Bank

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives						
- Outflow	4.009.847	142.694	251.320	4.956.320	2.628.333	11.988.514
- Inflow	3.975.446	136.935	301.218	3.870.703	2.023.691	10.307.993
Interest rate derivatives						
- Outflow	-	334.524	1.273.681	1.942.957	-	3.551.162
- Inflow	1.479	342.459	1.258.786	1.940.402	-	3.543.126
Derivatives held for hedging						
Foreign exchange derivatives						
- Outflow	433.264	2.012.833	1.566.838	3.331.674	-	7.344.609
- Inflow	430.033	2.033.925	1.567.473	2.752.400	-	6.783.831
Interest rate derivatives						
- Outflow	-	15.680	342.722	5.041.261	2.007.722	7.407.385
- Inflow	-	15.218	322.975	4.917.342	1.988.953	7.244.488
Total outflow	**4.443.111**	**2.505.731**	**3.434.561**	**15.272.212**	**4.636.055**	**30.291.670**
Total inflow	**4.406.958**	**2.528.537**	**3.450.452**	**13.480.847**	**4.012.644**	**27.879.438**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives						
- Outflow	684.958	53.741	61.694	1.966.671	1.652.588	4.419.652
- Inflow	685.339	58.289	97.174	1.868.956	1.455.170	4.164.928
Interest rate derivatives						
- Outflow	-	2.533	681.992	-	-	684.525
- Inflow	-	4.310	678.869	-	-	683.179
Derivatives held for hedging						
Foreign exchange derivatives						
- Outflow	291.806	655.455	2.582.796	458.332	-	3.988.389
- Inflow	327.330	720.186	2.742.080	536.349	-	4.325.945
Interest rate derivatives						
- Outflow	-	32.312	277.241	4.929.024	1.991.787	7.230.364
- Inflow	-	33.117	282.301	4.807.017	1.949.643	7.072.078
Total outflow	**976.764**	**744.041**	**3.603.723**	**7.354.027**	**3.644.375**	**16.322.930**
Total inflow	**1.012.669**	**815.902**	**3.800.424**	**7.212.322**	**3.404.813**	**16.246.130**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

VII. Leverage ratio

a) Explanations on Differences between Current and Prior Years' Leverage Ratios

Because of the increasing volume of the insurance and balance sheet, the leverage ratio of the Bank decreased compared to previous year. However, it is still above of 3% Basel and BRSA standards.

The Bank has not prepared consolidated financial statements as the Bank does not have any subsidiaries.

b) Comparison of the total amount of assets and the total amount of risk included in the Consolidated Financial Statements in accordance with TAS

None.

c) The leverage ratio table is presented below:

	Current Period(*)	Prior Period(*)
On-Balance Sheet Items		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	86.641.182	66.140.749
Assets amounts deducted in determining Basel III Tier 1 capital	(7.677)	(6.456)
Total on balance sheet exposures	86.633.505	66.134.293
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	(3.572)	9.278
The potential amount of credit risk with derivative financial instruments and credit derivatives	880.260	744.026
The total amount of risk on derivative financial instruments and credit derivatives	876.688	753.304
Investment securities or commodity collateral financing transactions		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	-	-
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	-	-
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	30.895.174	21.815.662
Adjustments for conversion to credit equivalent amounts	(22.030.481)	(14.005.579)
The total risk of off-balance sheet items	8.864.693	7.810.083
Capital and Total Exposures		
Tier 1 Capital	5.711.057	5.176.461
Total Exposures	96.374.886	74.697.680
Leverage Ratio		
Leverage Ratio	5,93%	6,93%

(*) Three-month average of the amounts in Leverage Ratio table.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

VIII. Presentation of financial assets and liabilities at their fair values

In the table below, the book value and fair value of the financial assets and liabilities which are not denominated with their fair values in financial statements of the Bank are presented:

	Carrying Value		Fair Value	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Financial Assets				
Due From Interbank Money Market[1]	831.691	368.160	831.691	368.160
Banks[1]	2.082.401	2.518.048	2.082.401	2.518.048
Available-for-sale Financial Assets	5.056	4.879	5.056	4.879
Held-to-maturity Investments	180.461	98.549	187.182	100.353
Loans	80.271.104	61.609.764	84.746.970	62.484.286
Financial Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	67.400.265	51.807.130	70.907.814	53.509.041
Issued Marketable Securities	10.279.210	7.827.323	10.646.746	8.063.949
Miscellaneous Payables[1]	665.814	2.747.448	665.814	2.747.448

[1] As the maturities of related accounts are mainly less than 1 month, the carrying amount calculated using the effective interest rate (internal rate of return) method approximates its fair value.

Fair value of investments held to maturity is determined as Level 1.

Fair value of loans and other financial institutions' funds are determined as Level 2.

Carrying amounts of other financial institutions' funds related to fair value hedge are shown as fair values.

Fair value measurement classification

In the table below, valuation method of financial instruments valued by fair value is given. Valuation methods according to the levels are defined as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using 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: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	11.710	15.553	-	27.263
Available-for-sale financial assets(1)	25.262	-	-	25.262
Derivative financial assets held for fair value hedges	-	133.606	-	133.606
Financial liabilities				
Trading derivative financial liabilities	-	384.351	-	384.351
Derivative financial assets held for fair value hedges	-	188.286	-	188.286

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	10.678	118.603	-	129.281
Available-for-sale financial assets(1)	16.245	-	-	16.245
Derivative financial assets held for fair value hedges	-	460.311	-	460.311
Financial liabilities				
Trading derivative financial liabilities	-	41.322	-	41.322
Derivative financial assets held for fair value hedges	-	150.529	-	150.529

(1) Represents the balance of Garanti Faktoring AŞ which is quoted on BIST and accounted under available for sale financial assets.

IX. Explanations on activities carried out on behalf and account of other parties

The Bank does not carry out transactions on behalf of and account of others and there are not any trust transactions.

X. Targets and policies of risk management

1. The Bank's risk management policy

Eximbank, as Turkey's official Export Support Organization, provides export sector with credit, guarantee and insurance programs. While the Bank is not primarily engaged in profit-making activities, it maintains the level of risk that it must undertake when it fulfills its legal functions of "providing financial support to the export sector" with an approach that does not weaken the financial power and conforms to generally accepted banking and investment policies.

Eximbank supports exporters, export oriented manufacturers and exporters with contractors, entrepreneurs and foreign exchange earning companies operating with short, medium and long term cash/non-cash loans, insurance and guarantee programs. The bank applies the principle of obtaining a first quality guarantee such as a guarantee letter from a commercial bank for loans the Bank is using. Cash, non-cash credit and treasury transaction limits for guarantee letters and warranties issued by the banks to constitute the guarantees of the credits granted by the banks through Türk Eximbank and the loans granted directly to the firm are determined and monitored within the framework of financial analysis and risk assessment studies of domestic banks. In order to avoid the risk of concentration, the bank-based distribution of collateral is monitored closely and the policy of undertaking risk up to 20% of total cash and non-cash total credit risk, except treasury transactions for a single bank, is followed by limit controls. The Bank's Board of Directors determines and regularly monitors the level of risk appetite, which indicates the level of risk that the Bank wishes to carry out in order to reach its targets, taking into account the risk capacity.

The risk management process, which is organized within the framework of risk management regulations and serves to create a common risk culture across the organization; Is a structure in which risks are defined in line with international regulations, and measurement, analysis, monitoring and reporting activities are carried out in this framework. In this context, the Risk Management Department develops the necessary systems to carry out its activities, monitors the compliance of the risks with the policies and standards and the Bank limits, and continues to work on compliance with the relevant legal regulations and Basel criteria. In addition to the standard approaches used for statutory reporting, reporting risk measures are also developed through internal models and are supported by applied stress tests.

Limit checks on both company and bank basis, cash and non-cash collaterals for such loans, account status documents provided for the financial analysis/allocation process and profit/loss statements as a proxy are supervised by the Inspection Board Presidency and the Internal Control Presidency over the selected files. Credit ratings of loans and other receivables are followed up by Risk Analysis and Evaluation Department and Risk Monitoring Department. Firms and banks' risks and limits are monitored on a daily and weekly basis, with the units responsible for issuing loans and without risk monitoring.

The risk management process, which is organized within the framework of risk management regulations and serves to create a common risk culture across the organization; Analysis, monitoring, reporting, and auditing activities are carried out in accordance with the principles of independence of interdependence of executive units and internal supervision and supervision units, which take the risk of "good corporate governance" in the foreground, in harmony with international regulations. Internal systems are responsible for coordinating the dissemination of the institutional culture necessary to ensure that operational risks are managed by the risk-taking staff.

The capital adequacy standard ratio is calculated by distributing risk weighted assets and non-cash loans according to the risk weight ratios in the relevant legislation. The standard method for credit and market risk and the basic indicator approach for operational risk are calculated.

With the Risk Assessment Report, the Bank's risk is reported on an integrated basis to the senior management on a regular basis. Besides, the risks arising from treasury transactions and the total risks directly and indirectly on commercial banks are monitored and reported on a daily basis by the related units.

The Stress tests, the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process text, and the BRSA Good Practice Guidelines, are made at the end of the year and sent to the BRSA until the end of March of the following year. The results of the stress test at the Bank are also reported to the upper management and are taken into account in the bank's internal decisions. Within the scope of ICAAP, credit risk, market risk and operational risk as well as interest rate risk arising from banking accounts, risk concentration of banks and collateralized banks, and liquidity risk assessments are included in the calculation of legal capital requirement.

