



odeabank

**ANNUAL REPORT
2017**

odeabank

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01

SECTION I: GENERAL INFORMATION

Mission, Vision and Values	06
Capital and Shareholding Structure	08
About Bank Audi Group	09
Chairman's Statement	10
Message from Deputy General Manager	14
2017 in Brief	18
Strategic Targets	20
Prominent Developments	22
Awards	27
Sustainability Policy	28
Corporate and Commercial Banking	30
SME Banking	31
Retail Banking	32
Direct Banking	36
Business Solutions	38
Transactional Banking and Merchant Services	40
Information Technologies	42
Finance	44
Treasury and Capital Markets	46
Financial Institutions and Funding	47
Trade Finance	48
Project and Structured Finance	49
Economic Research and Strategic Planning	50
Operations	51
Organization, Process Development and Performance Management	53
Internal Services and Banking Support, Valuation and Mortgage	54
Construction and Real Estate	56
Corporate Communications and Marketing	57
Legal	58

02

SECTION II: INFORMATION REGARDING MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Board Members, Senior Management and Auditors	62
Managers of the Units in Internal Systems	71
Committees	72
Information on the Participation of the Board of Directors and Committee Members at the Respective Meetings	74
Committee Meetings	75
Transactions of Odeabank with the Related Risk Group	76
Information on Outsourced Operations and the Individuals, Organizations Supplying the Outsourced Services	78
Board of Directors Summary Report Presented to the General Assembly	80
Human Resources	82

03

SECTION III: FINANCIAL INFORMATION AND RISK MANAGEMENT ASSESSMENT

Evaluations of the Audit Committee on the Operation of Internal Control, Internal Audit and Risk Management Systems and Assessment of Their Activities in the Accounting Period	88
Information on Odeabank's Financial Status, Profitability and Solvency	92
Statement Concerning the 2017 Annual Report of Odea Bank A.Ş.	93
Information and Content on Ratings Provided by Rating Agencies	93
Convenience Translation of the Report on Compliance of the Annual Report	94
Unconsolidated Financial Statements and Related Disclosures at December 31, 2017	95
Independent Auditor's Report	96
5 Years Comparative Financial Statements	188
Off Balance Sheet	190
Income Statement	191

We, as Odeabank, greeted our fifth anniversary in 2017. In the last five years, we registered an impressive performance and became one of the most closely-watched banks in the industry. We increased our profitability and customer base steadily. We will continue to create value and support for the economic growth of our country.

The background is a solid teal color. There are two stylized, light blue clouds. One cloud is positioned in the upper left quadrant, and another is in the lower right quadrant. The clouds have a soft, rounded appearance with some internal shading to give them a three-dimensional look.

01

GENERAL INFORMATION

An abstract geometric composition featuring various white 3D shapes, including cubes, rectangular prisms, and a sphere, arranged on a teal background. The shapes are scattered across the frame, with some appearing to be in the foreground and others in the background, creating a sense of depth. The lighting is soft, casting gentle shadows. In the bottom left corner, there are stylized white clouds.

STEP BY STEP TO THE TARGETS...

Turkey's young and dynamic bank, Odeabank maintained profitable growth in its fifth year of operations in Turkey, rising in the banking industry.

MISSION, VISION AND VALUES

OUR VISION

To be the first bank that comes to mind regarding the banking needs of everyone who cares about how they spend their lives and their time.



OUR MISSION

To invest in the best, aim to provide total satisfaction to our stakeholders and offer them a concept of banking that places their lives at the center of our operations.



OUR VALUES

PASSION TO SUCCEED

Our core objective is to conduct our work with superior performance, passion and enthusiasm; to reach the best outcome always; to achieve and sustain success in order to please our clients.

This passion increases the motivation of us all and bolsters our engagement.

We work with a superior performance.

- We provide the best working conditions.
- We focus on success.
- We accomplish challenging tasks.

We are enthusiastic.

- We break new ground.
- We work with passion.
- We strive to reach the best outcome.

We want to regenerate ourselves constantly.

- We work with a high level of motivation and corporate loyalty.
- We see success.
- We are poised.
- We feel part of the success.

EMPLOYEE SATISFACTION

We value our employees, treat them fairly always, and establish open communication with all personnel. We motivate our employees via recognition, training and rewarding.

We treat employees fairly.

- We take our code of ethics seriously.
- We believe in performance management.
- We provide fair feedback.

We value our employees.

- We take development and training seriously.
- We motivate our employees.
- We recognize and reward our employees.
- We make decisions collectively.
- We keep team spirit alive throughout the organization.
- We listen effectively.
- We empower and delegate.
- We get to know our employees.

We establish open communications.

- We provide two-way feedback.
- We embrace being transparent.

CUSTOMER FRIENDLY

We think about and focus primarily on our customers in every business move we make; we identify their needs with a holistic approach and become their solution partner. We work with each client in accordance with the "custom model"; convince them that "if it cannot be done at Odeabank, it just cannot be done" and establish trust.

We establish trust.

- We act with integrity and ethical values.
- We believe in mutual open communications.
- We are consistent.

We are customer-oriented.

- We listen to and understand our client.
- We generate solutions quickly.
- We put the "customer first."

We become a solution partner.

- We develop tailor-made solutions for customers and client demands.
- We demonstrate an expedient and flexible approach.
- We have an all-encompassing perspective.

WE ARE INNOVATIVE AND DIFFERENCE-MAKING

We always stay a step ahead of our rivals by using advanced, state-of-the-art technology and creating effective business processes. We encourage our employees to be creative and think out of the box; we cut across all boundaries.

We use advanced technology.

- We find solutions independent of time and location.
- We are a pioneer.

We create effective business processes.

- We work productively.
- We generate plain and quick solutions.
- We develop simple and analytical processes.

We cut across all boundaries.

- We offer creative solutions.
- We think differently.
- We reject stereotypes.
- We break routines.

WE SEEK HIGH QUALITY AND UNIQUENESS

We always invest in the best of everything (e.g. personnel, location, branch, interior design). We dare to be different, pioneer the industry and display our assertiveness.

We invest in the best.

- We invest in the highest quality human capital.
- We become established in the best locations.
- We provide the best working environment.

We dare to be different.

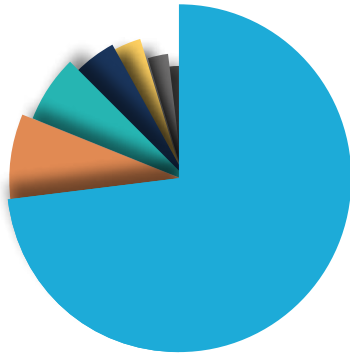
- We are a pioneer, not a follower.
- We create models suitable for us.
- We are assertive.

We value continuity.

- We shape quality standards.
- We ensure quality control.
- We implement sustainability criteria for all our stakeholders.

CAPITAL AND SHAREHOLDING STRUCTURE

Odeabank proceeds with the support of Bank Audi Group-Lebanon's largest and most prestigious financial institution and one of the leading banks in the Middle East, the diligence of its dynamic workforce who have worked with the same enthusiasm since its inception; and the unwavering trust of its customers.



73.661%	Bank Audi s.a.l.
8.009%	European Bank for Reconstruction and Development
6.362%	International Finance Corporation
4.004%	H.H. Sheikh Dheyab Binzayed Binsultan Al-Nahyan
3.426%	IFC FIG Investment Company s.a.r.l.
2.758%	Audi Private Bank s.a.l.
1.780%	Mohammed Hassan Zeidan

Shareholder	Number of Shares	Share Price	Shareholding (%)
Bank Audi S.A.L	2,422,594,600	2,422,594,600	73.661
European Bank for Reconstruction and Development	263,394,000	263,394,000	8.009
International Finance Corporation	209,251,900	209,251,900	6.362
H.H. Sheikh Dheyab Binzayed Binsultan Al-Nahyan	131,697,000	131,697,000	4.004
IFC FIG Investment Company s.a.r.l	112,674,100	112,674,100	3.426
Audi Private Bank s.a.l.	90,698,400	90,698,400	2.758
Mohammed Hassan Zeidan	58,532,000	58,532,000	1.780
Total	3,288,842,000	3,288,842,000	100.00

The Articles of Association

The above mentioned shareholding structure has been reflected to Article 7 of the Bank's Articles of Association in accordance with the resolution of Banking Regulation and Supervision Agency of Turkey dated March 9, 2017 and numbered E-4091, approving the relevant amendment to the Bank's Articles of Association.

Branch Network and Personnel Information

The Bank's Headquarters is in Istanbul and as of December 31, 2017, all operations are organized under and allowed within the framework of Banking Law Article 4 in the corporate, commercial and retail banking areas with its 47 branches in Turkey and 1,185 employees. The Bank does not have any direct subsidiaries in the financial sector.

Bank Info

Trade Name

Odea Bank Anonim Şirketi

Head Office Address

Levent 199, Büyükdere Caddesi
No: 199 Kat: 33-40
34394 Levent, Şişli-İSTANBUL

Phone Number

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Fax Number

+90 212 304 84 45

Website

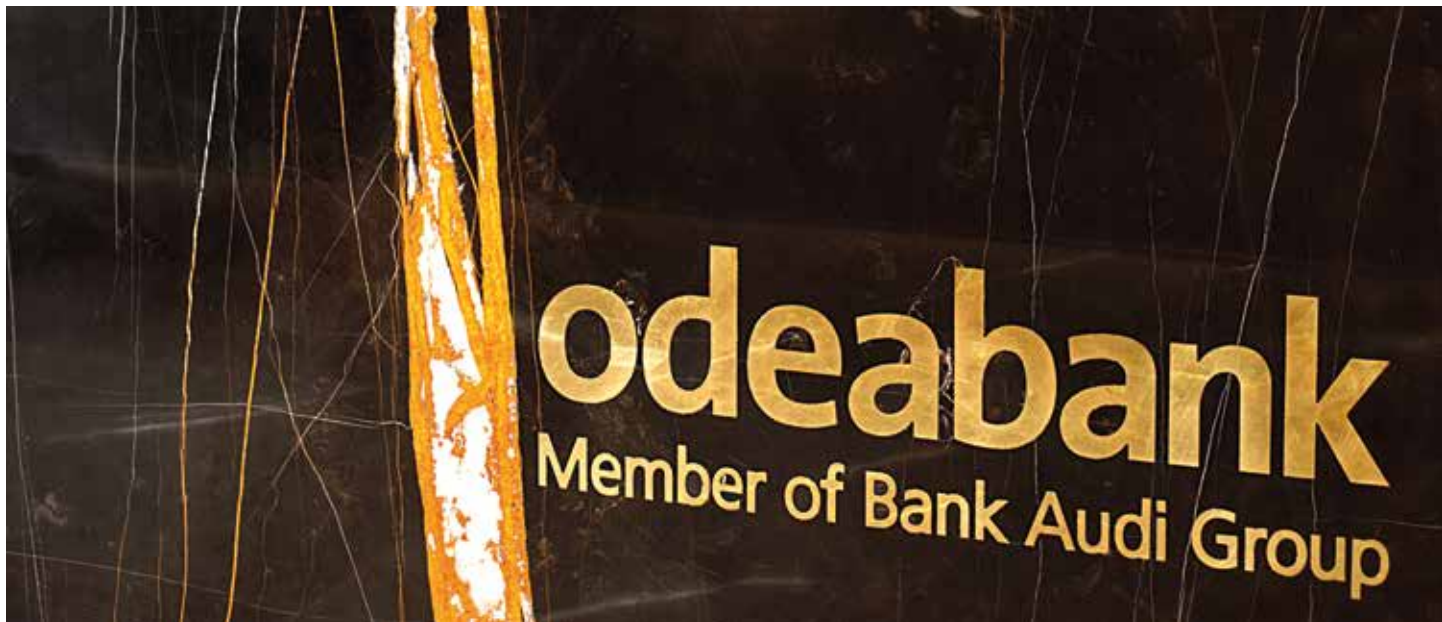
www.odeabank.com.tr

E-mail

iletisim@odeabank.com.tr

ABOUT BANK AUDI GROUP

Bank Audi is positioned among the top regional banking institutions and ranks 1st in Lebanon with US\$ 43.8 billion in total assets, US\$ 33.5 billion in deposits and US\$ 4.2 billion in shareholders' equity as of end-December 2017.



Bank Audi Group is a full-fledged regional bank with a presence in 11 countries. Based on a diversified universal model, it operates in Lebanon and the Middle East and North Africa ("MENA") region, offering a comprehensive range of products and services that principally cover commercial and corporate banking, retail and personal banking, and private banking.

Bank Audi Group is positioned among the top regional banking institutions. As of end-December 2017, based on unaudited financial statements, the Bank's total assets amounted to US\$ 43.8 billion, shareholders' equity US\$ 4.2 billion, customer deposits US\$ 33.5 billion, loans and advances US\$ 16.3 billion and net profits US\$ 559 million.

Bank Audi Group is ranked first among Lebanese banking in terms of total assets, shareholder's equity, customer deposits, loans and net profits. In addition to its long-standing presence in Lebanon, Switzerland and France, the Group operates in Jordan, Egypt, Saudi Arabia, Abu Dhabi Monaco (through a representative office), Turkey and Iraq.

As of December 31, 2017, Bank Audi Group boasts one of the largest branch networks in Lebanon, with 86 branches covering the Greater Beirut area and other strategic regions in Lebanon, as well as a network of 118 branches outside Lebanon. The Bank has three principal subsidiaries in Lebanon and five in the MENA region outside Lebanon, three principal subsidiaries in Europe and one in Turkey.

Founded in 1830, the Bank was incorporated in its present form in 1962 as a private joint stock company with limited liability (société anonyme libanaise) with duration of 99 years. The Bank is registered on the Beirut Commercial Registry under number 11347 and on the Lebanese List of Banks at number 56. The initial shareholders of the Bank were members of the Audi family, together with Kuwaiti investors. Since 1983, the shareholder base has expanded. The shareholders' base encompasses nearly 1,500 holders of common shares and/or holders of Global Depositary Receipt (GDR)s, representing common shares. The Bank's GDRs are listed on both the Beirut Stock Exchange and the London Stock Exchange and its common shares are listed on the Beirut Stock Exchange.



CHAIRMAN'S STATEMENT

ODEABANK CROWNED ITS FIFTH ANNIVERSARY IN 2017 WITH ITS FIRST PLACEMENT IN THE INTERNATIONAL CAPITAL MARKETS. THE 10-YEAR, USD 300 MILLION, BASEL III COMPLIANT TIER II ISSUANCE WAS SUCCESSFULLY SOLD TO INTERNATIONAL INVESTORS.

SAMIR HANNA

BANK AUDI GROUP CEO &

ODEABANK CHAIRMAN OF BOARD OF DIRECTORS

CHAIRMAN'S STATEMENT

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.

Dear Stakeholders,

In 2017, we continued to improve our key performance metrics and increase our core banking revenues, as we have since October 2012 when we first set out on our journey in the Turkish banking industry. Celebrating our 5th year in the sector that we entered in 49th place as the first bank to receive an operating license in 15 years in Turkey, Odeabank ranks 9th in assets among all private deposit banks. As we transition into a new stage in Odeabank's life cycle, we pursue a balanced and targeted growth strategy and continue to support Turkey's economic growth.

Over the past 15 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 11 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 December 2017, Bank Audi Group's total assets amounted to US\$ 43.8 billion, with deposits of US\$ 33.5 billion, loans of US\$ 16.3 billion, and shareholders' equity of US\$ 4.2 billion. As a result of this superior performance, we posted net profit of US\$ 559 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 2017. 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 and important players of the sector, Odeabank has been a source of pride for our Group with the success it has achieved in Turkey.

Odeabank was assigned its first credit ratings from international rating agencies Fitch Ratings and Moody's in July 2017, solidifying its position in the Turkish banking industry and among the global financial institutions. Fitch Ratings and Moody's rated Odeabank BB- and Ba3, respectively, on the basis of the Bank's strong financial outlook, prudent risk management, and sustainable profitability trend.

Odeabank crowned its fifth anniversary in 2017 with its first placement in the international capital markets. The 10-year, USD 300 million, Basel III compliant Tier II issuance was successfully sold to international investors.

At this point, I would like to share our overall view about the global economy. Although elevated geopolitical tensions and political risks in some countries have been persisting, global economy continues to recover. While accommodative monetary policy implementations in advanced economies in recent years restored the global economic dynamics, economic sentiment and growth prospect have improved considerably. Even though headline inflation outlook in many economies remain fragile, underlying dynamics recover gradually. Accordingly, as these themes support global risk appetite in general, geopolitical developments led to some volatility in global capital flows during 2017. Despite the ongoing uncertainties regarding geopolitical tensions and political issues, positive developments in advanced economies and global trade continued to improve the emerging markets economies' growth outlook. All being said, there are still concerns over the sustainability of these better-than-expected realizations in macroeconomic indicators.

In addition to the global developments, Turkish economy left 2017 behind, recording a solid performance. While demand towards Turkish financial assets remained solid during the most of the year thanks to positive realizations in economic growth, deterioration in inflation outlook despite the lower global inflation backdrop and elevated geopolitical tensions may lead to sharp sell-off in a global risk-off environment. Meanwhile, recently released macroeconomic indicators imply some risks regarding sustainability of solid growth and the inflation outlook. That being said, we are confident that Turkey can absorb adverse impacts of short-term challenges thanks to the CBRT's tight monetary stance

and long-term solid macroeconomic fundamentals. Despite downside risks in the short term, the country manages to preserve its sustainable growth path, making it attractive to foreign investors in the long run. On the other hand, when considering Turkey's long term macroeconomic indicators, we think, Turkish financial assets are undervalued. Within this context, once uncertainties regarding sustainability of growth are reduced in the coming periods, we expect investor confidence to pick up and Turkish financial assets to continue their solid performance.

Turkey's banking sector performed well during 2017 despite challenges stemming from foreign and domestic risk factors. The asset quality of banking sector remained resilient thanks to the effects of Credit Guarantee Fund (CGF) in this period. However, upward pressure on deposit rates continued due to high level of inflation and the CBRT's tight liquidity policy. As contraction in net interest margin ends, we believe that the banking sector will keep its profitability intact despite the prospective slowdown in loan growth as the CGF backed loan utilization tapers.

Having developed swiftly on solid foundations since the entrance to the banking sector, Odeabank keeps improving its position in the banking sector and its profitability more each year. Odeabank will continue to provide funds to the local economy with its customer oriented service approach and with the long-term confidence it has in the Turkish economy.

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 scratch 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 promising 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 boasts 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 will continue taking firm steps into the future with these mission and visions.

With our faith in the Turkish economy, we plan to continue our investments, and thus contribute to the Turkish economy.

On behalf of the Board of Directors, I would like to express my gratitude to all our staff that 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



MESSAGE FROM DEPUTY GENERAL MANAGER

2017 HAS BEEN A YEAR FULL OF CHALLENGES AND SUCCESSES FOR ODEABANK; AFTER GAINING MARKET SHARE AND CLIMBING LEAGUE TABLES RAPIDLY TO REACH THE 9TH PLACE IN TERMS OF DEPOSITS AMONG THE PRIVATELY OWNED DEPOSIT BANKS, WE HAVE STEPPED INTO A NEW PHASE IN ODEABANK'S LIFE CYCLE.

NAIM HAKIM
DEPUTY GENERAL MANAGER

MESSAGE FROM DEPUTY GENERAL MANAGER

Our core banking revenues continued to grow strongly in 2017 and we are constantly rethinking our business model and taking action to adjust our cost base in line with our strategic priorities, in order to improve our returns and deliver higher value-added to all our stakeholders.

While the political and geopolitical uncertainties remained elevated during 2017, global economic activity and Turkish economy made positive surprises in general. There were limited adverse impacts from the US Federal Reserve's rate hikes on economic activity during the year thanks to accommodative stances of other major central banks and risk appetite in financial markets; capital flows to emerging markets were also strong.

In the meantime, although political and geopolitical uncertainties had some negative impact on Turkish economy to some extent, Turkey once again proved its resilience and Turkish economy grew faster than its peer emerging markets thanks to strong foreign demand as well as domestic demand conditions which have been stimulated by fiscal and quasi-fiscal measures.

2017 was also a challenging yet successful year for the Turkish banking sector. Loan growth was strong and asset quality of the banking sector was well preserved, mainly thanks to the Credit Guarantee Fund incentives induced by the Government. As the inflation outlook deteriorated by 2016-year-end and 2017 started with a sharp depreciation in Turkish Lira, CBRT tightened its monetary policy stance throughout the year and made an additional rate hike at the end of 2017. These developments in inflation outlook and monetary policy have led to an upward pressure on banking sector funding costs, nevertheless the profitability and growth of the sector have improved.

Similar to the banking sector, 2017 has been a year full of challenges and successes for Odeabank too. After entering the Turkish banking sector at the end of 2012 and gaining market share and climbing league tables rapidly to reach the 9th place in terms of deposits among the privately-owned Deposit Banks, we have stepped into a new phase in Odeabank's life cycle. As a mature Tier 2 bank, we have started our consolidation and rebalancing mode in which we favor margin and efficiency improvements to reinforce profitability and asset quality. Therefore, 2017 has been the first year that we have not increased our balance sheet but rather deliberately exited from some activities and exposures that were not in line with our new priorities which translated into a reduction of our assets size by 13.5%.

Our consolidation and rebalancing initiative has several dimensions, including reducing loan concentration in some business lines and some sectors as well as increasing the share of Turkish Lira in our assets and liabilities. Indeed, we made significant progress towards these goals as the share of TL loans increased from 50.4% in 2016 to 57.5% in 2017 and TL deposits share from 36.8% in 2016 to 43.0% in 2017.

Customers' deposits continue to represent our main source of funding reflecting our low reliance on wholesale funding. Our loan to deposit ratio of 94.7% remains one of the lowest in the sector and this is a testament to our sustained self-funded and highly liquid balance sheet approach.

In July 2017, we have crowned our 5th anniversary of operations with an inaugural rating from Moody's (Ba3) and Fitch (BB-). Odeabank has been rated in line with its well-established peers and three notches above its parent, Bank Audi whose ratings are capped by the Lebanese sovereign rating.

