

ODEA BANK A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT MARCH 31, 2017 TOGETHER WITH AUDITOR'S LIMITED REVIEW REPORT

(Convenience translation of unconsolidated financial statements and independent auditor's limited review report originally issued in Turkish, See Note I.b of Section three)

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the Board of Directors of Odea Bank Anonim Şirketi

Introduction

We have reviewed the unconsolidated statement of financial position of Odeabank A.Ş. (“the Bank”) at 31 March 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis of Qualified Conclusion

The accompanying unconsolidated financial statements as at 31 March 2017 include a general reserve for possible risks amounting to thousand TL 213.700, which is carried forward from previous year by the Bank Management for possible results of the circumstances which may arise from possible changes in the economy and market conditions. In addition to that; a deferred tax asset is provided based on this reserve amounting to thousand TL 42.740 in the accompanying unconsolidated financial statements as at 31 March 2017.

Qualified Conclusion

Based on our review, except for the effect of the matter referred in the basis of qualified conclusion paragraph on the unconsolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Odea Bank A.Ş. at 31 March 2017 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for English translation:

As explained in detail in Note I.b. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation.,accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, SMMM
Partner
Istanbul, 9 May 2017

**THE UNCONSOLIDATED THREE MONTH FINANCIAL REPORT OF
ODEA BANK A.Ş. AS OF MARCH 31, 2017**

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The unconsolidated financial report for the three month period end designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The accompanying unconsolidated financial statements for the three month period end and notes to these financial statements which are expressed, (unless otherwise stated) in thousands of Turkish Lira, have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been reviewed.

Samir HANNA	Hüseyin ÖZKAYA	Naim HAKIM	Hüseyin ARITKAN
Chairman of the Board of Directors	Member of Board of Directors and General Manager	Deputy General Manager and Assistant General Manager in charge of Finance	Financial Reporting Director

Ayşe KORKMAZ

Member of Board of Directors
and Audit Committee Member

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

Name-Surname / Title : Sadık Mağdenoğlu / Financial Reporting Manager
Telephone Number : +90 (212) 304 86 58
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Convenience translation of unconsolidated financial statements and independent auditor's report originally issued in Turkish, See Note I.b of Section three

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ODEA BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue

Odea Bank A.Ş. was established as a deposit bank with USD 300 Million capital with the permission of BRSA numbered 4432 dated October 27, 2011, which was published in the Official Gazette on October 28, 2011, numbered 28098. Odea Bank A.Ş. started its operations in the "foreign banks founded in Turkey" group, by taking operating permission from BRSA numbered 4963 on September 28, 2012, which was published in Official Gazette dated October 2, 2012 numbered 28429.

II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank

As of March 31, 2017 and December 31, 2016, the shareholders' structure and their ownerships are summarized as follows:

Name / Commercial Title	Current Period(*)		Prior Period	
	Share Amount	Share Ratios %	Share Amount	Share Ratios %
Bank Audi sal	2.422.595	73,661%	2.420.930	73,610%
European Bank for Reconstruction and Development	263.394	8,009%	263.394	8,009%
International Finance Corporation	209.252	6,362%	209.252	6,362%
IFC Financial Institutions Growth Fund L.P	112.674	3,426%	112.674	3,426%
H.H Sheikh Dheyab Binzayed Binsultan Al-Nahyan	131.697	4,004%	131.697	4,004%
Audi Private Bank sal	90.698	2,758%	90.698	2,758%
Mr.Mohammad Hassan Zeidan	58.532	1,780%	58.532	1,780%
Raymond Audi	-	-	555	0,017%
Samir Hanna	-	-	555	0,017%
Freddie Baz	-	-	555	0,017%
	3.288.842	100,00%	3.288.842	100,00%

(*) It has been decided during the Board of Directors meeting on March 23, 2017 and then approved on the General Assembly on April 28, 2017 that, 554.860,80 shares each having a nominal value of 1.00 TL (one Turkish Lira) that belong to our shareholders Mr. Raymond AUDI, Mr. Samir HANNA and Mr. Freddie BAZ on behalf of whom registered share certificates have been issued, to be transferred to Bank Audi sal, shareholder of the bank, by way of indorsement of the mentioned registered share certificates.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Bank

<u>Title</u>	<u>Name-Surname</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	Samir HANNA	Chairman	High School
Vice President of the Executive Board	Marwan GHANDOUR (***)	Member of the Board of Directors	PHD Degree
Members of the Board of Directors (*)	Freddie BAZ	Member of the Board of Directors	PHD Degree
	Imad ITANI (***)	Member of the Board of Directors	PHD Degree
	Elia SAMAHA	Member of the Board of Directors	Bachelor's Degree
	Khalil El DEBS	Member of the Board of Directors	Master Degree
	Ayşe KORKMAZ	Member of the Board of Directors/Member of Audit Committee	Bachelor's Degree
	Philippe Elias Farid EL-KHOURY	Member of the Board of Directors	Master Degree
Member of the Board of Directors and General Manager	Hüseyin ÖZKAYA	Member of the Board of Directors and General Manager	Master Degree
Deputy General Manager	Naim HAKIM	Finance	Master Degree
Assistant General Managers	Alpaslan YURDAGÜL	Financial Institutions and Investment Banking	Master Degree
	Aytaç AYDIN (**)	Operations and Support Services	Master Degree
	Cem MURATOĞLU	Retail Banking	Master Degree
	Fevzi Tayfun KÜÇÜK	Business Solutions, Direct Banking, Transactional Banking and Information Technologies	Master Degree
	Gökhan ERKIRALP	Treasury and Capital Markets	Bachelor's Degree
	Yalçın AVCI	Corporate and Commercial Banking	Master Degree
	Gökhan SUN	Small and Medium Sized Enterprises	Master Degree

(*) As of March 23, 2017, Member of the Board of Directors Mr. Hatem Ali SADEK resigned.

(**) As of April 30, 2017, Assistant General Manager in charge of Operations and Support Services Mr. Aytaç AYDIN resigned.

(***) Pursuant to the resolution taken by the Board of Directors dated March 23, 2017, Mr. Imad ITANI has been appointed as Chairman of Audit Committee replacing of Mr. Marwan GHANDOUR. As of the date of publication of the report, the approval process for the appointment continues.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2017
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

IV. Information About The Persons and Institutions That Have Qualified Shares

Information about the persons and institutions that have qualified shares as of March 31, 2017:

Name / Commercial Title	Share Amount	Share Ratios	Paid up Shares	Unpaid Shares
Bank Audi sal	2.422.595	73,661%	2.422.595	-

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

The headquarter of the Bank is located in Istanbul and as of March 31, 2017, there are 51 domestic branches with 1.676 employees. The Bank is organized to operate in all operational aspects of corporate, commercial, sme and retail banking under the scope of 4th Article of the Banking Law. The Bank has no subsidiaries in the financial sector (31 December 2016: 50 domestic branches, 1.681 employees).

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to full consolidation method or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank has no consolidated subsidiaries.

VII. The existing or potential, actual or legal obstacles on the transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

The Bank has no consolidated subsidiaries.

Translated into English from the original Turkish report and financial statements

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
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ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2017 AND
DECEMBER 31, 2016

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

I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

	Note Ref (Section Five)	Reviewed Current Period 31.03.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	718.195	3.761.445	4.479.640	1.364.386	3.353.854	4.718.240
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	366.937	52.094	419.031	321.278	104.655	425.933
2.1 Financial assets held for trading		366.937	52.094	419.031	321.278	104.655	425.933
2.1.1 Public sector debt securities		1.938	-	1.938	5.905	-	5.905
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		364.999	52.094	417.093	315.373	104.655	420.028
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	I-3	76.956	102.287	179.243	139	118.585	118.724
IV. MONEY MARKET PLACEMENTS		5.151.656	-	5.151.656	4.412.052	-	4.412.052
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		5.151.656	-	5.151.656	4.412.052	-	4.412.052
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	422.211	527.449	949.660	425.565	479.890	905.455
5.1 Share certificates		-	2.257	2.257	-	1.927	1.927
5.2 Public sector debt securities		422.211	525.192	947.403	425.565	477.963	903.528
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	I-5	14.438.370	12.626.431	27.064.801	13.342.398	13.105.388	26.447.786
6.1 Loans and receivables		13.979.690	12.626.431	26.606.121	12.955.273	13.105.388	26.060.661
6.1.1 Loans to risk group of the Bank		718	-	718	1.186	-	1.186
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		13.978.972	12.626.431	26.605.403	12.954.087	13.105.388	26.059.475
6.2 Non-performing loans		836.176	-	836.176	688.443	-	688.443
6.3 Specific provisions (-)		377.496	-	377.496	301.318	-	301.318
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-6	-	438.845	438.845	-	428.155	428.155
8.1 Public sector debt securities		-	438.845	438.845	-	428.155	428.155
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	I-8	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	I-9	-	-	-	-	-	-
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-11	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	I-12	122.562	-	122.562	129.466	-	129.466
XV. INTANGIBLE ASSETS (Net)	I-13	92.873	-	92.873	98.807	-	98.807
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		92.873	-	92.873	98.807	-	98.807
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-	-	-	-
XVII. TAX ASSET	I-15	76.981	-	76.981	92.593	-	92.593
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		76.981	-	76.981	92.593	-	92.593
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-16	47.617	-	47.617	42.094	-	42.094
18.1 Held for sale		47.617	-	47.617	42.094	-	42.094
18.2 Discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-17	272.007	219.106	491.113	230.979	228.116	459.095
TOTAL ASSETS		21.786.365	17.727.657	39.514.022	20.459.757	17.818.643	38.278.400

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2017 AND
DECEMBER 31, 2016

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

I. BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

		Note Ref. (Section Five)	TL	FC	Reviewed Current Period 31.03.2017 Total	TL	FC	Audited Prior Period 31.12.2016 Total
I.	DEPOSITS	II-1	10.394.346	19.939.515	30.333.861	10.774.307	18.480.089	29.254.396
1.1	Deposits from risk group of the Bank		15.731	556.509	572.240	16.644	1.194.888	1.211.532
1.2	Other		10.378.615	19.383.006	29.761.621	10.757.663	17.285.201	28.042.864
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	460.633	45.751	506.384	472.909	72.966	545.875
III.	FUNDS BORROWED	II-3	10.026	3.675.442	3.685.468	8.616	3.656.881	3.665.497
IV.	MONEY MARKET BALANCES		294	-	294	2.457	-	2.457
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements	II-4	294	-	294	2.457	-	2.457
V.	MARKETABLE SECURITIES ISSUED (Net)	II-5	-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		23.900	1.062	24.962	9.179	722	9.901
VIII.	OTHER LIABILITIES	II-6	214.728	66.019	280.747	162.257	35.941	198.198
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	II-7	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-8	-	-	-	-	-	-
11.1	Fair value hedge		-	-	-	-	-	-
11.2	Cash flow hedge		-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	II-9	321.584	179.343	500.927	414.936	122.541	537.477
12.1	General loan loss provisions		77.806	179.343	257.149	132.295	122.541	254.836
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		12.429	-	12.429	14.915	-	14.915
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		231.349	-	231.349	267.726	-	267.726
XIII.	TAX LIABILITY	II-10	75.949	-	75.949	93.027	-	93.027
13.1	Current tax liability		75.949	-	75.949	93.027	-	93.027
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	II-11	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	II-12	-	546.206	546.206	-	528.417	528.417
XVI.	SHAREHOLDERS' EQUITY	II-13	3.549.854	9.370	3.559.224	3.452.080	(8.925)	3.443.155
16.1	Paid-in capital		3.288.842	-	3.288.842	3.288.842	-	3.288.842
16.2	Supplementary capital		(17.439)	9.370	(8.069)	(22.014)	(8.925)	(30.939)
16.2.1	Share premium		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund		(15.241)	9.370	(5.871)	(19.816)	(8.925)	(28.741)
16.2.4	Tangible assets revaluation differences		-	-	-	-	-	-
16.2.5	Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-	-	-
16.2.8	Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(2.198)	-	(2.198)	(2.198)	-	(2.198)
16.3	Profit reserves		185.252	-	185.252	-	-	-
16.3.1	Legal reserves		9.263	-	9.263	-	-	-
16.3.2	Statutory reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		175.989	-	175.989	-	-	-
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		93.199	-	93.199	185.252	-	185.252
16.4.1	Prior years' income/ (losses)		-	-	-	(15.102)	-	(15.102)
16.4.2	Current year income/ (losses)		93.199	-	93.199	200.354	-	200.354
16.5	Minority shares	II-14	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY			15.051.314	24.462.708	39.514.022	15.389.768	22.888.632	38.278.400

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AS OF MARCH 31, 2017 AND DECEMBER 31, 2016

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

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	Reviewed Current Period 31.03.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		22.943.299	40.804.103	63.747.402	18.985.010	43.335.254	62.320.264
I. GUARANTEES	III-1	1.119.780	1.723.962	2.843.742	1.023.257	1.876.881	2.900.138
1.1 Letters of guarantee		1.113.133	1.004.835	2.117.968	1.013.390	1.200.672	2.214.062
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		1.113.133	1.004.835	2.117.968	1.013.390	1.200.672	2.214.062
1.2 Bank loans		6.647	92.757	99.404	9.867	104.656	114.523
1.2.1 Import letter of acceptance		6.647	92.757	99.404	9.867	104.656	114.523
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	626.370	626.370	-	571.553	571.553
1.3.1 Documentary letters of credit		-	626.370	626.370	-	571.553	571.553
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	-	-	-	-	-
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	III-1	1.240.764	1.191.747	2.432.511	1.138.614	1.051.410	2.190.024
2.1 Irrevocable commitments		1.240.764	1.191.747	2.432.511	1.138.614	1.051.410	2.190.024
2.1.1 Forward asset purchase and sales commitments		161.672	812.112	973.784	144.856	637.280	782.136
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		199.896	373.219	573.115	222.455	407.924	630.379
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		109.046	-	109.046	102.372	-	102.372
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		770.150	-	770.150	668.931	-	668.931
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		-	6.416	6.416	-	6.206	6.206
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		20.582.755	37.888.394	58.471.149	16.823.139	40.406.963	57.230.102
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		20.582.755	37.888.394	58.471.149	16.823.139	40.406.963	57.230.102
3.2.1 Forward foreign currency buy/sell transactions		1.915.802	3.022.437	4.938.239	1.443.317	2.887.100	4.330.417
3.2.1.1 Forward foreign currency transactions-buy		1.128.193	1.339.001	2.467.194	872.631	1.281.244	2.153.875
3.2.1.2 Forward foreign currency transactions-sell		787.609	1.683.436	2.471.045	570.686	1.605.856	2.176.542
3.2.2 Swap transactions related to foreign currency, and interest rates		13.528.313	25.667.087	39.195.400	11.842.400	26.807.263	38.649.663
3.2.2.1 Foreign currency swaps-buy		2.809.939	10.399.207	13.209.146	2.997.882	10.540.022	13.537.904
3.2.2.2 Foreign currency swaps-sell		8.326.356	5.017.608	13.343.964	6.426.736	7.251.743	13.678.479
3.2.2.3 Interest rate swaps-buy		1.196.009	5.125.136	6.321.145	1.208.891	4.507.749	5.716.640
3.2.2.4 Interest rate swaps-sell		1.196.009	5.125.136	6.321.145	1.208.891	4.507.749	5.716.640
3.2.3 Foreign currency, interest rate and securities options		5.138.640	9.198.870	14.337.510	3.537.422	10.712.600	14.250.022
3.2.3.1 Foreign currency options-buy		2.468.607	4.407.453	6.876.060	1.494.471	5.352.121	6.846.592
3.2.3.2 Foreign currency options-sell		2.670.033	4.295.263	6.965.296	2.042.951	4.880.569	6.923.520
3.2.3.3 Interest rate options-buy		-	248.077	248.077	-	239.955	239.955
3.2.3.4 Interest rate options-sell		-	248.077	248.077	-	239.955	239.955
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 PLEDGED ITEMS (IV+V+VI)		66.646.884	30.881.307	97.528.191	59.204.924	28.957.022	88.161.946
IV. ITEMS HELD IN CUSTODY		549.911	379.182	929.093	593.366	384.751	978.117
4.1 Assets under management		210.309	-	210.309	197.238	-	197.238
4.2 Investment securities held in custody		16.284	31.717	48.001	16.921	38.986	55.907
4.3 Checks received for collection		8.815	262.155	270.970	46.741	239.459	286.200
4.4 Commercial notes received for collection		314.503	85.310	399.813	332.466	106.306	438.772
4.5 Other assets received for collection		-	-	-	-	-	-
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		66.096.973	30.502.125	96.599.098	58.611.558	28.572.271	87.183.829
5.1 Marketable securities		-	-	-	-	-	-
5.2 Guarantee notes		23.215.726	3.809.491	27.025.217	21.099.168	3.555.888	24.655.056
5.3 Commodities		4.292.990	-	4.292.990	4.137.127	-	4.137.127
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		28.055.690	15.347.397	43.403.087	24.665.080	14.654.317	39.319.397
5.6 Other pledged items		10.532.567	11.345.237	21.877.804	8.710.183	10.362.066	19.072.249
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		89.590.183	71.685.410	161.275.593	78.189.934	72.292.276	150.482.210