The Bank issuing the loans with the guarantee of the commercial banks in Turkey (guarantee letter, warranty etc.) is not subject to any risk arising from the companies. On the other hand, a systemic risk that may be experienced in the banking sector is monitored closely and the intention and controls are used to prevent concentration on the bank basis.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Overview of risk weighted amounts

		Risk Weighted Amount		Minimum Capital Requirements
		Current Period	**Prior Period**	**Current Period**
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**41.308.618**	**37.799.302**	**3.304.689**
2	Of which standardized approach (SA)	41.308.618	37.799.302	3.304.689
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**418.596**	**389.925**	**33.488**
5	Of which standardized approach for counterparty credit risk (SA-CCR)	418.596	389.925	33.488
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under basic risk weighting or internal rating-based approach**	**-**	**-**	**-**
8	**Equity investments in funds - look-through approach**	**-**	**-**	**-**
9	**Equity investments in funds - mandate-based approach**	**-**	**-**	**-**
10	**Equity investments in funds - 1250% weighted risk approach**	**-**	**-**	**-**
11	**Settlement risk**	**-**	**-**	**-**
12	**Securitization positions in banking accounts**	**-**	**-**	**-**
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	**Market risk**	**551.225**	**446.963**	**44.098**
17	Of which standardized approach (SA)	551.225	446.963	44.098
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational Risk**	**1.246.957**	**1.075.641**	**99.757**
20	Of which Basic Indicator Approach	1.246.957	1.075.641	99.757
21	Of which Standardized approach (SA)	-	-	-
22	Of which Advanced measurement approach	-	-	-
23	**The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)**	**-**	**-**	**-**
24	**Floor adjustment**	**-**	**-**	**-**
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**43.525.396**	**39.711.831**	**3.482.032**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

3. Linkages between Financial Statements and Risk Amounts

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

		Carrying values of items in accordance with Turkish Accounting Standards				
	Carrying values in financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Securitization Positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and CBRT	632.192	632.192	-	-	-	-
Financial Assets Held for Trading	27.263	-	15.553	-	11.710	-
Financial Assets At Fair Value Through Profit/Loss	-	-	-	-	-	-
Banks	2.082.401	2.082.401	-	-	-	-
Money Market Placements	831.691	831.691	-	-	-	-
Financial Assets Available-for-Sale	30.318	30.318	-	-	-	-
Loans and Receivables	80.271.104	80.271.104	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Investment Held-to-Maturity	180.461	180.461	-	-	-	-
Subsidiaries	-	-	-	-	-	-
Investment in Associates	-	-	-	-	-	-
Joint-Ventures	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	133.606	-	133.606	-	-	-
Tangible Assets	5.430	4.968	-	-	-	462
Intangible Assets	6.055	-	-	-	-	6.055
Investment Properties	2.236	2.236	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations	90	90	-	-	-	-
Other Assets	1.172.342	1.172.342	-	-	-	-
Total Assets	**85.375.189**	**85.207.803**	**149.159**	**-**	**11.710**	**6.517**
Liabilities						
Deposits	-	-	-	-	-	
Derivative Financial Liabilities Held for Trading	384.351	-	384.351	-	-	-
Funds Borrowed	67.368.670	-	-	-	-	67.368.670
Money Market Funds	152.000	-	152.000	-	-	-
Marketable Securities Issued	10.279.210	-	-	-	-	10.279.210
Funds	13	-	-	-	-	13
Miscellaneous Liabilities	665.814	-	-	-	-	665.814
Other Liabilities	252.785	-	-	-	-	252.785
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	188.286	-	188.286	-	-	-
Provisions	268.419	-	-	-	-	268.419
Tax Liability	9.962	-	-	-	-	9.962
Assets Held For Sale and Related to Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	31.596	-	-	-	-	31.596
Shareholders' Equity	5.774.083	-	-	-	-	5.774.083
Total Liabilities	**85.375.189**	**-**	**724.637**	**-**	**-**	**84.650.552**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk	Not Subject to Capital Requirements or Deducted from Capital
1	Asset carrying value amount under regulatory in financial statement	85.375.189	85.207.803	-	149.159	11.710	6.517
2	Liabilities carrying value amount under regulatory in financial statement	85.379.189	-	-	-	-	-
3	Total net amount scope of financial statement	-	-	-	-	-	-
4	Off-balance sheet amounts	3.128.041	3.128.041	-	-	-	-
5	Differences in valuations	-	-	-	-	-	-
6	Differences due to different netting rules	-	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-	-
9	**Risk Amounts**	**88.503.230**	**88.335.844**	-	**149.159**	**11.710**	**6.517**

a) The scope of the Bank's accounting consolidation and legal consolidation is exactly the same and there is no difference.

b) According to TAS, there is no difference between the Bank's risk assessed amounts and risk amounts.

c) Bank position transactions are all kinds of money market, capital market, foreign exchange market and derivative market transactions (excluding transactions for purchases and sales) made by the Treasury Department for the management of currency, interest rate and liquidity risk.

For the purpose of hedging against the market risk that the Bank may be exposed to through the trading portfolio, all trading securities portfolio, trading/foreign currency and foreign currency/Turkish currency transactions are evaluated on a daily basis with the current market rates.

In order to limit possible loss that may arise from market risk, the maximum amounts that can be carried per day, the maximum amount of transactions and the limit of termination of damages shall be applied within the limits set by the Board of Directors for all Turkish Currency and Foreign Exchange transactions for trading purposes. In other words, these limitations are determined on a product basis and are also subject to limitations according to the duties and authorities of the traders, and compliance with these limits is automatically made by the system.

Securities held to maturity are valued by internal rate of return.

5. Public Explanations on Credit Risk

The Bank applies the principle which is accepting first group guarantee like letter of guarantee from commercial banks, warranty etc. for its loans. For this reason, the "institutional receivables" risk category is largely transformed into "receivables from banks and intermediary institutions".

In order to avoid the risk of concentration, the bank-based distribution of collateral is monitored closely and the policy of undertaking risk up to 20% of total cash and non-cash credit risk, except treasury transactions for a single bank, is followed by limit controls. In addition, credit limits to be used by a single company are determined by the Credit Committee within the limits of the Board of Directors and legal limits.

In order to ensure that credits are in line with company and bank limits, there are controls on the system that prevent limit overruns. These checks are periodically tested by the Internal Control unit. The limits of the banks that receive guarantees are monitored daily by the Bank Analysis Department. Limit change requirements are regularly monitored and necessary updates are made by the Board of Directors.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Limit checks on both company and bank basis, cash and non-cash collaterals for such loans, account status documents provided for the financial analysis/allocation process, and profit/loss statements as an annex are selected and audited by the Inspection Board Presidency and Internal Control Presidency. Credit ratings of loans and other receivables are followed up by Risk Analysis and Evaluation Department and Risk Monitoring Department. Firms and banks' risks and limits are monitored on a daily and weekly basis, by the units responsible from issuing loans and risk monitoring.

The Risk Assessment Report prepared by the Risk Management Department and senior management and board of directors lending programs are periodically informed on the basis of total risks and problem loans. The Banks and Financial Institutions Department monitors the existing risks on an intermediary bank basis on a daily basis.

5.1. Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values
		Defaulted	**Non-defaulted**		
1	Loans	294.231	80.168.602	191.729	80.271.104
2	Debt Securities	-	193.886	1.715	192.171
3	Off-balance sheet exposures	-	-	-	-
4	**Total**	**294.231**	**80.362.488**	**193.444**	**80.463.275**

5.2. Changes in stock of default loans and debt securities

1	**Defaulted loans and debt securities at end of the previous reporting period**	**233.087**
2	Loans and debt securities that have defaulted since the last reporting period	71.545
3	Receivables back to non-defaulted status	-
4	Amounts written off	(3.336)
5	Other changes	(7.065)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**294.231**

5.3. Additional Explanation about the Credit Quality of Asset

Additional qualitative disclosures about the credit quality of assets

Due credit borrowers are considered as overdue receivables in terms of accounting practices because they are not executed or can not be executed by the debtor on the loan repayment schedule.

Within 90 days following due date, in case the payment of credit debt is not realized, the overdue receivables are classified as non-performing loans and provision is made in accordance with the "Exceptions to the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Shared".

In accordance with the related regulation, provision is made based on the credit classes over the remainder of the main debt of the loan after consideration of the credit guarantees.

In addition, despite the fact that in accordance with Article 13 entitled "Exceptions to the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Shared", the specific and general provision rates for the transactions to be carried out under the Bank's Establishment Law are taken as zero percent, the Bank allocates provisions within prudent banking principles.

Loans and other receivables restructured or rescheduled in order to provide liquidity to the borrower and to collect the receivables of the borrower pursuant to the related provisions of the regulation are followed by debt to the relevant loan accounts after the conditions specified in the said Regulation are fulfilled. As of 31 December 2017, there are no restructured or rescheduled loans among the non-performing loans and there are restructured or rescheduled loans and receivables with a total amount of TL 2.035.225 among standard loans and loans in close follow-up.

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Additional quantitative disclosures about the credit quality of assets

a) According to the geographical area of the receivables, according to the sector and according to the remaining maturity.

Explanations about the breakdown of receivables according to geographical regions, sectors and residuals are included in the "Explanations on Credit Risk" section.

b) Amounts of receivables that are provisioned on geographical regions and sector basis and related provisions and amounts deleted from assets

Current Period	**Non-Performing Loans**	**Specific Provision**
Domestic	717.632	125.918
EU Countries	30.092	30.092
OECD Countries	2.356	2.356
Off-shore Banking Regions	-	-
USA, Canada	1.656	1.656
Other Countries	31.707	31.707
Total	**783.443**	**191.729**

Current Period	**Non-Performing Loans**(*)	**Specific Provision**
Agriculture	**9.472**	**5.739**
Farming and Stockbreeding	9.318	5.585
Forestry	7	7
Fishery	147	147
Manufacturing	**623.851**	**169.928**
Mining and Quarrying	1.246	661
Production	622.605	169.267
Electricity, Gas and Water	-	-
Construction	**111.992**	**302**
Services	**36.187**	**13.860**
Wholesale and Retail Trade	21.141	12.873
Hotel, Food and Beverage services	9.233	-
Transportation and Telecom	5.061	387
Financial Institutions	292	292
Real Estate and Rental Services	258	258
Self-employment Services	202	50
Educational Services	-	-
Health and Social Services	-	-
Other	**1.941**	**1.900**
Total	**783.443**	**191.729**

(*) Non-performing receivables include non-performing loans and loans under close monitoring.

As of 31 December 2017, the total of non-performing loans written off from assets is amounting to TL 3.336.

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c) Aging analysis for overdue receivables

Current Period	**Past due items**(*)
Up to 3 months	561.562
3-12 months	40.511
1-5 years	81.880
5 years and over	99.490
Total	**783.443**

(*) Non-performing receivables include non-performing loans and loans under close monitoring.

d) Analysis of restructured loans according to making provision

Current Period	**Restructured Receivables**
Restructured Standard Loans and Other Receivables	1.808.123
Loans and Other Receivables Under Close Monitoring	227.102
Restructured Non-performing Loans	-
Total	**2.035.225**

5.4. Credit risk mitigation techniques

5.4.1. Politics and processes of offsetting balance sheet and off-balance sheet items

The Bank does not make balance sheet and off-balance sheet offsetting as risk mitigation technique.

5.4.2 Basic characteristics of policies and processes related to the assessment and management of collateral

The Bank receives a letter of guarantee for all cash loans granted by the banks in Turkey and abroad. Within this scope, the limits given to the banks are checked regularly and amendments are made with the decision of the Board of Directors when necessary.

5.4.3 Intensification of market and credit risk arising from credit risk mitigation tools used

Non-cash, non-cash credit and treasury transaction limits for guarantee letters and avors issued by the banks to constitute the guarantee of the credits granted by the banks through Eximbank and the loans granted directly to the firm are determined and monitored within the framework of financial analysis and risk assessment studies of domestic banks. In order to avoid the risk of concentration, the bank-based distribution of collateral is monitored closely and the policy of undertaking risk up to 20% of total cash and non-cash credit risk, except treasury transactions for a single bank, is followed by limit controls.