Following this remarkable success, we continued to pursue long-term non-deposit sources of funding and in August 2017 have successfully issued an inaugural US\$ 300 million 10NC5, 144A/RegS Subordinated Basel III Compliant Tier II bond. The issuance was strongly oversubscribed enabling Odeabank to establish itself in the international capital markets with a broad and diversified investor base. This transaction helped Odeabank to strengthen its capital base and provide long-term funding to finance its growth.

Consequently, we have significantly increased our capital adequacy ratios in 2017. We have one of the highest Tier 1 capital and capital adequacy ratios among peer banks, with 14.7% and 20.3% respectively. Both the inaugural rating and Tier II bond issuance have been testimony to Odeabank's relatively short but successful track record in Turkish banking sector.

2017 started with a sharp depreciation in Turkish Lira which led to a series of rate hikes from the Central Bank of Republic of Turkey (CBRT). The most crucial development for the banking sector in 2017 was the significant increase in the Government's guarantee limits for the Credit Guarantee Fund (CGF). Odeabank lent TL 1.2bn to its customers under this scheme and continued its support to the Turkish economy. Sector's loan growth backed by CGF increased sharply in Q2 2017; this acceleration in loan growth coupled with tighter monetary policy of CBRT led to a very sharp increase in Turkish Lira deposit costs, and this in turn put downward pressure on the sector's as well as our net interest margin due to the maturity mismatch between assets and liabilities.

Despite this negative fallout, Odeabank's core banking revenues continued to grow strongly in 2017 thanks to the strong growth in both the net interest income and the net fee and commission income by 18% and 44% YoY, respectively.

We continued to demonstrate best-in-class efficiency compared to the peer group in terms of operating expenses as a percentage of assets, as well as loan and deposit volumes per branch and per employee. In line with our rebalancing and consolidation efforts, we are constantly rethinking our business model and taking decisions to adjust our cost base in coherence with our strategic priorities.

On the asset quality side, our NPL ratio increased compared to the previous year mainly due to moving of a few big-ticket files to NPL category. Despite these one off reclassifications, Odeabank's underlying asset quality remains strong thanks to its prudent risk management. Our specific, free and general provisions covers c. 90% percent of our NPLs and our cost of risk was at sector average as of the end of 2017 thanks to strong collateralization.

2017 has been challenging for the sector and Odeabank but we have finished the year in an upbeat note increasing our net income by 60% to TL 321mn. Our main strategic priority going forward will be to increase our return on equity towards sector averages gradually. In this scope, we will keep our efforts to further improve our low-cost business model and to deliver higher value added to all our stakeholders.

In 2017, we stood out with our contributions not only to the economy and banking sector but also to sport and art advancement in Turkey. Having provided ongoing support to basketball we have now furthered this support by becoming the sponsor of the EuroLeague and Final Four. Odeabank was a partner in a historical achievement during the Turkish Airlines EuroLeague Final Four games organized at Sinan Erdem Sports Hall in Istanbul between May 19 and May 21. Final Four, the summit of the EuroLeague competition watched by millions of people on TV and other digital media, concluded with the victory of Fenerbahçe Men's Basketball Team and made all of us unforgettably proud.

Our successful track record and our innovative products and services continued to be recognized on international platforms. Odeabank collected prizes in three categories at the Global Banking & Finance Review, one of the world's most prestigious banking award events. Odeabank won the "Best Mobile Application," "Best Website" and "Best Call Center Experience in Banking" awards. We also collected numerous awards including "Company of the Year" designation in the banking category from the Stevie Awards, which is also considered as one of the world's most prestigious award programs.

In 2018, we will continue to add dynamism and innovation to the banking industry and to our community, thanks to the diligent efforts of our passionate banking professionals and the support of Bank Audi Group, our parent company, the largest financial corporation in Lebanon, and one of the most prestigious banks of the Middle East.

I would like to extend my gratitude to our dynamic team supremely dedicated to their work, our shareholders for their unfaltering support, and most important of all, to our customers who add to our strength with their trust in us.

Naim Hakim

Deputy General Manager

2017 IN BRIEF

While Turkish economy grew just above 5% in the first half, the third quarter growth rate materialized quite strong thanks to the last year's lower base. Both domestic demand and foreign demand have supported this growth, thus creating a positive outlook in terms of general growth composition.

Macroeconomic developments

Global economic growth continued to strengthen in general during 2017 despite the persistently high political and geopolitical tensions around the world. Adverse impacts of populist policy discourses in major economies and the US Federal Reserve's (Fed) monetary tightening on economic activity remained limited during the year. As recovery in global trade continued, there were improvements in economic expectations. Despite the upgrades in growth expectations, inflation remained moderate in most of the economies. In the meantime, the Fed's monetary policy normalization continues to be implemented successfully. As these developments have supported global risk appetite and capital flows, they have guided further optimistic expectations for 2018. However, optimism in global economic outlook may reverse if the geopolitical tensions elevate further and/or financial conditions tighten sharply due to the acceleration in inflation.

While the Fed increased the interest rates gradually during 2017, it decided to commence its balance-sheet downsizing process. As the discussions over the US domestic politics remained, some details regarding the growth-friendly fiscal policies were announced, including the tax reform bill. Even though there are considerable uncertainties over the quantitative impacts of recent measures on the economic dynamics, the US economy keeps its healthy growth path in general. However, amid the ongoing fragilities in inflation outlook, improvements in economic activity and labor markets have not been as strong to translate into higher inflation in the US. While early indicators point out to the ongoing strengthening in the US economic fundamentals, Fed may continue to tighten its monetary policy stance without triggering major shocks in the global financial markets. Meanwhile, as the political uncertainties related worsening in economic activity in Europe has come to an end in 2017 and low levels of global long-term interest rates have triggered concerns regarding asset bubbles, central banks in major economies started to calibrate their monetary policy stance towards the end of 2017.

Growth outlook in emerging market economies improved considerably thanks to the recoveries in advanced economies, global trade volumes and global commodity prices. Emerging markets are expected to show solid performances in 2018. Hence, growth difference between the advanced and emerging markets commenced to rise in favor of emerging markets.

Although geopolitical uncertainties led to fluctuations in Turkish financial assets in 2017, there were solid performances thanks to the favorable global economic backdrop and resilience in Turkish economy during the year. In addition to the CGF-backed strong growth performance, limited deterioration in macroeconomic stability was the main reason behind out-performance of Turkish financial assets. While Turkish economy grew just above 5% in the first half, the third quarter growth rate materialized quite strong thanks to the last year's lower base. Both domestic demand and foreign demand have supported this growth, thus creating a positive outlook in terms of general growth composition. While the trends in the global economy suggest that the foreign demand can further support growth in the upcoming period, domestic demand and overall economic growth are anticipated to be lower due to tight domestic financial conditions. Therefore, overall GDP growth is expected to occur above 7% in 2017 and to slow down slightly in 2018.

However, the most important macroeconomic challenge was on the inflation front in 2017 in Turkish economy due to the strong growth performances, depreciation in TL, rise in oil prices and volatility in food prices. Following a short-term relief in the middle of the year, headline CPI reached 11.9% at the end of the year, rising sharply in the second half. As the underlying indicators and current levels of inflation pose risks on pricing behavior and macroeconomic stability, the inflation dynamics suggest that policy makers should show their greater decisiveness to bring down the inflation. Even though some improvement in inflation is expected in 2018, assuming a lower fluctuation in foreign exchange rates, inflation may stay above CBRT's target for a long period due to the structural rigidities.

Turkish Banking Sector

Although macroeconomic backdrop posed some challenges to Turkish banking sector in 2017, the sector registered a successful performance. During 2017, loan growth and asset quality of the banking sector remained sound, mainly thanks to the Credit Guarantee Fund (CGF) incentives induced by the Government. On the other hand, as the inflation outlook deteriorated in 2017 due to a sharp depreciation in Turkish Lira, Central Bank of Republic of Turkey (CBRT) had to tighten its monetary policy stance. Since the improvement in inflation remained limited, CBRT had to keep its stance tight throughout the year and made an additional rate hike again at the end of 2017. As challenges in inflation and monetary policy stances kept banking sector funding costs elevated, profitability and growth of the sector remained under downward pressure but have improved YoY.

Under these circumstances, while Turkish banking sector's total loans grew by 21.0% YoY in 2017 and total assets registered a 19.3% growth in the same period. As faster growth in loan book mainly stemmed from commercial loan thanks to the CGF incentives, consumer loan growth remained moderate. On the other hand, while overall deposits increased by 17.7% YoY in 2017, well below the loan growth rate, sector's loan-to-deposit ratio went up to 122.6% from 119.3% in 2016. As a result, Turkish banks continued to increase non-deposit funding. As the surge in exchange rates supported deposit growth during 2017, borrowers were inclined to reduce their FX exposure to some extent. Despi-

te the considerable increase in deposit costs, banking sector net income increased by 30.9% YoY in 2017 thanks to gradual repricing of the loan books and higher CPI-linker securities yields. Meanwhile, non-performing loan ratio remained contained during the year thanks to the NPL sales by the banks in addition to the sector's CGF fueled strong growth performance. Accordingly, banking sector NPL ratio receded from 3.2% at the end of 2016 to 3.0% at the end of 2017.

As cautious optimism in global economy is still in play, Turkish economy is expected to rebalance going forward following the stellar growth performance in 2017. Turkey's GDP growth is expected to be decelerating slightly in 2018 but remain upbeat. With a more balanced growth outlook in the coming years, inflation and current account deficit, which are Turkey's main macroeconomic fragilities, need to drop to more manageable levels. Once the macroeconomic stability strengthens further thanks to the favorable financial and macroeconomic background, Turkish banking sector is expected to operate in a more stable environment going forward.

STRATEGIC TARGETS

Odeabank sees its strategic targets in various areas as complimentary elements of its long-term growth strategy and mobilizes its stakeholders in line with these goals.

FOR THE SECTOR

To become a bank that has sustainable return on equity on sound fundamentals in the medium and long term, serving 95% of the Turkish economy in all segments of banking.

**TOTAL
ASSETS
33.1
(TL BILLION)**

FOR OUR EMPLOYEES

To be an organization that every employee is proud to be a part of and works with a high level of fulfillment and satisfaction.

To make personnel feel the sense that they have chosen the right organization, that they are valued, rewarded, appreciated, are able to self-improve and have the opportunity to reach their career goals.

FOR THE BANK

To be able to activate an efficient service infrastructure that can deliver all products as mandated by competition in all segments of banking.

To act as mediator in trade projects particularly with the Middle East and North Africa region-to be the leading bank of Turkey for this region.

To become a bank providing expeditious service via its advanced technology infrastructure and experienced human resources, contributing to the quality of life of customers and being an indispensable part of their lives.

FOR OUR CUSTOMERS

To ensure that customers are aware and convinced that they are able to receive quality service in all segments of banking.

To leverage the strength and credibility of our shareholder Bank Audi Group in the region to raise funds from international markets and making these resources available for the real sector.

FOR THE SOCIETY

To be a bank that manages to transfer what it earns to the society and that is sensitive towards the needs of the society in which it exists, undertaking efforts to improve the well-being of the society by way of corporate social responsibility projects and responsible business conduct.



PROMINENT DEVELOPMENTS

Launching the “Odeabank Secures the Oxygen of the Future” project with TEMA Foundation, the Bank is encouraging willing account holders to contribute to protection of nature efforts.

JANUARY 2017

“Semiha Berksoy, with Love” Exhibit Presented to Art Enthusiasts at O’Art

“Semiha Berksoy: Catalogue Raisonné” - a book containing all the known works of Semiha Berksoy and published by Galerist Publications with the support of Odeabank – was launched at O’Art. The “Semiha Berksoy, with Love” Exhibition, held concurrently with the launch of this book, brought the artist's paintings that focus on love in its many forms and her previously unseen sketches to the attention of art lovers. The book “Semiha Berksoy: Catalogue Raisonné”, published by Galerist Publications with the support of Odeabank, was edited by Derya Yücel and features articles by Dieter Ronte, Rosa Martinez, Robert Wilson, Ferit Edgü, Levent Çalikoğlu, Beral Madra, Dikmen Gürün, and Zeliha Berksoy.

FEBRUARY 2017

Odeabank Completes a Challenging Year with Growth

Odeabank realized healthy growth in all balance sheet items in 2016, increasing its net profit by 298% to TL 200.4 million. Odeabank completed 2016, a year replete with difficulties both for the Turkish economy and for the global economy, by reinforcing its capital and increased its net assets by 19.3% to TL 38.3 billion, its deposits by 15.5% to TL 29.3 billion, and its total loans by 21.3% to TL 26.4 billion compared to 2015. As a result of the successful financial results it achieved in the four years since its establishment in Turkey, Odeabank ranks in 8th place amongst private sector deposit banks in Turkey terms of deposits and in 9th place in total assets.



MARCH 2017

Odeabank is the Most Award Winning Bank at the Stevies

Odeabank, completing its fourth year with a growth performance beyond its targets, received two gold, one silver, and one bronze awards in the Stevie Awards for Sales and Customer Service, which is considered as one of the world's most prestigious award programs. Odeabank Contact Center was selected as the "Best Customer Service Team of the Year," also receiving a gold award in the "Best Marketing Solution of the Year" category. Odeabank, receiving the silver award in "Customer Services Innovation Award" in the Financial sector and the bronze award in "Contact Center of the Year (more than 100 employees)," became one of the two Turkish companies that received the most number of awards from Turkey as well as the bank that won the most number of golden Stevie awards.

Long Term Financing Support for Foreign Trade from Odeabank

Turkey's dynamic and innovative bank Odeabank has signed a brand new agreement that clears the way for foreign trade. Executing an agreement with the Saudi Fund for Development, which the Saudi Export Program (SEP) belongs to, Odeabank will provide credit support to companies that import from Saudi Arabia for up to three years. As part of the protocol signed on March 7, 2017 within the framework of the Saudi Export Program (SEP), established for the purpose of promoting non-oil exports from Saudi Arabia, Odeabank will provide long-term credit facilities to customers that import petroleum derivatives and non-oil products from Saudi Arabia, with varying terms based on the product type. Odeabank will provide intermediary services as a guarantor within the credit program.



APRIL 2017

Contemporary Drawings on Exhibit for Art Lovers at O'Art

O'Art, hosting important manifestations of contemporary art, presented to the art enthusiasts a contemporary interpretation of the oldest discipline of the visual arts: 'drawing.' "Drawing Today" exhibition, reflecting the importance of drawing and drawing-based art, brought together drawings in different disciplines by 15 artists. The exhibition consists of media art, photography, sculptures and works in other techniques and formats as well as classical forms of pencil on paper drawings. The exhibition also features 3-D drawings, neon works, video and performance art.

The Oxygen of the Future is Safe with Odeabank's "Oksijen" Account

Launching the "Odeabank Secures the Oxygen of the Future" project with TEMA Foundation, the Bank is encouraging willing account holders to contribute to protection of nature efforts. As part of this project, Odeabank "Oksijen" Account customers who perform banking transactions through their "Oksijen" Account are able to ask the Bank to plant one tree or provide education on nature to one child every month. Odeabank, aiming to raise social awareness on the environment, plans to plant 50 thousand trees or provide nature education to 50 thousand children within two years.



MAY 2017

Odeabank Begins 2017 with Profit

Q1 financial results of Odeabank signaled that the Bank will maintain its steady growth in 2017. Despite volatile exchange rates and uncertainty in global markets, Odeabank increased its net profit by 311.7% to TL 93 million compared to the same period of last year. In the same period, Odeabank reached TL 27.1 billion in total credits, increasing its deposits to TL 30.3 billion and assets to TL 39.5 billion.

Odeabank, the Bank of Basketball, Renews Agreement with EuroLeague for the 2017-2018 Season

Odeabank has become a regional partner of 2017-2018 Turkish Airlines EuroLeague, and a global partner of Turkish Airlines EuroLeague Final Four, which will be organized in 2018 in Belgrade. Odeabank, the Bank of Basketball, will continue to provide sponsorship support to the summit of European basketball Turkish Airlines EuroLeague next year, as it has done this year. As part of the agreement signed by EuroLeague CEO Jordi Bertomeu and Odeabank General Manager Hüseyin Özkaya, Odeabank has become a regional partner of 2017-2018 Turkish Airlines EuroLeague and a global partner of Turkish Airlines EuroLeague Final Four, which will be organized in 2018 in Belgrade.

Legendary Photographer Harold Feinstein's Works at O'Art

48 works of Harold Feinstein, one of the world's best photographers well known for his work on daily life in the United States from a natural, simple and humanist perspective, were on display for art lovers from May 16 through June 30 at Odeabank's art platform O'Art as part of the "Harold Feinstein - A Photographer's Legacy" exhibition. Feinstein, the artist from New York, considered the camera as a device which gives people a new eye and "makes them free." He was interested in the common people, not in the celebrities or the glorious living in the United States. Feinstein succeeded in artfully reflecting the lives of common people with sincerity in his photography.

JUNE 2017

Odeabank Renovates a Basketball Court with the 3 Point Shots Scored in the Final Four

Odeabank, The Bank of Basketball, continues to support basketball in all platforms. Odeabank, the regional supporter of 2016-2017 Turkish Airlines EuroLeague and the global supporter of the Final Four won by the Fenerbahçe Men's Basketball Team in 2017, demonstrated that it invests in amateur as well as professional basketball. Odeabank donated EUR 333 for each three-point basket scored in the Final Four. The Bank donated a total of EUR 25,974 corresponding to 78 three-point baskets scored in the Final Four. This donation has provided the resources for the renovation of the public basketball court in the Şair Nedim Park located in the Küçükçekmece district of Istanbul.

Odeabank Wins the Corporate Basketball League in Turkey

The Corporate Basketball League, organized to bring together corporate employees who have a love of basketball in a single tournament competition, was organized for the second time this year in the town of Çeşme. Eight teams, representing the best teams from each province, competed in the finals of the league that hosted nearly 100 corporate teams from around Turkey. Odeabank, the Bank of Basketball, was the winner of the championship finals organized between May 26 and May 28, 2017. Odeabank became the Champion of Turkey by beating its opponent TAI with a score of 46-67 in the final game. Kenan Tütüncü, a player on the Odeabank team, has been chosen as the "Most Valuable Player" in the competition.



JULY 2017

Odeabank Continues to be Turkey's Pride in Digital Banking

Standing out with its innovative approach to products and services Odeabank, has once again been selected as the best in Western Europe by Global Finance, one of the world's most respected finance publications. In the 'World's Best Digital Banks 2017' awards, Odeabank received the 'Best Information Security Initiatives' and 'Best Web Site Design' awards in the Consumer category, while receiving the 'Best Investment Management Services', 'Best in Social Media' and the 'Most Innovative Digital Bank' awards in the Corporate category, becoming the best digital bank in Western Europe. The Bank, known for bringing innovation to the Turkish banking industry, recently drew attention with its "Banking Done in Seconds" campaign that focused on minimizing the amount of time users spend in digital banking.

AUGUST 2017

Odeabank Brings Back the Time Spent in Mobile Banking

Odeabank, differentiating itself in the Turkish banking industry with its innovative banking approach, launched a new campaign in mobile banking named "Odea Time." Manifesting its aim to minimize the time spent for banking transactions with the slogan "We want to disappear" in a striking way, Odeabank reduced the time spent for transactions in mobile banking to mere seconds. Thanks to the Odeabank mobile application where credit card balance queries take merely five seconds and credit card applications just nine seconds, users can take back the time they spend on banking transactions. Retail customers who login to the Odeabank mobile application with their usernames and passwords during August received one entry for each day they login and for each financial transaction they perform to the sweepstakes for an eight-night trip to Phuket for two and a five-night trip to Bali.

Odeabank Issues First Bond in International Markets

Odea Bank successfully completed its debut international bond issuance. On August 1, 2017, Odeabank closed a ten-year, USD 300 million, 144A/RegS subordinated Basel III compliant Tier II issuance placed to foreign investors. Over 70 international investors participated in the Basel III compliant Tier II issuance which has a coupon rate of 7.625%. Final maturity of the issuance is August 1, 2027 and is callable on August 1, 2022. BofAML and J.P. Morgan were mandated as joint lead managers in Odeabank's Tier II issuance.

Odeabank Continues to Grow while Sustaining Profitability

Odeabank maintains the growth performance, increasing its profitability. In the first half of the year, Odeabank reached TL 150.3 million with 149% increase in net profit; TL 37.4 billion in total assets, 26.8 billion in total loans, TL 28.4 billion in deposit size. While the net profit of Odeabank was TL 60.3 million, it went up to TL 150.3 million in the first half of 2017. The loan rate of deposits was 94.4%



SEPTEMBER 2017

Odeabank Receives the Most Awards at Stevies

Odeabank, breathing new life into the Turkish banking sector with its innovative perspective, became the most award-winning Turkish company in the Stevie Awards organized for the 14th time this year and received 3,900 applications from more than 60 countries across the world. Odeabank has received four gold, five silver, and six bronze awards for a total of 15 awards in various categories. In the Stevies where 10 banks from Turkey have won awards, Odeabank received the gold award as the 'Company of the Year' in Banking category; 'Fastest Growing-Company of the Year' in the EMEA region, also winning a gold award for the 'Communication and PR Campaign of the Year' with its 2016-2017 Euroleague and 2017 Final Four sponsorship, and the 'Marketing Campaign of the Year' with Bank'O Atlas. In the honor list of most award winning companies created and rated by Stevie Awards according to the number of gold, silver and bronze awards won, Odeabank was ranked in the 9th position as the only Grand Stevie winning company from Turkey.

O'Art Competition Exhibition Spectacular Again

Having welcomed the leading representatives of modern art since its inauguration, O'Art organized an art competition to support young talents under 35. There were some 700 applications to the competition that was held for the second time; 27 of these were found to be worthy of being exhibited at O'Art. Of the participating artists, Ali Omar, Ezgi Tok, Fatma Çakmak, Kadir Kayserilioğlu and Seda Oturmak were offered achievement awards worth TL 10,000. The artists received their award from the jury at a cocktail reception held to kick off the exhibition.