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED
MARCH 31, 2017 AND 2016

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

III. STATEMENT OF INCOME

	Note (Section Five)	Reviewed Current Period 01.01-31.03.2017	Reviewed Prior Period 01.01-31.03.2016
I. INTEREST INCOME	IV-1	851.070	657.496
1.1 Interest on loans		721.112	539.051
1.2 Interest received from reserve deposits		10.551	9.663
1.3 Interest received from banks		23.581	21.842
1.4 Interest received from money market placements		69.402	58.902
1.5 Interest received from marketable securities portfolio		22.515	24.345
1.5.1 Held-for-trading financial assets		115	738
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		18.322	20.544
1.5.4 Investments held-to-maturity		4.078	3.063
1.6 Finance lease income		-	-
1.7 Other interest income		3.909	3.693
II. INTEREST EXPENSE	IV-2	459.438	423.477
2.1 Interest on deposits		422.551	391.188
2.2 Interest on funds borrowed		31.109	21.848
2.3 Interest on money market borrowings		41	4.060
2.4 Interest on securities issued		-	2.968
2.5 Other interest expense		5.737	3.413
III. NET INTEREST INCOME (I - II)		391.632	234.019
IV. NET FEES AND COMMISSIONS INCOME		49.961	34.540
4.1 Fees and commissions received		60.830	43.880
4.1.1 Non-cash loans		9.604	8.539
4.1.2 Other		51.226	35.341
4.2 Fees and commissions paid		10.869	9.340
4.2.1 Non-cash loans		-	-
4.2.2 Other	IV-12	10.869	9.340
V. DIVIDEND INCOME	IV-3	-	-
VI. NET TRADING INCOME	IV-4	(75.138)	(47.262)
6.1 Securities trading gains/ (losses)		(107)	2.128
6.2 Gain/(losses) from derivative financial instruments		43.766	4.889
6.3 Foreign exchange gains/ (losses)		(118.797)	(54.279)
VII. OTHER OPERATING INCOME	IV-5	7.738	1.879
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		374.193	223.176
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	76.896	61.880
X. OTHER OPERATING EXPENSES (-)	IV-7	179.425	132.928
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		117.872	28.368
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	IV-8	117.872	28.368
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-9	(24.673)	(5.729)
16.1 Provision for current income taxes		(14.778)	(1.780)
16.2 Provision for deferred taxes		(9.895)	(3.949)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	IV-10	93.199	22.639
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	IV-11	93.199	22.639

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

Convenience translation of unconsolidated financial statements and independent auditor's limited review report originally issued in Turkish, See Note I. of Section three

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED MARCH 31, 2017 AND
2016

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER
SHAREHOLDERS' EQUITY

	Reviewed Current Period 01.01-31.03.2017	Reviewed Prior Period 01.01-31.03.2016
I. Additions to marketable securities revaluation differences for available for sale financial assets	28.587	44.418
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign currency translation differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS	-	-
IX. Tax of valuation differences	(5.717)	(8.884)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	22.870	35.534
XI. Profit/Loss	93.199	22.639
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	-	-
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
1.4 Other	93.199	22.639
XII. Total Profit/Loss accounted for in the period (X±XI)	116.069	58.173

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017 AND 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)																		
	Note (Section Five)	Paid-In Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares from Invest. In Ass., Subs. and J.V.	Hedging Reserves	Val.Chan.In Prop. And Eq. HFS Purp./ Disc. Opr..	Total Equity Before Minority Shares	Minority Shares	Total Shareholders' Equity
PRIOR PERIOD																			
31/03/2016																			
I. Period Opening Balance		1.496.150	-	-	-	-	-	-	-	50.290	(156.230)	(43.071)	-	-	-	-	1.347.139	-	1.347.139
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)		1.496.150	-	-	-	-	-	-	-	50.290	(156.230)	(43.071)	-	-	-	-	1.347.139	-	1.347.139
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 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. Effects of changes in equity of investments in associates																			
XIV. Capital Increase	II-12	883.530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	883.530	-	883.530
14.1 Cash Increase		883.530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	883.530	-	883.530
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium																			
XVI. Share Cancellation Profits																			
XVII. Paid-in-capital inflation adjustment difference																			
XVIII. Other																			
XIX. Current Year Income or (Loss)										(50.290)	50.290	-	-	-	-	-	-	-	-
XX. Profit Distribution										22.639	-	-	-	-	-	-	-	-	-
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+...+XVI+XVII+XVIII)		2.379.680	-	-	-	-	-	-	-	22.639	(105.940)	(7.537)	-	-	-	-	2.288.842	-	2.288.842

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017 AND 2016
 (Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

CHANGES IN SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA(TL)																		
	Note (Section Five)	Paid-In Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves (**)	Status Reserves	Extraordinary Reserves	Other Reserves(*)	Current Period Net Income (Loss)	Prior Period Net Income (Loss)	Marketable Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares from Invest. In Ass., Subs. and J.V.	Hedging Reserves	Val.Chan.In Prop. And Eq. HFS Purp/ Disc. Opr.	Total Equity Before Minority Shares	Minority Shares	Total Shareholders' Equity
CURRENT PERIOD																			
31/03/2017																			
I. Prior Period End Balance		3.288.842	-	-	-	-	-	-	(2.198)	200.354	(15.102)	(28.741)	-	-	-	-	3.443.155	-	3.443.155
Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	22.870	-	-	-	-	22.870	-	22.870
IV. Hedging Transactions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign 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. Effects of changes in equity of investments in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase	II-12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Paid-in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current Year Income or(Loss)		-	-	-	-	-	-	-	-	93.199	-	-	-	-	-	-	93.199	-	93.199
XVIII. Profit Distribution		-	-	-	-	9.263	-	175.989	-	(200.354)	15.102	-	-	-	-	-	-	-	-
18.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	9.263	-	175.989	-	(200.354)	15.102	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+...+XVI+XVII+XVIII)		3.288.842	-	-	-	9.263	-	175.989	(2.198)	93.199	-	(5.871)	-	-	-	-	3.559.224	-	3.559.224

(*) As per Turkish Account Standards 32, stamp tax and competition board fees amounting to TL 2.198 resulting from the capital increase are deducted from equity.

(**)The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on April 28, 2017 to book primary legal reserves of TL 9.263, which is 5% of the distributable net profit of TL 185.252. This amount is calculated by deducting the previous year losses amounting to TL 15.102 from TL 200.354; net profit of the Bank for the year 2016.

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

ODEA BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2017 AND 2016
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Reviewed Current Period 01.01-31.03.2017	Reviewed Prior Period 01.01-31.03.2016
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	54.964	115.303
1.1.1 Interest received	809.221	689.853
1.1.2 Interest paid	(441.368)	(402.887)
1.1.3 Dividend received	-	-
1.1.4 Fees and commissions received	65.720	47.233
1.1.5 Other income	(111.694)	(44.922)
1.1.6 Collections from previously written off loans	20.070	21.530
1.1.7 Payments to personnel and service suppliers	(181.850)	(160.796)
1.1.8 Taxes paid	(94.753)	(35.775)
1.1.9 Others	(10.382)	1.067
1.2 Changes in operating assets and liabilities	89.004	(1.589.870)
1.2.1 Net (increase) decrease in financial assets held for trading	3.984	21.287
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss	(36.556)	2.340
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(420.814)	834.727
1.2.4 Net (increase) decrease in loans	(509.826)	321.614
1.2.5 Net (increase) decrease in other assets	(53.321)	(34.714)
1.2.6 Net increase (decrease) in bank deposits	(637.647)	388.899
1.2.7 Net increase (decrease) in other deposits	1.710.336	(2.687.714)
1.2.8 Net increase (decrease) in funds borrowed	6.423	(428.976)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	26.425	(7.333)
I. Net cash provided from banking operations	143.968	(1.474.567)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities	(11.763)	441.312
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries	-	-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(6.865)	(5.284)
2.4 Fixed assets sales	-	-
2.5 Cash paid for purchase of financial assets available for sale (*)	(4.898)	-
2.6 Cash obtained from sale of financial assets available for sale	-	446.596
2.7 Cash paid for purchase of investment securities	-	-
2.8 Cash obtained from sale of investment securities	-	-
2.9 Others	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities	-	(59.925)
3.1 Cash obtained from funds borrowed and securities issued	-	95.816
3.2 Cash used for repayment of funds borrowed and securities issued	-	(155.741)
3.3 Issued equity instrument	-	-
3.4 Dividends paid	-	-
3.5 Payments for finance leases	-	-
3.6 Other	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents and other asset and liabilities	6.542	(14.753)
V. Net increase / (decrease) in cash and cash equivalents	138.747	(1.107.933)
VI. Cash and cash equivalents at beginning of the period	5.978.464	4.689.699
VII. Cash and cash equivalents at end of the period	6.117.211	3.581.766

(*)As per the General Assembly resolution of the Credit Guarantee Fund on March 30, 2017, The Bank's application for partnership with 4.898 TL and 1,5384% rate has been accepted and the related decision was registered on April 6, 2017.

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

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks’ Accounting Application and Keeping Documents:

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

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

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

The amendments of TAS and TFRS, effectiveness date is 1 January 2017, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

b. Explanation for convenience translation into English:

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

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

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2016. The aforementioned accounting policies and valuation principles are explained in Notes II to XXIII below.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

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

The Bank uses financial assets intensely by its nature. The Bank’s basic strategy regarding the use of financial assets is intended for ensuring the balance between the profits from and risk levels of assets.

The Bank’s main funding source is the deposits accepted for various time periods and apart from deposits, the most important funding sources are equities and generally medium and long term borrowings obtained from foreign financial institutions. In order to use these sources in high-yield and high-quality financial assets, the Bank follows an asset-liability management strategy while managing interest rate risk, liquidity risk, exchange rate risk and credit risk within the framework of risk limits and legal limits determined by the Bank. With an effective asset-liability management strategy, it is aimed to ensure increasing profitability and strengthening equities.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. As of March 31, 2017 foreign exchange gains and losses arising from transactions that are completed, are translated to TL by using historical foreign currency exchange rates. Balance of the foreign currency denominated monetary assets and liabilities are converted into TL by using foreign currency exchange rates of the Bank for the year end and the resulting exchange differences are recorded as foreign Exchange gains and losses.

III. Explanations on Forward and Option Contracts and Derivative Instruments

The Bank’s derivative instruments consist of options, foreign currency and interest swaps and forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per “Financial Instruments: Recognition and Measurement” (“TAS 39”).

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

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

IV. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the statement of income by using the “Effective interest method”.

In accordance with the related regulation, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

V. Explanations on Fees and Commission Income and Expenses

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

VI. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The methods and assumptions used in the recognition and measurement of financial instruments are mentioned below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets are their fair values.

Financial Assets at Fair Value Through Profit and Loss

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities" in balance sheet.

Held-to-Maturity Investments

Investments held-to-maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

Held-to-maturity investments are initially recorded at cost including transactions costs which represents the fair value at the time. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts in balance sheet.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

VI. Explanations on Financial Assets (continued)

Financial Assets Available for Sale

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs which represents the fair value at the time.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

Loans and Receivables

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value including the related transaction costs. In subsequent periods, they are accounted in accordance with TAS.

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

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses in the statement of income.

Derecognition of a financial asset

Before evaluating whether, and to what extent, derecognition is appropriate, the Bank determines whether those criteria should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety. Criteria are applied to a part of financial asset (or a part of a group of similar financial assets) if, and only if, the part being considered for derecognition meets one of the following three conditions.

- (i) The part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets).
- (ii) The part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets).
- (iii) The part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

A financial asset (or, a part of a financial asset or a part of group of financial assets, where appropriate) is derecognized when, and only when,

- the contractual rights to the cash flows from the financial asset expire; or
- the contractual rights to the cash flows from the financial asset are transferred; or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement without material delay and;
- if the entity transfers substantially all the risks and rewards of ownership of the financial asset or,
- if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, whether it has retained control of the financial asset.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

VI. Explanations on Financial Assets (continued)

If the Bank transfers the contractual rights to the cash flows from the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in the arrangement without material delay and if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset and it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset. In this case, the entity also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

The Bank has evaluated the non-performing loan portfolio of which contractual rights are transferred to the asset management companies, in the context of above statements and derecognizes the loans that are subject to agreements in which all risks and rewards are transferred to the buyer.

VII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

The Bank classifies its loans by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published in the Official Gazette No. 26333 dated November 1, 2006 as non performing loans in the existence of evidence for loans not be collected and classifies related loans and provides specific provision for related loans. Principals of related loans are collected primarily then interest receivables are collected.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loans and Other Receivables” account in the income statement. The collections made related to loans written off and monitoring of off balance sheet or provisioned in prior years are recorded to “Collections Related to the Prior Period Expenses” under “Other Operating Income” account and related interest income is credited to the “Interest Received from Non-performing Loans” account.

“Provision for Loans and Other Receivables” account in the income statement is closed by reversing of provisions for possible losses.

As of March 31, 2017, the Bank has specific provision amount to TL 377.496 for its non-performing loans (December 31, 2016: TL 301.318).

The Bank provides general provision by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published in the Official Gazette No. 26333 dated November 1, 2006.

VIII. Explanations on Offsetting of Financial Assets and Liabilities

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

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

IX. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities. These transactions are short-term and consist of domestic public sector debt securities.

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of March 31, 2017, the Bank has TL 5.151.656 of reverse repo transactions (December 31, 2016: TL 4.412.052).

As of March 31, 2017, the Bank has TL 294 funds provided under repurchase agreements (December 31, 2016: TL 2.457).

As of March 31, 2017, the Bank does not have any marketable securities lending transaction (December 31, 2016: None).

X. Explanations on Assets Held for Sale and Discontinued Operations

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted and followed in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, no.26333.

As of March 31, 2017, the Bank has TL 47.617 assets held for sale (December 31, 2016: TL 42.094).

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. As of March 31, 2017 and December 31, 2016 the Bank does not have any discontinued operations.