5.4.4 Risk Decreasing Techniques - General Overview

		Exposures unsecured	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
1	Loans	10.081	80.261.023	79.871.027	-	-	-	-
2	Debt securities	55.032	137.139	137.551	-	-	-	-
3	**Total**	**65.113**	**80.398.161**	**80.008.578**	-	-	-	-
4	Of which defaulted	-	102.502	-	-	-	-	-

According to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, the external rating grades of the counterparties of Fitch Ratings International Rating Agency are used in determining the risk weights for the entire risk class from central government or central banks. There has been no change in the rating agency used during the period.

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5.4.5. Standard approach - Exposure credit risk and credit risk mitigation effects

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk Groups	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet Amount**	**Off-balance sheet amount**	**Risk-weighted amount**	**Risk-weighted amount density (%)**
1	Exposures to sovereigns and their central banks	2.990.676	1.294.535	3.226.234	-	2.855.027	88,49
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	11.676.635	10.276.159	78.957.162	7.410	32.869.087	41,63
7	Exposures to corporates	65.688.545	17.159.734	-	2.801.692	2.801.692	100,00
8	Retail exposures	3.297.029	1.222.554	1.469.489	318.939	1.341.321	75,00
9	Exposures secured by residential property	27.105	-	27.105	-	25.670	94,70
10	Exposures secured by commercial property	215.331	-	215.331	-	107.666	50,00
11	Past-due loans	102.502	-	102.502	-	98.202	95,81
12	Exposures in higher-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	1.179.662	-	1.179.662	-	1.179.635	100,00
17	Equity investments	30.318	-	30.318	-	30.318	100,00
18	**Total**	**85.207.803**	**29.952.982**	**85.207.803**	**3.128.041**	**41.308.618**	**46,76**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

5.4.6. Standard Approach - Receivables according to risk classes and risk weights

	Risk Groups/Risk Weights	0%	10%	20%	35%[1]	50%	75%	100%	150%	200%	Others	Total risk amount [2]
1	Exposures to sovereigns and their central banks	371.206	-	-	-	-	-	2.855.028	-	-	-	3.226.234
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	41.747.988	-	2.119.715	-	5.303.446	-	29.793.423	-	-	-	78.964.572
7	Exposures to corporates	-	-	-	-	-	-	2.801.692	-	-	-	2.801.692
8	Retail exposures	-	-	-	-	-	1.788.428	-	-	-	-	1.788.428
9	Exposures secured by residential property	-	-	-	1.290	-	2.390	23.425	-	-	-	27.105
10	Exposures secured by commercial property	-	-	-	-	215.331	-	-	-	-	-	215.331
11	Past-due loans	-	-	-	-	8.599	-	93.903	-	-	-	102.502
12	Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	30.318	-	-		30.318
17	Other exposures	26	-	-	-	-	-	1.179.636	-	-	-	1.179.662
18	**Total**	**42.119.220**	-	**2.119.715**	**1.290**	**5.527.376**	**1.790.818**	**36.777.425**	-	-	-	**88.335.844**

[1] Secured by residential property

[2] Exposures post-CCR and CRM

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

6. Explanations on counterparty credit risk

6.1. Qualitative Explanations on Counterparty credit risk

For transactions made with foreign banks, the amount and the maturity limit are established by the resolution of the Board of Directors. Limits are checked by Treasury Department. The majority of transactions that create counterparty risk in the bank are money and interest swaps and forward transactions intended for hedging purposes. Fair value appraisal method is used in determining the amount subject to counterparty risk in accordance with the principles stated in Appendix-2 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks.

6.2. Counterparty credit risk (CCR) approach analysis

		Replacement Cost	Potential Credit Risk	EEPE	Alpha used for computing regulatory EAD	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
1	Standardized Approach -CCR (for derivatives)	(7.497)	858.159		1,40	850.662	414.302
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					141.464	783
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						415.085

6.3 Credit valuation adjustment (CVA) for capital obligation

		Risk Amounts (After use of credit risk mitigation techniques)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at Risk component (including the 3*multiplier)		-
2	(ii) Stressed Value at Risk component (including the 3*multiplier)		-
3	Total portfolio value with standardized approach CVA capital charge	24.068.234	-
4	Total subject to the CVA capital charge	6.895	3.443

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6.4. CCR Exposures by Risk Class and Risk Weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Risk Groups									
Conditional and unconditional exposures to sovereigns and their central banks	141.534	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and securities firms	137.551	-	42.580	817.758	-	1.201	-	-	418.596
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other Exposures	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total	**279.085**	**-**	**42.580**	**817.758**	**-**	**1.201**	**-**	**-**	**418.596**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

6.5. Collateral for CCR

	Collateral used in derivative transactions				Collateral used in other transactions	
	Collateral received		Posted collateral		Collateral received	Posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	137.551	-
Cash-foreign currency	-	-	-	-	227	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	**137.777**	-

6.6. Exposures to central counterparties

		Risk Amount After CCF	RWA
1	**Total risks arising from transactions with qualified central counterparty**		69
2	Regarding the risks arising from transactions in the Central counterpart (excluding the initial guarantee and guarantee fund amount)	-	-
3	(I) Derivative financial instruments	-	-
4	(II) Other derivative financial instruments	-	-
5	(III) Repo-reverse and repo transactions, credit securities transactions and securities or commodity lending or borrowing transactions	69	69
6	(IV) Netting groups to which cross product netting is applied	-	-
7	Supervised initial coverage	-	
8	Unsupervised initial coverage	-	-
9	Amount of paid guarantee funds	-	-
10	Undeclared guarantee fund commitment	-	-
11	**Total risks arising from non-qualified central counterpart transactions**		-
12	Related to the risks arising from the transactions in the central counterpart (excluding the initial guarantee and guarantee fund amount)	-	-
13	(I) Derivative financial instruments	-	-
14	(II) Other derivative financial instruments	-	-
15	(III) Repo-reverse and repo transactions, credit securities transactions and securities or commodity lending or borrowing transactions	-	-
16	(IV) Netting groups to which cross product netting is applied	-	-
17	Supervised initial coverage	-	
18	Unsupervised initial coverage	-	-
19	Amount of paid guarantee funds	-	-
20	Undeclared guarantee fund commitment	-	-

6.7. Counterparty credit risk based on risk class and probability of default

None.

6.8. Counterparty credit risk based on credit variety

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7. Change Table of Risk Weighted Amounts Based on Internal Rating (IDF) Approach

None.

7.1. Internal Rating (IDF) Portfolio and Default Probability credit risk amounts based on interval

None.

7.2. Effect of Credit Derivatives Used as Internal Rating (IDF) Credit Risk Mitigation Technique on Risk Weighted Amount

None.

7.3. Specialized loans based on Internal Rating (IDF) and stock investments subject to simple risk weighting approach

None.

7.4. Risk Weighted Assets within Internal Model Methodology

None.

8. Market Risk Explanations

8.1. Qualitative information to be disclosed to the public regarding market risk

Market risk refers to the possibility of loss that may arise due to interest, exchange rate and price changes arising from fluctuations in the financial markets in the positions of the Bank on its balance sheet and off-balance sheet accounts and consequent changes in the Bank income/expense item and equity profitability. In order to hedge against the market risk that the Bank may be exposed to as a result of financial activities, all Turkish Lira (TL) and foreign currency securities portfolio for trading purposes are evaluated on a daily basis with the current rates in the market. In order to limit the possible loss that may arise from market risk, the maximum amount of transactions that can be carried per day, including securities transactions, the maximum amount of transactions and the limit for termination of damages are applied within the limits set by the Board of Directors for all trading transactions. "Exchange Rate" and "Interest Rate" are calculated based on the "Standard Method and Market Risk Measurement Method" published by the BRSA in the calculation of the market risk exposed to the Bank in the Capital Adequacy Analysis Form.

Derivative transactions are initially measured at fair value and transaction costs that are attributable to them are recognized in profit or loss as they are incurred. They are valued with their fair values in subsequent periods. This valuation result is reflected in the financial statements as a single asset or liability on a contract basis by netting off the receivables and payables arising from each contract within their fair values. The method of accounting for the resulting profit or loss varies depending on whether the derivative is intended for hedging or not and the content of the hedged asset.

8.2. Standardized Approach

		Risk Weighted Amounts
	Outright Products	
1	Interest rate risk (general and specific)	340.550
2	Equity risk (general and specific)	-
3	Foreign exchange risk	210.675
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitizations	-
9	**Total**	**551.225**

8.3. Internal model approach for trading account

None.

8.4. Comparison of Risk Exposure Value (VAR) estimates with profit/loss

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

9. Explanations on Operational Risk

The operational risk capital requirement is calculated according to Regulation on Measurement and Evaluation of Capital Adequacy of Banks' article number 24, is measured using the Basic Indicator Approach once a year in parallel with domestic regulations.

The information contained in the following table when using the basic indicator method:

	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	619.043	699.421	676.666	3/3	15	99.757
Value at operational risk (Total*12.5)						**1.246.957**

10. The interest rate risk of the banking book items

The interest rate risk ratio of the banking book items are conducted on a monthly basis and reported to BRSA.

	Currency	Applied Shock (+/- x basis point)	Revenue/Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
1	TL	500	(104.751)	(1,78)%
	TL	(400)	89.704	1,52%
2	EUR	200	(37.714)	(0,64)%
	EUR	(200)	7.796	0,13%
3	USD	200	154.829	2,63%
	USD	(200)	(166.210)	(2,82)%
	Total (for Negative Shocks)		**(68.710)**	**(1,17)%**
	Total (for Positive Shocks)		**12.364**	**0,21%**

XI. Explanations on Securitization

1. Securitization positions on banking accounts

None.

2. Securitization positions in trading accounts

None.