NOVEMBER 2017

"Forms of Japan" on Display at O'Art

Odeabank's art platform O'Art hosted the "Forms of Japan" Exhibition, which includes black & white photographs taken in Japan by Michael Kenna, acknowledged to be one of the masters of black & white photography, as part of the 4th Fotoistanbul Beşiktaş International Photography Festival. For his "Forms of Japan" work, Michael Kenna traveled the 800-mile Henro-Michi pilgrimage trail of 88 temples spread throughout Shikoku that Kobo Daishi, the Grand Master of Shingon Buddhism, has traveled to 1,200 years ago. Undertaking this pilgrimage by car in 2003, he photographed all the temples along the way.

Odeabank Selected Best in Social Media Globally

In the 18th "World's Best Digital Banks Awards 2017" organized by Global Finance, a respected global finance publication, Odeabank was selected "Best in Social Media" globally. Odeabank was also selected as the "Best in Western Europe" in five categories. Odeabank was named the best bank in Western Europe in "Information Security," "Investment Services," and "Social Media" categories this year, a designation the Bank also held last year. In addition, Odeabank also proved its leadership in the "Web Site Design" and "Most Innovative Digital Bank" categories in Western Europe. Odeabank had been selected as the best in Western Europe in previous years in the "Best Bill Payment & Presentment," "Information Security," "Investment Services," and "Social Media" categories in the same awards program.



AWARDS

Odeabank, breathing new life into the Turkish banking sector with its innovative perspective, became the most award-winning Turkish company in the Stevie Awards organized for the 14th time this year and received 3,900 applications from more than 60 countries across the world.



INTERNATIONAL DATA CORPORATION

Best Customer Experience Excellence with Voice Technologies - Non-digital Channels Category

14th Stevie Awards

"Grand Stevie" Award
"People's Choice" Award



Gold Awards

- Company of the Year – Banking Category
- Fastest-Growing Company of the Year – EMEA Region
- 2016-2017 Euroleague and 2017 Final Four Sponsorship – Communications or PR Campaign/Program of the Year / Sponsorship Category
- Bank'O Atlas Launch Campaign – Marketing Campaign of the Year / Financial Cards Category



Silver Awards

- Odeabank Mobile Banking Application – Financial Services / Banking Category
- Odeabank.com.tr – Best User Experience
- Odeabank Corporate Mother's Day Movie – Viral
- Odeabank Bank of Basketball Mother's day Movie – Viral
- O'Art Art Platform – Communications or PR Campaign/Program of the Year / Arts & Entertainment Category



Bronze Awards

- Odeabank Mobile Application & Contact Center & ATM Integration – Integrated Mobile Experience
- Most Innovative Company of the Year / More than 2,500 Customer
- O'Art Semiha Berksoy Exhibition and Catalogue Raisonné – Communications or PR Campaign/Program of the Year / Arts & Entertainment
- Club'O Employee Engagement Program – Communications or PR Campaign/Program of the Year / Internal Communications Category
- Euroleague Final Four Sponsorship Communication on Social Media – Communications or PR Campaign/Program of the Year / Social Media Focused, EMEA Region
- Bank'O Atlas - Best New Product or Service of the Year/ Financial Services



GLOBAL FINANCE'S WORLD'S BEST DIGITAL BANK AWARDS 2017

- Corporate/Institutional – Best in Social Media – Global
- Consumer – Best Information Security Initiatives – Western Europe
- Consumer – Best Web Site Design – Western Europe
- Corporate/Institutional – Best Investment Management Services – Western Europe
- Corporate/Institutional – Best in Social Media – Western Europe
- Corporate/Institutional – Most Innovative Digital Bank – Western Europe



COMMUNICATOR AWARDS 2017

- www.odeabank.com.tr - Websites / General Corporate Communications - Award of Distinction



11TH STEVIE AWARDS SALES AND CUSTOMER SERVICE GOLD AWARDS

- Best Customer Service Team of the Year
- Best Marketing Solution of the Year



11TH STEVIE AWARDS SALES AND CUSTOMER SERVICE SILVER AWARDS

- Customer Services Innovation Award



11TH STEVIE AWARDS SALES AND CUSTOMER SERVICE BRONZE AWARDS

- Contact Center of the Year (more than 100 employees)



GLOBAL BANKING & FINANCE REVIEW AWARDS 2017

- Best Mobile Banking Application Award
- Best Internet Bank Award
- Best Banking Contact Centre Experience Award

SUSTAINABILITY POLICY

Odeabank pays attention to social responsibility as well as sustainable development and works actively for the society it functions in.



Odeabank carries out all banking operations in recognition of its environmental and social responsibility. To this end, the Bank implemented an “Environmental and Social Risk Management” process for early identification, prevention, mitigation or elimination of the environmental and social impacts caused directly or indirectly by the Bank.

This process is carried out by way of the “Environmental and Social Risk Management System” that complies with the agreements executed with Bank Audi Group as well as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and other international financial institutions that provide funding to the Bank. As part of this effort, Odeabank

- Odeabank adopted an Exclusion List based on International Finance Corporation’s (IFC) Exclusion List. Financing is not provided to any activity that falls into this list, which is updated periodically according to the guidance of other international financial institutions.

- It follows all national laws and regulations in its activities and aims to have its loan customers to act in the same manner.
- Odeabank assesses its corporate and commercial segment customers for environmental and social risks before crediting, via Odeabank Environmental and Social Management System tools.
- It makes additional assessments to environmentally and socially high-risk activities/customers and determines the measures to be taken in order to eliminate or reduce the environmental and social risks of the activity that will receive the loans.
- If deemed necessary in light of the assessments performed, additional study is commissioned to an independent consulting company regarding the firm or project in question.
- On an as-needed basis, field visits are conducted to clients and facilities to identify and monitor Environmental and Social Risks; Action Plans are devised to ensure the fulfillment of criteria set forth in the Environmental and Social policy; and attempts are made before the clients with the involvement of customer relations management staff to ensure customer cooperation with these plans.

- Odeabank supports crediting of projects that improve environmental conditions such as renewable energy investments, waste recycling investments and investments that reduce CO₂ emissions or increase efficiency.
- Odeabank conducted training sessions for its employees to detail the functioning and practices of the Environmental and Social Management System that is in effect at the Bank.
- Odeabank conducted training sessions to detail the functioning and practices of the Environmental and Social Management System that is in effect at the Bank.

Odeabank also assumes environmental responsibility when running its own practices. Again within this scope;

- Odeabank started a project regarding collection and delivery to the authorized entity of portable waste batteries gathered throughout the Bank.
- Odeabank, in an effort to build the optimum technical equipment and service fields with the aim of providing the best services to its customers, carefully reviews the journey of its customers that begin with their first step into the branches. Odeabank, emphasizing environmentally friendly practices in the occasions it offers to its customers and employees, facilitates paper-free meetings by using the “white board” technology on Apple TV in all its meeting rooms.
- Odeabank makes use of “business intelligence” applications that can analyze data and manages business processes that are in real terms environment friendly and paper-free. At the same time Odeabank uses a document management system that provides fast flow of business processes between the departments and stores all customer related documents in digital environment.
- Unlike other banks no paper is used in Odeabank branches except for documents where signature is mandatory and the documents that need to be kept in the branches are offered in electronic environment. Another “green approach” of Odeabank branches is the mobile Q-matic practice. Thanks to this practice, the customers receive their queue numbers in the branches without any paper usage.
- Odeabank also provides its customers the option of receiving their receipts via mobile text message or e-mail instead of paper after the transaction, both protecting the environment and expanding the service network it offers its customers.

Corporate Social Responsibility

Odeabank pays attention to social responsibility as well as sustainable development and works actively for the society it functions in. It assumes a proactive and cooperative role within the society with the aim of improving the quality of life and establishing a society that lives and works in better conditions.

Odeabank commits to the following:

- Embrace truthfulness and open communication in interactions, establish an open communication with all internal and external stakeholders,
- Encouraging versatility, diversity and equal opportunity and cherishing human resources,

- Rewarding talent and supporting teamwork and employee development,
- Practicing the highest standard of integrity in business relations,
- Encouraging healthy ecosystems, social equality and good organizational governance within the Bank’s sphere of influence and supply chain,
- Taking responsibility for its decisions and operation and being trustworthy,
- Having a positive impact on its value chain with a social responsibility awareness.

Social Responsibility

Differences

Odeabank creates the ideal work environment for its employees as an institution which does not make or allow discrimination based on sex, age, condition, pregnancy, race, religion or disability within the Bank. Odeabank treats all its employees equally regardless of their background and offers equal career opportunities, embracing all differences.

Education and Development

Perceiving employee quality as one of the most important factors in its success, Odeabank gives utmost care to the development of its employees and increases its human resources investments day by day. Odeabank provides the most suitable guidance, training and supervision support to all of its employees for efficiency and success at work, by implementing advanced learning and development methods in line with its values and culture.

Health at the Workplace

With the awareness that mental and physical health is crucial for the quality of life and work, Odeabank Human Resources Department offers improved access to and quality of health services and health consciousness programs.

Within the scope of health services carried out in Odeabank throughout the year, vaccination campaign, occupational health and safety training and compulsory medical examinations have been realized.

Civil Responsibility

Odeabank has been supporting basketball through sponsorship agreements with Galatasaray Men’s and Women’s Basketball teams. Within the scope of basketball sponsorships, Odeabank, that has been the sponsor of THY Euroleague since 2016, granted 333 Euro for every triple shoot in Final Tour that took place in İstanbul. During the whole event Odeabank granted 25,974 Euro in total for 78 triple shoots to the renovation of basketball field in Şair Nedim Park in Küçükçekmece, İstanbul.

And with the mission of getting the young generations acquainted with basketball, a team of basketball teachers with a professional basketball background was emerged within the bank to train the children of employees interested in basketball in 2014. In addition, with the collaboration with Turkish Foundation for Children in Need of Protection, 20 children selected by the Foundation were started getting trained by Odeabank basketball teachers. In 2016 Odeabank Basketball School has been turned into Odeabank Sports School where the children started getting trainings for tennis and judo along with basketball within the guidance of professional teachers.

CORPORATE AND COMMERCIAL BANKING

Corporate and Commercial Banking forges lasting relationships with clients thanks to fast and results-oriented value-added services.



Thanks to the multi-faceted business models that demand a high level of expertise it established with customers from various industries, Corporate and Commercial Banking played a pivotal role in the realization of a large number of projects during 2017.

While striving to forge lasting relationships with clients thanks to fast and results-oriented value-added services, Corporate and Commercial Banking continued to undertake uninterrupted efforts to increase the diversity of products and services in order to reinforce this relationship.

Corporate and Commercial Banking business line extended TL 350 million in cash loans as part of the Undersecretariat of Treasury-backed, Credit Guarantee Fund of Turkey (KGF)-sponsored incentives. The Department also enabled customers to access low-cost funding from the EIB facility. As of year-end 2017, Corporate and Commercial Banking maintained its steady position with TL 15.7 billion in loans and TL 4.5 billion in deposits.

Corporate and Commercial Banking will continue keeping a close watch on market conditions and customer needs, and formulate solutions that will meet every customer expectation.

SME BANKING

SME Banking made improvements in lending policy, infrastructure, organizational structure and risk monitoring in an attempt to serve the needs of SMEs on a more expedited and value-added basis.



In 2017 SME Banking continued to carry out operations for the SMEs, which comprise most of the businesses in Turkey by number, in order to revive the Turkish economy and create more jobs and exports. To this end, Odeabank became a shareholder of Credit Guarantee Fund of Turkey (KGF) at the end of March in an effort to better support SMEs and increase their access to financing. Seeing the macroeconomic incentives put in place by related authorities as an opportunity, the Bank provided financing to SMEs that were having a hard time finding guarantees or tapping credit resources to the tune of TL 900 million, supporting the growth and development of these businesses and their respective industries.

Odeabank disbursed EUR 38 million of low-cost loans to SME customers in need of affordable financing as part of the first tranche of the EUR 100 million funding facility secured from the European Investment Bank (EIM).

Thanks to the three banking services packages designed according to value-added services and customer needs, Odeabank empowered SMEs, the engine of the Turkish economy, to conveniently perform all banking transactions and continued to differentiate itself from the competition. The technology infrastructure to roll out the “Oksijen” Account product, which increased Odeabank’s demand deposit volume by a significant margin and brought about immense progress in terms of customer numbers and loyalty, for the SME segment was activated as of year-end 2017.

SME Banking made improvements in lending policy, infrastructure, organizational structure and risk monitoring in the second half of 2017 in an attempt to serve the needs of SMEs on a more expedited and value-added basis.

In the light of all these developments and efforts, Odeabank SME Banking plans to enhance its support to the real economy in 2018.

RETAIL BANKING

Odeabank has entered into the banking sector's intensely competitive environment and gained significant momentum in retail customer acquisition.

Odeabank entered the Turkish banking sector five years ago with its innovative approach. Odeabank has steadily moved forward with the "Not Everyone's Bank, But Yours" vision from day one. Investing in the very best and operating with an approach that values the lives and time of customers, Odeabank made successful progress in Retail Banking in 2017. The Bank strives to make lives easier for clients at 47 branches across the country with a growing team of dynamic, experienced professionals.

Odeabank set its target as expanding its customer base and laying the groundwork for a long-winded relationship with customers through exclusive services and extensive product range, achieving significant momentum in retail customer acquisition and the fierce competition in the sector.

Odeabank Retail Banking is comprised of three main businesses including Wealth Management, Debit and Credit Cards, and Consumer Loans.

Wealth Management

Wealth Management is comprised of products and services aimed at protecting and growing savings. Customers' savings are put to good use commensurate with their respective risk and income expectations through fixed income investment tools such as time deposits, bonds/Eurobonds as well as alternative investment products such as mutual funds, stocks, and derivatives.

Odeabank aims to make a difference in asset management and become the first bank to come to mind with "investments", striving to help with the management of savings and investments of any amount in line with a professional approach in international standards.

Its Wealth Management approach includes five basic elements:

- Knowing the customer well,
- Hedging the customer against risks in line with the risks defined by them,
- Providing the most diverse and innovative investment opportunities in the market,
- Management by a certified team of experienced professionals,
- Creating an investment strategy through a planned process independently from fluctuations.

The wealth management process at Odeabank starts with the customer representatives at the branch, after which the Wealth Management, Treasury and Economic Research & Strategy Departments at the head office become involved. During this process, the Bank provides premium services through one-on-one transactions and substantial market reports. These departments are staffed by managers with 13 to 24 years of banking experience; more than 50% of some units are comprised of CMB-certified personnel with graduate degrees. These teams of employees blend experience from 15 domestic and international banks and boast qualifications unparalleled in the sector.

Odeabank Wealth Management Service Structure

Customer Representative

- Account Follow-up
- Daily Transactions
- Deposit Management

Odeabank Treasury Department

- Complex and Large Scale Market Transactions

Wealth Management

- Investment Strategies
- Forex and Derivative Transactions
- Gold and Forex Transactions Advisory and Support Services
- Mutual Fund Services
- Customized Derivative Product Designs
- Wealth Management General Marketing Services

Odeabank Research Reports

- Domestic Economic Research
- Periodic Analyses
- Global Market Reports

Thanks to its Wealth Management services differentiated along this structure, Odeabank recorded over 120 thousand time deposit and investment clients, nearly TL 17 billion in retail deposits and TL 26 billion in retail investment transactions at end-2017.



Odeabank aims to make a difference in asset management and become the first bank to come to the customers' mind with "investments".

Mutual Funds and Model Portfolios

Breaking new ground with innovative offerings since it was founded, Odeabank achieved a first in Turkey in 2013 with the multiple fund platform it created featuring 11 mutual funds managed by AkPortföy, Finans Portföy, İşPortföy, TEB Portföy and Yapı Kredi Portföy.

Odeabank customers can access the over 300 funds in the Takasbank system via all banking channels. For customers who want to trade equities on domestic and international stock exchanges, the Bank offers the necessary services and infrastructure and trade in gold commenced as well.

Aiming to increase investment support to customers, the Bank created model portfolios based on mutual funds suited to their risk and return preferences, and provided information to clients via daily and weekly e-bulletins.

Deposit Products

In 2017 Odeabank's "Oksijen" Account continued to offer generous interest rates to retail customers' daily cash balances denominated in Turkish lira as well as in US dollar and euro. "Oksijen" Account continued to provide higher deposit interest rates to lira/US dollar/euro 100,000 than its rivals in the market while enabling customers to contribute to social responsibility projects. Since May 2017, active "Oksijen" Account users are able to donate trees to the Balıkesir Forestation Site through the TEMA Foundation or contribute to children's nature education efforts as part of Nature Education Projects.

The number of customers and account balances increased in 2017 as a result of TV, radio and digital communication campaigns aimed at boosting brand recognition and promoting the generous "Oksijen" Account deposit interest rates denominated both in Turkish liras and US dollars.

At Odeabank, savings account holders are not limited to a daily deposit account. To those customers, who wish to make medium- or long-term savings deposits, Odeabank offers various alternatives suitable for present-day conditions. These include Fund Deposit Account Linked to Fund Distribution Channel, Future Savings Account, Multi-Currency Deposit Account with the flexibility to move between currencies, and Savings Account with the flexibility of making withdrawals. Gold Account has been added to this list of alternative deposit products, enabling customers to invest their savings in gold as well.

Insurance and Private Pensions

Embracing its mission of meeting all customer financial needs via a single channel, Odeabank also operates in bancassurance via collaborations with AvivaSA Emeklilik ve Hayat A.Ş., AXA Sigorta A.Ş., and MetLife Emeklilik ve Hayat A.Ş.

Following the collaboration in private pension accounts, in 2016 Odeabank signed exclusivity contracts with AvivaSA Emeklilik and Hayat A.Ş. to focus the Bank's fast growth trend on longer term development. With these contracts, thanks to Odeabank's rapidly expanding customer portfolio, AvivaSA's experience, user experience and product diversification for customers; there has been an increase in the sales of life insurance, personal accident insurance and private pension.

Continuing to roll out new products through its product development efforts, Odeabank has completed work on systems infrastructure in life and non-life insurance provision, and started to offer the most efficient and swift solution to customers via the branch channel. In order to help customers protect against risks, the Bank reaches out to them via te-le-sales channels to offer innovative insurance products, and continues to meet product requests coming via the Call Center.

At the same time, Odeabank offers customers private pension plans so that they can enjoy a pleasant retirement in keeping with their savings objectives.

In line with its technology- and customer-centered approach, Odeabank plans to continue delivering new products via all distribution channels to customers in 2018.

Debit and Credit Cards

Focusing on effective product sales and diversified promotional offers designed to address customer needs, Odeabank boasted more than 410 thousand card holders in 2017. The products included Odeabank Private Card, designed to meet the financial and daily needs of high income clients, and Bank'O Atlas credit card, which enables frequent travelers to accumulate miles with both flights and shopping.



Bank'O Atlas, the Bank's cobranded credit card product launched jointly with Atlasglobal, will continue to provide benefits and enable customers to accumulate miles through shopping and flights.

The Bank'O Card Axxess credit card product offers customers the opportunity to enjoy repayment installments and earn Chip Para points at more than 250 thousand Axxess contracted merchants.

With customized products and a customer-focused approach, Odeabank credit cards continue to maintain a strong competitive edge and enjoy market share gains.

Bank'O Debit Cards, still evolving and developing in line with the slogan "Customer First," allow customers to withdraw and deposit money from and to their accounts anytime they wish, purchase goods and services, access their overdraft accounts, and Overdraft Account with Installments.

Retail Loans

Continuing to provide easily accessible and practical general purpose loans, Odeabank has started to offer its customers the chance to obtain loans via the Bank's Internet branch and mobile app.

While Odeabank customers can visit us at our branches for their cash needs, they can also make loan applications with the "Ready Cash" loan product via SMS, web or ATM.

Customer Value Management Strategy consists of four core elements:

- Knowing the customer,
- Analyzing customer needs,
- Designing marketing processes in accordance with customer needs and inclinations,
- Establishing contact with the customer through the appropriate channel.

DIRECT BANKING

In 2017, over 560,000 Odeabank clients performed 26 million transactions worth TL 15 billion via Direct Banking channels that included Internet, Mobile, ATM and Contact Center.



Closely monitoring developments in technology, Odeabank Direct Banking delivers solutions to ensure that customers can perform transactions quickly and easily, while also helping the Bank achieve a high level of efficiency. By breaking new ground in creating efficient delivery channels, Direct Banking focuses on enhancing customer satisfaction.

In 2015, the Bank revamped its Direct Banking channels and started delivering the same user experience across all alternative distribution channels-a first in Turkey. In 2017, the Bank took further steps to deliver the best integrated user experience via this structure. Additions are currently underway to ensure that all Odeabank products are available through Direct Banking.

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Web Site

In 2016, the web site odeabank.com.tr, which delivers the Bank's products and services online, was revamped in a responsive design and made 100% compatible with mobile devices. Offering the same user experience to both mobile and desktop devices, odeabank.com.tr recorded nearly 3 million visitors in 2017.

In addition to providing product information, the Bank's web site features loans, credit cards, "Oksijen" Account and other products for which it is possible to apply without visiting a branch. As a result of the analysis of web site user experience, the Bank has made improvements to help customers complete application forms in a simpler, hassle-free manner.

Internet/Mobile

The Internet banking and mobile banking, which offer the same user experience, transaction menu and transaction flow, boast a total of 100,000 users per month. In 2017, 17 million transactions worth TL 12 billion were performed via these channels. The Odeabank mobile app was downloaded almost 700,000 times.

Odeabank's mobile app features "Odeabank Kazandırıyor," which offers numerous innovations that make life easier for users whether they are Bank customers or not. As such, they can win points and awards while performing their banking transactions. More than 20,000 users with collaborations of more than 100 companies have won awards and used special discounts and offers on the gamification platform competitions featured in the mobile app.

444 8 444 Contact Center

Designed to deliver the best user experience to customers, the Bank's Contact Centers employ 193 staff members, all of whom are university graduates. Aiming to continuously improve user-focused technologies, Odeabank Contact Center provides not only voice calls but also video calls, 7/24.