XI. Explanations on Goodwill and Other Intangible Assets

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There have been no changes in the amortization calculation method during the current period.

As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

XII. Explanations on Tangible Fixed Assets

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Safety box	2
ATM	10
Furniture, fixtures and others	20
Office equipments	10-33

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

XIII. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS 17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

XIV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

As of the balance sheet date, there are no lawsuits filed against the Bank and for which provision has been booked due to their likelihood of being lost.

ODEA BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2017

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

XV. Explanations on Liabilities Regarding Employee Benefits

In accordance with the existing labor law, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service and whose employment is terminated due to retirement or for reasons other than resignation and misconduct.

The Bank has calculated provision for employee severance benefits in the accompanying financial statements in accordance with TAS 19 “Employee Benefits” by using the “Projection Method” and discounted the total provision by using the current market yield at the balance sheet date on government bonds based on their past experiences in the issues of completion of personnel service period and severance pay eligibility.

The Bank has no retirement fund or foundation that the employees are the member of.

Defined Contribution Plans:

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short-term Employee Benefits:

In accordance with TAS No:19 “Turkish Accounting Standard on Employee Benefits”; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

XVI. Explanations on Taxation

Corporate Tax:

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities.

As of March 31, 2017, the Bank has corporate income tax provision amounting to TL 146.499, which is netted with prepaid taxes amounting to TL 142.192 and shown in the liabilities amounting to TL 4.307 (December 31, 2016: Tax Asset TL 35.105).

Deferred Tax Liability / Asset:

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

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XVI. Explanations on Taxation (continued)

In accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on carry forward tax losses and all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The current taxes resulting from differences related to items that are debited or credited directly to equity is netted with these accounts.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income/expense stated under the statement of income amounting to TL 9.895, deferred tax provision amounting to TL 76.981 in the statement of financial position. (December 31, 2016: TL 92.593).

XVII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds

XVIII. Explanations on Issued Share Certificates

The Bank does not have any issued share certificates.

XIX. Explanations on Avalized Drafts and Acceptances

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

XX. Explanations on Government Grants

There are no government grants utilized by the Bank.

XXI. Explanations on Segment Reporting

Reporting according to the operational segment is presented in Note VIII of Section Four.

XXII. Explanations on Reclassifications

In order to be consistent with the presentation of financial statements dated March 31, 2017, there are certain reclassifications made on the balance sheet as of December 31, 2016.

XXIII. Explanations on Other Cases

There is no other cases apart from accounting principles which mentioned above.

Explanation for convenience translation to English

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of 31 March 2017, Bank's total capital has been calculated as TL 4.219.569, a capital adequacy ratio is 15,34%. As of 31 December 2016, Bank's total capital amounted to TL 4.073.229 capital adequacy ratio was 14,96%. This ratio is above the minimum ratio required by the legislation.

a. Information about Total Capital:

	Current Year 31 March 2017	Amounts Subject to Pre- Basel III treatment (Before the 1/1/2014)*
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital following all debts in terms of claim in liquidation of the Bank	3.288.842	
Share issue premiums	-	
Reserves (***)	185.252	
Gains recognized in equity as per TAS	9.370	
Profit	93.199	
Current Period Profit	93.199	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	3.576.663	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (**)	17.439	
Improvement costs for operating leasing	58.101	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	67.415	84.269
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	142.955	
Total Common Equity Tier 1 Capital	3.433.708	

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I. Explanations on Equity (continued)

	Current Year 31 March 2017	Amounts Subject to Pre- Basel III treatment (Before the 1/1/2014) *
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components -		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	16.854	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	16.854	
Total Additional Tier I Capital	16.854	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.416.854	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	546.105	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	257.149	
Tier II Capital Before Deductions	803.254	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	539	
Total Deductions from Tier II Capital	539	
Total Tier II Capital	802.715	
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.219.569	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	4.219.569	

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I. Explanations on Equity (continued)

	Current Year 31 March 2017	Amounts Subject to Pre-Basel III treatment (Before the 1/1/2014) (*)
TOTAL CAPITAL		
Total Capital (TIER I Capital and TIER II Capital)	4.219.569	
Total risk weighted amounts	27.510.363	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,48	
Tier I Capital Adequacy Ratio	12,42	
Capital Adequacy Ratio	15,34	
BUFFERS		
Total buffer requirement	1,274	
Capital conservation buffer requirement	1,250	
Bank specific counter-cyclical buffer requirement	0,024	
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	7,98	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	257.149	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	257.149	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to %0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

(**) As per Turkish Account Standards 32, stamp tax and competition board fees amounting to TL 2.198 resulting from the capital increase are deducted from equity.

(***)The Bank, in accordance with Article 519 of the Turkish Commercial Code No.6102, decided in the Extraordinary General Assembly on April 28, 2017 to book primary legal reserves of TL 9.263, which is 5% of the distributable net profit of TL 185.252. This amount is calculated by deducting the previous year losses amounting to TL 15.102 from TL 200.354; net profit of the Bank for the year 2016.

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I. Explanations on Equity (continued)

Information related to the components of shareholders' equity:

	Prior Period 31 December 2016	Amounts Subject to Pre- Basel III treatment (Before the 1/1/2014)*
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital following all debts in terms of claim in liquidation of the Bank	3.288.842	
Share issue premiums	-	
Reserves	-	
Gains recognized in equity as per TAS	-	
Profit	250.991	
Current Period Profit	200.354	
Prior Period Profit	50.637	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	3.539.833	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (**)	96.678	
Improvement costs for operating leasing	61.772	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	54.083	90.138
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	212.533	
Total Common Equity Tier 1 Capital	3.327.300	

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I. Explanations on Equity (continued)

	Prior Period 31 December 2016	Amounts Subject to Pre- Basel III treatment (Before the 1/1/2014) *
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components -		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	36.055	
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	36.055	
Total Additional Tier I Capital	36.055	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.291.245	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	528.225	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	254.836	
Tier II Capital Before Deductions	783.061	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	1.077	
Total Deductions from Tier II Capital	1.077	
Total Tier II Capital	781.984	
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.073.229	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	4.073.229	

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I. Explanations on Equity (continued)

	Prior Period 31 December 2016	Amounts Subject to Pre-Basel III treatment (Before the 1/1/2014) (*)
TOTAL CAPITAL		
Total Capital (TIER I Capital and TIER II Capital)	4.073.229	
Total risk weighted amounts	27.226.725	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,22	
Tier I Capital Adequacy Ratio	12,09	
Capital Adequacy Ratio	14,96	
BUFFERS		
Total buffer requirement	0,636	
Capital conservation buffer requirement	0,625	
Bank specific counter-cyclical buffer requirement	0,011	
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	7,72	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	254.836	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	254.836	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to %0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

(**)As per Turkish Account Standards 32, stamp tax and competition board fees amounting to TL 2.198 resulting from the capital increase are deducted from equity.

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I. Explanations on Equity (continued)

Details on Subordinated Liabilities:

Lender	Bank Audi sal
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-
Governing law(s) of the instrument	BRSA
Regulatory treatment	Tier II Capital
Whether the sub-loan is subject to 10% decrease starting from 1/1/2015	No
Eligible at stand-alone / consolidated (*)	Stand Alone
Instrument type (types to be specified by each jurisdiction) (**)	Tier II-Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date) (***)	546.105
Per value of instrument (Thousand USD)	150.000
Accounting classification	Liability-Subordinated Loans
Original date of issuance	31/10/2014
Perpetual or dated	Dated
Original maturity date	-
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Within the first month after 5th year with the condition of new borrowing which is provided same requirements.
Subsequent call dates, if applicable	Within the first month after 5th year
Coupons / dividends	-
Fixed or floating dividend/coupon	-
Coupon rate and any related index	6,5%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	Yes
If convertible, conversion trigger (s)	Regulation of banks on equity which is numbered 7-2-i
If convertible, fully or partially	Remaining principal and interest
If convertible, conversion rate	Remaining principal and interest
If convertible, mandatory or optional conversion	Optional
If convertible, specify instrument type convertible into	Equity
If convertible, specify issuer of instrument it converts into	Odea Bank A.Ş
Write-down feature	None
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After claims, deposit holders, other creditors and instruments included in the calculation of supplementary capital
Whether the sub-loan agreement contains all the items stated within the article number 7 and 8 of "Own fund regulation" or not	Contains all the items stated in article 7
Details of above mentioned items within article number 7 and 8 of "Own fund regulation"	Contains all the items stated in article 7

(*) As of most recent reporting date, the bank does not have participation or subsidiary company which is depended to consolidation.

(**) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi sal. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

(***) Does not include accrued interests.

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II. Explanations on Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily and weekly. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The announced current foreign exchange buying rates of the Bank at March 31, 2017 and the previous five working days in full TL are as follows (Bank's FC evaluation rates):

	27 March 2017	28 March 2017	29 March 2017	30 March 2017	31 March 2017
USD	3,6107	3,6210	3,6433	3,6372	3,6407
CHF	3,6720	3,6810	3,6594	3,6489	3,6385
GBP	4,5462	4,5456	4,5290	4,5490	4,5389
100 JPY	3,2727	3,2844	3,2876	3,2722	3,2618
EURO	3,9294	3,9359	3,9202	3,9075	3,8910

	26 December 2016	27 December 2016	28 December 2016	29 December 2016	30 December 2016
USD	3,5117	3,5240	3,5463	3,5305	3,5215
CHF	3,4204	3,4225	3,4428	3,4481	3,4616
GBP	4,2985	4,3151	4,3290	4,3227	4,3468
100 JPY	2,9917	3,0021	3,0119	3,0264	3,0131
EURO	3,6649	3,6811	3,6868	3,6976	3,7124

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before March 31, 2017 are as follows:

	Monthly Average Foreign Exchange Rate
USD	3,6724
CHF	3,6649
GBP	4,5299
100 JPY	3,2482
EURO	3,9260

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II. Explanations on Currency Risk (continued)

March 31, 2017	EUR	USD	OTHER	TOTAL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	963.659	2.793.359	4.427	3.761.445
Banks	15.947	28.080	58.260	102.287
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	91	527.358	-	527.449
Loans (*)	6.578.868	7.601.253	-	14.180.121
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-
Held-To-Maturity Investments	-	438.845	-	438.845
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	29.512	189.594	-	219.106
Total Assets	7.588.077	11.578.489	62.687	19.229.253
Liabilities				
Bank Deposits	243.322	313.175	-	556.497
Other Deposits	7.452.909	11.839.735	90.374	19.383.018
Derivative financial liabilities(****)	-	-	-	-
Money Market Balances	-	-	-	-
Funds Provided From Other Financial Institutions	1.300.258	2.320.605	54.579	3.675.442
Subordinated Loan	-	546.206	-	546.206
Miscellaneous Payables	178	884	-	1.062
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (**)	7.445	58.507	67	66.019
Total Liabilities	9.004.112	15.079.112	145.020	24.228.244
Net Balance Sheet Position	(1.416.035)	(3.500.623)	(82.333)	(4.998.991)
Net Off-Balance Sheet Position	1.921.793	3.160.067	85.356	5.167.216
Financial Derivative Assets	7.150.408	13.758.320	610.146	21.518.874
Financial Derivative Liabilities	5.409.391	10.435.339	524.790	16.369.520
Forward deposit purchase commitments	246.992	160.052	7.943	414.987
Forward deposit sales commitments	66.216	322.966	7.943	397.125
Non-Cash Loans (**)	527.033	1.193.294	3.635	1.723.962
December 31, 2016				
Total Assets	7.542.369	11.833.360	31.073	19.406.802
Total Liabilities	9.872.621	12.697.605	131.824	22.702.050
Net Balance Sheet Position	(2.330.252)	(864.245)	(100.751)	(3.295.248)
Net Off-Balance Sheet Position	2.972.466	429.130	103.427	3.505.023
Financial Derivative Assets	9.245.114	12.018.115	657.863	21.921.092
Financial Derivative Liabilities	6.500.966	11.430.446	554.459	18.485.871
Forward deposit purchase commitments	241.311	112.207	23	353.541
Forward deposit sales commitments	12.993	270.746	-	283.739
Non-Cash Loans (**)	502.076	1.371.620	3.185	1.876.881

(*) Foreign currency indexed loans amounting to TL 1.553.690 are included in the loan portfolio.

(**) There are no effects on the net off-balance sheet position.

(***) FC denominated GLLP were not included in currency risk calculation.

(****) Prepaid expenses, financial assets at fair value through profit and loss and derivative financial liabilities and equities were not included in currency risk calculation.

Foreign currency sensitivity:

The Bank holds EUR and USD currencies positions mainly. The following table details the Bank's sensitivity to a 10% increase or decrease in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/Negative number indicates a change in profit or loss and other equity where USD and EUR increase 10% against TL.

	Change in currency rate in %	Effect on profit or loss (*)		Effect on equity	
		March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
USD	10%	(34.056)	(43.512)	(34.056)	(43.512)
USD	(10)%	34.056	43.512	34.056	43.512
EUR	10%	50.576	64.221	50.576	64.221
EUR	(10)%	(50.576)	(64.221)	(50.576)	(64.221)

(*) Represents before tax amounts.

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III. Explanations on Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Management Group performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank monitors maturity mismatches very closely a significant interest rate risk exposure is not expected.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
March 31, 2017							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	3.382.905	-	-	-	-	1.096.735	4.479.640
Banks	76.824	-	-	-	-	102.419	179.243
Financial Assets at Fair Value Through Profit and Loss	73.040	86.564	217.437	32.447	9.543	-	419.031
Money Market Placements	5.151.656	-	-	-	-	-	5.151.656
Available-For-Sale Financial Assets	-	250.659	-	-	696.744	2.257	949.660
Loans	7.846.375	4.948.468	6.278.002	5.979.006	1.554.270	458.680	27.064.801
Held-To-Maturity Investments	-	-	-	438.845	-	-	438.845
Other Assets	-	-	-	-	-	831.146	831.146
Total Assets	16.530.800	5.285.691	6.495.439	6.450.298	2.260.557	2.491.237	39.514.022
Liabilities							
Bank Deposits	217.425	74.017	271.068	-	-	578	563.088
Customer Deposits	20.106.012	7.786.531	705.194	3.146	-	1.169.890	29.770.773
Money Market Borrowings	294	-	-	-	-	-	294
Miscellaneous Payables	-	-	-	-	-	24.962	24.962
Marketable Securities Issued	-	-	-	-	-	-	-
Subordinated Loans(*)	-	-	-	-	546.206	-	546.206
Funds Provided From Other Financial Institutions	423.394	1.130.123	1.467.536	317.390	347.025	-	3.685.468
Other Liabilities (**)	157.961	61.942	143.195	139.298	3.988	4.416.847	4.923.231
Total Liabilities	20.905.086	9.052.613	2.586.993	459.834	897.219	5.612.277	39.514.022
Balance Sheet Long Position	-	-	3.908.446	5.990.464	1.363.338	-	11.262.248
Balance Sheet Short Position	(4.374.286)	(3.766.922)	-	-	-	(3.121.040)	(11.262.248)
Off-Balance Sheet Long Position	12.068.935	7.056.639	6.375.301	3.205.803	414.944	-	29.121.622
Off-Balance Sheet Short Position	(12.698.621)	(7.346.475)	(5.772.128)	(3.261.473)	(270.830)	-	(29.349.527)
Total Position	(5.003.972)	(4.056.758)	4.511.619	5.934.794	1.507.452	(3.121.040)	(227.905)

(*) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi sal. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

(**) Other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.559.224, tax liabilities amounting to TL 75.949, provisions amounting to TL 500.927 and other liabilities amounting to TL 280.747.