3. Securitization positions in banking accounts and related capital requirement

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

XII. Explanations on operating segments

Information regarding operating segments as of 31 December 2017 and 31 December 2016 has been given in the following table:

Current Period	Corporate Banking	Investment Banking	Undistributed	Total Operations of the Bank
Interest income	**2.093.238**	**144.848**	**-**	**2.238.086**
Interest income on loans	2.092.254	-	-	2.092.254
Interest received from banks	-	66.638	-	66.638
Interest received from money market transactions	-	56.824	-	56.824
Interest received from marketable securities	-	21.386	-	21.386
Other interest income	984	-	-	984
Interest expense	**(756.004)**	**(468.194)**	**-**	**(1.224.198)**
Interest on loans borrowed	(742.550)	-	-	(742.550)
Interest of repo transactions	-	-	-	-
Interest paid for money market transactions	-	(56)	-	(56)
Interest on securities issued	-	(468.138)	-	(468.138)
Other interest expenses	(13.454)	-	-	(13.454)
Net fees and commissions income	**21.409**	**(28.491)**	**-**	**(7.082)**
Fees and commissions received	21.409	-	-	21.409
Fees and commissions paid	-	(28.491)	-	(28.491)
Trade profit/loss (net)	**-**	**(683.724)**	**402.603**	**(281.121)**
Profit/loss on capital market transactions	-	(5)	-	(5)
Profit/loss on derivative financial transactions	-	(683.719)	-	(683.719)
Foreign exchange profit/loss	-	-	402.603	402.603
Other operating income	**214.444**	**-**	**-**	**214.444**
Provision for impairment of loan and other receivables	**(44.660)**	**(1.653)**	**(31.105)**	**(77.418)**
Other operating expenses	**-**	**-**	**(294.236)**	**(294.236)**
Net period profit	**1.528.427**	**(1.037.214)**	**77.262**	**568.475**
Total segment assets	**80.271.104**	**3.285.740**	**1.818.345**	**85.375.189**
Financial assets designated at fair value through profit or loss	-	11.710	-	11.710
Trading derivative financial receivables	-	15.553	-	15.553
Receivables from banks and money markets	-	2.914.092	-	2.914.092
Available for sale financial assets	-	30.318	-	30.318
Loans and receivables	80.271.104	-	-	80.271.104
Held-to-maturity investments	-	180.461	-	180.461
Derivatives to hedge risk	-	133.606	-	133.606
Property and equipment (net)	-	-	5.430	5.430
Intangible assets (net)	-	-	6.055	6.055
Other assets	-	-	1.806.860	1.806.860
Total segment liabilities	**67.498.884**	**11.003.847**	**6.872.458**	**85.375.189**
Trading derivative financial liabilities	-	384.351	-	384.351
Loans and funds received	67.368.670	-	-	67.368.670
Borrowings from money markets	-	152.000	-	152.000
Securities issued	-	10.279.210	-	10.279.210
Derivatives to hedge risk	-	188.286		188.286
Provisions	130.214	-	138.205	268.419
Equity	-	-	5.774.083	5.774.083
Other liabilities	-	-	960.170	960.170

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Prior Period	Corporate Banking	Investment Banking	Undistributed	Total Operations of the Bank
Interest income	**1.571.538**	**71.516**	**-**	**1.643.054**
Interest income on loans	1.570.550	-	-	1.570.550
Interest received from banks	-	38.296	-	38.296
Interest received from money market transactions	-	8.286	-	8.286
Interest received from marketable securities	-	24.934	-	24.934
Other interest income	988	-	-	988
Interest expense	**(414.795)**	**(369.261)**	**-**	**(784.056)**
Interest on loans borrowed	(398.351)	-	-	(398.351)
Interest paid for repo transactions	-	-	-	-
Interest paid for money market transactions	-	-	-	-
Interest on securities issued	-	(369.261)	-	(369.261)
Other interest expenses	(16.444)	-	-	(16.444)
Net fees and commissions income	**34.753**	**(20.897)**	**-**	**13.856**
Fees and commissions received	34.753	-	-	34.753
Fees and commissions paid	-	(20.897)	-	(20.897)
Trade profit/loss (net)	**-**	**662.151**	**(1.000.621)**	**(338.470)**
Profit/loss on capital market transactions	-	9	-	9
Profit/loss on derivative financial transactions	-	662.142	-	662.142
Foreign exchange profit/loss	-	-	(1.000.621)	(1.000.621)
Other operating income	**142.282**	**-**	**-**	**142.282**
Provision for impairment of loan and other receivables	**(13.348)**	**(924)**	**(12.033)**	**(26.305)**
Other operating expenses	**-**	**-**	**(229.036)**	**(229.036)**
Net period profit	**1.320.430**	**342.585**	**(1.241.690)**	**421.325**
Total segment assets	**61.609.764**	**3.595.473**	**3.071.077**	**68.276.314**
Financial assets designated at fair value through profit or loss	-	10.678	-	10.678
Trading derivative financial receivables	-	118.603	-	118.603
Receivables from banks and money markets	-	2.886.208	-	2.886.208
Available for sale financial assets	-	21.124	-	21.124
Loans and receivables	61.609.764	-	-	61.609.764
Held-to-maturity investments	-	98.549	-	98.549
Derivatives to hedge risk	-	460.311	-	460.311
Property and equipment (net)	-	-	7.404	7.404
Intangible assets (net)	-	-	2.759	2.759
Other assets	-	-	3.060.914	3.060.914
Total segment liabilities	**51.985.976**	**7.937.645**	**8.352.693**	**68.276.314**
Trading derivative financial liabilities	-	41.322	-	41.322
Loans and funds received	51.807.130	-	-	51.807.130
Borrowings from money markets	-	69.000	-	69.000
Securities issued	-	7.827.323	-	7.827.323
Provisions	178.846	-	51.383	230.229
Equity	-	-	5.200.734	5.200.734
Other liabilities	-	-	3.100.576	3.100.576

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to assets

1. Cash equivalents and the account of the CBRT

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign currency	26	-	36	-
CBRT	234	631.932	951	370.004
Other	-	-	-	-
Total	**260**	**631.932**	**987**	**370.004**

Information related to the account of the CBRT

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand Unrestricted Account	234	631.932	951	370.004
Time Unrestricted Account	-	-	-	-
Time Restricted Account	-	-	-	-
Total	**234**	**631.932**	**951**	**370.004**

2. With their net values and comparison, information on financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets under repo transactions	1.715	-	4.242	-
Financial assets given as collateral/blocked	10.686	-	-	-
Total	**12.401**	-	**4.242**	-

3. Positive differences table related to trading derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	5.249	-	1.758	-
Swap Transactions	-	10.304	267	116.574
Futures Transactions	-	-	-	-
Options	-	-	-	4
Other	-	-	-	-
Total	**5.249**	**10.304**	**2.025**	**116.578**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

4. Information on banks and foreign bank accounts

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	191.882	794.378	120.537	1.302.475
Foreign	-	1.096.141	-	1.095.036
Head Quarters and Branches Abroad	-	-	-	-
Total	**191.882**	**1.890.519**	**120.537**	**2.397.511**

Foreign Bank Account

	Unrestricted Amount		Restricted Amount	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
European Union Countries	196.368	1.033.072	-	-
USA, Canada	898.527	55.195	-	-
OECD Countries [1]	1.246	6.769	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	**1.096.141**	**1.095.036**	**-**	**-**

[1] OECD countries except EU countries, USA and Canada

5. With net values and comparison, available-for-sale financial assets subject to repo transactions and given as collateral/blocked

As of 31 December 2017 and 31 December 2016, there are not any available-for-sale marketable securities given as collateral.

6. Information on available-for-sale financial assets

	Current Period	**Prior Period**
Debt Securities		
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Share Certificates		
Quoted to Stock Exchange	-	-
Not Quoted	30.318	21.124
Impairment Provision (-)	-	-
Total	**30.318**	**21.124**

As of 31 December 2017 and 31 December 2016 available for sale financial assets of the Bank consist of Garanti Faktoring AŞ and Kredi Garanti Fonu AŞ with the shareholding percentages of 9,78% and 1,54%, respectively.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7. Information related to loans

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

	Current Period		Prior Period	
	Cash loans	Non-cash Loans	Cash loans	Non-cash Loans
Direct Loans Granted to Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	10.081	-	9.297	-
Total	**10.081**	-	**9.297**	-

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

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
Cash Loans	Loans and Other Receivables	Loans and Other Receivables		Loans and Other Receivables	Restructured Loans and Other Receivables	
		The ones whose payment plans have changed (extended)	Other		The ones whose payment plans have changed (extended)	Other
Non-specialized Loans	77.506.797	1.535.924	-	225.152	224.540	-
Working capital loans	-	-	-	-	-	-
Export Loans	61.357.497	881.276	-	196.835	159.387	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	8.434.732	3.152	-	-	-	-
Consumer Loans	10.081	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Other	7.704.487	651.496	-	28.317	65.153	-
Specialized Loans	364.470	272.199	-	36.958	2.562	-
Other Receivables	-	-	-	-	-	-
Total	**77.871.267**	**1.808.123**	-	**262.110**	**227.102**	-

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

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

Number of Amendments Related to the Extension of the Payment Plan	Standard loans and other receivables	Loans under close monitoring and other receivables
Extended for 1 or 2 Times	507.280	7.553
Extended for 3, 4 or 5 Times	553.546	30.815
Extended for More than 5 Times	747.297	188.734

The Time Extended via the Amendment on Payment Plan	Standard loans and other receivables	Loans under close monitoring and other receivables
0-6 Months	41.238	165
6 - 12 months	446.029	94.421
1-2 Years	792.750	69.642
2-5 Years	528.106	62.874
5 Years and More	-	-

7.4. On the basis of the relevant bank type and the following tables; Loans according to maturity structure

	Standard loans and other receivables		Loans under close monitoring and other receivables	
	Loans and Other Receivables	Loans and Other Receivables	Loans and Other Receivables	Restructured Loans and Other Receivables
Short-term Loans and other receivables	49.457.546	199.148	34.134	1.524
Non-specialized Loans	49.239.370	176.457	31.112	-
Specialized Loans	218.176	22.691	3.022	1.524
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	28.413.721	1.608.975	227.976	225.578
Non-specialized Loans	28.267.427	1.359.467	194.040	224.540
Specialized Loans	146.294	249.508	33.936	1.038
Other Receivables	-	-	-	-

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7.5. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards

There are not any consumer loans, consumer credit cards and personnel credit cards.

As of 31 December 2017, the Bank granted personnel loans amounting to TL 10.081.

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	**-**	**-**	**-**
With Installment	-	-	-
Without Installment	-	-	-
Consumer Credit Cards-FC	**-**	**-**	**-**
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	**112**	**9.969**	**10.081**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	112	9.969	10.081
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**-**	**-**	**-**
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	**-**	**-**	**-**
With Installment	-	-	-
Without Installment	-	-	-
Credit Deposit Account-TL (Real Person)	**-**	**-**	**-**
Credit Deposit Account-FC (Real Person)	**-**	**-**	**-**
Total	**112**	**9.969**	**10.081**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7.6. Information on commercial installment loans and corporate credit cards

None.

7.7. Distribution of loans according to borrowers based on the following table

	Current Period	Prior Period
Public	4.773.262	3.707.478
Private	75.395.340	57.812.983
Total	**80.168.602**	**61.520.461**

7.8. Distribution of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	77.741.390	59.809.581
Foreign Loans	2.427.212	1.710.880
Total	**80.168.602**	**61.520.461**

7.9. Loans granted to investments in associates and subsidiaries

None.