The top priority of the Contact Center is to deliver the best user experience to customers. The Contact Center enhances customer loyalty to the Bank and provides the right product to the right customer. The incoming call team conducts informational and transaction activities related to loans, credit cards, communication permit, cash advance in installments, division into installments, "Oksijen" Account, and utility bill payment orders, depending on the Bank's priorities, while aiming for a better performance every month, without compromising service quality. The sales activities in 2017 yielded 140,000 product sales. As part of collection transactions, the Contact Center received customer commitments for and intermediated in the collection of TL 5.2 million via incoming calls.

Committed to providing services in the fastest and simplest possible way, the Contact Center receives 11 thousand calls on average every day. While around 50% of these customers prefer to use fast and simple self-service via the interactive voice response system, the other half choose to reach customer representatives to carry out their transactions or convey their questions, problems or requests.

The outbound call team delivers all banking products (cash advance in installments, loans, credit cards sales, insurance and credit card limit increase) to customers according to the Bank's priorities, with high sales success rates and without compromising service quality. The channel operates in line with the principles of low cost, high efficiency and high quality, and carried out transactions such as information completion, as well as loan, credit card, "Oksijen" Account and insurance sales. Outbound activities resulted in a total of 257,000 product sales in 2017.

As a result of the compact management approach of the Call Center, Customer Inquiry Management team is also conducted under the same roof. Demands, complaints, questions and suggestions submitted by existing and potential customers via all communication channels are handled and resolved in two days on average, in full compliance with applicable laws, rules and regulations. With regards to the improvement points, root cause analyses are performed to formulate long-lasting solutions, thus curbing the increase in complaints despite a rise in the number of customers.

The Contact Center expanded the transaction diversity of the voice signature and response system. Thanks to these improvements, customers were able to conduct transactions much more quickly.

ATMs and Self-Service Banking

Rolling out its first automated teller machines in October 2012, Odeabank expanded its ATM network to 69 ATMs as of year-end 2017. Offering the same user experience, transaction menu and transaction flow as the Internet and mobile banking, Odeabank ATMs have more than 80,000 monthly users. In 2017, a total of 4.5 million transactions worth TL 1.2 billion were performed at the Bank's ATMs.

All Odeabank ATMs are touch-operated and has Windows 7 platform. At the ATMs, customers may withdraw cash from their TL, US dollar and euro accounts, or deposit cash into their accounts with or without a card. In addition, customers may apply for loans or credit cards, open demand or time deposit accounts, place automatic payment orders for credit cards, apply for an Internet branch subscription, apply for supplementary cards, and place automatic bill payment orders, or purchase various banking products at ATM. In bill payments, Odeabank ATMs deliver services such as returning change, displaying news stories on standby screens, channeling customers to "Oksijen" Accounts, and sending transaction invoices via SMS and e-mail.

Continuing to diversify the services it offers to customers, Odeabank rolled out the cardless cash withdrawal function in 2017. This feature enables Odeabank mobile application users to withdraw cash from ATMs without the need for a debit card. Further, in addition to the existing currencies, ATMs were enhanced with the capability to accept deposits in British pounds. In line with the self-service concept, customers can access the Internet branch and contact the Contact Center via kiosks placed within Bank branches and access the Internet banking via tablet computers placed in waiting areas. Additionally, customers can use the tablet computers at branch counters to receive information about the Bank's promotional campaigns, keep track of the transaction performed at the counters, choose a transaction, and view their receipts or banknote information.

Social Media

Sharing information about its banking products as well as its non-financial sector notifications on Facebook, Twitter, Google+, YouTube and LinkedIn pages, Odeabank interacts with all users who follow the Bank on these social media platforms and maintains an active presence on social media. The Bank responds to customer questions and requests submitted through these social channels, requests contact information of the users regarding matters important for customer satisfaction, and gets in touch with them personally. As of year-end 2017, Odeabank has 180,000 followers on Facebook, 29,500 on Twitter, 2,500 on Instagram and 8,500 on LinkedIn.

BUSINESS SOLUTIONS

The Business Solutions Unit implemented 55 projects designed to meet Odeabank's objectives and needs in 2017.

The Business Solutions Unit primarily serves as a bridge between information technologies, services providers and end-users to provide the most appropriate and secure technological service to all employees and customers in an efficient, effective and uninterrupted manner.

Under applicable banking legislation as well as other legal and regulatory obligations, the Business Solutions Unit is responsible for planning processes based on efficiency, operational risk and prevailing market conditions; ensuring the highest level of efficiency always; and developing solutions to accomplish those tasks. The Unit analyzes all the technological needs of the Bank's senior management, business lines and support units, and develops solutions to meet those needs.

Core Banking Infrastructure Overhaul and 55 Strategic Projects

Core banking systems infrastructure was upgraded, new workflows and functions were added, software and development costs were reduced, and user processes were improved in the first half of 2017 under the leadership of the Business Solutions Unit with a team of nearly 20 service providers and more than 900 participants. To this end, 55 projects designed to meet Odeabank's objectives and needs were implemented in 2017.

Core Banking

- Insurance policy renewal and collection systems were activated as part of the partnership with AvivaSa. Accident Insurance sales transactions were enabled from the outbound channel through AvivaSa Tele Sales screen.
- An insurance dashboard was activated for branches to manage policies up for renewal, policies whose premiums are paid and unpaid, and sales opportunities.
- Arrangements for origination of Credit Guarantee Fund of Turkey (KGF)-backed loans were activated.
- Siron product family was integrated into core banking as part of risk mitigation measures regarding Know Your Customer and anti-money laundering (AML) efforts.
- New arrangements were implemented as part of transaction security enhancement regulations that enable the Bank to block customer accounts under scenarios that fail the risk criteria and allow Bank officials to perform more effective and faster verification during transaction security controls.

Credit Cards and Contracted Merchants

- The Bank began issuing Odeabank credit cards valid exclusively for e-commerce, phone, and mail order purchases, and authorizing requesting customers' credit cards for e-commerce, phone, and mail order transactions during card application process and from direct banking (Internet Banking/SMS) channels.
- Odeabank credit cards began accepting money transfers from other domestic banks.
- Odeabank expanded the scope of cash registers and POS terminals supported by its contracted merchant software.
- The Bank plans to enable motor vehicle tax payments on gib.gov.tr using Odeabank credit cards and offer automatic installments for these collections.

Direct Banking

- Odeabank ATMs were enhanced with cardless cash withdrawal transactions using Pass'O and Mobile Signature.
- A new business flow was that provides quick feedback to the customer was implemented as part of the Bank's customer-oriented process design philosophy. Tracking complaints, suggestions and requests from a single platform, as well as multi-channel integration (Branch, E-mail, Web Form, Mobile Application, Internet Branch) allow for robust customer communications.
- The Bank began administering the process for customers' fee, commission and interest refund requests on a Multi-Refund Business Flow platform, reducing operational risk and increasing efficiency.
- The mobile application transaction menu was enhanced with new features in line with customer needs including the offering of Supplementary Account with Installments and "Oksijen Foreign Currency Account" products, finalization of loan applications without the need for outbound calls or contract signings via couriers, and launch of airline mile applications against a spending commitment with the Bank'O Atlas Mile Card.
- Institutional payments infrastructure was updated as part of the Core Banking Version transition project.



- Odeabank ATMs were enhanced with additional features during the year, including limit and queries and balance payment transactions for domestic bank credit cards as well as cash deposit transactions for domestic bank debit cards. In addition, Odeabank customers began enjoying limit and balance queries and balance payment transactions for their Odeabank credit cards as well as cash deposit transactions using their Odeabank debit cards at domestic bank ATMs.
- Odeabank website and ATMs began offering menus operated using speech for visually impaired customers.
- Arrangements to enhance customer and transaction security were rolled out in direct banking channels without negatively impacting customer experience.

Business Intelligence

- The Business Intelligence Applications-used for analysis and reporting by all levels throughout the Bank-reached a capacity of 33 different Dashboards (of which three are models) and 173 analyses as of end-2017. As a result of differentiation in analyses, the use of Business Intelligence Applications currently serves 400 individual users
- For performance and business follow-up management by branch, Portfolio Manager and Head Office employee, over 1.000 daily analysis reports were issued automatically. In addition to reports such as Portfolio Manager Performance Scorecard, Deposit Performance Report, Retail Loans Performance Report, Discrepancy Report and Store Performance Report, the Bank started to issue other analyses in 2017 including Daily Report of Loan, Daily Report of Credit, Daily Report of Assets.

- SAS product was installed in 2017 to improve forecasting models and 10 forecasting models were developed for use by Retail Customer value Management, Retail Lending, and Credit Risk units.
- Self-serve data pools entailing more than 100 derived tables were created and made available to five departments as part of the effort to meet the Bank's self-serve analytics needs.
- As part of Big Data initiatives, the Bank began monitoring local and national news reports on commercial banking customers in real time and relay them to related departments as a warning.

2018 Goals

In 2018, the Business Solutions Unit will continue to identify the proper tactical projects and implement them under most favorable conditions in accordance with the Bank's strategic goals.

Major projects scheduled for 2018 include:

- Initiatives for compliance with new laws and regulations to take effect in 2018 and to address compliance findings,
- In line with its strategic goals, Odeabank aims to enhance the existing analytics applications, and develop new ones, on Big Data, Data Mining, Real-Time Decision Mechanisms, Business Intelligence platforms and Self-Serve Data Pools that were created to meet the Bank's analytics needs.

TRANSACTIONAL BANKING AND MERCHANT SERVICES

Transactional Banking continued its operations in 2017 with innovative products, exclusive services and flexible solutions in collection and payment transactions.



Shrinking profit margins in the banking industry render fee and commission income ever more significant. Focusing on successfully sustaining customer-oriented banking, Transactional Banking took on a prominent role in creating no-cost resources and minimizing operational costs in payment and collection transactions.

Collection Management Services

Odeabank partnered with the Social Security Institution (SGK) to enable customers to make their payments via multiple channels. After the systems integration, Bank customers became able to pay their premiums via credit card on the e-government portal (sgk.gov.tr). Additionally, a similar arrangement was made with the Revenue Administration to enable Odeabank customers to pay their motor vehicles and real property income taxes with Odeabank credit cards on the Administration's web site (gib.gov.tr).

Bank customers can also set up automatic payments to pay their SGK premiums. As a result, tax and SGK payments made via Odeabank jumped 15% year-on-year in 2017.

Payment Management Services

Odeabank's Bulk Payment System – "Yes Pay" – reduces operational workload on medium- and large-size companies that make payments to numerous suppliers. The Bulk Payment System enables companies to make electronic payments in a fast and safe manner. An end-to-end electronic payment environment is created through ERP integration, which enables customers and the Bank to boost operational efficiency while reducing costs.

In 2017, the number of Bulk Payment System customers at the Bank rose 30% over the previous year.

Management of Contracted Merchants and Corporate Cards

Pursuant to Revenue Administration communiqués numbered 69-70, taxpayers who use cash registers and use mobile POS devices will be required to use cash register POS devices starting in 2018, regardless of their turnover. As a result, the change of the POS continued in 2017. Odeabank aims to increase the number of its active POS customers during this process of change. The Bank provides service to more than 2,000 customers concerning their contracted merchant transactions. In 2017, Odeabank completed work on integrating its POS devices and ATMs with regular and contactless TROY cards, devised by the TROY national payment system.

In cooperation with Axxess loyalty program, Odeabank continues to expand its corporate card business. Corporate cards aim to facilitate the commercial activities of business owners and merchants, and offer them an alternative payment method.

In 2017, Odeabank rolled out the close-circuit corporate credit card, which enables fixed payment options – installments and future dated transactions – for sales between the parent company and dealers, to provide a guarantee of collection to parent companies.

2018 Goals

In 2018, the Bank plans to develop and sell products that have lower value at risk, provide loan guarantee, and that will allow the Bank to acquire new customers from the parent company's ecosystem. Such products include Buyer Credit Supplier Financing, Direct Debit System, Bulk Payment System, and Bulk Check Clearing.

The Bank is currently in the process of developing the Supplier Finance product. This offering will enable suppliers that provide goods and services to large commercial enterprises on a regular basis to discount their accounts receivables arising from sales to such companies.

This trade finance product will provide more flexible payment terms to corporate and commercial clients and earlier collection to suppliers while enabling the Bank to capture a larger share of customers' cash flow.

Odeabank plans to increase the number of companies that use the Direct Debit System, along with cost-free resources available in the ecosystem, in addition to the amount of commission income by overseeing industry and regional compliance.

As of year-end 2017, the Bank started to set rates for using the Bulk Payment System, which was offered at no cost in previous years to attract new customers and boost operational efficiency. This strategy will continue in 2018. Reducing operating costs by using digital channels and generating additional commission income are among the top priorities related to this product.

In terms of check payments, Odeabank aims to increase the share of tax and supplier payments by large corporate and commercial clients. The Bank plans to achieve this objective by boosting the share of big corporations and commercial customers that have high credibility scores (in the memzuc reports), in cost-free resources with high correlation coefficient while avoiding value at risk.

In 2018, Odeabank's POS and Contracted Merchant Management unit plans to expand its business with marketing and distribution companies through POS integration with other banks; carry out efforts and campaigns to increase corporate credit card usage; and develop close-circuit commercial cards tailored to the SME that are the clients of corporate and commercial companies.

In line with the goal of sustaining cost-free resources and commission income, the Transaction Banking unit plans to organize Round Table meetings with different business units and customers to raise awareness and boost the share of Transaction Banking products across the organization. These meetings are designed to bring large corporations and commercial companies that operate in different industries under the umbrella of a single platform in order to develop new products and services tailored to customers' needs.

In 2018, the Transaction Banking unit also aims to cooperate with other departments – such as Treasury, Financial Institutions and Project Finance – to develop new products and services that will create shared value by taking customer needs into account.

In addition to simple and understandable reporting, providing guidance to portfolio managers and business units in line with client needs and product/service trends will be the core sales and marketing strategy implemented by the Transaction Banking unit in 2018.



INFORMATION TECHNOLOGIES

Odeabank Information Technologies Unit operates in line with the Bank's overall strategies and in keeping with annually approved Technology Plan.

Responsible for Odeabank's hardware, software, communication network components, data centers and its outsourcing services, as well as keeping the systems up, running and updated 24/7, the Information Technologies Unit operates in line with the Bank's overall strategies and in keeping with annually approved Technology Plan.

In 2017, the Unit's activities included:

- In the framework that aims to meet the Bank's current and future needs, IFRM (Integrated Financial Resource Management) project's three modules, FTP (Fund Transfer Pricing), PFT (Profitability & Cost Allocation) ve ALM (Asset & Liability Management), were put into practice as a global package.
- On the Murex system where treasury transactions are executed, Baba-pi and Integration of Movables projects were taken to the production environment in a way to be integrated with the core banking software.
- Collection module was put into practice on the existing package for decision support systems and analytical solutions.
- The system required for IFRS 9 reporting was set up, with preparations for the data infrastructure now underway.
- The infrastructure of the Core Banking system, which was set up in the first half of 2017, was upgraded with three releases in June, September and December.
- All software changes were regularly tested before being put into the production environment, via Test Automation Software and regression scenarios.
- The Bank switched to a global platform for results monitoring in the software testing process.
- The Test Data Management (TDM) project was initiated to enable testing with more comprehensive data in testing environments; core banking data was used in the first phase of the project.
- Information System components related to critical banking systems are explored and modeled over the Configuration Management (CMDB) platform.
- The Bank implemented an Application Performance Management (APM) product aiming to: monitor and manage the software, hardware and network performance of critical banking applications via a single interface in an integrated manner; identify the root causes of other problems in a swift and accurate manner.
- An analytics-based approach to help desk services was adopted and existing processes were reconfigured accordingly.
- Security patches were implemented on application platforms to reduce IT risk.

- Critical applications in the Information System inventory were upgraded to higher versions.
- Stress testing was completed on newly added critical services together with business units.
- A new voice recording system was put into service in line with the Bank's business needs.
- The network infrastructure at the Data Center in Istanbul was improved to shorten the intervention period for possible problems, reduce the vulnerability of the communication network and lower unit port costs.
- A high-speed DWDM connection was established between the data centers in Istanbul and Ankara, leading to improved data replication capabilities and shorter synchronization times.
- Investments in the Bank's information security systems continued throughout the year.
- In 2017, the IT Help Desk responded to 32,946 calls from the head office, branches and DSF; in addition, it fulfilled 2,817 requests for access and authorization.

In 2018, the Information Technologies Department's goals include:

- The IFRM (Integrated Financial Resource Management) project's module LRM (Liquidity Risk Management) will be put into practice and the project will be commonly used in the bank.
- In the Murex system where treasury transactions are executed, limit control structure, additional reporting and integration work will continue.
- The system for reporting under IFRS 9 will be completed and launched.
- As part of software version management efforts, four planned transfers will be completed in 2018.
- New scenarios will be worked on to increase automation and testing part in regression testing by 80%.
- The Bank's Application Performance Management efforts are designed to reduce the failure rate in critical business applications to below 2%, and achieve at least 10% improvement in application response times, which impact user experience.
- The unit aims to expand the use of the Information Library into business processes, other than IT.
- Efforts to upgrade firmware, operating system, data base and other software running on IT systems to higher versions will continue.
- Implementation of new security measures for the banking industry will be prioritized.
- Efforts to upgrade and improve the network security infrastructure will continue in line with emerging needs.



FINANCE

Odeabank Finance Department is charged with managing and reporting all financial data, and ensuring a sustainable financial performance.



Responsible for the management and reporting of the Bank's all financial data and managing sustainable financial performance, Odeabank Finance Department consists of "Legal Reporting", "Accounting & Tax" and "Budget, Planning & Management Reporting" units.

The main functions and responsibilities of the units are as follows.

Legal Reporting

Legal Reporting unit is responsible for preparing daily, weekly and monthly legal reports to governing bodies like Banking Regulatory and Supervision Agency (BRSA), Central Bank of Turkey (CBT), Capital Markets Board, Credit Bureau and Undersecretary of Treasury. Legal Reporting is charged with responding to ad-hoc questions and requests received from legal authorities and transferring all information and data necessary on a timely and accurate basis.

Legal Reporting responds to the financial reporting demands of BRSA and CBT auditors; in addition, the Unit performs documented financial controls on the balance sheet and calculates general loan loss reserves on at the end of each month.

Odeabank Legal Reporting coordinates the external audit process at quarter-ends, leading the data, information flow and reporting needs of our auditors. In addition, the unit is using the SAP consolidation system to submit all financial data to the mother-company in Lebanon for the consolidation of the results of the Group.

Thanks to Legal Reporting's advanced technology systems, its approach to automation and high-quality human resources, Odeabank outperforms the sector in terms of minimizing the number of errors in report submissions; resolving errors quickly; and modifying reports as needed upon submission, according to BRSA data.

Accounting & Tax

The Accounting & Tax Unit is responsible for executing payments to service providers, suppliers and the Bank's employees. It also ensures the recognition of these in line with the Tekdüzen Account Plan. The Unit is staffed by four personnel. Additionally, Accounting & Tax is charged with improving processes related to the fully Internext-integrated Odeaforms system as the Bank's needs evolve or in the event of changes in the legal and regulatory environment. In 2017, Accounting & Tax processed more than 31 thousand transactions totaling TL 318 million via Odeaforms.

The Accounting & Tax Unit is responsible for executing controls, declaration and payment of taxes. Additionally, Accounting & Tax carries out the following of changes in tax regulations and the update of systematic parameters real timely.

The Accounting and Tax Unit provides data to the auditor for the tax audit process at the end of the terms and coordinated the process. It also follows up the Bank's fixed assets range in accordance to the accounting, calculates and makes the accounting of amortisement as in the legislation of Banking Regulation and Supervision Agency.

The Unit functions in coordination with business lines, provides support in new product development, accounting and tax regulations. In addition, the Unit also supports the testing period in the core banking system.

Placing a great emphasis on automating procedures, the Accounting & Tax Unit has joined the e-ledger and e-invoice schemes, integrated its own systems to these, and become capable of performing numerous time-consuming processes in an automatic, error-free fashion.

Budget, Planning & Management Reporting

Providing multifaceted analysis of the operating results and the results of the strategies to follow, Budget and Planning Unit ensures that the Bank's decision making process is supported with necessary financial data.

The Unit performs Financial Planning and Analysis activities under three categories:

Budgeting

The annual budgeting process starts in late third quarter of the reporting year and is completed prior to the end of the year upon the approval of the Board of Directors. The Unit runs the budget process with vast coordination throughout the Bank, making sure that all planned activities of profit centers and cost centers are taken into account, are reflected properly in the budgeted financial statements and are aligned with the overall strategy of the Bank and the Group. The actual performance in comparison with the budget is closely monitored throughout the year to keep the financial planning of the Bank up-to-date with the changing conditions of local and international financial markets, and changes in the Bank's strategies.

During the budget period, the Unit implements a strong cost control process to ensure effective cost management in line with the financial planning of the Bank. During this control effort, the Bank conducts detailed budget controls before proceeding with each purchasing and invoicing activity.

ALCO Reporting

The Budget and Planning Unit provides the Asset and Liability Committee (ALCO) with daily, weekly and monthly reports on the evolution of the Bank's balance sheet and income statement, as well as a comprehensive financial information pack, to help the latter in its management decisions.

This information pack includes data on asset yields, liability costs and the resulting balance sheet spread at the Bank level as well as by business line and product.

The Budget and Planning Unit also fulfills the secretariat role for ALCO, keeping the minutes at weekly ALCO meetings, and manages the transfer pricing of banking products in line with ALCO decisions.

Profitability Management

In addition to the correct analysis of the Bank's overall performance, the accurate measurement of the performance of business lines in charge of various banking services and products is also critical to ensure that the Bank can attain its strategic goals through efficient, productive management.

Establishing these product and business line profitability analyses on the right methods and formulating the effective solutions to implement these methods rank among the Bank's foremost ongoing activities.

The performance of business lines and products are measured through the net interest revenue calculated by the fund transfer pricing mechanism, the non-interest revenue generated by banking services, and operational expenses based on cost distribution. As such, it becomes possible to analyze their separate contribution to the Bank's overall performance.