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III. Explanations on Interest Rate Risk (continued)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 2016							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	3.361.608	-	-	-	-	1.356.632	4.718.240
Banks	-	-	-	-	-	118.724	118.724
Financial Assets at Fair Value Through Profit and Loss	67.224	123.396	196.399	30.098	8.816	-	425.933
Money Market Placements	4.412.052	-	-	-	-	-	4.412.052
Available-For-Sale Financial Assets	-	254.265	-	-	649.263	1.927	905.455
Loans	7.991.706	4.422.915	6.314.618	5.597.833	1.733.589	387.125	26.447.786
Held-To-Maturity Investments	-	-	-	428.155	-	-	428.155
Other Assets	-	-	-	-	-	822.055	822.055
Total Assets	15.832.590	4.800.576	6.511.017	6.056.086	2.391.668	2.686.463	38.278.400
Liabilities							
Bank Deposits	613.966	584.989	3.919	-	-	17	1.202.891
Customer Deposits	17.128.918	8.699.777	756.149	10.074	-	1.456.587	28.051.505
Money Market Borrowings	2.457	-	-	-	-	-	2.457
Miscellaneous Payables	-	-	-	-	-	9.901	9.901
Marketable Securities Issued	-	-	-	-	-	-	-
Subordinated Loans (*)	-	-	-	-	528.417	-	528.417
Funds Provided From Other Financial Institutions	398.895	389.057	2.085.391	462.743	329.411	-	3.665.497
Other Liabilities (**)	181.182	73.349	186.139	102.319	2.886	4.271.857	4.817.732
Total Liabilities	18.325.418	9.747.172	3.031.598	575.136	860.714	5.738.362	38.278.400
Balance Sheet Long Position	-	-	3.479.419	5.480.950	1.530.954	-	10.491.323
Balance Sheet Short Position	(2.492.828)	(4.946.596)	-	-	-	(3.051.899)	(10.491.323)
Off-Balance Sheet Long Position	10.808.999	8.875.055	5.582.278	2.841.612	387.022	-	28.494.966
Off-Balance Sheet Short Position	(11.185.741)	(8.865.968)	(5.149.680)	(3.332.583)	(201.164)	-	(28.735.136)
Total Position	(2.869.570)	(4.937.509)	3.912.017	4.989.979	1.716.812	(3.051.899)	(240.170)

(*) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi sal. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

(**) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.443.155, tax liabilities amounting to TL 93.027, provisions amounting to TL 537.477 and other liabilities amounting to TL 198.198 .

Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
March 31, 2017				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	0,78	-	4,00
Banks	-	-	-	11,48
Financial Assets at Fair Value Through Profit and Loss	-	-	-	9,83
Money Market Placements	-	-	-	11,75
Available-For-Sale Financial Assets	-	6,20	-	10,35
Loans	5,54	6,88	-	15,96
Held-To-Maturity Investments	-	3,47	-	-
Liabilities				
Bank Deposits	1,37	2,67	-	7,49
Customer Deposits	2,14	3,45	-	11,90
Money Market Borrowings	-	-	-	7,65
Subordinated Loans	-	6,50	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1,87	2,81	-	6,73

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III. Explanations on Interest Rate Risk (continued)

	EURO	USD	JPY	TL
	%	%	%	%
December 31, 2016				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	0,51	-	2,96
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	10,07
Money Market Placements	-	-	-	8,50
Available-For-Sale Financial Assets	-	6,59	-	9,43
Loans	5,53	6,80	-	15,58
Held-To-Maturity Investments	-	3,47	-	-
Liabilities				
Bank Deposits	1,55	2,75	-	7,93
Customer Deposits	2,28	3,34	-	10,83
Money Market Borrowings	-	-	-	7,65
Subordinated Loans	-	6,50	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2,03	2,84	-	6,73

Nature of interest rate risk resulted from banking book:

The interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the bank has no any assumptions for early repayment of loans and demand deposits. Interest rate risk arising from banking accounts is calculated and is reported to BRSA monthly.

IV. Explanations on Share Certificates Position Risk

The Bank has no outstanding share certificate position.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

Liquidity risk is the risk, occurring as a result of not having cash in hand or cash inflow at a level and nature to meet cash outflow as a consequence of imbalance in cash flow in time and completely. Liquidity risk consists of sum of two main risk types; funding liquidity risk and market liquidity risk.

Management of Bank's Liquidity risk is carried out in scope of responsibilities of Board of Directors, Audit Committee of the Board, Assets and Liabilities Management Committee (ALCO), Risk Management Department and other business units which are members of ALCO.

Board of Directors have the ultimate responsibility concerning the liquidity risk and its management. Board of Directors have also the responsibility to determine liquidity risk appetite as a part of holistic risk appetite, evaluate and approve proposed limits, approve liquidity risk management policy and confirm changes regarding limit and confinement.

Audit Committee evaluates and approves short, medium and long term liquidity risk management strategies. Audit Committee also provides general adaptability of the Bank to principals and management procedures included in the management of the risk. Audit Committee reviews and evaluates liquidity risk reports periodically.

Assets and Liabilities Management Committee (ALCO) establishes short, medium and long term liquidity management strategies and evaluates the liquidity risk profile of the Bank and impacts of recently developed trends on the liquidity of the Bank through periodical meetings. ALCO makes a decision regarding the qualification of liquidity buffer of the Bank in line with risk appetite and liquidity strategy of the Bank. Additionally, ALCO evaluates the liquidity risk reports and feedbacks received from Risk Management and informs Audit Committee and Board of Directors about the adverse conditions and other financial results with respect to liquidity.

Risk Management establishes liquidity risk management policy, determines liquidity risk limits and submits these policies and limits to the approval of Board of Directors. It also provides to measure and manage liquidity risk in the framework of risk appetite and limits approved by the Board of Directors. Risk management performs reporting to ALCO, Audit Committee and members of Board of Directors regarding adherence to risk appetite and limit excess. Additionally, risk management as also the responsibility to form and implement liquidity stress tests and share the results with the related parties.

Liquidity risk analysis and early warning signals are reported to the senior management periodically. Additionally, all the analysis including regulatory and internal rates with respect to liquidity risk are reported to ALCO and limit and warning levels approved by the Board of Directors are monitored periodically and reported to related parties.

The Bank's funding strategy is intended to ensure sufficient liquidity and diversity of funding sources to meet actual and contingent liabilities through both normal and stress periods. A significant part of Bank's liquidity needs is met with deposits which represent the main funding source of the Bank. On the other hand, when it is deemed necessary, bond issuance and pre-financing products can be provided in addition to the aforementioned sources.

Almost all the liabilities of the Bank are denominated in TL, USD or EUR and the concentration risk in the funding sources is monitored closely. Concentration analysis related to deposits are performed and factors, which can deteriorate access to funding sources and trigger a sudden withdrawal of funds at a significant level, are analysed.

Liquidity risk is closely monitored and managed in order to keep it at a level appropriate to risk appetite and liquidity risk management policies, by promoting diversification of funding sources, keeping high quality liquid assets and reduction or termination of activities causing limit excess.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

The liquidity coverage ratios are calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. Liquidity coverage ratios should be at least 60% for foreign currency assets and liabilities and 80% for total assets and liabilities for the year 2017. Both of the aforementioned rates shall be increased by 10% annually until 2019 and foreign currency shall be applied as 80% while total shall be applied as 100%.

Information regarding weekly solo liquidity coverage ratios realized in the first quarter of 2017 is as follows:

Current Period-31.03.2017		Rate of "Percentage to be taken into account" not implemented Total value (*)		Rate of "Percentage to be taken into account" implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				6.482.239	2.572.852
1	High quality liquid assets	7.941.994	4.032.607	6.482.239	2.572.852
CASH OUTFLOWS					
2	Retail and Small Business Customer Deposits	17.099.912	10.025.802	1.649.015	1.002.580
3	Stable deposits	1.219.531	-	60.977	-
4	Less stable deposits	15.880.381	10.025.802	1.588.038	1.002.580
5	Unsecured Funding other than Retail and Small Business Customer Deposits	10.210.001	7.540.065	4.997.719	3.775.606
6	Operational deposits	31.937	39	7.984	10
7	Non-Operational Deposits	9.125.092	6.749.879	3.936.762	2.985.450
8	Other Unsecured Funding	1.052.972	790.146	1.052.972	790.146
9	Secured funding	-	-	-	-
10	Other Cash Outflows	5.713.250	4.280.022	951.212	2.236.267
11	Liquidity needs related to derivatives and market	479.954	2.007.489	479.954	2.007.489
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	5.233.296	2.272.533	471.258	228.778
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	-	-	-	-
16	TOTAL CASH OUTFLOWS			7.597.946	7.014.454
CASH INFLOWS					
17	Secured Lending Transactions	2.687.766	-	-	-
18	Unsecured Lending Transactions	2.994.225	1.198.858	2.316.412	1.000.343
19	Other contractual cash inflows	351.268	4.722.080	351.268	4.722.080
20	TOTAL CASH INFLOWS	6.033.259	5.920.938	2.667.680	5.722.423
Upper Limit Applied Amounts					
21	TOTAL HQLA			6.482.239	2.572.852
22	TOTAL NET CASH OUTFLOWS			4.930.266	1.969.968
23	Liquidity Coverage Ratio (%)			131,80	137,22

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Information regarding weekly solo liquidity coverage ratios realized in the fourth quarter of 2016 is as follows:

Current Period-31.12.2016		Rate of "Percentage to be taken into account" not implemented Total value (*)		Rate of "Percentage to be taken into account" implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				6.208.875	2.290.992
1	High quality liquid assets	7.622.700	3.704.817	6.208.875	2.290.992
CASH OUTFLOWS					
2	Retail and Small Business Customer Deposits	15.683.396	8.297.994	1.510.067	829.799
3	Stable deposits	1.165.445	-	58.272	-
4	Less stable deposits	14.517.951	8.297.994	1.451.795	829.799
5	Unsecured Funding other than Retail and Small Business Customer Deposits	10.005.373	6.946.597	4.803.093	3.430.045
6	Operational deposits	29.601	75	7.400	19
7	Non-Operational Deposits	9.301.819	6.522.517	4.121.740	3.006.021
8	Other Unsecured Funding	673.953	424.005	673.953	424.005
9	Secured funding	-	-	-	-
10	Other Cash Outflows	5.443.941	3.873.848	945.677	2.058.826
11	Liquidity needs related to derivatives and market	686.239	1.857.442	514.207	1.857.442
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	4.757.702	2.016.406	431.470	201.384
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	-	-	-	-
16	TOTAL CASH OUTFLOWS			7.258.837	6.318.670
CASH INFLOWS					
17	Secured Lending Transactions	2.764.163	-	-	-
18	Unsecured Lending Transactions	2.454.321	937.940	1.881.980	777.643
19	Other contractual cash inflows	436.696	3.547.347	436.696	3.547.347
20	TOTAL CASH INFLOWS	5.655.180	4.485.287	2.318.676	4.324.990
				Upper Limit Applied Amounts	
21	TOTAL HQLA			6.208.875	2.290.992
22	TOTAL NET CASH OUTFLOWS			4.940.161	1.993.680
23	Liquidity Coverage Ratio (%)			126,40	117,03

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at Central Bank of Republic of Turkey, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits and bank deposits, securities under guarantee through reverse repo and placement and derivative transactions to banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions cause the foreign currency liquidity coverage ratio to be affected.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

The weeks having the highest and lowest level of liquidity coverage ratios calculated for the first three months and their average values are given below:

	Current Year-31.03.2017		Prior Year-31.12.2016	
	TL+FC	FC	TL+FC	FC
Lowest Week	107,70	67,11	97,63	53,15
	03.02.2017	06.01.2017	30.09.2016	30.09.2016
Highest Week	149,14	191,35	171,50	168,69
	17.03.2017	03.03.2017	04.11.2016	04.11.2016
Average	131,80	137,22	126,40	117,03

Presentation of assets and liabilities according to their remaining maturities:

March 31, 2017	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	162.779	4.316.861	-	-	-	-	-	4.479.640
Banks	102.419	76.824	-	-	-	-	-	179.243
Financial Assets at Fair Value Through Profit and Loss	-	73.040	44.608	121.514	169.966	9.903	-	419.031
Money Market Placements	-	5.151.656	-	-	-	-	-	5.151.656
Available-For-Sale Financial Assets	-	-	-	-	250.659	696.744	2.257	949.660
Loans	-	1.911.006	1.160.854	4.995.436	11.442.747	7.096.078	458.680	27.064.801
Held-To-Maturity Investments	-	-	-	-	438.845	-	-	438.845
Other Assets	-	-	-	-	-	-	831.146	831.146
Total Assets	265.198	11.529.387	1.205.462	5.116.950	12.302.217	7.802.725	1.292.083	39.514.022
Liabilities								
Bank Deposits	578	217.425	74.017	-	271.068	-	-	563.088
Customer Deposits	1.169.890	20.106.012	7.786.531	705.194	3.146	-	-	29.770.773
Funds Provided From Other Financial Institutions	-	423.394	583.344	1.467.536	395.924	815.270	-	3.685.468
Money Market Borrowings	-	294	-	-	-	-	-	294
Marketable Securities Issued	-	-	-	-	-	-	-	-
Subordinated Loans(**)	-	-	-	-	-	546.206	-	546.206
Miscellaneous Payables	-	-	-	-	-	-	24.962	24.962
Other Liabilities (***)	-	156.052	61.942	144.215	140.188	3.987	4.416.847	4.923.231
Total Liabilities	1.170.468	20.903.177	8.505.834	2.316.945	810.326	1.365.463	4.441.809	39.514.022
Liquidity Gap	(905.270)	(9.373.790)	(7.300.372)	2.800.005	11.491.891	6.437.262	(3.149.726)	-
Net Off-Balance Sheet Position	-	(142.283)	(73.322)	(27.486)	14.047	1.139	-	(227.905)
Financial Derivative Assets	-	11.119.454	5.424.515	5.622.471	6.269.083	686.099	-	29.121.622
Financial Derivative Liabilities	-	11.261.737	5.497.837	5.649.957	6.255.036	684.960	-	29.349.527
Non-Cash Loans	-	1.319.194	242.185	1.282.363	-	-	-	2.843.742
Prior period								
Total Assets	4.836.964	6.277.248	1.115.853	5.035.828	12.115.092	7.686.308	1.211.107	38.278.400
Total Liabilities	1.456.604	18.318.237	9.472.762	2.583.643	853.778	1.311.618	4.281.758	38.278.400
Liquidity Gap	3.380.360	(12.040.989)	(8.356.909)	2.452.185	11.261.314	6.374.690	(3.070.651)	-

(*) The assets which are necessary to provide banking services and can not be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

(**) The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi sal. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.559.224, tax liabilities amounting to TL 75.949, provisions amounting to TL 500.927 and other liabilities amounting to TL 280.747.

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VI. Explanations on Leverage Ratio

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

"Regulation on the Measurement and Evaluation of Banks Leverage Levels" regulates the procedures and principles regarding the ensure adequate capital at the consolidated and non-consolidated basis for exposure of possible risk of Banks. Leverage ratio of the Bank calculated amounting to 7,56% (December 31, 2016: 7,75%). According to Regulations, minimum leverage ratio is 3%.