7.10. Specific provisions accounted for loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	14.052	-
Loans and Receivables with Doubtful Collectability	75.343	51.312
Uncollectible Loans and Receivables	102.334	92.472
Total	**191.729**	**143.784**

7.11. Information on non-performing loans (Net)

7.11.1. Information on non-performing loans and other receivables that are restructured or rescheduled

None.

7.11.2. Information on the movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Balance at the Beginning of the Period	89.303	51.312	92.472
Additions During the Period	42.056	29.489	-
Transfers from Non-performing Loans Accounts	-	8.561	49.310
Transfers to Other Non-Performing Loans Accounts	(57.871)	-	-
Collections During the Period	(3.231)	(3.834)	-
Write-offs	-	(3.336)	-
Corporate and Commercial Loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	(3.336)	-
Balance at the End of the Period	70.257	82.192	141.782
Specific Provisions	(14.052)	(75.343)	(102.334)
Net Balance Sheet Amount	**56.205**	**6.849**	**39.448**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7.11.3. Information on non-performing loans that are granted as foreign currency loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period			
Balance at the End of the Period	68.421	72.086	125.720
Specific Provisions	(13.684)	(67.440)	(88.974)
Net Balance Sheet Amount	54.737	4.646	36.746
Prior Period			
Balance at the End of the Period	84.706	48.523	89.794
Specific Provisions	-	(48.523)	(89.794)
Net Balance Sheet Amount	84.706	-	-

7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)			
Loans Granted to Real Persons and Corporate Entities (Gross)	70.257	82.192	141.490
Specific Provision Amount	14.052	75.343	102.042
Loans Granted to Real Persons and Corporate Entities (Net)	56.205	6.849	39.448
Banks (Gross)	-	-	292
Specific Provision Amount	-	-	(292)
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)			
Loans Granted to Real Persons and Corporate Entities (Gross)	89.303	51.312	92.180
Specific Provision Amount	-	(51.312)	(92.180)
Loans Granted to Real Persons and Corporate Entities (Net)	89.303	-	-
Banks (Gross)	-	-	292
Specific Provision Amount	-	-	(292)
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount	-	-	-
Other Loans and Receivables (Net)	-	-	-

7.11.5. The main features of the collection policy for the uncollectible loans and other receivables

In order to liquidate the problematic receivables, all possible alternatives are assessed to be able to collect the maximum amount in line with the current legislation. In case the receivable is not collected within the allowed period, the receivable is collected by compensating the collateral. In case the collateral is not adequate for liquidating the receivable, negotiations with the debtors are attempted. The legal process commences for the receivables for which collection, settlement or rescheduling is not possible.

The Bank obtains Current Account Letter of Undertaking of the Debtor for loans granted to financial sector and obtains Letter of Undertaking of the Company for loans granted to companies to secure the repayment of the loans granted. The Bank attempts to liquidate the receivables from banks who acted as an intermediary for loans granted and whose banking licenses are cancelled upon application to the Savings Insurance and Deposit Fund.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7.11.6. Explanations on the write-off policy

Where sound indicators exist that would suggest that the collection of the Bank's foreign compensation receivables is almost impossible or that the costs to be incurred for the collection of the receivable amount would be higher than the amount of the receivable, the receivable amount is written-off from the assets upon the decision of the Executive Committee.

Write-off of the non-performing loans and receivables is considered, during the legal follow-up process concerning the collection of receivables.

8. Held-to-maturity investments

As of 31 December 2017, all of the marketable securities of the Bank classified under trading and held-to-maturity categories are government bonds and treasury bills.

8.1. Information on investments subject to repo transaction and given as collateral/blocked

Held-to-maturity investments subject to repo transactions:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Government bonds and similar marketable securities	137.137	-	66.432	-
Total	**137.137**	**-**	**66.432**	**-**

Held-to-maturity investments given as collateral/blocked:

	Current Period	Prior Period
Government bonds and similar marketable securities	27.383	15.589
Total	**27.383**	**15.589**

There are not any held-to-maturity investments held for structured position.

8.2. Information on held-to-maturity government debt securities

	Current Period	Prior Period
Government Bonds	180.461	98.549
Treasury Bills	-	-
Other Public Debt Securities	-	-
Total	**180.461**	**98.549**

8.3. Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities		
Quoted to Stock Exchange	180.461	98.549
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	**180.461**	**98.549**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

8.4. The movement of held-to-maturity investment securities

	Current Period	Prior Period
Balance at the beginning of the period	98.549	255.968
Foreign exchange differences on monetary assets	-	-
Purchases during the year	238.756	18.250
Disposals through sales and redemptions [1]	(164.403)	(172.196)
Impairment provision [2]	7.559	(3.473)
Balance at the end of the period	**180.461**	**98.549**

[1] There is not any disposal through sales. The amount shown at the disposals through sales and redemptions line represents only the redemption amount of securities.

[2] Consisted of interest accruals.

9. Following information investments in associates account (net)

None.

10. Information on subsidiaries (net)

There is not any subsidiary.

11. Information related to the jointly controlled partnerships

None

12. Information on lease receivables (net)

None.

13. Positive differences table related to hedging derivative financial assets

Derivative Financial Assets Held for Cash Flow Hedges	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge [1]	77.064	12.857	354.757	65.274
Cash Flow Hedge	-	43.685	-	40.280
Net Investment in Abroad Hedge [1]	-	-	-	-
Total	**77.064**	**56.542**	**354.757**	**105.554**

[1] Explained in Section Four Note III.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

14. Explanations on property and equipment

	Immovables	Tangibles-Financial Leased Assets	Vehicles	Other Tangibles	Leasehold Improvements	Total
Cost						
1 January 2017	1.570	127	3.379	11.218	14.257	30.551
Additions	-	-	-	1.729	-	1.729
Disposals	-	-	-	-	-	-
Transfers	(462)	-	-	-	-	(462)
31 December 2017	**1.108**	**127**	**3.379**	**12.947**	**14.257**	**31.818**
Accumulated Depreciation						
1 January 2017	925	127	2.478	7.546	12.071	23.147
CY depreciation	27	-	360	1.413	1.724	3.524
Disposals	-	-	-	-	-	-
Transfers	(283)	-	-	-	-	(283)
31 December 2017	**669**	**127**	**2.838**	**8.959**	**13.795**	**26.388**
Net book value						
31 December 2017	**439**	**-**	**541**	**3.988**	**462**	**5.430**

	Immovables	Tangibles-Financial Leased Assets	Vehicles	Other Tangibles	Leasehold Improvements	Total
Cost						
1 January 2016	6.136	127	2.956	10.220	14.257	33.696
Additions	-	-	423	1.168	-	1.591
Disposals	-	-	-	(170)	-	(170)
Transfers	(4.566)	-	-	-	-	(4.566)
31 December 2016	**1.570**	**127**	**3.379**	**11.218**	**14.257**	**30.551**
Accumulated Depreciation						
1 January 2016	3.035	127	1.873	6.581	8.891	20.507
CY depreciation	125	-	605	1.135	3.180	5.045
Disposals	-	-	-	(170)	-	(170)
Transfers	(2.235)	-	-	-	-	(2.235)
31 December 2016	**925**	**127**	**2.478**	**7.546**	**12.071**	**23.147**
Net book value						
31 December 2016	**645**	**-**	**901**	**3.672**	**2.186**	**7.404**

As of 31 December 2017 and 31 December 2016, there is not any impairment in property and equipment.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

15. Explanations on intangible assets

The Bank classified computer software licenses under intangible assets.

a) Cost and accumulated amortization at the beginning and end of the period:

As of 31 December 2017, the cost and the accumulated amortization of intangible assets are TL 10.486 and TL 4.431, respectively; at the beginning of the period, the gross book value and the accumulated amortization are TL 6.104 and TL 3.345, respectively.

b) Reconciliation of movements for the current period and the prior period:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	2.759	2.230
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	4.382	1.193
Sales and Write-Off	-	-
Amounts Recorded under Revaluation Fund for Increase or Decrease in Value	-	-
Recorded Impairments in the Income Statement	-	-
Cancelled Impairments from Income Statement	-	-
Amortization Expense (-)	(1.086)	(664)
Net Currency Translation Differences of Foreign Subsidiaries		
Other Changes in the Book Value		
Net Book Value at the End of the Period	6.055	2.759

16. Information on investment properties

The former Istanbul service building, which is included in the tangible fixed assets of the Bank, has been leased to the Prime Ministry Investment Support and Promotion Agency and classified as investment property in accordance with TAS 40.

	Current Period	Prior Period
Cost	4.566	4.566
Depreciation Expense	(2.330)	(2.235)
Net Value at the end of the Period	**2.236**	**2.331**

17. Information on deferred tax asset

As stated at Section 3 Note XVII, the Bank is exempt from corporate tax, and accordingly, no deferred tax asset or liability is recognized in the accompanying financial statements.

18. Explanations on assets held for sale and explanations related to discontinued operations

	Current Period	Prior Period
Cost	90	-
Depreciation Expense	-	-
Net Value at the end of the Period	**90**	-

19. If the other assets' items in the balance sheet exceed 10% of the total of the balance sheet, excluding the off-balance sheet commitments, the sub-accounts constituting at least 20% of these accounts

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

II. Explanations and notes on liabilities items

1. Information on deposits/funds received

The Bank does not accept deposits.

2. Table of negative differences for trading derivative financial liabilities

	Current Period		Prior Period	
Trading Derivative Financial Liabilities	**TL**	**FC**	**TL**	**FC**
Forward Transactions	4.893	-	50	-
Swap Agreements	17.407	362.051	167	41.101
Futures Transactions	-	-	-	-
Options	-	-	-	4
Other	-	-	-	-
Total	**22.300**	**362.051**	**217**	**41.105**

As of 31 December 2017, the Bank does not have any trading financial liabilities other than trading derivative financial liabilities (31 December 2016: None).

As of 31 December 2017, the Bank does not have deferred day one profits and losses (31 December 2016: None).

3. Information on banks and other financial institutions

3.1. General information on banks and other financial institutions

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Borrowings from CBRT	-	42.024.185	-	32.184.331
From Domestic Banks and Institutions	-	2.395.122	-	1.153.938
From Foreign Banks, Institutions and Funds	-	22.949.363	-	18.380.576
Total	**-**	**67.368.670**	**-**	**51.718.845**

3.2. Information on maturity structure of borrowings

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short-Term	-	50.630.137	-	39.307.351
Medium and Long-Term	-	16.770.129	-	12.499.779
Total	**-**	**67.400.266**	**-**	**51.807.130**

Medium and long-term loans include subordinated loans amounting to TL 31.487 (31 December 2016: TL 88.045) and interest accruals amounting to TL 109 (31 December 2016: TL 240).