2017 marked a major milestone in the efforts to restructure Profitability Management at a more advanced level. Implementation and testing of the Integrated Finance and Risk Systems (IFRS), which commenced in 2016, were successfully completed; pilot implementation started at year-end 2017. This advanced solution, which is scheduled to go live in 2018 across the organization, will provide an integrated and multifaceted daily profitability reporting and monitoring tool. The dynamic and multifaceted Fund Transfer Pricing Mechanism and the process-based cost allocation method are built into the solution. As a result, it will be possible to monitor profitability, from customer account level to business unit level, by obtaining results that can be managed accurately and used for developing strategies.

TREASURY AND CAPITAL MARKETS

The Treasury Sales Unit ensures that Corporate & Commercial Banking and SME Banking clients are provided with quality information on risk management topics.



The Treasury and Capital Markets Group are structured under three units namely, Balance Sheet Management Unit, Markets Unit and Treasury Sales Unit.

The Balance Sheet Management Unit

The Balance Sheet Management Unit is responsible, within the framework of the general policies of the Bank, for ensuring that the TL and FX liquidity of the Bank is maintained in a sustainable and healthy way and for meeting the obligations (balance sheet ratios, required reserves etc.) as stipulated by regulations and legislations. It manages the Bank's positions stemming from excess liquidity or the lack of it that might arise in the short or middle term.

The Markets Unit

The Markets Unit trades in interbank markets in line with the profit goals and within the limits determined by the Board of Directors of the Bank including derivatives such as spot and forward foreign exchange transactions, arbitrage, FX / interest rate swaps, Treasury Bills, Government bonds, Eurobonds, Cross Currency Swaps and options. The Markets unit also provides price quotations for all products it trades through the Treasury Sales unit for branch and direct Treasury customers. It disseminates prices to the Bank's branches and to the alternative distribution channels for such products as the Bank provides pricing services to customers, the foreign exchange buying/selling, arbitrage, Treasury bills, Government Bonds, Eurobonds.

The Treasury Sales Unit

The Treasury Sales Unit has basically the functions of pricing transactions like spot FX, forward FX, arbitrage, forward arbitrage, FX / interest rate swaps, Treasury bills, Government bonds, Eurobonds, Cross Currency Swaps for bank customers; designing and offering customers of structured products for managing foreign exchange, and interest rate risks or yield enhancement. Along with the portfolio representatives working in the branch, the Unit identifies the needs of customers for Treasury products in a healthy way and provides them with the best fit products to manage their foreign exchange and interest rate risks in the competitive market. Odeabank Treasury Sales visits branch locations and customers regularly; updates Bank customers and branch personnel on current trends and developments in the financial markets; explains the technical features of and provides other information on the Bank's financial products.

Continuously improving the quality of its services with its competitive pricing strategy, rich product range and close relationships with customers, Treasury Sales Unit makes sure Corporate and Commercial Banking, and SME banking customers are provided with information in risk management topics; and structures necessary products as it offers its customers solutions for balance sheet management and potential financial risks.

FINANCIAL INSTITUTIONS AND FUNDING

In July 2017, Odeabank was assigned its first credit ratings by international credit rating agencies Fitch Ratings and Moody's, further strengthening its position among Turkish banks and international financial institutions.

Funding Sources

- USD 1.1 billion of funding was obtained from international financial institutions in 2017. Share of long term international funding reached 31% as of year-end 2017.
- In July 2017, Odeabank was assigned its first credit ratings by international credit rating agencies Fitch Ratings and Moody's, further bolstering its position among Turkish banks and international financial institutions. Fitch Ratings and Moody's respectively assigned BB- and Ba3 credit ratings to Odeabank by taking into account the Bank's strong economic outlook, cautious risk management and sustainable profitability.
- Celebrating its 5th anniversary in 2017, Odeabank completed its debut capital markets issuance in international markets in August. Odeabank raised US\$ 300 million in a 144a/RegS and 10-year Basel III-compliant Tier II issuance. The Bank's inaugural Tier II issuance was placed successfully with international investors.
- In addition to long-term funding, the Bank raised funding with alternative structures and maturities from international banks.

Foreign Trade Funding

Odeabank supports foreign trade transactions of its customers and offers tailor made financing solutions. The Bank also participates in foreign trade finance support program of Eximbank and CBRT to deliver to customers.

2018 Goals

Odeabank aims to diversify its funding structure in line with market conditions in 2018.



TRADE FINANCE

Odeabank intermediates the transactions for nearly 3,000 clients in their international trade with over 50 countries.



In 2017, Odeabank's Trade Finance department carried out its activities in increasing penetration with existing customer base and acquiring new customers by providing full range of product, sales and marketing support and coordination for its corporate, commercial and SME clients through its branch network.

With the aim of new customer acquisition and increasing existing customer penetration, Trade Finance department actively pays client visits together with the Branches, organizes trainings for the network, monitors the trends, market requirements and trade corridors, pro-actively participates in trade events and sponsors global and local trade organizations also serves traditional and structured products in line with the changing market dynamics and customer needs.

Extensive Product Suite

Odeabank has a wide range of trade finance products for import and export financing.

Odeabank has a special focus in Middle East and North Africa region in line with Bank Audi Group. Bank Audi Group's experience, strong existence, extensive knowledge and ongoing long-established relationships in the region provides a major value-add for Odeabank's customers' trade businesses in these countries through secure and customized solutions compliant with the laws and regulations within those countries.

Middle East and North Africa Region which continuously increases its share in Turkey's total trade volume and exports, is playing a strategic role and having a priority in the growth targets of Odeabank in line with the expertise over the region which differentiates Odeabank from the local competition.

The African continent and the Middle Eastern countries – which are Turkey's foreign trade targets for the upcoming years – are regions that provide the only positive foreign trade balance for our country, and thus they are Odeabank's primary target regions. In addition to Middle East and North Africa region, all other developed and emerging markets also play a crucial role for Odeabank.

Primary Focus on Commodity Trade Finance

The primary industries targeted by Odeabank in its trade finance business are the sectors that shape the commodities trading such as iron & steel and its raw materials, petroleum and petroleum products, chemicals, coal and agricultural products. Additionally, infrastructure is also an important business line where the Odeabank actively serves for its clients' needs by issuing letter of guarantees in favor of overseas contracting businesses and infrastructure projects.

Intermediating in the transactions of nearly 3,000 trade finance customers to more than 50 countries, Odeabank reported a total trade finance volume of US\$ 2,5 billion as 2017 year-end. The Bank forecasts 50% growth in trade finance commissions in 2018 via new customer acquisitions, an increased trade finance volume, new products and new funding sources.

PROJECT AND STRUCTURED FINANCE

The Project and Structured Finance Unit has reviewed over 450 deals in different areas and generated financing of over USD 1.4 billion in the 28 projects it has finalized.

Project and Structured Finance Unit strives to establish long-term relationships with clients by delivering wide range of long-term financing solutions that meet the needs of Corporate and Commercial customers as well as private equity funds with a results-oriented, expeditious and innovative approach.

Since the Bank's founding, the Project and Structured Finance Unit has reviewed more than 450 deals to date, in a range of sectors, including energy, commercial real estate, services, and corporate acquisitions. The Unit has supported the sustainable growth of Turkey with its extensive product range in Project Financing, Acquisition Financing, Privatization Financing, Syndications and Long-Term Structuring.

From the Bank's establishment until end-2017, the Project and Structured Finance Unit has completed 28 deals of various sizes and sectors with a total loan book of over USD 1.4 billion so far. Most of these deals are in energy sector finance, such as energy generation projects and natural gas distribution projects. Odeabank played an active role in the syndication deals for Turkey's prominent industrial firms, service compa-

nies and holdings, acquisition financing deals of companies leading their sectors, and various commercial real estate projects.

In line with the Bank's growth strategy and fast growing demand, Odeabank's support to structured finance clients will continue to expand in 2018 thanks to its project financing experience in a wide range of sectors. The following sectors will be given priority:

- Renewable energy projects (primarily geothermal, wind and hydroelectric power plants)
- Thermal power plants employing local resources
- Corporate acquisitions (private equity fund deals)
- Infrastructure projects
- Privatizations
- Commercial real estate projects (shopping mall, hotel and office projects)
- Long-term investments of industrial companies
- Restructuring deals

ECONOMIC RESEARCH AND STRATEGIC PLANNING

The Economic Research and Strategic Planning Unit assist Odeabank in providing value added services to foreign customers.

Odeabank Economic Research & Strategic Planning is responsible for developing the Bank's balance sheet, investment and corporate strategies. It formulates the proper strategies and conducts the economic research required in order to assist Odeabank in reaching its profitability and growth performance targets. By conducting macroeconomic research, Economic Research & Strategic Planning generates forecast sets, and analyzes their impacts on the banking industry and on Odeabank.

By conducting Turkish banking sector analyses, identifying market tendencies, and generating forecasts and projections, Economic Research & Strategic Planning Unit analyzes the Bank's performance periodically in comparison with competitor banks; briefs senior management on economic and industry developments via regular reports; and informs senior management about domestic and international developments that may prompt a change in strategy. It also provides content support in press releases issued by the senior management as well as in corporate branding efforts. By sharing legal, regulatory and rule changes that will affect business flows with analyses and assessing business development projects planned by the Bank's business lines, Economic Research & Strategic Planning provides support to the Bank's key decision makers with analy-

ses on initiatives that require financial consultancy. It is also charged with evaluating strategic corporate initiatives under different scenarios and presenting its findings to decision makers.

As one of the rare institutions in Turkey's banking industry that publishes its economic research reports in both Turkish and English, Odeabank Economic Research & Strategic Planning provides support to requests for reports, analyses, data, interviews and presentations by both internal and external customers. As a result, it helps the Bank provide a value added service to its domestic and foreign clients.

Economic Research & Strategic Planning represented the Bank on a series of domestic and international platforms with this approach in 2017. This exposure helped it gain prominence internationally with its unique in-depth studies and insightful forecasts.

Economic Research & Strategic Planning plans to continue helping Odeabank achieve its goals at an increasing pace. In addition, it will continue supporting Odeabank's brand image in the domestic and international arena in 2018 with its analytical and value added studies.

OPERATIONS

All Odeabank operational teams embrace a minimize risk-maximize efficiency approach.

All operational teams at the Bank operate with a minimize risk-maximize efficiency approach; prioritize internal and external customer satisfaction; and ensure that transactions are completed in a fast, high quality way without any problems.

The Bank carried out the following projects in 2017:

- By making customer satisfaction-oriented system modifications, process and systems integration improved and SLA-based upgrades were conducted.
- By rendering operations more effective, efficient and faster, savings were achieved in labor and tangible resources.
- Certain risks, identified primarily by Audit Units, were minimized or eliminated.
- Sales activities and campaigns carried out by Branch Operation staff as part of "Sales at the Counter" efforts were brought to a robust level thanks to sales-savvy operations personnel. Some 300,000 transactions (product sales & collections) were performed.
- Individual sales targets were set and sales targets were allocated to staff according to their workload.
- Net Promoter Score (NPS) measurements were prioritized for counters. Counter service satisfaction has attained the successful and consistent score of 98%, making the Bank one of the top NPS performers in counter sales performance across the industry. The problems expressed during calls were communicated to the units in charge and permanent solutions were reached.
- The Head Office was regularly informed about effective operations by the Risk Committee, which was set up to expand data exchange by increasing communication between the operations teams and marketing teams at the branches.
- The Bank achieved FTE & Score Card progress thanks to close follow-up and efficient NORM Management; both branch and Head Office teams were managed with a focus on efficiency and quality.
- Significant progress was made in missing documents in the category of "Difference." Comprehensive work was done during the year related to missing information and documentation. The missing document ratio was brought from unacceptable to acceptable levels for all channels and products.
- In order to increase employee loyalty, all operations and support services staff were encouraged to share their opinions, suggestions and projects; those that were deemed to add significant value, enhance performance or make a difference received awards.
- Several mandatory projects were completed and legal requirements relating to E-TMSF, E-SGK were fulfilled, including the use of QR codes on checks.
- Operational teams executed a comprehensive project related to the protection of personal data.
- Efforts and actions were undertaken to replace printed statements with e-statements to reduce paper consumption, in line with the Bank's environmentally friendly policies.
- While serving internal and external customers in 2017, we tried to conduct high quality business processes with no errors.
- For operation staff at branches and operation teams at the HQ, detailed internal customer satisfaction surveys were conducted and feedback was meticulously evaluated for continuous development and improvement; based on the findings, necessary actions were taken.
- With the belief that correct data is an important asset, periodic data modification and verification efforts were carried out to make sure that customer information is accurate and is up-to-date.

All field operation staff were informed as a whole in meetings held collectively in the regions or at centers; thus, efforts were conducted to foster a team spirit so that personnel all work toward the same goals.

- Training was an area of focus during the year. Trainings were held for operations with regard to products, processes and systems. By receiving support from other units of the Bank on legal, regulatory and risk management issues, staff were given the opportunity to self-develop. Trainings were conducted by external companies or institutions in order to increase competencies among employees.
- All field operation staff were informed as a whole in meetings held collectively in the regions or at centers; thus, efforts were conducted to foster a team spirit so that personnel all work toward the same goals.
- Marketing-Operations Coordination Meetings were held with the staff working in the marketing department at the Bank's branches. A platform to initiate mutual understanding and to express expectations was created for these two teams that need to work in coordination. In addition to these meetings, the Bank organized single day orientation programs for the marketing staff contingent of Head Office Operation teams.
- Compliance with SLA durations determined on the basis of unit, product and transaction were measured on a monthly basis with compliance percentages regularly shared with Bank personnel. The compliance average was brought up from 95% at year-end 2016 to 97% at year-end 2017.
- Branch and Head Office Operation staff shared several suggestions on the FIDE (Your Idea is Valuable) suggestion sharing platform. The FIDE committee approved these suggestions with the highest value add after a thorough analysis.
- Work on outsource firm contract review and revision continued; compliance with the SLA and penalty articles in the contract and additional protocols was monitored closely.
- The Bank regularly measured the "return to branch" ratio, which shows the percentage of missing/deficient transactions sent back to branches by Head Office Operations personnel. Efforts were expended to prevent inefficiencies, shorten transaction duration and enhance customer satisfaction. As a result, by year-end, the missing transaction ratio dropped to one-fourth of the figure recorded in January.
- Commerzbank presented an STP Award and KBC Bank Euro STP Excellence Award to the Bank for its high straight through processing rate in foreign currency transfer transactions.

In 2018, the following projects are planned:

- Systems-process improvements and centralization efforts will continue.
- The performance management system will be restructured and improved.
- Permanent staff members will be managed to achieve maximum efficiency.
- Legal projects will be prioritized and all resources will be mobilized to complete them on time (e.g. e-customs, e-justice, electronic letter of guarantee project carried out by the Credit Bureau, et al.).

ORGANIZATION, PROCESS DEVELOPMENT AND PERFORMANCE MANAGEMENT

In 2017, the Organization, Process Development and Performance Management Unit continued to keep Odeabank's written procedures and processes up to date, while providing effective project coordination between other units of the Bank.

In line with the Bank's strategies; Organization, Process Development and Performance Management is responsible for bringing forward project and improvement recommendations that will create added value for the Bank, performing the necessary follow-up and coordination to put these into practice, keeping the Bank's written procedures and processes up to date, and establish a successful and efficient communication with other Bank units. The main activities carried out by the Unit's subdivisions are as follows:

Organization Process Development

The Organization Unit is responsible for coordinating the version tracking, announcement and publication of the Bank's policies, procedures, form documents and processes. It evaluates user authorization requests on the main banking system and applications integrated with this system. Furthermore, the Unit supports projects run in the Bank and contributes as the project lead or as the coordinator between other units.

The Organization Unit is responsible for user briefings and screen/flow trainings. As such, the Unit designs and implements on-the-job and classroom training as well as training videos about new flows, modules and business models.

The Process Development Unit is in charge of analyzing all banking and service support processes and developing improvement recommendations that create added value, and calculating the potential time and cost savings from such recommendations, and coordinating and overseeing the implementation of these recommendations together with relevant units. In addition to projects that aim to improve current processes and making them align with new regulations, the Unit also participates in the management and implementation of projects, which involve the integration of new decisions, management and operating models with the Bank's processes.

Performance Management

The Performance Management Unit is in charge of establishing the necessary structures that will enable the head office and branch units to work with a performance-oriented mindset and deliver high quality and efficient results. The Unit is also in charge of developing new products and processes.

Scorecard was developed to ensure "effective, transparent, fair and quantifiable" year-end performance assessment of operations staff at the branches. The scorecard reports include monthly and per employee workload measurement reports, assigning of operational staff to branches, determine permanent staff needs, deciding on the sources for sales from counters and collection calls, then setting business goals, the follow up of sales from counters and collection calls, and performance reports.

The main issues to be focused on in 2018:

Organization, Process Development and Performance Management department will continue playing an active role in introducing new business models and innovative processes to the Bank, supporting business units in parallel with the Bank's growth, and carrying out activities that create added value to boost efficiency and service quality.

INTERNAL SERVICES AND BANKING SUPPORT, VALUATION AND MORTGAGE

In line with Odeabank's core targets, strategy and goals, the Internal Services and Banking Support Department provides all kinds of support services on any kind of processes such as security, procurement, valuation- hypothec and administrative affairs.

In 2017, the Internal Services and Banking Support, Valuation and Mortgage departments focused on the following issues:

Procurement:

- A continuous effort for extra discounts for all new procurements was pursued in 2017.
- Additional savings were generated via retrospective negotiations for ongoing contracts.
- In order to automate warehouse inventory follow-up, work was made to integrate the procurement system and warehouse system.
- Due to currency volatility, agreements were signed with suppliers to fix the exchange rates.
- Pursuant to its contract management responsibility, the Unit oversaw the contracts signed between Odeabank and 3rd parties.

Security:

- Electronic security spending was reduced by 60% thanks to the adjustments made to the 2017 Electronic Security Budget.
- The permanent security workforce was formed according to the existing structure, which, based on security risk analysis, is the minimum acceptable staff size.
- Cost savings were achieved in five months by changing the opening hours of 14 branches; these savings made up about 2% of total security-related overtime expenses in 2017.
- Due to currency volatility, agreements were signed with ESS (Electronic Security System) suppliers to fix the exchange rates.
- Emergency evacuation procedures were updated and evacuation drills were conducted at nine branches in Istanbul and at the head office.
- Procedures on CCTV Recording and Monitoring (P-GEN.31) and Expatriate Security (P-GEN.23) were updated.
- Maintenance/licensing of ACS (Access Card System)/CCTV and Alarm Systems were completed.
- A project was initiated to transfer and move ACS (Access Card System) servers to a virtual environment in collaboration with the IT Department.
- The Unit began to prepare monthly Security Assessment Reports in Turkish and English and share them with the senior management.

Administrative Affairs:

- Optimization of cleaning and kitchen staff was carried out during the year.
- In personnel shuttle services, contracts and routes were improved; as a result, staff satisfaction increased.
- The Lien Inquiry, Credit Notification documents were scanned to rota plus for Operations department.
- Improvements were made in fringe benefit provision related to vehicles and telephones; car rental costs were cut by a significant margin.
- The Unit began monitoring the entire inventory via the inventory management system.

Valuation and Mortgage:

- Field experts were included in the electronic signature project, eliminating the need to archive report print-outs.
- In 2017, 63 real estate properties were sold.
- An e-tendering system was developed and launched in collaboration with Key Yazılım.
- Three real estate properties were purchased due to non-performing loans.
- Some 3,444 appraisal reports were commissioned in 2017.
- The TAKBİS automatic periodic inquiry feature was further improved.
- TAKPAS integration related to the home appraisal project was completed.
- TAKBİS inquiries for 80,876 real estate properties were carried out during the year.
- Testing of the e-collection project commenced under the e-collection agreement signed with the General Directorate of Land Registry and Cadastre.
- The semi-automated demand distribution structure was set up, as required by BRSA regulations.
- Odeabank issued 1,942 real estate mortgage documents.
- The Bank issued mortgage release documents for 2,765 real estate properties.

The following projects will be carried out in 2018:

- In order to ensure that business units run their operations efficiently, the Internal Services and Banking Support Department will continue to provide all kinds of support services in a fast manner and at the highest level of quality possible.
- In 2018, the departments will strive to provide maximum contribution to realizing the goals and strategies of business units and the Bank in accordance with the Bank's mission, vision and policies, and add new qualified suppliers to its portfolio to further strengthen the Bank's competitive edge; the Department will continue to run its operations in full compliance with ethical principles.
- In 2018, the Unit plans to reduce the annual maintenance costs of electronic security systems by 25%.
- The Unit aims to formulate Odeabank's Security Policy and raise employee awareness about security. To that end, the Unit plans to organize a "Security Awareness Week" in cooperation with Human Resources and other relevant departments.
- A video titled "A Day in the Life of a Security Guard" will be filmed and used for training security guards to provide the staff with a new video training opportunity.
- The Unit plans to review the security practices implemented by Bank Audi in other countries, within time and budget limitations. The aim is to begin developing best practices and creating shared security scenarios/standards.
- Improvements will continue in personnel shuttle services, with routes and vehicle monitoring methods upgraded.
- Further optimization efforts will be made in fringe benefits related to cars and telephones.
- A Supplier Portal integrated with the inventory management system will be launched, with necessary training provided and relevant procedures updated.
- Administrative Affairs Procedures will be updated.
- The E-Release Project will be launched under the e-release agreement signed with the General Directorate of Land Registry and Cadastre.
- The Bank also plans to initiate an e-mortgage project under an agreement with the General Directorate of Land Registry and Cadastre.



CONSTRUCTION AND REAL ESTATE

The Bank launched the Manisa, Ankara Ümitköy Branches in 2017, expanding the total branch network to 47 locations.