Disclosure of Leverage ratio template:

	Current Period	Prior Period
	31 March	31 December
	2017(*)	2016(*)
Balance sheet transactions		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	38.854.807	36.798.395
2 (Assets deducted from Core capital)	(76.720)	(94.706)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	38.778.087	36.703.689
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	319.285	296.802
5 Potential credit risk amount of derivative financial assets and credit derivatives	-	-
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	319.285	296.802
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
8 Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	-	-
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	5.376.848	5.112.865
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	5.376.848	5.112.865
Capital and total risk		
13 Core Capital	3.362.296	3.264.903
14 Total risk amount(sum of lines 3, 6, 9 and 12)	44.474.220	42.113.356
Leverage ratio		
15 Leverage ratio	7,56	7,75

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

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VII. Explanations on Risk Management Objectives and Policies

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

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

Overview of RWA

	Risk Weighted Amount		Minimum Capital Requirement
	Current Period 31 March 2017	Prior Period 31 December 2016	Current Period 31 March 2017
1 Credit risk (excluding counterparty credit risk) (CCR)	24.476.686	25.095.066	1.958.135
2 Standardised approach (SA)	24.476.686	25.095.066	1.958.135
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	576.511	574.171	46.121
5 Standardised approach for counterparty credit risk (SA-CCR)	576.511	574.171	46.121
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	645.016	530.200	51.601
17 Standardised approach (SA)	645.016	530.200	51.601
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	1.812.150	1.027.288	144.972
20 Basic Indicator Approach	1.812.150	1.027.288	144.972
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	27.510.363	27.226.725	2.200.829

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VIII. Explanations on Business Segments

Organized to operate in all operational aspects of below segmental banking under the scope of 4th Article of the Banking Law, the Bank is providing diversified financial solutions focused on capital financing, foreign trade, project finance, non-cash products, cash management and internet banking services to Corporate, Commercial and SME customers. Retail Banking, formed under three major divisions, namely, Retail Loans, Bank and Credit Cards and Wealth Management, offers practical and efficient financial needs through branches, internet and mobile channels. Treasury and Capital Markets department is managing TL and FCY liquidity in healthy and sustainable manner, performing profit oriented trading activities in the market within the limits given by the Board. In addition, Treasury sales unit delivers pricing services of government bills and bonds, Eurobonds and derivatives to the Bank customers.

Current Period (1 January-31 March 2017)	Corporate, Commercial,SME	Retail Banking	Treasury	Other and Unallocated (*)	Bank's Total Activities
Net Interest Income	190.957	54.769	4.931	140.975	391.632
Net Fee and Commission Income	41.842	9.993	(776)	(1.098)	49.961
Other Operating Income and Net Profit/Loss	6.180	5.707	18.315	(97.602)	(67.400)
Operating Income	238.979	70.469	22.470	42.275	374.193
Other Operating Expenses	-	-	-	(179.425)	(179.425)
Credit and Other Provisions	(52.495)	(24.401)	-	-	(76.896)
Profit Before Tax	-	-	-	117.872	117.872
Tax Provision	-	-	-	(24.673)	(24.673)
Net profit	-	-	-	93.199	93.199
Total Asset	23.572.624	3.270.222	6.873.016	5.798.160	39.514.022
Segment Assets	23.572.624	3.270.222	6.873.016	5.798.160	39.514.022
Total Liability	12.235.558	17.739.554	4.232.650	5.306.260	39.514.022
Segment Liability	12.235.558	17.739.554	4.232.650	1.200.830	35.408.592
Subordinated Loan	-	-	-	546.206	546.206
Equity	-	-	-	3.559.224	3.559.224

(*) Shows operating expenses , free provisions, general provisions and equity items and also funding return on capital, that is calculated as part of bank's asset liability management strategy as well as unallocated liquidity items and their income/expense amounts.

Prior Year (1 January-31 March 2016)	Corporate, Commercial,SME	Retail Banking	Treasury	Other and Unallocated (*)	Bank's Total Activities
Net Interest Income	147.586	44.818	19.831	21.784	234.019
Net Fee and Commission Income	16.372	4.872	(616)	13.912	34.540
Other Operating Income and Net Profit/Loss	7.333	3.031	21.583	(77.330)	(45.383)
Operating Income	171.291	52.721	40.798	(41.634)	223.176
Other Operating Expenses	-	-	-	(132.928)	(132.928)
Credit and Other Provisions	(34.006)	(30.073)	-	2.199	(61.880)
Profit Before Tax	-	-	-	28.368	28.368
Tax Provision	-	-	-	(5.729)	(5.729)
Net profit	-	-	-	22.639	22.639
Total Asset	23.135.160	2.998.253	6.059.175	6.085.812	38.278.400
Segment Assets	23.135.160	2.998.253	6.059.175	6.085.812	38.278.400
Total Liability	11.391.220	17.520.639	4.233.535	5.133.007	38.278.400
Segment Liability	11.391.220	17.520.639	4.233.535	1.161.435	34.306.828
Subordinated Loan	-	-	-	528.417	528.417
Equity	-	-	-	3.443.155	3.443.155

(*) Shows operating expenses , free provisions, general provisions and equity items and also funding return on capital, that is calculated as part of bank's asset liability management strategy as well as unallocated liquidity items and their income/expense amounts.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

1. a) Information on Cash and Balances with the Central Bank of Turkey:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Cash in Vault	82.558	80.221	75.080	93.467
Balances with the Central Bank of Turkey	635.637	3.681.224	1.289.306	3.260.387
Other	-	-	-	-
Total	718.195	3.761.445	1.364.386	3.353.854

b) Information related to the account of the Central Bank of Turkey:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Unrestricted demand deposits	635.637	126	1.289.306	104
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	3.681.098	-	3.260.283
Total	635.637	3.681.224	1.289.306	3.260.387

c) Explanations related to reserve deposits:

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

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

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I. Explanations and Disclosures Related to the Assets (continued)

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

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Classified as unrestricted	1.938	-	5.905	-
Subject to repurchase agreements	-	-	-	-
Given as collateral/blocked	-	-	-	-
Total	1.938	-	5.905	-

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None.

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

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Forward Transactions	23.712	2.567	17.278	8.941
Swap Transactions	279.779	42.381	240.288	79.108
Futures Transactions	-	-	-	-
Options	61.508	7.146	57.807	16.606
Other	-	-	-	-
Total	364.999	52.094	315.373	104.655

3. Information on banks:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Banks				
Domestic	76.956	-	139	-
Foreign	-	102.287	-	118.585
Branches and head office abroad	-	-	-	-
Total	76.956	102.287	139	118.585

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

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	255.152	-	193.752	-
Other	-	-	-	-
Total	255.152	-	193.752	-

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a.2) Information on financial assets available for sale subject to repurchase agreements:

As of March 31, 2017, available-for-sale financial assets subject to repurchase agreements amount to TL 291 (31 December 2016: TL 2.466).

b) Information on financial assets available for sale portfolio:

	March 31, 2017	December 31, 2016
Debt securities	947.403	903.528
Quoted on a stock exchange	947.403	903.528
Not quoted	-	-
Share certificates	2.257	1.927
Quoted on a stock exchange	-	-
Not quoted	2.257	1.927
Value Decrease (-) / Increase (+)	-	-
Total	949.660	905.455

5. Information on loans:

a) Information on all types of loans or advances given to shareholders and employees of the Bank:

	March 31, 2017		December 31, 2016	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	694	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	15.839	-	16.028
Loans granted to employees	7.593	-	7.941	-
Total	7.593	15.839	7.941	16.028

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (Watchlist)		
	Loans and Other Receivables Total (*)	Of Which Restructured or Rescheduled	Other	Loans and Other Receivables Total(*)	Of Which Restructured or Rescheduled	Other
Non-specialized loans	24.634.816	130.938	-	1.971.305	1.010.828	-
Business loans	-	-	-	-	-	-
Export loans	1.199.956	-	-	24.110	23.016	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	55.811	-	-	-	-	-
Foreign loans	352.737	-	-	38.045	112	-
Consumer loans	2.340.909	216	-	222.429	105.120	-
Credit cards	355.674	-	-	29.770	-	-
Precious metals loans	-	-	-	-	-	-
Other	20.329.729	130.722	-	1.656.951	882.580	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	24.634.816	130.938	-	1.971.305	1.010.828	-

(*)As of reporting period, the Bank has fully cash covered exposure, by the parent bank, amounting to USD 74.4 million given to main partner of an institution carrying out its activities in telecommunication sector and having strategic importance which is followed under Loans and Other Receivables with Standard Qualification. Discussions among shareholders of the entity, creditor banks and related public institutions regarding restructuring of current main partner including change of shareholder have been commenced and it is expected that aforementioned discussions shall result in a positive development.

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c) Restructured or rescheduled loans according to their maturity structure:

Number of extensions	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	130.938	1.010.828
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-
Total	130.938	1.010.828

Extension periods	Standard loans and other receivables	Loans and other receivables under close monitoring(*)
0 - 6 Months	85.165	278.680
6 - 12 Months	25.958	35.703
1 - 2 Years	2.393	109.905
2 - 5 Years	17.422	581.489
5 Years and over	-	5.051
Total	130.938	1.010.828

(*) Represents the difference between the first term of the loan and extended term of the loan.

Information on loan types and provisions (*):

31 March 2017	Corporate and Commercial	SME	Retail	Total
Standard Loans	16.978.734	4.988.758	2.667.324	24.634.816
Watchlist	1.173.273	530.397	267.635	1.971.305
Non-performing Loans	155.135	500.154	180.887	836.176
Specific Provision (-)	(46.095)	(218.398)	(113.003)	(377.496)
Total	18.261.047	5.800.911	3.002.843	27.064.801

31 December 2016	Corporate and Commercial	SME	Retail	Total
Standard Loans	17.716.762	4.593.660	2.510.728	24.821.150
Watchlist	449.802	528.306	261.403	1.239.511
Non-performing Loans	99.719	438.400	150.324	688.443
Specific Provision (-)	(32.193)	(179.562)	(89.563)	(301.318)
Total	18.234.090	5.380.804	2.832.892	26.447.786

(*) Prepared in accordance with Bank's internal segmentation.

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I. Explanations and Disclosures Related to the Assets (continued)

d) Information on consumer loans and credit cards given to customers and bank's personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	87.944	2.363.665	2.451.609
Housing Loans	526	638.885	639.411
Car Loans	263	41.058	41.321
General Purpose Loans	87.155	1.683.722	1.770.877
Other	-	-	-
Consumer Loans - Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	82.998	82.998
Housing Loans	-	82.998	82.998
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	363.554	5.954	369.508
With Installments	124.356	5.954	130.310
Without Installments	239.198	-	239.198
Individual Credit Cards-FC	87	-	87
With Installments	-	-	-
Without Installments	87	-	87
Personnel Loans - TL	440	5.127	5.567
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	440	5.127	5.567
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards - TL	2.022	4	2.026
With Installments	829	4	833
Without Installments	1.193	-	1.193
Personnel Credit Cards - FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts – TL (Real Persons)	23.164	-	23.164
Overdraft Accounts – FC (Real Persons)	-	-	-
Total	477.211	2.457.748	2.934.959

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I. Explanations and Disclosures Related to the Assets (continued)

e) Information on commercial loans with installments and corporate credit cards:

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	620.384	5.584.226	6.204.610
Business Loans	-	7.832	7.832
Car Loans	1.157	39.977	41.134
General Purpose Loans	619.227	5.536.417	6.155.644
Other	-	-	-
Commercial loans with installment facility-Indexed to FC	104.539	936.083	1.040.622
Business Loans	-	-	-
Car Loans	-	3.564	3.564
General Purpose Loans	104.539	932.519	1.037.058
Other	-	-	-
Commercial loans with installment facility -FC	237.075	11.183.814	11.420.889
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	237.075	11.183.814	11.420.889
Other	-	-	-
Corporate Credit Cards-TL	13.764	-	13.764
With Installments	2.517	-	2.517
Without Installments	11.247	-	11.247
Corporate Credit Cards-FC	59	-	59
With Installments	-	-	-
Without Installments	59	-	59
Overdraft Accounts-TL (Legal Entities)	143.057	-	143.057
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	1.118.878	17.704.123	18.823.001

f) Distribution of domestic and foreign loans:

	March 31, 2017	December 31, 2016
Domestic loans	26.215.339	25.689.044
Foreign loans	390.782	371.617
Total	26.606.121	26.060.661

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	March 31, 2017	December 31, 2016
Specific provisions		
Loans and receivables with limited collectability	22.689	15.723
Loans and receivables with doubtful collectability	75.290	73.261
Uncollectible loans and receivables	279.517	212.334
Total	377.496	301.318

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UNCONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2017 AND
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I. Explanations and Disclosures Related to the Assets (continued)

i) Information on non-performing loans (Net):

i.1) Information on loans and other receivables which are restructured or rescheduled within non-performing portfolio: None.

i.2) 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
December 31, 2016 balance	110.548	210.011	367.884
Additions (+)	167.803	-	-
Transfers from other categories of non-performing loans (+)	-	108.715	95.745
Transfers to other categories of non-performing loans (-)	108.715	95.745	-
Collections (-)	6.202	7.421	6.447
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
March 31, 2017 balance	163.434	215.560	457.182
Specific provision (-)	22.689	75.290	279.517
Net Balances on Balance Sheet	140.745	140.270	177.665

i.3) Information on foreign currency non-performing loans and other receivables: None.

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

	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
March 31, 2017 (Net)	140.745	140.270	177.665
Loans to Real Persons and Legal Entities (Gross)	163.434	215.560	457.182
Specific provision (-)	22.689	75.290	279.517
Loans to Real Persons and Legal Entities (Net)	140.745	140.270	177.665
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2016 (Net)	94.825	136.750	155.550
Loans to Real Persons and Legal Entities (Gross)	110.548	210.011	367.884
Specific provision (-)	15.723	73.261	212.334
Loans to Real Persons and Legal Entities (Net)	94.825	136.750	155.550
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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I. Explanations and Disclosures Related to the Assets (continued)

j) Main principles of liquidation policies of non-performing loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree. As of March 31, 2017, the net amount after provisions of the non-performing loans and receivables in the fifth group is TL 177.665 (December 31, 2016: TL 155.550).

k) Explanations on write-off policy:

As of 31 March 2017, there is no amount that is written off from assets with the decision of the board of directors.

6. Information on held-to-maturity investments:

a) Information on held-to-maturity investments given as collateral or blocked: As of March 31, 2017, held-to-maturity investments given as collateral is amounting to TL 316.745 (December 31, 2016: TL 304.071).

b) Held-to-maturity investments subject to repurchase agreements: None.

c) The Bank has TL 438.845 held-to-maturity investments as of March 31, 2017 (December 31, 2016: TL 428.155).

d) Movement on held-to-maturity investments:

	March 31, 2017	December 31, 2016
Beginning Balance	428.155	364.449
Foreign Currency Differences on Monetary Assets	-	-
Purchases during year	-	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision	-	-
Change in Amortized Cost (*)	10.690	63.706
Total	438.845	428.155

(*)Represents exchange differences and accrual interest.

7. Information on associates (Net):

The Bank has no associates in the current period.

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

9. Information on jointly controlled entities:

The Bank has no jointly controlled entities in the current period.

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

11. Information on derivative financial assets for hedging purposes:

The Bank has no financial assets for hedging purposes in the current period.

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I. Explanations and Disclosures Related to the Assets (continued)

12. Information on tangible assets (Net):

Information on tangible assets is not required to be disclosed in accordance with 25th article of Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures.

13. Information on intangible assets:

Information on tangible assets is not required to be disclosed in accordance with 25th article of Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures

14. Investment Property (Net): None.

15. Explanations on deferred tax assets:

- a) As of March 31, 2017, the Bank has deferred tax asset amounting to TL 76.981 arising from deductible temporary differences (December 31, 2016: TL 92.593).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

16. Information on assets held for sale and discontinued operations:

As of March 31, 2017 the Bank has assets held for sale and discontinued operations amounting to TL 47.617 (December 31, 2016: TL 42.094).