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

a. Additional explanations over areas of concentration of the liabilities of the Bank

As of 31 December 2017 and 31 December 2016, the main liabilities of the Bank are presented in the table below on the bases of the sources of the funds:

Funds borrowed	**Current Period(*)**	**Prior Period(*)**
CBRT Loans	42.024.185	32.184.331
Syndicated loans	12.877.147	8.541.338
European Investment Bank	2.815.049	2.488.295
World Bank	1.442.605	807.625
Islamic Development Bank	1.027.476	599.851
International Islamic Trade Finance Corporation (ITFC)(**)	-	1.360.398
ICBC Turkey A.Ş.	946.845	-
ING European Financial Services	905.030	742.023
Vida Finance	797.979	716.146
China Development Bank	755.309	-
Mizuho Corporate Bank Ltd	641.485	556.064
ING DIBA	459.693	397.411
Bank of Tokyo Mitsubishi Turkey	452.084	370.773
Council of Europe Development Bank	451.380	370.000
HSBC London	327.515	451.026
Standard Chartered Bank	378.875	353.092
Citibank Dublin	189.290	406.070
Abu Dhabi Commercial Bank	188.792	-
Bank of Tokyo Mitsubishi London	142.364	184.038
Garanti International	135.648	111.692
Doha Bank	94.477	141.630
Emirates NBD	90.385	163.003
ABC International	90.349	339.900
Sumitomo Mitsui Banking Corporation Dubai	75.506	-
ICBC London	59.402	-
Subordinated Loans	31.596	88.285
Commercial Bank of Qatar	-	248.508
Banka Kombetare Tregtare Sh. A.	-	74.020
İşbank AG	-	37.589
Ziraat Bank International	-	37.020
Credite Europe N.V.	-	37.002
Total	**67.400.266**	**51.807.130**

(*) Includes credit principal balances and related rediscount amounts.

(**) Includes USD 436 million of resources provided under the coordination of International Islamic Trade Finance Corporation (ITFC) and rediscount amounts of such resources.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The Bank performed the following repayments during the year 2017:

	Repayment Amount - USD	Repayment Amount - EUR	Repayment Date
European Investment Bank	1.914.559	-	13 January 2017
ABC International Bank	-	15.697.138	13 January 2017
Doha Bank	15.000.000	-	19 January 2017
HSBC London		16.395.491	23 January 2017
HSBC London	2.212.800	-	23 January 2017
Citibank	10.000.000	-	25 January 2017
European Investment Bank	2.840.906	-	27 January 2017
European Investment Bank	-	2.375.000	27 January 2017
ING Bank N.V.	-	50.000.000	27 January 2017
ABC International Bank	-	19.301.471	1 February 2017
Avrupa Yatırım Bankası	1.903.235	-	10 February 2017
Emirates NBD	22.580.000	-	23 February 2017
ABC International Bank	-	16.393.443	24 February 2017
World Bank	4.148.051	-	1 March 2017
World Bank	-	1.109.760	1 March 2017
Syndicated loans	-	266.500.000	20 March 2017
Syndicated loans	10.000.000	-	20 March 2017
Syndicated loans	-	5.555.556	28 March 2017
Syndicated loans	10.416.667	-	28 March 2017
ABC International Bank	-	8.944.544	30 March 2017
European Investment Bank	-	1.470.588	3 April 2017
Isbank AG	-	5.079.609	5 April 2017
Subordinated Loans	8.333.000	-	15 April 2017
Commercial Bank of Qatar	10.000.000	-	2 May 2017
Isbank AG	-	5.079.608	3 May 2017
Standard Chartered Bank	50.000.000	-	5 May 2017
HSBC London	-	7.244.959	10 May 2017
Commercial Bank of Qatar	15.000.000	-	18 May 2017
Standard Chartered Bank	50.000.000	-	22 May 2017
Citibank	85.000.000	-	24 May 2017
ABC International Bank	-	17.000.000	24 May 2017
Mizuho Bank	-	50.000.000	26 May 2017
Bank of Tokyo Mitsubishi London	-	1.000.000	1 June 2017
Credit Europe N.V.	-	20.000.000	2 June 2017
International Islamic Trade Finance Corporation (ITFC)	383.000.000	-	6 June 2017
HSBC London	15.012.632	-	12 June 2017
Emirates NBD	-	22.500.000	15 June 2017
European Investment Bank	-	1.470.588	19 June 2017
European Investment Bank	-	5.000.000	20 June 2017
Credit Europe N.V	-	10.000.000	26 June 2017
Doha Bank	25.000.000	-	11 June 2017
European Investment Bank	1.914.559	-	13 June 2017
Syndicated loans	-	151.000.000	21 June 2017
Syndicated loans	80.000.000	-	21 June 2017

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	Repayment Amount - USD	Repayment Amount - EUR	Repayment Date
Syndicated loans	-	285.727.273	25 July 2017
Syndicated loans	5.000.000	-	25 July 2017
European Investment Bank	2.840.906	-	27 July 2017
European Investment Bank	-	2.375.000	27 July 2017
European Investment Bank	1.903.235	-	10 August 2017
Garanti International N.V.	-	30.000.000	10 August 2017
Bank of Tokyo Mitsubishi London	-	8.273.595	25 August 2017
Bank of Tokyo Mitsubishi London	16.546.925	-	25 August 2017
World Bank	4.148.051	-	1 September 2017
World Bank	-	1.109.760	1 September 2017
Mizuho Bank	-	100.000.000	7 September 2017
Syndicated loans	-	5.555.556	28 September 2017
Syndicated loans	10.416.667	-	28 September 2017
HSBC London	55.000.000	-	28 September 2017
European Investment Bank	-	1.470.588	3 October 2017
Bank of Tokyo Mitsubishi London	-	24.720.866	5 October 2017
Subordinated Loans	8.333.000	-	15 October 2017
Bank of Tokyo Mitsubishi Turkey	-	100.000.000	2 November 2017
ABC International Bank	15.000.000	-	7 November 2017
Commercial Bank of Qatar	30.000.000	-	9 November 2017
Citibank	20.000.000	-	15 November 2017
Commercial Bank of Qatar	15.000.000	-	20 November 2017
ING Di-Ba	-	5.652.632	4 December 2017
HSBC London	30.383.160	-	18 December 2017
European Investment Bank	-	1.470.588	18 December 2017
European Investment Bank	-	5.000.000	20 December 2017
European Investment Bank	-	5.000.000	29 December 2017

4. Information regarding securities issued

The liability of the Bank resulting from bond issuance at past years is presented as follows:

Information regarding securities issued	Current Period	Prior Period
Securities Issued	10.381.250	7.921.800
Discount on Issuance of Securities (-)	237.044	200.721
Bond Interest Accrual	135.004	106.244
Total	**10.279.210**	**7.827.323**

In April 2012, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 5,875% every six months and the total maturity is seven years.

In October 2012, the Bank issued bonds amounting USD 250 million (TL 943.750). The bond is subject to annual fixed interest payment of 5,875% every six months and the total maturity is seven years.

In September 2014, the Bank issued bonds amounting USD 500 million (TL (1.887.500). The bond is subject to annual fixed interest payment of 5,000% every six months and the total maturity is seven years.

In February 2016, the Bank issued bonds amounting USD 500 million (TL 1.887.500). The bond is subject to annual fixed interest payment of 5,375% every six months and the total maturity is five years.

In October 2016, the Bank issued bonds amounting USD 500 million (TL (1.887.500). The bond is subject to annual fixed interest payment of 5,375% every six months and the total maturity is seven years.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

In September 2017, the Bank issued bonds amounting USD 500 million (TL (1.887.500). The bond is subject to annual fixed interest payment of 4,250% every six months and the total maturity is five years.

5. If the other liabilities items in the balance sheet exceed 10% of the total of the balance sheet, the sub-accounts constituting at least 20% of these (names and amounts)

Other liabilities item on Balance Sheet, together with the amounts not to exceed 10% of the total balance sheet is provided below.

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Securities issued positive price differences	-	214.930	-	152.004
Country Loans- Risk Premiums	-	18.024	-	30.192
Insurance Transactions	433	11.315	292	6.298
Iraq Loan followed on behalf of Turkish Treasury	4.427	-	2.048	-
Political Risk Loss Account	-	1.101	-	957
Other	1.706	849	1.158	1.397
Total	**6.566**	**246.219**	**3.498**	**190.848**

6. Information on liabilities arising from financial leasing transactions (net)

None.

7. Negative differences table related to hedging derivative financial liabilities

	Current Period		Prior Period	
Derivative Financial Assets Held for Cash Flow Hedges	**TL**	**FC**	**TL**	**FC**
Fair Value Hedge	11.244	177.042	1.515	149.014
Cash Flow Hedge	-	-	-	-
Net Investment in Foreign Operations Hedge	-	-	-	-
Total	**11.244**	**177.042**	**1.515**	**149.014**

(1) Explained in Section Four note III.

8. Information on provisions

8.1. Information on general provisions

	Current Period	**Prior Period**
General Provisions	130.214	130.214
Provisions for Group I. Loans and Receivables	126.575	126.575
- Allocated for the ones whose payment term was extended	10.173	10.173
Provisions for Group II. Loans and Receivables	2.407	2.407
- Allocated for the ones whose payment term was extended	2.190	2.190
Provisions for Non Cash Loans	985	985
Other	247	247

8.2. Information on provisions for decrease in foreign exchange differences of foreign currency indexed loans and financial leasing receivables principal amounts

There is not any foreign currency indexed loans of the Bank.

8.3. Specific provisions for non-cash loans that are not liquidated

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

8.4. Information on reserve for employment termination benefits

	Current Period	Prior Period
Reserve for employee termination benefits	19.116	17.050
Reserve for success fee	17.806	14.500
Unused Vacation	13.733	12.033
Reserve for dividend payment	9.598	7.800
Total	**60.253**	**51.383**

8.5. Information on other provisions

8.5.1. General reserves for possible losses

	Current Period	Prior Period
General Reserves for Possible Losses	65.097	38.331

As of 31 December 2017, the Bank recognized provision amounting to TL 65.097 (31 December 2016: TL 38.331), considering probable compensation payments in relation to the insured export receivables.

8.5.2. Information on other provisions exceeding 10% of total provisions

Other provisions amounting to TL 77.952, consist of insurance reserve expense amounting to TL 65.097 and other provisions amounting to TL 12.855.

9. Explanations on tax liability

9.1. Explanations on current tax liability

9.1.1. Information on provision for taxes

None.