In 2017, the main areas of focus included:

- The Manisa, Ankara Ümitköy Branches were launched. The Cevahir İstanbul GOP, Mecidiyeköy, Kayseri, İzmit Branches were closed.
- Beşiktaş Çarşı was relocated to its new address on İhlamurdere Avenue.
- In line with demands from the Bank's business lines, renovations on the Head Office floors and additional floor repairs were carried out in the branches.
- As a result of negotiations in 2017, the lease amounts for the branches were reduced by a significant margin.
- Following an efficient study with the firms responsible for Head Office and branch maintenance and repair, time to intervene in breakdowns was shortened and internal customer satisfaction was enhanced.
- A project to enhance accessibility at branch locations was initiated to comply with legal and regulatory requirements.
- A remote monitoring system was set up at the Bank's branches to monitor UPS systems and power generators. The system enables prompt intervention when a fault is detected in addition to energy savings.
- The Bank's unit price list and general specifications/terms and conditions were updated in accordance with market conditions. Despite the increases in CPI and WPI, and foreign exchange rates, square meter prices remain unchanged.

In 2018, these areas will be prioritized:

- Actions will be planned for branches to be used in the most efficient way in accordance with the demands from the Bank's business units.
- Efforts to reduce branch and head office expenses will continue.
- Location alternatives will be evaluated to make Contact Center operations more efficient and economical.

CORPORATE COMMUNICATIONS AND MARKETING

In 2017, Odeabank won a total of 17 awards – including four gold, the “Grand Stevie” and “People’s Choice” awards – at the International Business/“Stevie” Awards, one of the most prestigious competitions in the international business world. As a result, Odeabank was the Turkish company to receive the largest number of awards at this high profile event.

Corporate Communications and Marketing performs for publicizing the Bank through advertising and PR activities, conveying clear and accurate news and information about the Bank in compliance with the Bank’s mission, vision, targets and strategy and as well as managed in-house communications.

The Corporate Communications and Marketing Department responsible for market analysis, competitor analysis, brand management, reputation management, management of the public relations processes and the management of the communication budget of the Bank’s business units, actively managed all initiatives that will contribute to the Bank’s recognition and visibility.

In 2017, Corporate Communication & Marketing conducted promotional campaigns targeting the Retail Banking segment for Cash Ready, “Oksijen” Account, Bank’O Atlas and Direct Banking channels. In 2017, Corporate Communication & Marketing – which plays an active role in all Odeabank business activities, public relations efforts and sponsorship management for the general public or for specific groups – arranged the sponsorship communication of the Galatasaray Men’s and Women’s Basketball Teams, 2016-2017 THY EuroLeague and the Final4, which will take place in Istanbul on 19-21 May.

Corporate Communication & Marketing manages Odeabank’s website, intranet portal and all digital projects that have marketing purposes; in addition, it manages the social media accounts of Odeabank and Bank’O Card. In 2016, Odeabank executed digital video projects and game fictions in order to introduce the Bank’s products and services, as well as sponsorships, while a wide audience was reached via social media.

Under press relations efforts in 2017, the Bank issued press releases in line with the new projects, products and services; arranged press interviews with senior management.

The Bank’s arts platform O’Art hosted exhibitions throughout the year and welcomed the representatives of contemporary art. Additionally, the second edition of the O’Art Art Competition, which is designed to support young artists, was held, generating significant interest from across the country. O’Art will continue to hold talks and exhibitions in 2018, thus contributing to Turkish art and artists.

Corporate Communication & Marketing arranged the design and production of all obligatory printed materials of the Bank as well as all marketing purposed promotional materials of the Bank’s individual departments.

In 2017, various gifts and ticket discounts were offered to and sports events were organized for Bank employees via the internal communication platform Club’O. Special monthly surprises were prepared for Mondays and Fridays while discounts were offered at various shopping points for different sectors.

Odeabank’s achievements in such a short time were recognized with several national and international awards in 2016. In 2017, Odeabank won a total of 17 awards, including four gold awards, “Grand Stevie” and “People’s Choice” awards, at the International Business (Stevie) Awards, one of the most prestigious competitions in the international business world. As such, Odeabank became the Turkish company to receive the largest number of awards at this prestigious event.

The Corporate Communications and Marketing Department will continue to undertake projects that will make a positive contribution to the Bank’s recognition and brand perception in 2018.

LEGAL

The Legal Department submits legal opinions and provides the necessary notifications to ensure that daily banking transactions are conducted in line with applicable laws, rules and regulations.



The department draws up, negotiates and concludes contracts with regard the banking products presented by the Bank's headquarters units and branches and the contracts concerning the purchase of all goods and services needed by the Bank to execute its operations. In addition, it prepares and revises all the Bank's printed or non-printed framework contracts.

Submits legal opinions/studies to headquarters units and branches on subjects where needed; sends notices for the harmonization of daily banking transactions with the respective legal legislations.

The Legal Department keeps track of the process of arranging and modifying all kinds of contracts – in issues concerning the Bank – to be signed with companies within and outside the country, loan agreements and ISDA contracts in particular. If necessary, it ensures coordination and collaborates with foreign law firms in resolving legal disputes abroad.

The Legal Department monitors legal and regulatory changes and precedents that concern the Banking sector, and informs relevant headquarters business units. When necessary, it guides the relevant units to prepare an announcement in the Bank in accordance with applicable regulations.

Legal Department evaluates: i) whether new products and services are in conformity with the applicable legal and regulatory requirement or not; ii) the potential legal risks about the content and application of the products/services; and iii) the legal documents required within the scope of the products/services.

Legal Department peruses the Bank's instructions, regulations, forms and general information sets in legal aspects, and updates them. Lays out the legal groundwork for all products, services and projects embodied by the Bank. The Department also fulfills duties to do with branch opening, moving and closing of transactions.

The Legal Department coordinated the organization of an Ordinary General Assembly meeting, and an Extraordinary General Assembly meeting held in 2017. It also ensured that the Articles of Association were amended in conformity with legal and regulatory requirements. In addition, Legal Department coordinated the process of organizing six Board of Directors meetings and the process of making a decision in the Board of Directors by circulation.

With regard to branches that were closed, the Department dissolved the lease contracts, cancelled legal representation, finalized the registration process at the Trade Registry Offices, and also undertook the coordination of passing the required board of directors' resolutions, prepared, registered and completed the notarial transactions of signature circulars for other existing branch officials.

In this framework, during the foundation of the Bank, the Legal Department worked on the composition of all credit and guarantee agreements needed by the Bank, the negotiation and signature of all contracts for the purchase of goods and services; supported the drafting of the agreements/documents necessary for developing banking products, brand and domain name registrations and provided opinions to related units.

In 2017, Legal Department worked on the framework contracts and legal texts that will be established or revised in line with legal changes or the Bank's needs. Furthermore, the Capital Markets Trading Framework Agreement was issued; and there is ongoing work to update it according to the latest changes in the legislation. The final version will be published after being approved by the related units.

In 2017, the Legal Department's Litigation Unit followed up on the progress of the lawsuits (cases unrelated to loan obligations) filed by or against the Bank; provided legal advisory and guidance to the Human Resources Department on employee related processes, such as mutual rescission agreements, termination of labor contracts, written warnings, and the like; responded to warnings issued against the Bank about matters that are not related to loans; provided legal advisory and guidance to the Customer Inquiry Management unit on matters such as reimbursement of expenses pursuant to the Consumer Protection Law, contesting the resolutions issued by THH (Arbitration Committee For Consumers), complaints related to debt termination, and the like; and reported criminal acts such as forgery, fraud, fraudulent use of bank cards on behalf of the Bank.



02

**INFORMATION REGARDING
MANAGEMENT AND
CORPORATE GOVERNANCE
PRACTICES**



PROFESSIONAL CORPORATE GOVERNANCE PRACTICES

*Corporate governance inline with international
best practices with a strong and
committed sharehoder and an experienced
and dynamic team.*

BOARD MEMBERS, SENIOR MANAGEMENT AND AUDITORS

Name	Position	Duty	Assignment Date	Education
Samir Hanna		Board Chairman	24.05.2012	High School
Ayşe Korkmaz		Vice-Chairman of the Board*	20.12.2017	Bachelor's Degree
Dr. Freddie Baz		Board Member	07.06.2012	Ph.D
Dr. Marwan Ghandour		Board Member	24.05.2012	Ph.D
Dr. Imad Itani		Board Member	24.05.2012	Ph.D
Khalil El Debs		Board Member	25.03.2014	Master's Degree
Elia Samaha		Board Member	10.07.2014	Bachelor's Degree
Philippe El-Khoury		Board Member	28.03.2016	Master's Degree
Aristeidis Vourakis		Board Member	28.04.2017	Master's Degree
Bülent Adanır		Board Member	28.04.2017	Master's Degree
Guy Charles Harington		Board Member**	28.04.2017	Master's Degree
Naim Hakim		Deputy General Manager***	20.12.2017	Master's Degree
Yalçın Avcı		AGM in charge of Corporate and Commercial Banking	07.06.2012	Master's Degree
Cem Muratoğlu		AGM in charge of Retail Banking	18.06.2012	Master's Degree
Gökhan Sun		AGM in charge of SME Banking	28.04.2016	Master's Degree
Alpaslan Yurdagül		AGM in charge of Credits, Project Finance, Financial Institutions****	07.06.2012	Master's Degree
Fevzi Tayfun Küçük		AGM in charge of Direct Banking, Business Solutions, Transactions Banking and Information Technologies	07.06.2012	Master's Degree
Gökhan Erkıralp		AGM in charge of Treasury and Capital Markets	07.06.2012	Bachelor's Degree
Tolga Usluer		Director, Head of Internal Audit	10.07.2017	Master's Degree
Vural Göral		Director, Head of Internal Control and Compliance	16.09.2013	Master's Degree
Kıvanç Eren		Credit Risk Senior Manager, Risk Management	16.07.2012	Master's Degree
Tolga Aktürk		Market & ALM Risk Senior Manager, Risk Management	01.10.2016	Master's Degree
Sevim Doğaner		Manager, Information Security	01.10.2015	Master's Degree

* As of December 20, 2017, Ms. Ayşe KORKMAZ has been appointed as Vice Chairman of the Board of Directors and Mr. Marwan GHANDOUR has been appointed as Member of the Board of Directors.

** As of January 18, 2018 Mr. Guy Charles HARRINGTON resigned and was replaced by Mrs. Dragica Pilipovic-CHAFFEY as a Member of the Board of Directors.

*** Mr. Hüseyin ÖZKAYA resigned from the position of General Manager on 20.12.2017.

**** Pursuant to the resolution taken by the Board of Directors dated December 20, 2017, Mr. Alpaslan YURDAGÜL, who was serving as Assistant General Manager responsible for Financial Institutions and Investment Banking, has been assigned such that Mr. Yurdagül is responsible for the Credits in addition to his current duties.



Mr. Samir Hanna

Chairman of the Board of Directors, Chairman of the Remuneration Committee

Samir Hanna, joined Bank Audi Group, Lebanon ("Bank Audi") in January 1963. He held several managerial and executive positions across various departments of the Bank. He was appointed General Manager of Bank Audi in 1986 and member of its Board of Directors in 1990. In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi, transforming it into a strong banking powerhouse offering universal banking products and services including Corporate, Commercial, Retail, Investment, and Private Banking.

He grew Bank Audi Group to its current position as the largest bank in Lebanon (and among the top 20 Arab banking groups), with presence in 11 countries, consolidated assets exceeding USD 45 billion, consolidated deposits exceeding USD 37 billion, group staff headcount exceeding 6,000 employees. Samir Hanna is also member of the Board of Directors of several affiliates of Bank Audi Group. He currently serves as the Group Chief Executive Officer and the Chairman of the Group Executive Committee of the Bank Audi Group, and heads all aspects of the Group's Executive Management. Since its establishment in 2012, he has been Chairman of the Board of Directors of Odea Bank A.Ş. and a founding member.



Ayşe Korkmaz

Vice Chairman of the Board, Member of the Audit Committee, Member of Risk Committee

Born in 1973 in Aydın, Ayşe Korkmaz graduated from the Ankara Anadolu High School in 1991. She graduated from the Business Administration Department of the Political Sciences Faculty of Ankara University in 1995. Her career began in 1996 as an Assistant Certified Auditor of banks at the Banking Regulation and Supervision Agency. In 1999, she was appointed as a Certified Auditor of banks, which she held until September of 2003. In September 2003, she was employed as the Auditing Coordinator of TEB Financial Investments A.Ş., and then headed the Harmonization Internal Control Group of Türkiye Ekonomi Bankası A.Ş. from 2006 to 2012. Between June 2012 – December 2017, she was in charge of Internal Systems and was a Board Member of Odea Bank A.Ş. In December 2017, she has been appointed as Head of Internal Systems and Vice-Chairman of Board of Directors.



Dr. Freddie Baz

Board Member, Member of Corporate Governance Committee and Remuneration Committee, Alternate Member of the Credit Committee

Freddie Baz holds a State PHD Degree in Economics from the University of Paris I (Panthéon - Sorbonne). Since 1985, Freddie Baz is the General Manager of Bankdata Financial Services WLL (Lebanon) which publishes "bilanbanques", the only reference in Lebanon that provides an extensive structural analysis on all banks located in Lebanon. He joined Bank Audi Group, Lebanon ("Bank Audi") in 1991 as advisor to the Chairman and founded the Secretariat for Planning and Development at the Bank. As Group Strategy Director, he is now responsible for the development of the Group strategy and for its oversight and communication, internally and externally. In addition to his duties as Group Strategy Director, Freddie Baz held the position of Group Chief Financial Officer from 2006 to 2015, with overall authority over the finance and accounting, MIS and budgeting functions throughout the Group. In March 2015, he decided, jointly with the Group CEO, to hand over his Group CFO responsibilities to his deputy, in conclusion of five years of cooperation and of common efforts to achieve that objective.

In June 2015, Freddie Baz was appointed Vice-chairman of the Board of Directors of Bank Audi, and Bank Audi's representative on the Board of Directors of the Association of Banks in Lebanon. He is also the Chairman of the Board of Directors of Bank Audi France sa, a fully owned subsidiary of the Bank Audi Group and is also member of the Board of Directors of several affiliates of the Bank Audi Group. Additionally, he is the Vice Chairman of the Group Executive Committee since 2007. Since its establishment in 2012, he has been a founding member of the Board of Directors of Odea Bank A.Ş.



Dr. Marwan Ghandour

Board Member

Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois (Post-doctorate research at Stanford University). Between 1990 and 1993, Marwan Ghandour held the position of Vice Governor of the Central Bank of Lebanon with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission, in Lebanon, and of various other Lebanese government committees involved in economic policy. In this capacity, he liaised with various international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). Marwan Ghandour is an Independent Member of the Board of Directors of Bank Audi Group, Lebanon ("Bank Audi") since March 2000 and Vice- Chairman of its Board since December 2009. He is also the Chairman of its Group Audit Committee and of its Remuneration Committee, and member of its Group Risk Committee and Corporate Governance and Nomination Committee.

From 1995 until 2011, Marwan Ghandour served as Chairman and General Manager of Lebanon Invest sal / Lebanon, a leading financial services group in the region whose holding company merged with Bank Audi in 2000. He chaired the Board of Directors of Banque Audi (Suisse) SA from March 2011 until December 2015. He also served as Chairman of the Board of Directors of Audi Investment Bank sal / Lebanon, from 2005 until 2011. He is also member of the Board of Directors of Bank Audi sae (Egypt). He served as the Vice Chairman of the Board of Odeabank A.Ş. until 20th December 2017 and since then he has been serving as the Board Member.



Dr. Imad Itani

Board Member, Chairman of Audit Committee, Alternate Member of the Credit Committee

Imad Itani holds a PHD degree from the University of Chicago (USA). Prior to joining Bank Audi Group, Lebanon ("Bank Audi"), he held several key positions in corporate finance for major energy companies in Canada. In parallel, he taught Economics and Finance to graduate students at the American University of Beirut. He joined Bank Audi Group in 1997 and headed the team that successfully launched the Bank's Retail business line, today a major pillar of the Bank's innovative and leading position. In 2002, Imad Itani was appointed Deputy General Manager and Member of the Board of Directors of Bank Audi Group. He was later appointed General Manager – Head of Group Retail Banking. Imad Itani is also the Chairman of Audi Investment Bank sal, a fully owned subsidiary of Bank Audi, in addition to his responsibilities as Head of Group Retail Banking and Head of Group Islamic Banking. Since its establishment in 2012, he has been a Member of the Board of Directors of Odea Bank A.Ş.



Mr. Khalil Debs

Board Member, Member of the Credit Committee

Khalil Debs holds a Master in Business Administration from the Lebanese American University. He joined Bank Audi s.a.l in 1995. He currently acts as the Group Head of Corporate Banking overseeing the corporate and commercial lending activities of the bank's entities spanning across several countries in addition to his role as a member of their respective credit committees. Khalil Debs actively contributed to the regional expansion policy on which Bank Audi embarked since 2004. He subsequently established in 2008 the group's syndication and project finance division which successfully structured and led a number of key transactions in the MENA region.

He currently serves as the Chairman of Solifac (Bank Audi's factoring arm in Lebanon) and is a member of the Board of Directors of Odeabank A.S. (Turkey), Bank Audi LLC (Qatar) and Audi Investment Bank (Bank Audi's investment arm). Prior to joining Bank Audi, he worked with ABN-AMRO Bank N.V. for two years. Khalil Debs is a Chartered Financial Analyst (CFA) since 2001.

BOARD MEMBERS, SENIOR MANAGEMENT AND AUDITORS



Mr. Elia Samaha

Board Member, Chairman of the Credit Committee

Elia Samaha earned his bachelor's degree in Economics from the American University of Beirut in 1980. In April 2007, he joined Bank Audi S.A.L. as General Manager in charge of Financial Institutions and Regional Expansion, particularly in Syria, Jordan and Qatar. Serving as Group Chief Credit Officer, Elia Samaha is also in charge of Environmental and Social Management System as well as Financial Institutions Department within the Group. He is also a Board Member at Bank Audi LLC (Qatar).

Elia Samaha began his professional career in 1980 as Assistant Manager of Corporate Banking at Citigroup Beirut. Soon after he was assigned to higher positions within Citibank/Citigroup, and assumed several positions in the MENA (Middle East-North Africa) region. During the 15 years of his 27-year tenure at Citibank/Citigroup, Elia Samaha undertook numerous projects in Athens, Dubai, Abu Dhabi, Cairo, New York, and London. In addition to his large experience in country management and business development, he has also gained experience in risk management and business strategy in the fields of corporate banking and corporate finance.

Before joining Bank Audi, Elia Samaha served as General Manager and Country Head of Corporate Banking at Citigroup Egypt. During his time in Egypt, Elia Samaha was in charge of Corporate Banking and Corporate Finance for Eastern Mediterranean and North Africa regions.

Previously, he had also served as General Manager and Country Head of Corporate Banking at Citigroup Lebanon. He was in charge of Corporate and Investment Banking for the MENA region. Elia Samaha is a member of the Middle East Advisory Board of the Suliman S. Olayan School of Business at the American University of Beirut; he is also a founding member of the American Lebanese Chamber of Commerce.



Philippe El-Khoury

Board Member, Chairman of Corporate Governance Committee

Philippe El-Khoury holds an undergraduate degree in economics from Trinity College, Cambridge University and a Master's Degree in International Relations from the London School of Economics. He started his professional life at the Central Bank of Lebanon in 1993, where he was Assistant to the First Vice Governor. From 1995 to 1997, he worked at Merrill Lynch in London in the Financial Institutions Group, focusing on mergers and acquisitions of financial institutions in Southern Europe and Emerging Markets. From 1997 to 2000, he worked at Robert Fleming and Merrill Lynch in their equity research departments, covering financial institutions in Turkey and the Middle East and North Africa. From 2000 to 2002, he ran his own start-up company, Sharqfin, an independent economics and banking sector-focused research consultancy. From 2002 to 2008, he was Head of Research at EFG Hermes, a leading Cairo-based investment bank that is a leader in the Middle East and North Africa. From 2004 to 2008 he was a Member of the Executive Committee that oversaw the expansion of the firm's footprint from Egypt to other countries in the Middle East and North Africa and saw the market value of the company rise from USD70m to USD4,000m. Since 2008, he has run Impera Capital, a consultancy and investment advisory firm focused on emerging and frontier countries, and is or has been Independent Board or Advisory Board Member to a number of companies in the Middle East and North Africa, including Credit Libanais, Fattal Holding, Sara Holding and Baalbaki Chemicals.



Aristeidis Vourakis

Board Member, Member of Risk Committee

Aristidis Vourakis holds an M.Sc. in Accounting and Finance with distinction from the London School of Economics and Political Science. He recently joined Bank Audi S.A.L. as Group Deputy Chief Executive Officer after 19 years with J.P. Morgan. There, he served as Managing Director, leading the J.P. Morgan team focused on Financial Institutions in Central and Eastern Europe, Middle East and Africa. Mr. Vourakis was also J.P. Morgan's Senior Country Officer for Greece and Cyprus. Based out of London, he has led a large number of capital raising, funding and IPO transactions for credit institutions across Europe. In addition, Mr. Vourakis has managed the development and implementation of regional expansion strategies and group reorganizations for these institutions. He has also supported a number of Greek companies and the sovereign itself, in accessing international capital markets following the sovereign debt restructuring in 2012. Mr. Vourakis has served as Board Member at Odeabank A.Ş. since May 2017.



Bülent Adanır

Board Member, Chairman of Risk Committee and Member of Remuneration Committee

Bülent Adanır received his high school diploma, undergraduate and graduate degrees in the United States. He holds a Master's degree in Economics from Rutgers State University. Mr. Adanır began his banking and finance career at Citigroup, where he worked for 26 years. After assuming multiple roles in credit marketing and risk management at Citibank Turkey between 1981 and 1996, he was transferred to Citigroup in London, where he served as portfolio manager for Europe, Middle East and Africa until 2007. Mr. Adanır was an Executive Board Member at Akbank from 2007 to 2012, and he also served as Chairman of the Bank's domestic and foreign subsidiaries. Currently, Mr. Adanır works as a consultant for International Finance Corporation (IFC) of the World Bank Group. He has served as Board Member at Odeabank A.Ş. since May 2017.