17. Information on other assets

- a) Other assets do not exceed 10% of the balance sheet total (excluding off balance sheet commitments).
- b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

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II. Explanations and Disclosures Related to the Liabilities

1. Information on maturity structure of deposits:

a.1) **March 31, 2017**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	156.767	-	1.303.231	5.294.341	65.343	74.767	17.457	-	6.911.906
Foreign currency deposits	589.561	-	2.023.530	15.775.885	279.982	630.371	50.627	-	19.349.956
Residents in Turkey	523.634	-	2.008.957	15.686.972	246.912	596.066	32.301	-	19.094.842
Residents abroad	65.927	-	14.573	88.913	33.070	34.305	18.326	-	255.114
Public sector deposits	36.499	-	-	3.785	-	-	-	-	40.284
Commercial deposits	349.980	-	809.607	1.901.932	41.052	3.240	79	-	3.105.890
Other institutions deposits	4.067	-	6.090	282.815	15.431	20.294	1.024	-	329.721
Precious metals deposits	33.016	-	-	-	-	-	-	-	33.016
Interbank deposits	578	-	-	243.381	44.036	275.093	-	-	563.088
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	578	-	-	243.381	44.036	275.093	-	-	563.088
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1.170.468	-	4.142.458	23.502.139	445.844	1.003.765	69.187	-	30.333.861

December 31, 2016

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	170.347	-	1.292.278	5.849.142	13.984	139.706	14.293	-	7.479.750
Foreign currency deposits	877.304	-	1.620.742	13.283.063	784.345	627.861	74.822	-	17.268.137
Residents in Turkey	847.527	-	1.616.848	13.198.049	712.361	595.640	19.022	-	16.989.447
Residents abroad	29.777	-	3.894	85.014	71.984	32.221	55.800	-	278.690
Public sector deposits	5.110	-	-	3.677	-	-	-	-	8.787
Commercial deposits	385.723	-	404.566	2.019.869	80.659	1.571	1.153	-	2.893.541
Other institutions deposits	1.069	-	1.610	381.572	-	-	5	-	384.256
Precious metals deposits	17.034	-	-	-	-	-	-	-	17.034
Interbank deposits	17	-	-	645.165	282.843	274.866	-	-	1.202.891
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	17	-	-	645.165	282.843	274.866	-	-	1.202.891
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1.456.604	-	3.319.196	22.182.488	1.161.831	1.044.004	90.273	-	29.254.396

b.1) Information on saving deposits under the guarantee of saving deposits insurance:

i. Information on saving deposits:

Saving deposits (*)	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Saving deposits	2.099.213	2.045.154	4.812.693	5.434.596
Foreign currency saving deposits	533.443	364.616	10.328.617	8.856.085
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	2.632.656	2.409.770	15.141.310	14.290.681

(*) Accruals were included to deposits under the guarantee of insurance in accordance with BRSA declaration numbered 1584 dated February 23, 2005.

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II. Explanations and Disclosures Related to the Liabilities (continued)

ii. Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

	March 31, 2017	December 31, 2016
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	23.383	21.180
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Forward Transactions	32.484	2.908	44.285	3.203
Swap Transactions	370.123	29.907	383.159	34.976
Futures Transactions	-	-	-	-
Options	58.026	12.936	45.465	34.787
Other	-	-	-	-
Total	460.633	45.751	472.909	72.966

3. Information on borrowings:

a) Information on banks and other financial institutions:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
From Domestic Banks and Institutions	10.026	433.665	8.616	250.598
From Foreign Banks, Institutions and Funds	-	3.241.777	-	3.406.283
Total	10.026	3.675.442	8.616	3.656.881

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II. Explanations and Disclosures Related to the Liabilities (continued)

b) Maturity analysis of borrowings:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Short-term	4.065	1.296.650	5.861	1.382.742
Medium and long-term	5.961	2.378.792	2.755	2.274.139
Total	10.026	3.675.442	8.616	3.656.881

4. Information on funds provided from repurchase agreement transactions:

a) Funds Provided Under Repurchase Agreements:

	March 31, 2017	December 31, 2016
Funds Provided Under Repurchase Agreements	294	2.457
Total	294	2.457

5. Marketable Securities Issued (Net):

None.

6. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

None.

7. Explanations on lease obligations (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank: None.
- b) Explanations regarding operational leases: The Bank enters into operating lease agreements for some branches. In operating leases, the lease prepayments are recorded as expense in equal amounts over the leasing period and recognized under prepaid expenses in the account of other assets. The Bank has no liability arising from operating lease agreement.
- c) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

8. Information on derivative financial liabilities for hedging purposes: None.

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II. Explanations and Disclosures Related to the Liabilities (continued)

9. Information on provisions:

a) Information on general provisions

	March 31, 2017	December 31, 2016
General Provisions	257.149	254.836
I. Provisions for First Group Loans and Receivables	95.443	203.743
o/w - Provision for extended loans	-	5.318
II. Provisions for Second Group Loans and Receivables	157.024	42.711
o/w - Provision for extended loans	-	32.793
Provisions for Non-cash Loans and Derivative Financial Instruments	4.682	8.382
Total	257.149	254.836

As of the reporting date, based on the new Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published on Official Gazette dated December 14, 2016 and numbered 29918 the Bank has provided excess general provisions. In addition, based on the changes of the SME definition in the letter from BRSA, dated 16 March 2017 and referenced 24049440-010.03[4/3]-E.4363, the Bank also did not reverse the calculated 26.303 TL and carried forward the amount under general provisions. Together with these two changes the Bank has total excess general provisions of TL 161.755.

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TL 3.394 on the foreign currency indexed loans are netted off from loans on the balance sheet (December 31, 2016: TL 143).
- c) Provisions for NPL customers' non-cash loans that are not converted into cash: As of March 31, 2017 provision for NPL customers' non-cash loans that are not converted into cash is TL 6.112 (December 31, 2016: TL 5.447).
- d) Information on employee termination benefits and unused vacation accrual:
- d.1) Information on employee termination benefits and unused vacation accrual:

	March 31, 2017	December 31, 2016
Employee termination benefit provision	4.247	8.459
Unused vacation provision	8.182	6.456
Total of provision for employee benefits	12.429	14.915

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct and reflected to the financial statements in accordance with TAS. The Bank has calculated retirement pay liability for personnels who deserve retirement pay in accordance with legal compliance.

- e) Information on other provisions:
- e.1) Provisions for possible losses: TL 213.700 (December 31, 2016: TL 213.700).
- e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions: Other provisions consist of provision for personnel premium amounting to TL 10.491 (December 31, 2016: TL 47.526) and promotions for credit cards and banking services amounting to TL 1.046 for the year of 2017 (December 31, 2016: TL 1.053).
- f) Liabilities on pension rights: None.
- f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None.
- f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

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II. Explanations and Disclosures Related to the Liabilities (continued)

10. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Information on corporate tax:

As of March 31, 2017, the Bank has corporate income tax provision amounting to TL 146.499, which is netted with prepaid taxes amounting to TL 142.192 and shown in the liabilities amounting to TL 4.307 (December 31, 2016: Tax Asset TL 35.105).

a.2) Explanations on taxes payable:

	March 31, 2017	December 31, 2016
Payroll Tax	18.363	3.973
Taxation on Securities	27.650	25.505
BITT	18.032	18.389
Property Tax	486	481
Value Added Tax Payable	273	1.869
Stamp Tax	515	119
Corporate Taxes Payable	4.307	35.105
Foreign Exchange Transaction Tax	-	-
Other	872	479
Total	70.498	85.920

a.3) Information on premiums:

	March 31, 2017	December 31, 2016
Social Security Premiums-Employer	2.629	3.430
Social Security Premiums-Employee	2.329	3.035
Unemployment Insurance-Employer	329	428
Unemployment Insurance-Employee	164	214
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Other	-	-
Total	5.451	7.107

b) Explanations on deferred tax liabilities, if any: None.

11. Information on liabilities regarding assets held for sale and discounted operations: None.

12. Information on Subordinated Loans:

	March 31, 2017		December 31, 2016	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From foreign banks	-	546.206	-	528.417
Total	-	546.206	-	528.417

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II. Explanations and Disclosures Related to the Liabilities (continued)

The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi sal. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

13. Information on Shareholders' Equity:

- a) Presentation of Paid-in capital:

As of March 31, 2017 the Bank's paid in capital consists of TL 3.288.842.000 shares which nominal value is TL 1.

TL	March 31, 2017	December 31, 2016
Common stock(*)	3.288.842	3.288.842
Preferred stock	-	-
Total	3.288.842	3.288.842

(*) Nominal Capital

- b) The registered capital system is not applied in the bank.
c) Information on share capital increases and their sources: None.
d) Information on share capital increases from revaluation funds in the current period: None.
e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The Bank takes timely action to strengthen its equity in accordance with previous indicators of the Bank's income, profitability and liquidity and taking into consideration and evaluations made within the frame of those indicators and changes in accounting policies.

- g) Information on preferred shares: None.
h) Information on marketable securities value increase fund:

	March 31, 2017	December 31, 2016
Valuation Difference	(5.871)	(28.741)
Foreign Exchange Difference	-	-
Total	(5.871)	(28.741)

- i) Information on legal reserves:

	March 31, 2017	December 31, 2016
Primary Legal Reserves	9.263	-
Secondary Legal Reserve	-	-
Other Legal Reserves Per Special Legislation	-	-
Total	9.263	-

- j) Information on extraordinary reserves:

	March 31, 2017	December 31, 2016
Reserves allocated by the General Assembly	175.989	-
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Capital Exchange Difference	-	-
Total	175.989	-

- 14. Information on minority shares: None.**

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

1. a) Nature and amount of irrevocable loan commitments:

	March 31, 2017	December 31, 2016
Forward asset purchase and sales commitments	973.784	782.136
Loan granting commitments	573.115	630.379
Commitments for checks	109.046	102.372
Credit card limit commitments	770.150	668.931
Other irrevocable commitments	6.416	6.206
Total	2.432.511	2.190.024

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

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

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

	March 31, 2017	December 31, 2016
Letters of guarantee	2.117.968	2.214.062
Letters of credit	626.370	571.553
Bank acceptance loans	99.404	114.523
Total	2.843.742	2.900.138

b.2) Guarantees, suretyships, and similar transactions:

	March 31, 2017	December 31, 2016
Definite letter of guarantees	1.506.340	1.387.795
Temporary letter of guarantees	63.761	35.430
Other letter of guarantees	547.867	790.837
Total	2.117.968	2.214.062

c) Total amount of non-cash loans:

	March 31, 2017	December 31, 2016
Non-cash loans given to cover cash loans	211.478	183.486
With maturity of 1 year or less than 1 year	211.478	183.486
With maturity of more than 1 year	-	-
Other non-cash loans	2.632.264	2.716.652
Total	2.843.742	2.900.138

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IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

	March 31, 2017		March 31, 2016	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	191.790	14.288	146.702	11.070
Medium and long term loans	311.614	203.420	218.863	162.416
Interest on non-performing loans	-	-	-	-
Total	503.404	217.708	365.565	173.486

(*) Includes fees and commissions obtained from cash loans.

b) Information on interest received from banks:

	March 31, 2017		March 31, 2016	
	TL	FC	TL	FC
The Central Bank of Republic of Turkey (CBRT)	5.847	4.704	9.663	-
Domestic banks	22.502	688	21.560	218
Foreign banks	7	384	-	64
Branches and head office abroad	-	-	-	-
Total	28.356	5.776	31.223	282

c) Interest received from marketable securities portfolio:

	March 31, 2017		March 31, 2016	
	TL	FC	TL	FC
Trading securities	115	-	738	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	10.152	8.170	11.677	8.867
Held-to-maturity securities	-	4.078	-	3.063
Total	10.267	12.248	12.415	11.930

d) Information on interest income received from associates and subsidiaries: None.

2. a) Information on interest on funds borrowed:

	March 31, 2017		March 31, 2016	
	TL	FC	TL	FC
Interest on funds borrowed				
Banks	172	30.937	79	21.769
The Central Bank of Turkey	-	174	-	1
Domestic banks	172	141	79	44
Foreign banks	-	30.622	-	21.724
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	172	30.937	79	21.769

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

b) Information on interest expense to associates and subsidiaries: None.

c) Information on interest expense to marketable securities issued: As of March 31, 2017; The bank has no interest expense to marketable securities issued (March 31, 2016: TL 2.968).

d) Distribution of interest expense on deposits based on maturity of deposits:

March 31, 2017								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TL								
Bank deposits	-	171	-	-	-	-	-	171
Saving deposits	55	36.897	157.930	258	3.414	354	-	198.908
Public sector deposits	-	-	109	-	-	-	-	109
Commercial deposits	12	8.359	57.841	1.754	46	12	-	68.024
Other deposits	-	71	9.562	31	295	-	-	9.959
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	67	45.498	225.442	2.043	3.755	366	-	277.171
Foreign Currency								
Foreign currency deposits	73	9.400	117.329	5.796	4.795	509	-	137.902
Bank deposits	-	7.478	-	-	-	-	-	7.478
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	73	16.878	117.329	5.796	4.795	509	-	145.380
Grand Total	140	62.376	342.771	7.839	8.550	875	-	422.551
March 31, 2016								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TL								
Bank deposits	-	124	-	-	-	-	-	124
Saving deposits	54	16.104	183.706	38	103	465	-	200.470
Public sector deposits	-	-	154	-	-	-	-	154
Commercial deposits	2	9.835	70.550	302	74	9	-	80.772
Other deposits	1	262	13.786	-	-	-	-	14.049
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	57	26.325	268.196	340	177	474	-	295.569
Foreign Currency								
Foreign currency deposits	32	4.803	81.460	2.119	553	687	-	89.654
Bank deposits	-	5.965	-	-	-	-	-	5.965
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	32	10.768	81.460	2.119	553	687	-	95.619
Grand Total	89	37.093	349.656	2.459	730	1.161	-	391.188

3. Information on Dividend Income: None.

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

4. Information on net trading income:

	March 31, 2017	March 31, 2016
Income	6.192.237	2.388.192
Gains on capital market operations	239	4.102
Gains on derivative financial instruments	669.430	460.355
Foreign exchange gains	5.522.568	1.923.735
Losses (-)	6.267.375	2.435.454
Losses on capital market operations	346	1.974
Losses on derivative financial instruments	625.664	455.466
Foreign exchange losses	5.641.365	1.978.014
Net Amount	(75.138)	(47.262)

5. Information on other operating income: As of March 31, 2017; other operating income includes the adjustment account for previous years' expenses and other operating income.

6. Provision for impairment of loans and other receivables:

	March 31, 2017	March 31, 2016
Specific provisions for loans and other receivables (*)	76.896	64.078
III. Group Loans and Receivables	23.770	18.965
IV. Group Loans and Receivables	25.697	27.875
V. Group Loans and Receivables	27.429	17.238
General loan loss provision expenses / (income)	-	(2.198)
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense on investments	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	-	-
Other	-	-
Total	76.896	61.880

(*) Includes reversal of provisions relating to collections from non-performing loans.

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

7. Information on other operating expenses:

	March 31, 2017	March 31, 2016
Personnel expenses	78.562	59.496
Employee termination benefit provision	212	1.405
Taxes and duties	-	-
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	11.388	10.443
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	8.316	6.911
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	194	173
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	80.753	54.500
Rent expenses	18.183	14.747
Maintenance expenses	1.168	720
Advertisement expenses	11.080	3.010
Other expenses (*)	50.322	36.023
Loss on sales of assets	-	-
Total	179.425	132.928

(*) As of March 31, 2017, other operating expenses include IT expenses amounting to TL 11.552, premiums for saving deposit insurance fund amounting to TL 5.221, support services amounting to TL 4.907, taxes and similar disbursements expenses amounting to TL 4.062, communication expenses amounting to TL 2.892 and other expenses amounting to TL 21.688.