9.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate Taxes Payable (1)	-	-
Taxation on Revenue From Securities	17	6
Property Tax	-	-
Banking Insurance Transaction Tax	3.358	2.628
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	311	297
Other	1.837	1.531
Total	**5.523**	**4.462**

(1) As stated at Section 3 Note XVII the Bank is exempt from corporate tax.

9.1.3. Information on premium payables

	Current Period	Prior Period
Social Security Premiums - Employee	736	817
Social Security Premiums - Employer	3.344	2.655
Bank Social Aid Pension Fund Premiums - Employee	-	-
Bank Social Aid Pension Fund Premiums - Employer	-	-
Pension Fund Membership Fee and Provisions - Employee	-	-
Pension Fund Membership Fee and Provisions - Employer	-	-
Unemployment Insurance - Employee	119	102
Unemployment Insurance - Employer	240	204
Other	-	-
Total	**4.439**	**3.778**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

9.2. Information on deferred tax liability

None.

10. Information on subordinated loans

Date	Number	Maturity	Interest Rate	Institution
23 July 2001	1	17 years	Six Months LIBOR + 0,75	Turkish Treasury (World Bank Sourced)

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	31.596	-	88.285
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	-	-	-
Total	**-**	**31.596**	**-**	**88.285**

11. Information on shareholders' equity

11.1. Presentation of paid-in capital

	Current Period	Prior Period
Common Stock	4.800.000	3.700.000
Preferred Stock	-	-

11.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4.800.000	10.000.000

The Bank has decided to use the capital stock system that is registered in the Bank in the extraordinary general meeting that took place held on 12 January 2017. The decision has been submitted to the trade register and has been published on Turkey Trade Registry Gazette No. 9252 on 30 January 2017.

11.2.1. Information on the share capital increase during the period and their sources

Increase Date	Increase Amount	Cash	Profit reserves used for increase	Capital reserves used for increase
28 August 2017	1.100.000	-	1.100.000	-

11.2.2. Information on share capital increase from revaluation funds during the current period

There is not any share capital increase from the revaluation fund during the current period.

11.2.3. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period

The Bank does not have any capital commitment as of 31 December 2017 and the total share capital of the Bank amounting to TL 4.800.000 is fully paid.

11.3. The effects of anticipations based on the financial figures for prior periods regarding the Bank's income, profitability and liquidity, and the anticipations regarding the uncertainty of these indicators on the shareholders' equity

The credit, interest and the foreign currency risk policies of the Bank were determined to minimize the losses that may result from these risks. The Bank aims to obtain a reasonable positive return on equity in real terms in relation with its banking transactions and to protect its equity from the effects of inflation. On the other hand, the proportion of doubtful receivables to the total loans is considered as low and an impairment provision is provided in full for all doubtful receivables. Accordingly, the Bank does not expect losses that may materially affect its equity. In addition, the free capital of the Bank is high and is getting steadily stronger.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

11.4. Information on privileges given to shares representing the capital

The common shares of the Bank are owned by the Treasury.

11.5. Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Valuation Difference	21.154	-	11.960	-
Foreign Currency Differences	-	-	-	-
Total	**21.154**	-	**11.960**	-

III. Explanations and notes related to off-balance sheet accounts

1. Explanations on off-balance sheet commitments

1.1. Type and amount of irrevocable commitments

As of 31 December 2017 the Bank has irrevocable commitments amounting TL 14.819 (31 December 2016: TL 2.920.904).

1.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

None.

1.2.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit

	Current Period	Prior Period
Letters of Guarantee	-	-
Endorsements	-	-
Guarantees and bails given for export	-	-
Guarantees given for Export Loan Insurance	6.241.263	3.863.578
Total	**6.241.263**	**3.863.578**

1.2.2. Revocable, irrevocable guarantees and other similar commitments and contingencies

None.

1.2.3. Total amount of non-cash loans

	Current Period	Prior Period
Non-cash loans given against cash loans	-	
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	6.241.263	3.863.578
Total	**6.241.263**	**3.863.578**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

1.3. Information on sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-
Real Estate and Leasing Services	-	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	6.241.263	100	-	-	3.863.578	100
Total	**-**	**-**	**6.241.263**	**100**	**-**	**-**	**3.863.578**	**100**

1.4. Information on the non-cash loans classified under Group I and Group II

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash loans				
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	6.241.263	-	-

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

1.5. Information on derivative transactions

	Current Period	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	**16.599.190**	**7.284.011**
Forward Transactions	492.968	62.073
Swap Transactions	16.106.222	7.219.018
Futures Transactions	-	-
Option Transactions	-	2.920
Interest Related Derivative Transactions (II)	**7.065.402**	**1.340.602**
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	7.065.402	1.340.602
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions:(1) (III)	**-**	**-**
A. Total Trading Derivative Transactions (I+II+III)	**23.664.592**	**8.624.613**
Types of Hedging Derivative Transactions		
Fair Value Hedges	24.697.425	19.392.865
Cash Flow Hedges	111.720	106.636
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions (4)	**24.809.145**	**19.499.501**
Total Derivative Transactions (A+B)	**48.473.737**	**28.124.114**

(1) Includes currency and interest swap transactions.

1.6. Explanations on credit derivatives and risk of exposure from these derivatives

Derivative transaction is made for hedging the balance sheet risks to the maximum extent by minimizing the inconsistencies between the assets and liabilities of the Bank. As a result of these transactions, the Bank is exposed to the risk of changes in fair value. As a result of these transactions, there are cross currency swaps and interest swaps against the fixed interest rate bonds issued by the Bank.

Except for derivative financial transactions subjected to hedge accounting, the Bank is not only preserved from the risk financially, but also it has financial derivative instruments recorded as trading derivative assets and trading derivative liabilities. For this purpose the Bank mainly uses foreign currency and interest rate swaps. With these instruments, the Bank aims to prevent the currency risk and interest rate risk.

1.7. Explanations on contingent assets and liabilities

The Bank recognizes contingent assets if the probability of the inflow of economic benefits is virtually certain. In case the inflow of economic benefits is probable but not virtually certain, such contingent asset is disclosed.

As of 31 December 2017 and 31 December 2016, there is not any contingent asset.

The Bank recognizes provision for contingent liability when the probability of occurrence is high and the contingent liability can be reliably estimated; if the contingent liability cannot be reliably estimated, the contingent liability is disclosed. When the likelihood of the occurrence of the contingent liability is remote or low, it is disclosed.

In this respect, as of 31 December 2017, there are legal proceedings outstanding against the Bank amounting to USD 49 thousand, EUR 31 thousand and TL 16 thousand as confirmed from the lawyer letter prepared by the legal department of the Bank.

In addition, there are legal proceedings outstanding filed by the Bank. These legal proceedings amount to TL 98 thousand, USD 19.000 million and EUR 9.000 million.

1.8. Explanations on services in the name of others

The Bank does not have any custody and deposit activities in the name of real and legal persons.

The Bank also provides insurance to some extent for the export receivables of exporter companies against commercial and political risks under the scope of export loan insurance program.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

IV. Explanations and notes related to income statement

1. Within the scope of interest income

1.1. Information on interest income on loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income on Loans				
Short-term Loans	694.776	545.478	622.874	355.427
Medium and Long-term Loans	89.634	762.184	81.282	510.554
Interest on Loans Under Follow-up	173	9	195	218
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	**784.583**	**1.307.671**	**704.351**	**866.199**

1.2. Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	1	-	839
Domestic Banks	47.237	9.616	29.463	4.001
From Foreign Banks	535	9.249	1.778	2.215
From Headquarters and Branches Abroad	-	-	-	-
Total	**47.772**	**18.866**	**31.241**	**7.055**

1.3. Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
From Trading Financial Assets	1.127	-	915	-
From Financial Assets at Fair Value through Profit or Loss	-	-	-	
From Available-for-Sale Financial Assets	-	-	-	-
From Held-to-Maturity Investments	20.259	-	24.019	-
Total	**21.386**	**-**	**24.934**	**-**

1.4. Information on interest income received from associates and subsidiaries

There is not any interest income from associates and subsidiaries.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Within the scope of interest expense

2.1 Information on interest expense on borrowings

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
CBRT	11.800	266.854	-	152.449
Domestic Banks	5	42.299	158	12.903
Foreign Banks	3	420.381	-	231.609
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	1.208	-	1.232
Total	**11.808**	**730.742**	**158**	**398.193**

2.2 Information on interest expense given to associates and subsidiaries

There is not any interest expense given to associates and subsidiaries.

2.3 Interest paid to marketable securities issued

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interests paid to marketable securities issued	-	468.138	-	369.261

2.4 With respect to deposit and participation accounts

2.4.1 Maturity structure of the interest expense on deposits

The Bank does not accept deposits.

2.4.2 Maturity structure of the share paid of participation accounts

There is not any participation account.

3. Information on trading income/loss (Net)

	Current Period	Prior Period
Gain	**25.243.776**	**13.680.479**
Trading Gains on Securities	4	9
Trading Gains on Derivative Financial Transactions	819.076	1.212.604
Foreign Exchange Gains	24.424.696	12.467.866
Loss (-)	**25.524.897**	**14.018.949**
Trading Losses on Securities	9	-
Trading Losses from Derivative Financial Transactions	1.502.795	550.462
Foreign Exchange Loss	24.022.093	13.468.487

4. Explanations on other operating income

	Current Period	Prior Period
Premium Income from Export Credit Insurance	166.235	107.581
Income from reinsurance companies	35.953	23.788
Other	12.256	10.913
Total	**214.444**	**142.282**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

5. Provision expenses related to loans and other receivables of the Bank

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	48.999	13.347
Group III Loans and Receivables	3.569	-
Group IV Loans and Receivables	13.424	13.347
Group V. Loans and Receivables	8.652	-
Doubtful receivables such as fees, commissions and other receivables	23.354	-
General Provision Expenses	-	-
Provision Expense for Probable Risks	26.766	12.034
Marketable Securities Impairment Expense	1.653	924
Financial Assets at Fair Value through Profit or Loss	1.653	924
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	-	-
Total	**77.418**	**26.305**

6. Information related to other operating expenses

	Current Period	Prior Period
Personnel Expenses	132.734	106.268
Reserve for Employee Termination benefits	1.983	1.453
Bank Social Aid Provision Fund Deficit Provision	-	-
Vacation Pay Liability, net	2.356	1.478
Impairment Expenses of Tangible Fixed Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	3.524	5.045
Impairment Expenses of Intangible Fixed Assets	-	-
Impairment Expenses of Goodwill	-	-
Amortization Expenses of Intangible Assets	1.086	664
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses of Non-current Asset Held for Sale and Discounted Operations	-	-
Other Operating Expenses	31.561	24.789
Operational Lease Expenses	*5.823*	*5.191*
Maintenance Expenses	*834*	*595*
Advertisement Expenses	*63*	*36*
Other Expenses	*24.841*	*18.967*
Loss on Sale of Assets	-	-
Other [(1)]	120.992	89.339
Total	**294.236**	**229.036**

[(1)] Other operating expenses include the premium amount of TL 81.981 (31 December 2016: TL 58.063) paid to reinsurance companies within the scope of short-term export credit insurance.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7. Explanation on tax provisions for continuing and discontinued operations

None.