Guy Charles Harington

Board Member, Member of the Corporate Governance Committee

Guy Charles Harington holds an M.A. in English Language and Literature from Oxford University and an MBA in Petroleum Economics from Loughborough University of Technology. He has over 20 years of banking experience gained in Sub-Saharan Africa, and Central and Eastern Europe (Commonwealth of Independent States). After Schroders, Mr. Harington worked at Citigroup from 2000 to 2012. In 2012, he was nominated by the European Bank for Reconstruction and Development to serve as Board Member at Promsvyazbank PJSC in Moscow. He is also a Member of the Advisory Board of The University College London School of Slavonic and East European Studies.

In 1990, Mr. Harington started Schroders' investment banking business in Central and Eastern Europe which he built to become the market leader. Following the merger of Schroders' investment banking business with Salomon Smith Barney in 2000, he headed the Emerging Markets Investment Banking Group of Schroder Salomon Smith Barney. Later, he served as President of Citigroup's Public Sector Group for Central and Eastern Europe, Middle East and Africa. Mr. Harington served as the Board Member and Member of Corporate Governance Committee of Odea Bank A.Ş. from May 2017 to January 2018.



Naim Hakim

Deputy General Manager

Born in Beirut, Lebanon in 1971, Hakim obtained in 1992 his bachelor degree in Economics from Université Saint-Joseph in Beirut and completed his master degree at Ecole Supérieure de Commerce de Nice-Sophia-Antipolis/Ceram in France between 1992 and 1994, majoring in corporate finance. He obtained the Chartered Financial Analyst (CFA) designation from the CFA institute in the USA in 2004. He started his banking career at Banque Saradar sal in 1995 occupying several managerial positions in the bank's branches. In 2000 he founded the Financial control department in Banque Saradar sal and became the Chief Financial Officer (CFO) of the bank in 2002. After the merger-acquisition of Banque Saradar sal with Banque Audi sal, Hakim moved to Banque Audi sal in 2004 where he established the Management Information System (MIS) department and headed it till mid-2012. In June 2012 he started working as Assistant General Manager in charge of Finance in Odea Bank A.Ş., in 2016 he was appointed Deputy General Manager, and as of the end of December 2017 he has taken responsibilities and duties of General Manager position.



Yalçın Avcı

Assistant General Manager

He was born on the 30th of July 1972 in Ankara. He completed his undergraduate degree in Metallurgical Engineering at the Middle East Technical University (1995) and his MBA at Ankara Bilkent University (1997). He was a credit analyst and customer representative in Türk Boston A.Ş. (1995-1997); a customer representative in the Ankara Branch of İktisat Bank (1997-1998). He spent the years 1997 through 2012 in HSBC Bank A.Ş. as: specialist customer representative (1998-2000), Assistant Manager (2000-2002), Corporate Banking Senior Manager (2002-2005), Corporate Banking Sector Head (2005-2010) and Corporate Banking Group Head (2010-2012). In 2012, he was appointed as the Assistant General Manager in charge of Corporate and Commercial Banking in Odea Bank A.Ş.



Cem Muratoğlu

Assistant General Manager

He was born on the 16th of August in 1967 in Erzurum. He studied Petroleum Engineering at the Engineering Faculty of the Middle East Technical University (1989), and completed his MBA at Ankara Bilkent University (1992). Mr. Muratoğlu worked as Retail Banking Senior Manager in charge of Sales at Finansbank (1999-2001); Deputy General Manager in charge of Retail Banking at Akbank T.A.Ş. (2001-2008); Deputy General Manager in charge of Retail Banking at ING Bank A.Ş. (2008-2010); and Deputy General Manager in charge of Strategy and Corporate Banking at Şekerbank Türk A.Ş. (2010-2012). Since 2012, he has served as Assistant General Manager in charge of Retail Banking at Odeabank A.Ş.



Gökhan Sun

Assistant General Manager

Gökhan Sun was born in 1970 and graduated from Bilkent University, Department of Electronic Engineering in 1992. He received his Master's degree in Labor Law from Bilgi University; in addition, he is currently pursuing a Master's degree in Interactive Marketing from the same university. Mr. Sun commenced his professional career in 1992 as Product Manager at Yapı Kredi Bank, before serving in various positions at Birleşik Türk Körfez Bank, Dışbank Nederland and Ak Emeklilik. From 2003 until 2015, Mr. Sun continued his career at DenizBank, serving as Head of Corporate Banking, Head of Europe-3 Region, and finally Mr. Sun served as Assistant General Manager in charge of SMEs and Agricultural Banking as well as Board Member. In 2016, he began working as Assistant General Manager in charge of SME Banking at Odeabank.



Alpaslan Yurdağül

Assistant General Manager

Born on the 6th of January 1971 in Izmir, he completed his Undergraduate study at the Industrial Engineering Department of Boğaziçi University (1994), and his MBA at the University of Illinois at Chicago (1994-1996). He played an active role in the establishment of Polimeks Foreign Trade Co. in 1997-1998. Then, he was transferred to Midland Bank A.Ş. as a Corporate Banking Marketing Analyst in 1998. Following the takeover of Midland Bank by the HSBC Group in 1999, he was appointed as a manager to the Corporate Marketing Department of the HSBC Bank A.Ş. In 2006, he was promoted as the Group Head of the same department. In 2011, he was appointed as the Group Head of the Global and Investment Banking Department. In 2012, he was appointed as the Assistant General Manager in charge of Financial Institutions and Investment Banking in Odeabank A.Ş. and as from 2017 he keeps working as AGM in charge of Credit, Project Finance, Financial Institutions.



Fevzi Tayfun Küçük

Assistant General Manager

Tayfun Küçük was born on August 19, 1970 in Ankara. He received his B.S. degree in Mining Engineering from Middle East Technical University in 1993, and his Master's degree in Electronic Business at the Social Sciences Institute of Yeditepe University in 2000. Mr. Küçük worked as Executive in charge of Fixed Income Securities and TL Money Market Transactions in the Treasury Department at Garanti Bankası A.Ş. (1993-1999), and as Cash Management Unit Manager (1999-2005) at the same bank. Later, he served as Head of Payments and Cash Management Group at HSBC Bank A.Ş. (2005-2012). Mr. Küçük, has served as Assistant General Manager in charge of Direct Banking, Business Solutions, Transactions Banking and Information Technologies at Odeabank A.Ş. since 2012.



Gökhan Erkıralp

Assistant General Manager

He was born on the 23rd of December in 1972 in Adana. He completed his undergraduate degrees in Mathematics and Economics in 1995 in Wabash College /Crawfordsville, Indiana. He was employed as the Treasury and Capital Markets Director of Ulusalbank T.A.Ş. (1997-2001). He later moved to HSBC Bank A.Ş. in 2001 as the Balance Sheet Management Manager. In 2003 and 2004, he headed the Portfolio Management Group of HSBC Investment Securities Co. Erkıralp worked as the Derivatives Markets Deputy General Manager at TEB Investment Securities Co. from January to May 2005. From May 2005 to May 2006, he was the head of the Strategic Planning and Organization Group at HSBC Bank A.Ş. where he later took on the position to head the Derivatives Markets and Structured Products Group from May 2006 to July 2007. From July 2007 to December 2011, he was the Markets Director of Türk Ekonomi Bankası A.Ş. In 2012, he was appointed as the Assistant General Manager in charge of Treasury and Capital Markets in Odea Bank A.Ş.

MANAGERS OF THE UNITS IN INTERNAL SYSTEMS

Internal Audit

Director

Tolga Usluer

Tolga Usluer graduated from Izmir Bornova Anatolian High School in 1995. He received his B.A. degree in Economics from Middle East Technical University in 2000, and his MBA from the Social Sciences Institute of Bahçeşehir University in 2009. Currently, he is pursuing a Ph.D. in Business Administration at Yeditepe University. Mr. Usluer began his banking career in 2000 as an Assistant Auditor at Finansbank. He served in various positions at the same bank, and finally as Deputy Head of Internal Audit. Mr. Usluer holds several certifications, including Certified Internal Auditor (CIA), Certification in Risk Management Assurance (CRMA) and Certified Fraud Examiner (CFE). He is also a Board Member at the Institute of Internal Auditing – Turkey. After resigning from his former position, Mr. Usluer began working at Odeabank A.Ş. on July 10, 2017 as Head of Internal Audit.

Internal Control and Compliance

Director

Vural Göral

In 2001, he got his master's degree in Hacettepe University Political Science. In 1997, he got his bachelor's degree in Hacettepe University Public Management Dept. He began his career in Banking in 1999 as an Assistant Inspector for Turkish Ticaret Bankası A.Ş. Between 1999-2003 he worked for Türk Ticaret Bankası A.Ş. as an Assistant Inspector. Between the years 2003 and 2012 he worked in the Internal Controls Unit in Dışbank A.Ş. (after sale and mergers, name of bank was first changed to Fortis A.Ş. and then to TEB A.Ş.). Between the years 2012-2013, he worked in Fiba Bank A.Ş. Branch Operations Management Unit Manager. Since September 16, 2013, he works for Odea Bank A.Ş. as the Internal Control and Compliance Department Director.

Risk Management

Credit Risk Senior Manager

Kıvanç Eren

He received his MBA from Yeditepe University in 2002 and Bachelor's degree from the Mathematics Department of Hacettepe University in 1998. Eren started his banking career in 1999 and has worked at the Risk Management departments of Fortis, Finansbank and ING Bank before joining Odeabank A.Ş. Currently he is a Senior Manager of Credit Risk Management in Odeabank A.Ş. He holds the certificate of Financial Risk Manager (FRM) awarded by the Global Association of Risk Professionals (GARP) and is specialized on Basel II, statistical analysis, Scorecard/rating modeling and economic capital.

Risk Management

Market & ALM Risk Senior Manager

Tolga Aktürk

Tolga Aktürk graduated from Middle East Technical University (METU), Department of Mathematics in 2004. He received his master's degree from Middle East Technical University (METU), Financial Mathematics in 2006. He started his career in 2007 and he worked at the Risk Management Department of Türk Ekonomi Bankası (TEB) before Odeabank. He is specialized on Asset Liability Management (ALM) Risk, Balance Sheet Analysis, Modeling and Market Risk.

Information Security

Manager

Sevim Doğaner

She received her B.S. degree in Computer Engineering from Bahçeşehir University in 2006, and her MBA in 2008 from the same university. She worked as Network Support Engineer at Türknet (Netone) A.Ş. (2007-2009); Network Security Engineer at BankPozitif Investment and Development Bank (2009); and Assistant Information Security Manager at Odeabank A.Ş. (2012-2015), respectively. She has served as Information Security Manager at Odeabank A.Ş. since October 2015.

COMMITTEES

Credit Committee

The Credit Committee is responsible for creating guidelines for the credit allocation activities of the Bank in accordance with the credit policy, economic goals and the general risk profile of the credit portfolio of the Bank. The Credit Committee is a consultancy and decision making body in charge of credit allocations, provided that it is limited to ten percent of the equity of the Bank. In addition, the Committee also provides opinions and recommendations to the Board for loans where the amounts are above the delegated authority of the Committee and execution of the duties related to loans assigned by the Board.

The composition of the Credit Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Elia Samaha	Board Member
Committee Member	Khalil E. Debs	Board Member
Committee Associate Member	Dr. Freddie Baz	Board Member
Committee Associate Member	Dr. Imad Itani	Board Member

Audit Committee

The Audit Committee is responsible for monitoring the efficiency and effectiveness of the Internal Control, Risk Management and Internal Audit systems on behalf of the Board and for monitoring the processing of these systems, as well as the accounting and reporting systems under the Banking Law and related regulations. The Committee is also responsible for following the integration of the information generated; it is further responsible for making the necessary preliminary assessment for the selection of Independent Audit Institutions by the Board and regularly monitoring the activities of the Independent Audit Institutions selected by the Board. The Audit Committee pursues whether the provisions of the Regulations concerning internal control, internal audit and risk management as stipulated in the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" internal Policies and Implementing Procedures approved by the Board are abided by or otherwise and the Committee makes recommendations to the Board regarding the precautions to be put into place, which are deemed necessary. In addition, it is among the duties and responsibilities of the Audit Committee to supervise whether the Internal Audit system covers the Bank's current and planned activities and the risks arising therefrom; to examine in-house regulations concerning the internal audit to be validated upon the approval of the Board; to maintain the communication channels, which will enable the notification of irregularities that may arise within the Bank to the Audit Committee or Internal Audit unit or otherwise to Auditors. The Audit Committee obtains reports from the relevant units and Independent Audit Institutions related to the execution of such duties and carries out its evaluations and findings in respect thereof.

The composition of the Audit Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Dr. Imad Itani	Board Member
Committee Member	Ayşe Korkmaz	Vice-Chairman of the Board

Corporate Governance Committee

The Committee provides appropriate communication channels and thus they ensure that the appropriate actions and transactions are securely delivered to the related authorities in the Bank in line with the corporate values and ethical rules to the relevant authorities within the Bank; designs a system that will enable the possible deviations to be reported and by monitoring their compliance with the Corporate Governance Principles the Committee makes enhancement efforts and offers suggestions to the Board of Directors in respect thereof. The Committee revises annually the Corporate Governance Framework of the Bank and presents a report to the Board of Directors related thereto.

It monitors regularly the compliance of the Bank with the Corporate Governance Principles; manages the creation and implementation of the acceptance of a new member (director) to the Board of Directors and oversees the implementation of the manager development program if necessary; ensures that Board Member distribution, structure, policies and processes meet the relevant legal and regulatory requirements and further ensures the correct implementation of the Corporate Governance framework and provides opinions in the event problems or deviations should arise.

Pursuant to the relevant regulations, the Chairman of the Committee is a Board Member, who does not have executive duties.

The composition of the Corporate Governance Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Philippe El-Khoury	Board Member
Committee Member	Dr. Freddie Baz	Board Member
Committee Member	Guy Charles Harington*	Board Member

* Due to his resignation on January 18, 2018, Mr. Harington's membership to Corporate Governance Committee has ended.

Risk Committee

The Risk Committee is responsible for and in charge of identifying, measuring, monitoring and controlling of all risks, which the Bank may be exposed to, by means of the policies, implementing procedures and limits determined for the monitoring, controlling and when necessary changing the risk – return structure involved based on the future cash flows of the Bank, and in accordance with the nature and the level of activities. The Risk Committee supports the Board of Directors in fulfilling the responsibilities of the Board such as maintaining the risk appetite, examining and approving the risk framework and policies of the Bank, examining periodic risk reports and monitoring risk functions within the Bank.

The composition of the Risk Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Bülent Adanır	Board Member
Committee Member	Ayşe Korkmaz	Vice-Chairman of the Board
Committee Member	Aristeidis Vourakis	Board Member

Remuneration Committee

The Committee evaluates the remuneration policy and its applications within the framework of risk management and submits annually its suggestions related to these evaluations and findings to the Board of Directors via periodic reports. The Committee further ensures that the salaries to be approved for Board Members, Senior Managers and other Bank personnel are in compliance with the ethical values, internal balances and strategic goals of the Bank.

The composition of the Remuneration Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Samir Hanna	Chairman of the Board
Committee Member	Dr. Freddie Baz	Board Member
Committee Member	Bülent Adanır	Board Member

INFORMATION ON THE PARTICIPATION OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS AT THE RESPECTIVE MEETINGS

Meetings of the Board of Directors

In 2017, our bank's Board of Directors held meetings on these dates: 24th of February 2017, 23th of March 2017, 9th of May 2017, 9th of August 2017, 7th of November 2017, and 20th of December 2017.

On the 24th of February 2017, the Board of directors held a meeting under the chair of the Vice-Chairman of the Board, Mr. Marwan Ghandour. Board Members, Mr. Imad Itani, Mr. Freddie Baz, Mr. Hatem Ali Sadek, Mr. Elia Samaha, Mr. Khalil El Debs, Mr. Hüseyin Özkaya and Ms. Ayşe Korkmaz attended the meeting. The Chairman of the Board of Directors, Mr. Samir Hanna, could not attend the meeting due to his valid excuse.

11 (eleven) Board resolutions were taken in this meeting.

On the 23th of March 2017, the Board of directors held a meeting under the chair of Board Chairman Mr. Samir Hanna. Chairman Mr. Samir Hanna, Board Members Mr. Freddie Baz, Mr. Hatem Ali Sadek, Mr. Imad Itani, Mr. Elia Samaha, Mr. Khalil El Debs, Mr. Philippe El-Khoury, Mr. Hüseyin Özkaya and Ms. Ayşe Korkmaz attended the meeting. The Vice-Chairman of the Board of Directors, Mr. Marwan Ghandour could not attend the meeting due to his valid excuse.

8 (eight) Board resolutions were taken in this meeting.

On 9th of May 2017, the Board of directors held a meeting under the chair of Board Chairman Mr. Samir Hanna. Chairman Mr. Samir Hanna, Vice Chairman Mr. Marwan Ghandour, Board Members Mr. Freddie Baz, Mr. Imad Itani, Mr. Elia Samaha, Mr. Khalil El Debs, Mr. Philippe El-Khoury, Mr. Aristeidis Vourakis, Mr. Guy Charles Harington, Mr. Bülent Adanır, Mr. Hüseyin Özkaya and Ms. Ayşe Korkmaz attended the meeting.

Board of Directors adopted 11 (eleven) resolutions at this meeting.

The Board of Directors meeting was held on the 9th of August 2017 under the chair of Mr. Samir Hanna, the Chairman of the Board of Directors. The Chairman of the Board of Directors, Mr. Samir Hanna, Board Members, Mr. Freddie Baz, Mr. Imad Itani, Mr. Elia Samaha, Mr. Khalil El Debs, Mr. Philippe El-Khoury, Mr. Aristeidis Vourakis, Mr. Guy Charles Harington, Mr. Bülent Adanır and Ms. Ayşe Korkmaz attended the meeting. Deputy General Manager, Mr. Naim Hakim attended the meeting in the absence of Mr. Hüseyin Özkaya.

10 (ten) Board resolutions were taken in this meeting.

The Board of Directors meeting was held on November 7, 2017 under the chair of Mr. Marwan Ghandour, Vice Chairman of the Board of Directors. Vice Chairman Mr. Marwan Ghandour, Board Members Mr. Freddie Baz, Mr. Imad Itani, Mr. Elia Samaha, Mr. Khalil El Debs, Mr. Philippe El-Khoury, Mr. Aristidis Vourakis, Mr. Guy Charles Harington, Mr. Bülent Adanır, and Ms. Ayşe Korkmaz attended the meeting. Chairman of the Board Mr. Samir Hanna could not attend the meeting due to his valid excuse. Deputy General Manager Mr. Naim Hakim represented General Manager Mr. Hüseyin Özkaya, who could not attend the meeting.

The Board of Directors adopted 11 (eleven) resolutions at this meeting.

On 20th of December 2017, the Board of directors held a meeting under the chair of Board Chairman Mr. Samir Hanna. Chairman Mr. Samir Hanna, Vice-Chairman Mr. Marwan Ghandour, Board Members Mr. Freddie Baz, Mr. Imad Itani, Mr. Elia Samaha, Mr. Khalil El Debs, Mr. Philippe El-Khoury, Mr. Aristeidis Vourakis, Mr. Guy Charles Harington, Mr. Bülent Adanır, Ms. Ayşe Korkmaz and Deputy General Manager, Mr. Naim Hakim attended the meeting.

11 (eleven) Board Resolutions were passed at this meeting.

In 2017, our Board of Directors, without holding actual meeting, took 18 (eighteen) resolutions via circulation in compliance with the Turkish Commercial Code, Article 390/4.

COMMITTEE MEETINGS

Audit Committee

In 2017, the Audit Committee convened four meetings, on February 23, May 5, August 7, and November 3; the Committee adopted 10 (ten) resolutions.

In 2017, the Committee adopted 1 (one) resolution, without holding an actual meeting.

Corporate Governance Committee

In 2017, the Corporate Governance Committee convened two meetings, on August 8 and November 6.

Risk Committee

In 2017, the Risk Committee convened two meetings, on August 8 and November 6.

Remuneration Committee

In 2017, the Remuneration Committee held a meeting on the 24th of March 2017 and took two resolutions.