8. Information on profit/(loss) from continued and discontinued operations before taxes:

As of March 31, 2017, the Bank's profit before tax from continued operations is TL 117.872.

9. Information on tax provision for continued and discontinued operations:

As of March 31, 2017, The Bank has deferred tax expense amounting to TL 9.895 through temporary differences current tax expense amounting to TL 14.778 (March 31, 2016: TL 3.949 deferred tax expense and TL 1.780 current tax expense).

10. Information on net profit/(loss) from continued and discontinued operations:

As of March 31, 2017, the Bank's net profit from continued operations is TL 93.199 (31 March 2016: TL 22.639).

11. The explanations on net income / loss for the period:

- The nature amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period: None.
- Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.
- Profit or loss attributable to minority shares: None.

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

None.

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V. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) **March 31, 2017:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	1.154	16.028	32	80
Balance at end of period	-	-	694	15.839	27	150
Interest and commission income	-	-	3	-	-	-

December 31, 2016:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities and real persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	-	16.290	30	80
Balance at end of period	-	-	1.154	16.028	32	80
Interest and commission income	-	-	-	-	-	-

b.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank(*)	Other entities included in the risk group
	March 31, 2017	March 31, 2017	March 31, 2017
Deposits			
Balance at beginning of period	-	1.202.909	8.623
Balance at end of period	-	563.102	9.138
Interest on deposits	-	9.805	195

December 31, 2016:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank(*)	Other entities and real persons included in the risk group
	December 31, 2016	December 31, 2016	December 31, 2016
Deposits			
Balance at beginning of period	-	1.027.230	8.105
Balance at end of period	-	1.202.909	8.623
Interest on deposits	-	7.006	187

(*)Deposits belonging to the real and commercial shareholders that have the authority to manage and control the Bank.

The Bank was provided a subordinated loan with a value of USD 150 million, maturity of 10 years and with a interest rate of 6,5% on October 31, 2014 from its parent bank, Bank Audi sal. In accordance with the article of BRSA dated November 27, 2014, this loan has been recognized as a subordinated loan and approved to be taken into account as TIER II capital, as per the conditions that determined by "Regulation on Equity of Banks".

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V. Explanations on the Risk Group of the Bank (continued)

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

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities included in the risk group
Financial assets at fair value through profit and loss	March 31, 2017	March 31, 2017	March 31, 2017
Balance at beginning of period	-	66.908	-
Balance at end of period	-	67.352	-
Total Loss/ Profit	-	-	-

December 31, 2016

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities included in the risk group
Financial assets at fair value through profit and loss	December 31, 2016	December 31, 2016	December 31, 2016
Balance at beginning of period	-	-	-
Balance at end of period	-	66.908	-
Total Loss/ Profit	-	-	-

b.3) Explanation on the benefits granted to the executive management of the Bank:

Gross payment made to the executive management as of March 31, 2017 is TL 17.045 (March 31, 2016: TL 13.381).

VI. Explanations And Disclosures Related To Subsequent Events

In accordance with the Board of Directors' decision and permits taken from the CMB and BRSA, the Bank has issued a bill with a nominal value of TL 100.823, maturity on July 7, 2017 and with a simple interest rate of 12.85% on April 7, 2017 sold to qualified investors in the domestic market.

As per the General Assembly resolution of the Credit Guarantee Fund on March 30,2017, The Bank's application for partnership with 4.898 TL and 1,5384% rate has been accepted and the related decision was registered on April 6, 2017.

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SECTION SIX

AUDITOR'S REVIEW REPORT

I. Explanations on the Auditor's Review Report

The unconsolidated financial statements for the period ended March 31, 2017 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The auditor's review report dated May 9, 2017 is presented preceding the unconsolidated financial statements.

II. Explanations And Notes Prepared By Independent Auditor

None.

SECTION SEVEN

INTERIM ACTIVITY REPORT

I. Interim Period Activity Report Included Chairman of the Board of Directors and CEO's Assessments for the Interim Activities

Brief Information on Odea Bank A.Ş.:

Odea Bank A.Ş. was established as a deposit bank with USD 300 Million capital with the permission of BRSA numbered 4432 dated October 27, 2011, which was published in the Official Gazette on October 28, 2011, numbered 28098. Odea Bank A.Ş. started its operations in the "foreign banks founded in Turkey" group, by taking operating permission from BRSA numbered 4963 on September 28, 2012, which was published in Official Gazette dated October 2, 2012 numbered 28429.

Capital and shareholders' structure:

As of March 31, 2017 and December 31, 2016, the shareholders' structure and their ownerships are summarized as follows:

Name / Commercial Title	Current Period (*)		Prior Period	
	Share Amount	Share Ratios %	Share Amount	Share Ratios %
Bank Audi sal	2.422.595	73,661%	2.420.930	73,610%
European Bank for Reconstruction and Development	263.394	8,009%	263.394	8,009%
International Finance Corporation	209.252	6,362%	209.252	6,362%
IFC Financial Institutions Growth Fund L.P	112.674	3,426%	112.674	3,426%
H.H Sheikh Dheyab Binzayed Binsultan Al-Nahyan	131.697	4,004%	131.697	4,004%
Audi Private Bank sal	90.698	2,758%	90.698	2,758%
Mr.Mohammad Hassan Zeidan	58.532	1,780%	58.532	1,780%
Raymond Audi	-	-	555	0,017%
Samir Hanna	-	-	555	0,017%
Freddie Baz	-	-	555	0,017%
Total	3.288.842	100,00%	3.288.842	100,00%

(*) It has been decided during the Board of Directors meeting on March 23, 2017 and then approved on the General Assembly on April 28, 2017 that, 554.860,80 shares each having a nominal value of 1.00 TL (one Turkish Lira) that belong to our shareholders Mr. Raymond AUDI, Mr. Samir HANNA and Mr. Freddie BAZ on behalf of whom registered share certificates have been issued, to be transferred to Bank Audi sal, shareholder of the bank, by way of indorsement of the mentioned registered share certificates.

Changes in the articles of association:

Changes on the articles of association are published on Odeabank's web-site.

<https://www.odeabank.com.tr/en-us/about-odeabank/corporate-governance/sayfalar/corporate-governance.aspx>

Information on number of branches and personnel:

As of 31 March 2017 the Bank has 51 domestic branches and 1.676 personnel.

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Information on Board Members and executive management of the Bank

<u>Title</u>	<u>Name-Surname</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	Samir HANNA	Chairman	High School
Vice President of the Executive Board	Marwan GHANDOUR (***)	Member of the Board of Directors	PHD Degree
Members of the Board of Directors (*)	Freddie BAZ	Member of the Board of Directors	PHD Degree
	Imad ITANI(***)	Member of the Board of Directors	PHD Degree
	Elia SAMAHA	Member of the Board of Directors	Bachelor's Degree
	Khalil El DEBS	Member of the Board of Directors	Master Degree
	Ayşe KORKMAZ	Member of the Board of Directors/Member of Audit Committee	Bachelor's Degree
	Philippe Elias Farid EL-KHOURY	Member of the Board of Directors	Master Degree
Member of the Board of Directors and General Manager	Hüseyin ÖZKAYA	Member of the Board of Directors and General Manager	Master Degree
Deputy General Manager	Naim HAKIM	Finance	Master Degree
Assistant General Managers	Alpaslan YURDAGÜL	Financial Institutions and Investment Banking	Master Degree
	Aytaç AYDIN (**)	Operations and Support Services	Master Degree
	Cem MURATOĞLU	Retail Banking	Master Degree
	Fevzi Tayfun KÜÇÜK	Business Solutions, Direct Banking, Transactional Banking and Information Technologies	Master Degree
	Gökhan ERKIRALP	Treasury and Capital Markets	Bachelor's Degree
	Yalçın AVCI	Corporate and Commercial Banking	Master Degree
	Gökhan SUN	Small and Medium Sized Enterprises	Master Degree

(*) As of March 23, 2017, Member of the Board of Directors Mr. Hatem Ali SADEK resigned.

(**) As of April 30, 2017, Assistant General Manager in charge of Operations and Support Services Mr. Aytaç AYDIN resigned.

(***) Pursuant to the resolution taken by the Board of Directors dated March, 23 2017, Mr. Imad ITANI has been appointed as Chairman of Audit Committee replacing of Mr. Marwan GHANDOUR. As of the date of publication of the report, the approval process for the appointment continues.

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Message from the Chairman

Dear Stakeholders,

In 2016, we continued to grow bigger and stronger, as we have since October 2012 when we first set out on our journey in the Turkish banking industry. Having entered the sector in 49th place as the first bank to receive an operating license in 15 years in Turkey, Odeabank proudly announces that it now ranks 8th in deposits and 9th in assets among all private deposit banks. Currently, we boast total assets of TL 38.3 billion. 2017 first quarter was a period when we reinforced our position in Turkish banking sector.

Over the past 14 years, Bank Audi's strategy of providing banking services in diversified segments helped it evolve from a commercial bank operating domestically into a universal Lebanese bank that provides commercial, private, retail and investment banking services. This operating strategy, coupled with a prudent regional expansion plan, allowed Bank Audi to enter new markets effectively. During this period, Bank Audi became the largest bank in Lebanon while also developing new products to meet the inter-market requirements of these new regions, generating cross-selling opportunities and expanding to its current size. Providing banking services in 12 countries via 12 banks and three financial services firms, our Group has achieved great success with its strong risk management approach.

In terms of financial performance, as of March 2017, Bank Audi Group's total assets amounted to US\$ 44 billion, with deposits of US\$ 36 billion, loans of US\$ 17 billion, and shareholders' equity of US\$ 3.8 billion. As a result of this superior performance, we posted net profit of US\$ 110 million for the year.

Launched in Turkey in 2012 with a significant investment from Bank Audi Group, Odeabank achieved great success both domestically and internationally in 2016. We did so by integrating technological advancements of the new information age into our banking operations, incorporating professional, young, dynamic, and success-oriented employees into the Bank's staff and by focusing on customer satisfaction always. As one of the young, fast-growing and important players of the sector, Odeabank has been a source of pride for our Group with the success it has achieved in Turkey.

At this point, I would like to share our overall view about the global economy. The world economy maintained its moderate growth trajectory despite the high levels of uncertainty in the first quarter of 2017. While risks on emerging economies' growth outlook were balanced, recoveries in advanced economies continued thanks to the lagging effects of past accommodative monetary policy measures. Meanwhile, global risk appetite picked up as a result of reflationary trends that have been fueled by growth-friendly fiscal policy expectations. Thus, recovery in risk appetite led to acceleration in capital flows to emerging markets. However, improvements in soft data, such as sentiment indices, have not been fully reflected to hard data yet. Moreover, the concerns over the implementations of the US President Trump's economic policy commitments have been increasing. Therefore, we think that downside risks on global economic outlook still remain considerable. In these circumstances, we think that structural reforms, which will boost the total demand and productivity and will increase investment, and accommodative monetary and fiscal measures are still necessary around the world.

In addition to the global developments, Turkey had to cope up with domestic risks in the first quarter of 2017 as well. As Turkish financial assets showed a relatively weak performance, fragilities in growth dynamics continued in this period. We think that Turkish economy may return the sustainable growth path in the coming years thanks to its robust public finances, strong banking sector and a more balanced growth composition. Despite the ongoing risks, the country strives to preserve its sustainable growth path, making it attractive to foreign investors in the long run. When considering Turkey's long term macroeconomic indicators, Turkish financial assets are relatively undervalued due to the erosion in investor confidence in recent years. We believe that after uncertainties are reduced in the coming year, investor confidence will pick up and Turkish financial assets will recover significantly.

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Message from the Chairman (continued)

Turkey's banking sector remained sound during the reporting period in the face of challenges stemming from foreign and domestic risk factors. Although CBRT maintained its tight liquidity stance, increases in loan and deposit interest rates were limited as a result of improvement in country risk premium. While loan growth accelerated as a result of the implementation of Credit Guarantee Fund, the asset quality of the sector remained resilient despite selling pressure in Turkish Lira. We believe that the banking sector will have a better year in the remainder of 2017 with risks significantly more balanced and an economy that is picking up steam.

Having entered the banking sector at 49th place and jumping up to rank 12th among other deposit banks in a short time, Odeabank is moving forward with confidence to become the financial services provider of choice for major projects that will keep the Turkish economy driving ahead. Moving up every year both in terms of profit and sector rankings, Odeabank plans to keep growing with its customer-oriented service approach and with the faith it has in the Turkish economy, despite challenging economic and financial conditions.

Thanks to the strong support of its shareholders as well as effective risk management and strategies, Odeabank will continue to provide significant support to Turkey's economy. With its strong dynamics and 2023 Vision, Turkey can create a more prosperous economy in the coming years. As the first bank established from the very start after many years in Turkey, Odeabank has achieved numerous accomplishments in a very short span of time. These accomplishments are also important in terms of showing the opportunities that Turkey presents to other financial institutions that have entered the sector after Odeabank.

With its high future potential, Turkey, the traditional bridge between the west and the east, is one of the world's most important developing markets. As the country boasting the largest population in the region and having achieved an average annual growth rate of over 5 percent over the past ten years, the depth and diversity for the penetration of financial products in Turkey will result in a host of new opportunities for the Turkish financial services sector.

Having adopted breaking new ground in the Turkish banking industry as one of its core principles, Odeabank strives to improve its technology systems infrastructure and to recruit the most experienced and skilled professionals in the sector. Guided by a forward-looking vision and mission, Odeabank will solidify its achievements in 2017 and will continue taking firm steps into the future.

With our faith in the Turkish economy, we plan to continue strengthening our capital, ramping up our investments, and thus contributing more to the Turkish economy.

On behalf of the Board of Directors, I would like to express my gratitude to all our staff who has helped move Odeabank forward to the point where we stand now, and to all our customers who honor us with their confidence and trust.

Respectfully yours,

Samir Hanna
Bank Audi Group CEO and Odeabank Chairman of the Board of Directors

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Message from the CEO

We started 2017 with high morale following our growth with confident steps in 2016, a year of difficulties both for the global and Turkish economy, and capital increase. We expect 2017 for us to be a year whereby we shall further strengthen our position in the Turkish banking sector expand and diversify the range of services we offer, and despite the uncertain global circumstances provide added value for the Turkish economy. Following our fifth year in Turkey, I take pleasure in sharing with you our 2017 first quarter financial results in line with all our targets set at the beginning of the year.

We introduced a different and new service approach to our sector with Odeabank, which we established from the ground up in 2012 through Lebanon based Bank Audi Group's investment in Turkey. Accordingly, we continue our operations with the aim of being among the first banks that come to mind for entire banking needs.

The financial results that we reached since the beginning of the year serve as proof of evidence that Odeabank has advanced with the right strategy. Despite the FX rate volatility and uncertainty across global markets in 2017, we increased our first quarter net profit by 311.7% to 93 Million TRY compared to the same period last year. During the same period our total loans reached 27.1 Billion TRY, our deposits 30.3 Billion TRY, and our assets 39.5 Billion TRY.

As a bank that operates across 16 cities in Turkey with 51 branches and 1676 employees, among private banks we rank the 8th in terms of deposits and 9th in terms of total assets, and continue our fast growth performance.