8. Explanation on net income/loss for the period

8.1. If the nature, size and the reoccurrence rate of the income and expense resulting from the ordinary banking activities are important to explain the performance of the Bank in the current period, the nature and the amount of these transactions

Not needed.

8.2. If the changes in the estimates of the financial statement accounts may affect the profit/loss in the following periods, related periods and the necessary information

None.

8.3. If the other accounts in the income statement exceed 10% of the total of the income statement, the sub-accounts constituting at least 20% of these accounts

None.

V. Explanations and notes related to changes in shareholders' equity

1. Information about the adjustment related to the application of Financial Instruments Accounting Standards in the current period

1.1. The increase after the revaluation of the available-for-sale investments

The fair value gains of the available-for-sale investments, other than the hedging instruments, amounting to TL 21.154 are recorded under the "Marketable Securities Value Increase Fund" account under equity.

1.2. Information for the increases in the accounts related to cash flow hedges

	Current Period	Prior Period
Hedging Reserves (Effective portion)	(1.078)	(767)

1.2.1 The reconciliation and confirmation for the cash flow hedges accounts at the beginning and end of the period

Opening Balance	Current Period	Prior Period
Hedging Reserves (Effective portion)	(434)	333

Ending Balance	Current Period	Prior Period
Hedging Reserves (Effective portion)	(1.512)	(434)

1.2.2. Under the cash flow hedges, the current period charge of the income or loss under equity related with a derivative or a non-derivate financial asset and liability designated as cash flow hedge instruments

Under the cash flow hedges, the income or loss under equity related with a derivative or a non-derivate financial asset and liability designated as cash flow hedge instruments recorded under the hedging reserves amounting to TL (1.512).

1.2.3. Reconciliation of foreign exchange differences at the beginning and end of the period

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Information related to distribution of profit

2.1. The amount of dividend declared before the approval date of the financial statements but after the balance

2.2. Earnings per share proposed to be distributed to shareholders after the balance sheet date

Profit distributions are approved by the General Assembly of the Bank. As of the report date, no profit distribution decision has been made by the General Assembly for 2017 profit.

3. Amount transferred to legal reserves

	Current Period	Prior Period
Amount transferred to Legal Reserves under Dividend Distribution	21.846	25.145

4. Information on issuance of share certificates

4.1 For all share groups; any restrictions, preferential terms and rights for distribution of dividends and payment of share capital.

None.

5. Explanations on other share capital increases

None.

VI. Explanations and notes related to statement of cash flows

1. Information on the cash and cash equivalents

1.1. Information on cash and cash equivalents at the beginning of the period

The components constituting the cash and cash equivalents and the accounting policies used for the determination of these components:

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

Beginning of the Period	Current Period	Prior Period
Cash	36	29
Interbank Money Market Placements	2.889.003	165.600
Money market placements	368.160	-
Total Cash and Cash Equivalents	**3.257.199**	**165.629**

1.2. Information on the cash and cash equivalents at the end of the period

	Current Period	Prior Period
Cash	**632.192**	**370.991**
Cash	26	36
Central Bank	632.166	370.955
Cash Equivalents	**2.914.092**	**2.886.208**
Banks and other financial institutions	2.082.401	2.518.048
Money market placements	831.691	368.160
Cash and Banks	**3.546.284**	**3.257.199**
Banks Accrual	-	-
Total Cash and Cash Equivalents	**3.546.284**	**3.257.199**

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

1.3. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 236.510 (31 December 2016: TL 1.517.721) mainly consists of fees and commissions paid, foreign exchange losses, other operating income excluding collections from doubtful receivables and other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 297.470 (31 December 2016: TL 1.833.173) consists mainly of changes in miscellaneous payables, other liabilities and taxes and other duties payable.

VII. Explanations and notes related to Bank's risk group

In accordance with the paragraph 5 of article 49 of the Banking Law No. 5411, the Bank does not have any shareholding which it controls directly or indirectly and with which it constitutes a risk group.

1. Explanations and notes related to the domestic, foreign, off-shore branches or affiliates and foreign representatives of the Bank

Information on the Bank's domestic and foreign branches and foreign representatives of the Bank

	Number	Number of Employees			
Domestic Branch	11	635			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	**Statutory Share Capital**
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure

The Bank has opened 7 branches in 2017.

VIII. Explanations and notes related to events after balance sheet

None.

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

SECTION SIX

OTHER EXPLANATIONS

I. Summary information about the Bank's credit ratings from international credit rating agencies

The ratings given by international rating agencies are as follows as of 31 December 2017.

Moody's	**20 March 2017**
Issuer Notation in Foreign Currency	Ba1
Outlook	Negative

Fitch	**16 February 2017**
Long Term Foreign Currency Notation	BB+
Short Term Foreign Currency Notation	B
National Long Term	BBB-
National Short Term	F3
Outlook	Stable

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Explanations on the independent auditors' report

1. Explanations on auditors' report

The unconsolidated financial statements as of and for the year ended 31 December 2017 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative, a Swiss entity). The auditors' report dated 12 February 2018 has been presented in the introduction of the unconsolidated financial statements.

II. Explanations and notes prepared by independent auditors

None.

Directory

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Head Office	(+90 216) 666 55 00	(+90 216) 666 55 99	info@eximbank.gov.tr	Saray Mah. Ahmet Tevfik İleri Cad. No: 19 34768 Ümraniye İSTANBUL
Regional Directorates				
Ankara Regional Directorate	(+90 312) 417 13 00 (+90 850) 200 60 00	(+90 312) 425 78 96 (+90 850) 200 59 10	ankara@eximbank.gov.tr	Oğuzlar Mah. 1377 Cad. No: 11 06520 Balgat, Çankaya ANKARA
Aegean Regional Directorate	(+90 850) 200 61 35	(+90 850) 200 59 35	izmir@eximbank.gov.tr	Cumhuriyet Bulv. No: 34 Kat: 3-4-5 35250 Konak İZMİR
Branches				
Adana Branch	(+90 322) 431 88 52	(+90 322) 431 88 52	adana@eximbank.gov.tr	Döşeme Mah. 60101 Sok. No: 1 Adana Sanayi Odası 01130 Seyhan ADANA
Antalya Branch	(+90 242) 321 97 61 (+90 850) 200 61 07		antalya@eximbank.gov.tr	Topçular Mah. Aspendos Bulv. No: 163 Batı Akdeniz İhracatçıları Birliği Muratpaşa ANTALYA
Bursa Branch	(+90 224) 220 27 40 (+90 850) 200 61 14-16	(+90 850) 200 59 16	bursa@eximbank.gov.tr	Organize Sanayi Bölgesi Kahverengi Cad. No: 11 Uludağ İhracatçı Birlikleri D Blok Zemin Kat Nilüfer BURSA
Denizli Branch	(+90 850) 200 61 18 (+90 850) 200 61 52	(+90 258) 274 64 93 (+90 850) 200 59 20	denizlisubesi@eximbank.gov.tr	Denizli İhracatçılar Birliği Binası (DENİB) Akhan Mah. 246 Sok. No: 8 Pamukkale DENİZLİ
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İstanbul European Side Branch	(+90 850) 200 61 34	(+90 850) 200 59 34	istavrupa@eximbank.gov.tr	Dış Ticaret Kompleksi, Çobançeşme Mevkii, Sanayi Cad. B Blok, Yenibosna, Bahçelievler İSTANBUL
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Konya Branch	(+90 332) 352 39 55	(+90 332) 352 74 49 (+90 850) 200 59 42	konya@eximbank.gov.tr	Konya Ticaret Odası Vatan Cad. No: 1 Selçuklu KONYA
Main Branch	(+90 216) 666 55 00	(+90 216) 666 55 99	info@eximbank.gov.tr	Saray Mah. Ahmet Tevfik İleri Cad. No:19/2 34768 Ümraniye İSTANBUL
Liaison Offices				
Samsun Liaison Office	(+90 362) 431 71 15 (+90 850) 200 61 55	(+90 362) 431 71 15 (+90 850) 200 59 17	samsun@eximbank.gov.tr	Samsun Ticaret ve Sanayi Odası Binası Hançerli Mah. Abbasaga Sokak No: 8 55020 Buğdaypazarı, İlkadım SAMSUN
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Çerkezköy Organized Industrial Zone Liaison Office	(+90 282) 758 11 56	(+90 282) 758 11 60	eximbankirtibat@cosb.org.tr	İsmetpaşa Mah. Fatih Bulv. No: 6 Çerkezköy Organize Sanayi Bölgesi Müdürlüğü 1. Kat 59510 Kapaklı TEKİRDAĞ
Aegean Chamber of Commerce Liaison Office	(+90 232) 445 29 74	(+90 232) 483 99 37	eximbankirtibat@ebso.org.tr	Cumhuriyet Bulv. No: 63 Pasaport Konak İzmir
Eskişehir Chamber of Commerce Liaison Office	(+90 222) 222 26 26 - 267	(+90 222) 230 72 33	eximbankirtibat@etonet.org.tr	İstiklal Mah. İki Eylül Cad. No: 28/7 Odunpazarı ESKİŞEHİR
Hatay Mediterranean Exporters' Associations Liaison Office	(+90 326) 285 59 86		eximbankhatay@akib.org.tr	Büyük Dalyan Mah. Nakliyeciler Sitesi İkinci Küme Evler, D Blok Zemin Kat, No: 37/3 Antakya HATAY
İzmir Kemalpaşa Organized Industrial Zone Liaison Office	(+90 232) 877 22 36 - 151	(+90 232) 877 12 99	eximbankirtibat@kosbi.org.tr	Kemalpaşa OSB Mah. Gazi Bulv. Dış Kapı No: 189 Kemalpaşa İZMİR
Kahramanmaraş Chamber of Commerce and Industry Liaison Office	(+90 344) 235 32 20 - 1150 - 1165	(+90 344) 235 32 30	eximbankirtibat@kmtso.org.tr	İstasyon Mah. İlahiyat Cad. No: 6 46050 Dulkadiroğlu KAHRAMANMARAŞ
Manisa Organized Industrial Zone Liaison Office	(+90 236) 233 18 16 - 111 - 181 - 164	(+90 236) 233 25 47	eximbankirtibat@mosb.org.tr	Keçiliköy OSB Mah. Cumhuriyet Bulv. No: 14 45030 Yunusemre MANİSA

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