The US Federal Reserve Bank (FED), having increased interest rates at the end of 2016, has signaled that it may follow with two more rate increases throughout the year, while continuing its gradual hikes in 2017 first quarter. While the growth-friendly fiscal policies, which are expected to be implemented support risk appetite, a negative reflection of the FED's interest rate hike path has not been observed in the financial markets. The expectation that the improvement in developed economies' growth Outlook shall support recovery across emerging economies is effective across the globe. The reflationary expectations that global growth shall accelerate have led to a recovery in commodity prices and financial assets of commodity producer emerging economies along with risk appetite. However towards the end of 2017 1st quarter, while the applicability of growth-friendly policies were questioned, the recovery in risk appetite, which has been observed for some time, was interrupted.

Leaving the first quarter behind, the extent to which the recovery indicated by developed economies in the first quarter by leading indicators has gained significance. In addition to this, while the high level of geopolitical risks threaten global growth recovery, it is seen that it shall take time for growth-friendly fiscal policies to be implemented. For this reason, the risks maintain their importance even if the first quarter has exhibited a stronger than expected tendency.

Despite financial markets volatility, supportive monetary and fiscal policy stances in developed economies bolster gradual recovery in global economy. Nevertheless, the downside risks over this recovery keep the fact alive that structural reforms must be implemented. In light of these developments, while we foresee that global growth in 2017 may outpace 2016; we think that growth-friendly policies may cause higher inflation and interest rates in the long run.

Besides the increase in global interest rates, although geopolitical uncertainties and domestic political developments cause the fragilities to remain, Turkish financial assets have considerably recovered in first quarter of 2017. As in the financial markets, fragilities remain across the real economy as well. In 2016 last quarter, while GDP grew by 3.5% compared to the same period last year, according to data adjusted according to seasonality and calendar effect, following the 2.1% recession in third quarter, the losses during mid 2016 have been pared back with 3.8% growth. While domestic demand contributed to growth with the acceleration of private sector consumption spending, net external demand limited growth. On sectoral basis, while it is noted that the largest contribution comes from industry, the other sectors have experienced a recovery spreading across the board but gradually. While 2017 first quarter leading indicators signal that growth volatility and domestic demand fragilities remain, generally in 2017 as well, we estimate that growth may actualize at the same levels of 2016 with limited positive contribution that may come from external demand. We think that macro prudential and fiscal policy tools and the expansionary steps taken have been effective in preserving relatively solid growth outlook.

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Message from the CEO (continued)

Nevertheless, we think that in 2017 the most challenging areas will again be inflation and current account deficit. Even if the exports to EU are still strong, the problems in other markets limit the improvement of external trade deficit. On the other hand, geopolitical problems make it difficult to recover losses of tourism sector in 2016. In addition, the fact that energy costs are not as supportive as in 2015 and 2016, pose a negative element for both the dynamics of current account deficit and inflation. Although the ratio of current account deficit to national income, which was 3.8% in 2016, remains at a manageable level in 2017, we forecast that it shall gradually increase to 4.5%. Besides the recovery in global energy prices, the losses in TRY deteriorate inflation dynamics, while increasing costs domestically. We foresee that inflation may stay in double digits for a long time along with food prices volatility. We believe that a significant recovery in TRY is necessary for inflation to decline to single digits at year end, given the existing growth outlook and global commodity prices. Additionally, to ensure a permanent improvement in inflation, we think that structural reforms including the agricultural sector are necessary by adopting an integrated approach taking into account the potential negative impacts of the fiscal policy.

Thanks to strong public finance and solid banking sector, we believe that the Turkish economy may reach the past growth rates in the second half of the year. However, some of the measures, which have been taken to prevent destruction of experienced adversities on the economy, may have some negative impact on our domestic economic fundamentals. If our budget performance falls behind the past years' performance, to ensure rate cuts to desirable levels, we may be required to take measures that shall bring inflation significantly down. And for this, we need to take steps decisively to ensure financial stability and increase the confidence in Turkish economy.

In the next term we believe that the additional reforms required to rein in inflation by increasing potential growth and hence reinforce macroeconomic stability shall be undertaken rapidly. In 2016 the domestic adverse developments have been a factor, which delayed the reform process besides increasing uncertainties. With 2017, we believe that the government will swiftly focus on reforms and ensure acceleration of our potential growth in the coming years.

As for the banking sector, we started 2017 1st quarter with the morale of leaving behind a year challenging but may be considered as successful. The improvement in country risk premium, relaxation of macro prudential measures and recovery in loan demand provided momentum for sectoral growth. In addition to this, while profitability increased with improvement in interest margins, the stabilization of NPL's and BRSA's regulations, which helped the sector, has made us stronger. Thanks to this, we continued to contribute to the domestic economy. We think that that these trends shall continue to increase with the decreasing domestic uncertainties and improvement in the investment environment.

Even though downside risks for global interest rates, commodity prices trend and global growth support the expectations that shall be more challenging compared to past years 2017, we believe that Turkey's dynamic and young population shall maintain its optimism and motivation. We believe that there are risks in both directions for Turkey's economy due to geopolitical uncertainties and crowded domestic political agenda, besides fragile global risk appetite. While downside risks are fed from uncertainties in developed economies and geopolitical problems, if domestic political uncertainties don't deepen, Turkey shall be able to make a swift return aligned with its long-term fundamentals. Yet we believe that there is a serious potential for Turkish financial assets, which relatively exhibited weak performance in the past years, to return back to pricings that reflect the country's economic fundamentals and for Turkey to become a center of attraction again. We foresee that Turkey's growth may gain momentum upon creation of the environment that may facilitate this; along with financial stability an advance to price stability target may be materialized. With the public finance measures taken since the second half of 2016 and banking sector regulations, we believe that Turkey has the power to attain these achievements.

As Odebank, we made our difference felt in the sector with our road map designed predicting all these circumstances and our up-to-date technological infrastructure.

In first quarter of 2017, we increased our cash loan size in various areas in Corporate and Commercial banking segments from energy to real estate development sector, from iron and steel to communications, from retail to construction and contracting sector with financings tailored to our clients' needs and by taking role in numerous projects.

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Message from the CEO (continued)

We succeeded to be one of banks that come to mind for entire banking services thanks to our projects completed in 2016. We attributed great importance to standing by SME’s whose financing needs further increased with the slow down in Turkish economy’s growth rate, and supporting the real sector. In this respect, Odeabank utilizes a significant portion of the resources it has obtained through equity investment to provide further support to SME’s which make up 70% of employment in Turkey and on the contrary use only 30% of the loans.

We prioritize SME’s in our growth strategy by developing a philosophy whereby we can contact even the smallest enterprise and produce tailor-made solutions for these enterprises. In line with this target, to provide more financing to SME’s we completed our Credit Guarantee Fund partnership process in March. As soon as we completed our partnership process we rapidly started to reach our SME’s unable to generate collateral with Credit Guarantee Fund guarantees and faced problems in accessing resources. Moreover, we expedited offering financing opportunities not only to SME’s but our clients of other scales at the maturity they need with suitable collateral structure under our “ Tailor-Made Banking” principle. We continued to increase the number of branches where we serve SME’s with one-to-one client representatives in 2017 first quarter as well.

In private banking, we offered our “Private Card” product to the credit card market in June to serve our clients’ different needs. This year by increasing the number of cards, we aim to offer privileges that shall make life more beautiful and easy with “Private Card” to more of our clients.

In 2016 November by joining forces with Atlasglobal we launched our joint brand Bank’O atlas card that combines shopping and flight miles. We aim to reach different client groups in 2017 as well with our product, which continuously offers advantages to our private credit card clients and provides flight opportunity with its miles.

We focused on meeting the financial needs of our existing retail credit card clients and our new clients acquired through effective product sales. In the rest of 2017 as well, we shall attach more importance to gaining clients with our products meeting our retail clients’ needs on spot and in time. In retail loans we shall expand our client penetrations and provide offers differentiated according to needs. While we continue to increase sector diversity in 2017 with our Trink’O product that consumers may use for shopping, we shall continue to stand beside our existing and new clients for all their needs.

In Direct Banking channels such as Internet Branch, where we offer our clients the same user experience, menu structure, front-end, design and process flow, Mobile Branch, ATM, 444 8 444 Call Center more than 350,000 of our clients received service in 2017 first quarter with 40% increase compared to last year and executed 3.5 Billion TRY volume 6.4 Million transactions. The number of our ATM’s reached 68. Our mobile application reached over 400,000 downloads. Our Call Center received over 1.2 Million calls Oxygen Account, which we launched to offer our Asset Management services to a wider base, continued to grow in 2017 first quarter. We reached 95,000 clients and a total of 2 Billion TRY balance with marketing and sales campaigns, at the outset the TV campaign run for Oxygen Account, which increased Odebank’s demand account volume at a significant rate, and helped to come a long way in number of clients and client loyalty. In 2017 we shall continue our investments in Oxygen Account product and communication to ensure sustainability of this growth.

As Odeabank, we didn’t restrict the saving holders only to deposit rendering saving alternatives more diversified and attractive with new alternatives suiting the condition of the new term such as Private Pension, Mutual Fund Deposit linked to Fund Distribution Channel, Cash-withdrawal Free Account. In this framework, we pioneered a first in investment banking by cooperating with leading asset management companies in Turkey. We target competitive returns with general investment recommendations arranged according to market conditions, Model Portfolios that we offer based on risk groups. In this process, we continue to keep our clients up-to-date on their investment with informative reports that we prepare on daily and weekly basis.

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Message from the CEO (continued)

Dear stakeholders;

In 2017 first quarter, we became prominent not only with our contributions to economy and banking sector, but also to social life in Turkey. We took our support to basketball under “Basketball’s Bank” motto one step forward with our Euroleague and Final Four sponsorship. We wish success to all our representative and teams in Final Four competitions that shall be held in Istanbul in May.

We hosted a very important exhibition under our art platform O’Art in 2017 first quarter; “With Love, Semiha Berksoy” exhibition including also the designs of the artist, which were not exhibited before, opened in 19 January with a private reception at O’Art in parallel with the promotion of “Semiha Berksoy: Catalogue Raisonné” book including all the known works of the artist. Also the unknown aspects of the artist were discussed at public seminars held with the participation of Derya Yücel, who also was the editor of the book, Zeliha Berksoy, Bedri Baykam, Melih Güneş, Evrim Altuğ and Esra Aliçavuşoğlu

In 2017 as well, our product and services that we continuously diversify, investments in technology, contributions to social life with our support to sports and art, fast and profitable growth performance led us to numerous awards in international arena as in the previous years.

Odeabank Call Center was awarded 4 different prizes in Stevie Awards, one of the most respectable award programs of the International business worlds, in Sales and Client Services category. While Odeabank Call Center was chosen as the “Best Client Services Team of the Year” at the same time it was awarded the gold prize in “The Best Marketing Solution of the Year” category. Odeabank, which was awarded silver prize in Finance Sector “Client Services Innovation Reward” category, and bronze in “Best Call Center (Over 100 employees)” category, was one of the two institutions that received the most awards in 2017 Stevie Awards from Turkey, and the bank that was awarded the most number of gold prizes.

Global Banking & Finance Review, one of the most prestigious banking awards globally, has also awarded Odeabank in 3 different categories. Odeabank received “Best Mobile Application”, “Best Internet Branch” and “Best Call Center Experience in Banking” awards. While we focus on improving our service quality each day as Odeabank, we aim to continue our client focused banking approach by promoting it. Our targets, which we shall put into practice without compromising from our principles, shall lay the grounds for corporate success starting from personal achievement, and shall also bring along additional achievements in our core performance indicators. Our objective is “to be in the big league” as we voice everywhere and to provide more resources for the economy. I present my gratitude to all our stakeholders who support us in reaching this objective.

Sincerely yours,

Hüseyin Özkaya
CEO and Board of Directors Member

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Brief financial information of the Bank

ASSETS:

	Reviewed Current Period 31.03.2017			Audited Prior Period 31.12.2016		
	TL	FC	Total	TL	FC	Total
CASH AND BALANCES WITH THE CENTRAL BANK	718.195	3.761.445	4.479.640	1.364.386	3.353.854	4.718.240
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	366.937	52.094	419.031	321.278	104.655	425.933
BANKS	76.956	102.287	179.243	139	118.585	118.724
MONEY MARKET PLACEMENTS	5.151.656	-	5.151.656	4.412.052	-	4.412.052
FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	422.211	527.449	949.660	425.565	479.890	905.455
HELD TO MATURITY INVESTMENTS (Net)	-	438.845	438.845	-	428.155	428.155
LOANS AND RECEIVABLES	14.438.370	12.626.431	27.064.801	13.342.398	13.105.388	26.447.786
TANGIBLE ASSETS (Net)	122.562	-	122.562	129.466	-	129.466
INTANGIBLE ASSETS (Net)	92.873	-	92.873	98.807	-	98.807
TAX ASSET	76.981	-	76.981	92.593	-	92.593
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	47.617	-	47.617	42.094	-	42.094
OTHER ASSETS	272.007	219.106	491.113	230.979	228.116	459.095
TOTAL ASSETS	21.786.365	17.727.657	39.514.022	20.459.757	17.818.643	38.278.400

LIABILITIES:

	Reviewed Current Period 31.03.2017			Audited Prior Period 31.12.2016		
	TL	FC	Total	TL	FC	Total
DEPOSITS	10.394.346	19.939.515	30.333.861	10.774.307	18.480.089	29.254.396
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	460.633	45.751	506.384	472.909	72.966	545.875
FUNDS BORROWED	10.026	3.675.442	3.685.468	8.616	3.656.881	3.665.497
MONEY MARKET BALANCES	294	-	294	2.457	-	2.457
MARKETABLE SECURITIES ISSUED (Net)	-	-	-	-	-	-
MISCELLANEOUS PAYABLES	23.900	1.062	24.962	9.179	722	9.901
OTHER LIABILITIES	214.728	66.019	280.747	162.257	35.941	198.198
PROVISIONS	321.584	179.343	500.927	414.936	122.541	537.477
TAX LIABILITY	75.949	-	75.949	93.027	-	93.027
SUBORDINATED LOANS	-	546.206	546.206	-	528.417	528.417
SHAREHOLDERS' EQUITY	3.549.854	9.370	3.559.224	3.452.080	(8.925)	3.443.155
TOTAL LIABILITIES AND EQUITY	15.051.314	24.462.708	39.514.022	15.389.768	22.888.632	38.278.400

STATEMENT OF INCOME:

	Reviewed Current Period 01.01-31.03.2017	Reviewed Prior Period 01.01-31.03.2016
INTEREST INCOME	851.070	657.496
INTEREST EXPENSE	459.438	423.477
NET INTEREST INCOME (I - II)	391.632	234.019
NET FEES AND COMMISSIONS INCOME	49.961	34.540
DIVIDEND INCOME	-	-
NET TRADING INCOME	(75.138)	(47.262)
OTHER OPERATING INCOME	7.738	1.879
NET OPERATING INCOME (III+IV+V+VI+VII)	374.193	223.176
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	76.896	61.880
OTHER OPERATING EXPENSES (-)	179.425	132.928
NET OPERATING INCOME/(LOSS) (VIII-IX-X)	117.872	28.368
AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER	-	-
PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	-	-
GAIN / (LOSS) ON NET MONETARY POSITION	-	-
PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	117.872	28.368
TAX PROVISION FOR CONTINUED OPERATIONS (±)	(24.673)	(5.729)
NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	93.199	22.639
INCOME ON DISCONTINUED OPERATIONS	-	-
LOSS FROM DISCONTINUED OPERATIONS (-)	-	-
PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	-	-
TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-	-
NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-
NET PROFIT/LOSS (XVII+XXII)	93.199	22.639