TRANSACTIONS OF ODEABANK WITH THE RELATED RISK GROUP

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

a) December 31, 2017:

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	-	-	1,154	16,028	32	80
Balance at end of period	-	-	304	21,257	-	147
Interest and commission income	-	-	1	-	-	-

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 and real persons included in the risk group	
	December 31, 2017		December 31, 2017		December 31, 2017	
Deposits						
Balance at beginning of period		-		1,202,909		8,623
Balance at end of period		-		584,775		-
Interest on deposits		-		20,344		1,195

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
Deposits	December 31, 2016	December 31, 2016	December 31, 2016
Balance at beginning of period	-	1,027,230	8,105
Balance at end of period	-	1,202,909	8,623
Interest on deposits	-	26,933	1,031

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

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	December 31, 2017	December 31, 2017	December 31, 2017
Balance at beginning of period	-	66,908	-
Balance at end of period	-	64,525	-
Total Loss/ Profit	-	(833)	-

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
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	-	(684)	-

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

Gross payment made to the executive management as of December 31, 2017 is TL 31,981. (December 31, 2016: TL 27,621)

INFORMATION ON OUTSOURCED OPERATIONS AND THE INDIVIDUALS, ORGANIZATIONS SUPPLYING THE OUTSOURCED SERVICES

Supplier	Service Outsourced
32 Bit Bilgisayar Hizmetleri San. ve Tic. Ltd.	MQ Murex Deal Integrator Software Maintenance and Support Services Contract (Murex deals integration)
32 Bit Bilgisayar Hizmetleri San. ve Tic. Ltd.	TCMB Crawler Software Maintenance and Support Services Contract (automatic FX flow)
32 Bit Bilgisayar Hizmetleri San. ve Tic. Ltd.	BBPAPI Integrator Software Maintenance and Support Services Contract (BIST with OTASS connection)
Active Bilgisayar Hizmetleri ve Tic. Ltd. Şti. (Nova)	Nova 2000 Sale and Service Contract - Marketable Securities Software
Akademi Gayrimenkul Değerleme A.Ş.	Real Estate Value Assessment
Arvato Telekomünikasyon Hizmetleri A.Ş.	Outbound IVR Service Contract
Asseco See Teknoloji A.Ş.	License and maintenance contract of AML&KYC&RAS&EMBAR-GO&FATCA&Risk Inheritance MASAK ŞİB licenses, planned to be obtained from Asseco Firm, in order to organize the activities under the Bank's compliance program in a consolidated manner.
Atlas Gayrimenkul Değerleme ve Danışmanlık A.Ş.	Real Estate Value Assessment
Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş.	Real Estate Value Assessment
Bantaş Nakit ve Kıymetli Mal ve Güvenlik Hiz. A.Ş.	Bantaş ATM Services Contract
Bantaş Nakit ve Kıymetli Mal ve Güvenlik Hiz. A.Ş.	High value goods transfer contract
BI Stratejik Yazılım San. Tic. A.Ş.-Qlikview	Data mining service
Bilin Yazılım ve Bilişim Dan. Ltd. Şti. (Humanist)	license and service contract –human resources data management application
Callact İletişim Hizmetleri Ltd. Şti.	The law firm ALTAŞ, KIRÇIL, TOPAN HUKUK BÜROSU dials the customers who undergo an NPL monitoring process, whereas the new call center firm established by Burcu Kırçıl
Callus Bilgi ve İletişim Hizmetleri A.Ş. (Comdata)	Incoming call/Outgoing call services
Callus Bilgi ve İletişim Hizmetleri A.Ş. (Comdata)	Data entry services
CMC Çağrı Merkezi A.Ş.	A contract was signed to receive outbound calling, SMS, e-mail, and IVN services for collecting receivables that are in default.
CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri Sanayi Ticaret A.Ş.	Call center services provided by the Firm regarding the banking, credit card or insurance products that will be determined by the Bank. (external calls)
CPP Sigorta Aracılık Hizmetleri A.Ş.	According to Bank's collaboration with AXA and CPP, insurance product sales through CPP call center
Çizgi Gayrimenkul Değerleme A.Ş.	Real estate value Assessment
Denge Gayrimenkul Değerleme A.Ş.	Real estate value Assessment
Digital Planet DTP Bilgi İşlem İletişim Tic. Ltd.	Sale and maintenance contract – Designing credit card statements, carrying out operational processes, ensuring SMS and e-mail deliveries
Eastern Networks Çöz. Tic. A.Ş. (Fineksus)	Paygate Applications' Sale, maintenance and support contract
Etik Gayrimenkul Değerleme A.Ş.	Real estate value assessment
Entserv Turkey Teknoloji Çözümleri Ltd. Şti.	Secondary system hosting support services.
Etkin Çağrı Merkezi A.Ş.	A contract was signed to receive outbound calling, SMS, e-mail, and IVN services for collecting receivables that are in default.
Etts Elektronik Tic. Tahsilat Sist. San. ve Tic. Ltd. Şti.	Operational and technical support for marketing and brand partnerships relating to Odeabank's Asset Management products, primarily the "Oksijen" Account; and management of Oksijen campaigns.

Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş. - Turkcell Global	Phone call services that will be provided for collecting the receivables that have fallen into default
Hugin Yazılım Teknolojileri A.Ş.	Hugin Cash Register POS Contract – Cash register POS software and field support services from Hugin.
Ingenico Ödeme Sistem Çözümleri A.Ş.	Ingenico software contract.
Intertech Bilgi Teknolojileri A.Ş.	Information technology infrastructure and banking platform
Iron Mountain Arşivleme Hizmetleri A.Ş. (RM Arşiv Yönetim Hizmetleri A.Ş.)	Archive services
Karbil Yazılım ve Bilişim Teknolojileri Tic. Ltd. Şti. (Cordis/Cardtek)	Credit Cards and POS operations
Kartnet Bilgisayar Sanayi ve Ticaret Limited Şirketi	Information systems infrastructure support
Key İnternet Hizmetleri Bilgisayar Yazılım Donanım Mühendislik Müşavirlik San. ve Tic. Ltd. Şti.	Expertise reports evaluation system software, maintenance and support contract
Key İnternet Hizmetleri Bilgisayar Yazılım Donanım Mühendislik Müşavirlik San. ve Tic. Ltd. Şti.	Gayrimenkul yönetimi ve satış
Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.	Kuryenet credit card delivery
Magicklick-Netlab ArGe	Service level contract -Web services
MTM Holografi Güvenlik ve Bilişim Tek. San. Tic. A.Ş.	MTM Check Printing
MasterCard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş. (Provus Bilişim Hizmetleri A.Ş.)	Printing and enveloping the documents, preparing the bank statements of the current accounts, and card systems ready for printing in the determined format, and delivering them through the electronic environment of the Bank, preparing the credit account statements ready for printing in the determined format, and printing and delivering them to the distribution channel that will be determined by the Bank.
NCR Bilişim Sistemleri Ltd. Şti.	ATM Management – Providing Hardware and Software Maintenance for ATMs and correcting failures
ODC İş Çözümleri Danışmanlık Tic. A.Ş.	ODC smart SMS and e-mail management software - License, installation and maintenance services
Oredata Yazılım Ltd. Şti.	IFRM ETL development and support services contract - On-site development and support services for Oracle Data Integrator and other ETL tools used by Odeabank.
Plastikkart Akıllı Kart İletişim Sistemleri Sanayi ve Ticaret A.Ş.	Plastikkart purchase & sale contract and personalization services
Probil İşlem Destek ve Danışmanlık San. ve Tic. A.Ş.	Infrastructure and additional contract for service.
Target İletişim Hizmetleri ve Danışmanlık A.Ş.	Phone call, SMS, Outbound IVR call, SGK inquiry and warning letter delivery services that will be provided for collecting the receivables that have; i) arisen from the business or transactions between the Bank and its current and/or potential customers, ii) not been paid, and iii) fallen into default.
Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.	Physical security service purchasing
Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş.	Real estate value assessment
UGM-Ulusal Gözlem Merkezi (UİM-Ulusal İzleme Merkezi- (Securitas)	Alarm and intelligence service purchasing
Verifone Elektronik ve Danışmanlık Ltd. Şti.	Verifone Vplatform – Contracted merchant agreement – Payment systems – Software service
Yatırım Gayrimenkul Değerleme A.Ş.	Real estate value assessment

BOARD OF DIRECTORS SUMMARY REPORT PRESENTED TO THE GENERAL ASSEMBLY

Welcome to our Bank's Ordinary General Assembly Meeting of 2017. We salute our partners, their representatives, and our guests who honor our meeting where the reports of the Board of directors and Auditors and the statements of profit regarding the fiscal year 2017 will be submitted for your revision and consent.

Before assessing Odeabank's financial results, we would like to review the recent macroeconomic developments that have crucial impacts on our operations. Even though the political and geopolitical tensions lingered in 2017, global economic performance registered positive surprises in general. While the US Federal Reserve (Fed) maintained its gradual rate hike trajectory, global financial conditions were favorable thanks to the ongoing expansionary monetary policy stances from other major central banks. As recovery in global trade continued, there were considerable improvements in economic fundamentals. However, inflation remained moderate in most of the economies despite the strong growth performance in this period.

As these developments have supported capital inflows to emerging markets, they have guided further optimistic expectations for 2018. In the meantime, growth outlook in emerging market economies improved considerably thanks to the recoveries in advanced economies, global trade volumes and global commodity prices. Emerging markets are expected to show solid performances in 2018. Hence, growth difference between the advanced and emerging markets commenced to rise in favor of emerging markets.

Although geopolitical uncertainties led to fluctuations in Turkish financial assets in 2017, overall performances were solid thanks to the favorable global economic backdrop and resilience in Turkish economy during the year. In addition to the Credit Guarantee Fund (CGF) - backed strong growth performance, limited deterioration in macroeconomic stability was the main reason behind outperformance of Turkish financial assets. While the trends in the global economy point out to the ongoing support growth in the upcoming period, domestic demand and overall economic growth are anticipated to be lower due to tight domestic financial conditions. Therefore, overall GDP growth is expected to occur above 7% in 2017 and to slow down slightly in 2018.

However, the most important macroeconomic challenge was on the inflation front in 2017 in Turkish economy due to the strong growth performances, depreciation in TL, rise in oil prices and volatility in food prices. Accordingly, inflation in Turkey stayed at high levels during 2017. As the underlying indicators and current levels of inflation pose risks on pricing behavior and macroeconomic stability, the inflation dynamics suggest that policy makers should show their greater decisiveness and keep tight monetary policy stance to bring down the inflation. Even though we expect some improvement in inflation in 2018, assuming a lower fluctuation in foreign exchange rates, we think inflation may stay above CBRT's target for a long period due to the structural rigidities.

With this economic backdrop 2017 was a challenging yet successful year for the Turkish banking sector. In 2017, loan growth was strong and asset quality of the banking sector was well preserved, mainly thanks to the Credit Guarantee Fund incentives induced by the Government. As the inflation outlook deteriorated by 2016 year-end and 2017 started with a sharp depreciation in Turkish Lira, CBRT tightened its monetary policy stance. Since the improvement in inflation remained limited, CBRT had to keep its stance tight throughout the year and made an additional rate hike again at the end of 2017. As these developments in inflation outlook and monetary policy have led to an upward pressure on banking sector funding costs, they had a negative impact on profitability and growth of the sector, both of which nevertheless have improved. We think Turkish banking sector will operate in a more stable environment going forward once the uncertainties lessen thanks to the resilience in Turkish economy and favorable global economic developments.

As cautious optimism in global economy is still in play, Turkish economy is expected to rebalance going forward following the stellar growth performance in 2017. Turkey's GDP growth is expected to be decelerating slightly in 2018 but remain upbeat. With a more balanced growth outlook in the coming years, inflation and current account deficit, which are Turkey's main macroeconomic fragilities, need to drop to more manageable levels.

In the meantime, 2017 was a year full of challenges and successes for Odeabank too similar to Turkey and the Turkish banking sector. Following 5 years of a fast and successful period of growth and after achieving nontrivial market share, Odeabank is now in a new phase.

As a mid-size player in Turkish banking sector, we have entered a consolidation mode in which we have adopted a tight asset and liability management policy consisting of re-balancing the loan and deposit portfolios towards TRY to improve productivity gains, to enhance asset quality, to reinforce profitability and to further support capital optimization.

Subsequently, assets of Odea Bank did not grow in 2017 for the first time since the bank has been established but contracted by TRY 5.2 billion, moving from TRY 38.3 billion as at end-December 2016 to TRY 33.1 billion as at end December 2017

Assets evolution was driven by a reduction in loans to customers by TRY 3.8 billion to reach TRY 22.6 billion as at end-December 2017. This was driven by loans denominated in foreign currency decreasing by TRY 3.5 billion over the same period, to TRY 9.6 billion, and accounting for 42% of total loans as compared to 50% as at end-December 2016. In parallel, loans in local currency declined slightly by TRY 324 million to TRY 13 billion.

In parallel, customers' deposits decreased by TRY 5.3 billion reaching TRY 24 billion as at end-December 2017, still representing the main source of funding at 72.2% of total liabilities and shareholders' equity. Mirroring loans, deposits composition in 2017 shifted towards TRY deposits representing 43% of total deposits as at end-December 2017 as compared to 37% as at end-December 2016. The loans to deposits ratio stood at 94,7% as at end-December 2017 within a further reinforcement of primary liquidity (cash and balances with central bank + reverse repo + banks) to account for 28% of deposits.

On the asset quality side, our NPL ratio increased compared to the previous year mainly due to moving of a few big-ticket files to NPL category in the second quarter of the year. Despite these one off reclassifications, Odeabank's underlying asset quality remains strong thanks to its prudent risk management.

Asset quality dynamics continued to stabilize in the fourth quarter of the year. The volume of NPLs decreased from TRY 1,150 million as at end-June, to TRY 1,097 million as at end-September and TRY 1,076 million as at end-December 2017, supported by improved collection along with the realization of NPL sales in Q4. NPL ratio stood at 4.7% as at end-December 2017. In parallel, the Bank allocated TRY 353 million in loan loss provisions in 2017, representing 1.3% cost of risk. NPLs are covered 41% by specific provisions and 69% by collaterals and real guarantees. Accounting for the free provisions, the NPL coverage ratio increases to 65%.

Odeabank has received inaugural rating from Moody's (Ba3) and Fitch (BB-) in 2017 in line with its well-established peers. Following the rating action, Odeabank successfully issued an inaugural US\$ 300 million 10NC5, 144A/RegS Subordinated Basel III Compliant Tier II bond. This transaction helped Odeabank to reinforce its already solid capital position with the capital adequacy ratio improving from 15.0% as at end-December 2016 to 20.3% as at end-December 2017, which was also supported by an increasing internal capital generation amid lower risk weighted assets. CET1 ratio increased from 13.4% as at end-December 2016 to 14.7%.

Despite the sectoral and macroeconomic challenges and ongoing restructuring phase, Odeabank completed 2017 successfully, increasing its net income by 60% YoY to TL 321mn. Net profits growth was mostly driven by a growth in net interest income and net commissions by respectively 18,3% and 43,7% over the year offsetting a 12,3% increase in general operating expenses. In the fourth quarter of the year, management implemented right-sizing actions on the cost base, bringing it down from TRY 199 million in the third quarter of 2017 to TRY 175 million in the fourth quarter. The year 2018 is expected to witness the full impact of this optimization policy.

Based on the above, profitability ratios further reinforced with the ROAA moving from 0.6% as at end-December 2016 to 0.9% as at end-December 2017 while the ROAE rose from 8.4% to 8.9% over the same period.

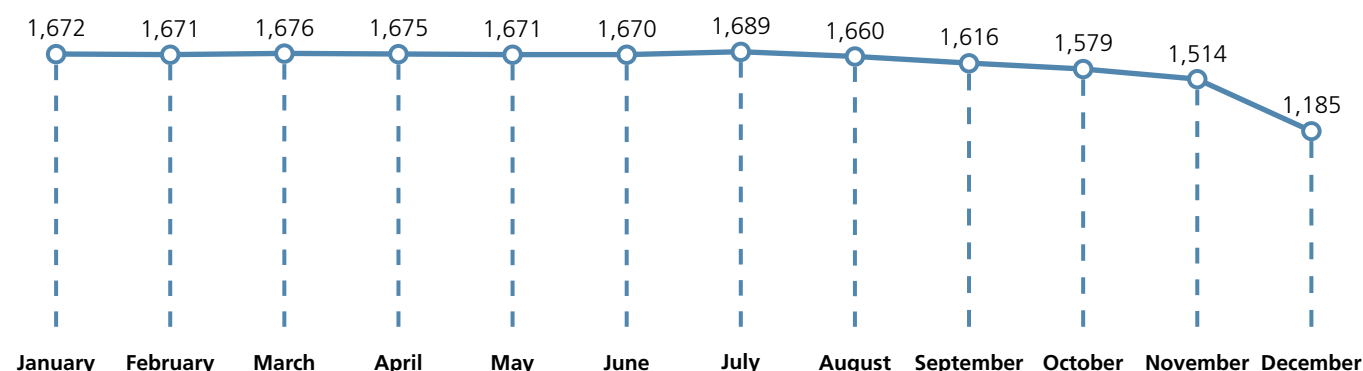
We have key strategic targets to boost bottom line and profitability metrics in the coming periods. Within this respect, we will give utmost attention to generate higher net interest margin and higher net fees and commissions income, while controlling the cost base, in order to drive net income growth.

Naim Hakim

Odea Bank A.Ş. Deputy General Manager

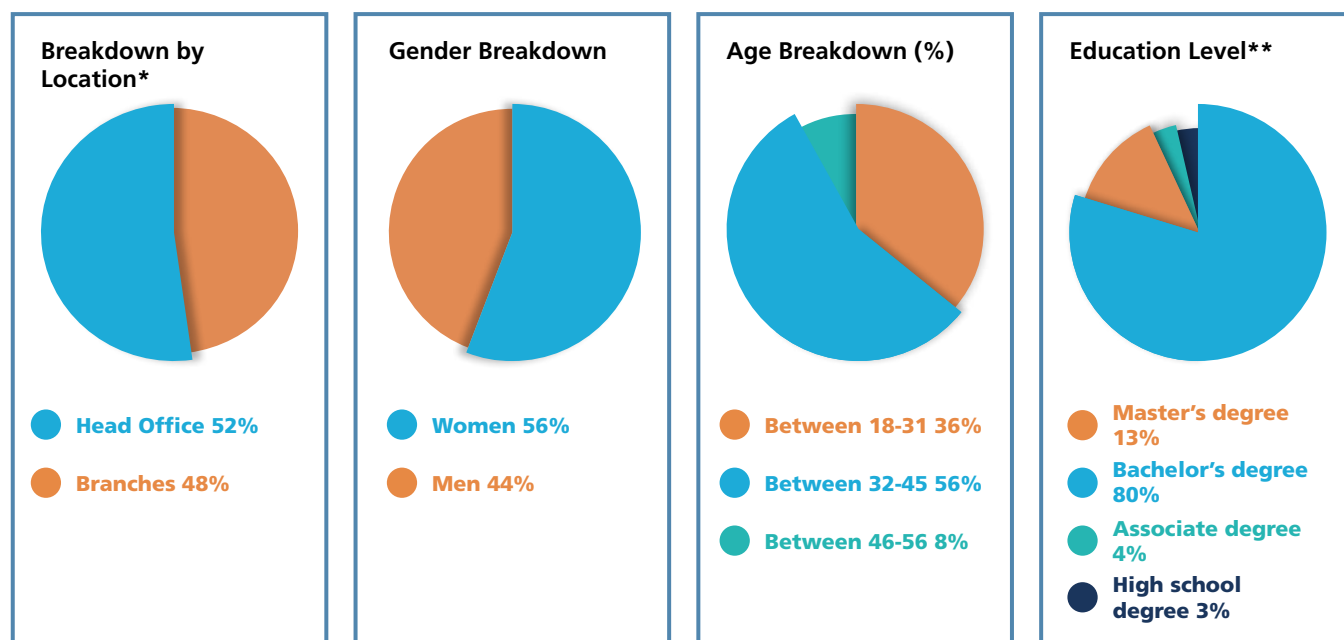
HUMAN RESOURCES

EVOLUTION IN TOTAL NUMBER OF EMPLOYEES BY MONTH (2017)



Odeabank enriches its staff in every aspect and The Bank actively seeks to employ well educated, success oriented, innovative and unique individuals who make a difference, who have self-respect, who show respect to the customers they serve, and who have a high degree of social awareness.

Some 70% of our employees are from Generation Y. The average age of our employees is 35.

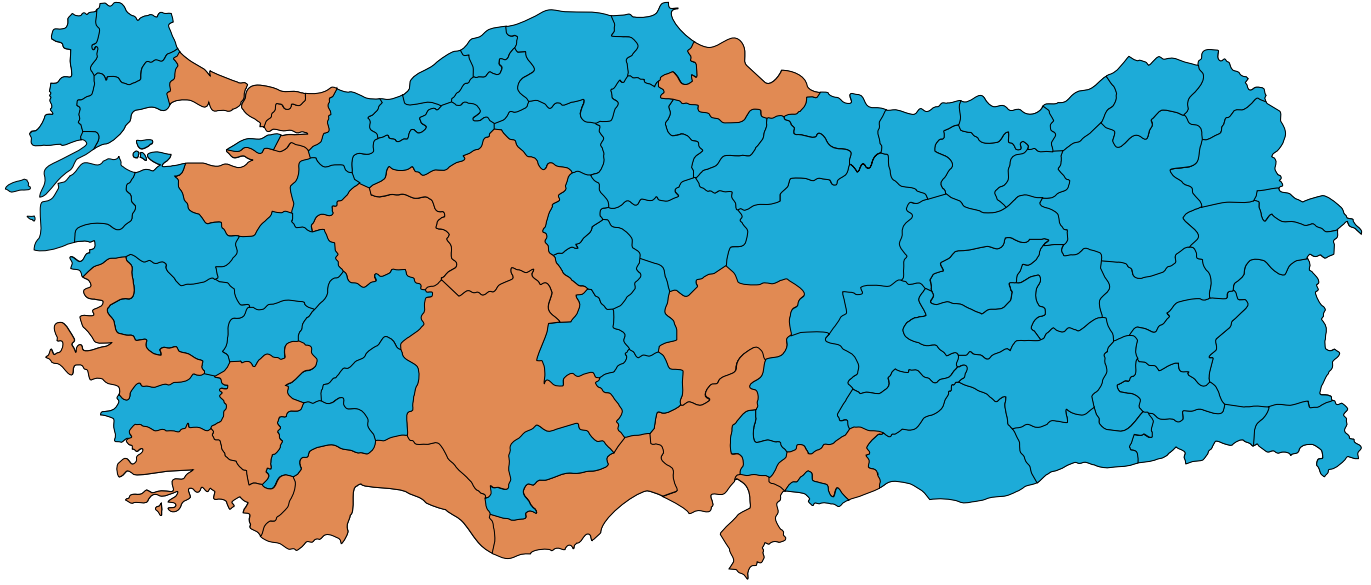


* Excluding Direct Sales Representatives and Contact Center Customer Representatives, 48% of the personnel are employed at the branches and 52% at the Head Office.

** 93% of employees, who are involved in core banking activities, hold an undergraduate degree or higher.

GEOGRAPHIC BREAKDOWN

Odeabank has a strong branch network and employees in different cities. The Bank operates in Adana, Ankara, Antalya, Bursa, Denizli, Eskişehir, Gaziantep, Hatay, İstanbul, İzmir, Kayseri, İzmit, Konya, Mersin, Muğla and Samsun.



Employee Relations and Internal Communications

Odeabank shapes its human resources practices around the concept “our most valuable asset - our human resources.” With this approach, the Bank supports strategic collaboration among business segments in line with the Bank’s targets and policies.

The Department closely monitored the needs of business lines and provided guidance and counseling to employees to help them improve their performance, manage their careers effectively, and work more efficiently. In addition, the Department contributed to efforts to increase cooperation and create synergy between business units, and carried out internal communication activities to ensure effective implementation of the Bank’s rules in accordance with the ethical principles of banking.

Personnel at every level of the organization had the opportunity to meet one-on-one with senior management, which in turn contributed positively to employee motivation and facilitated the creation of synergy within the Bank.

Performance Management

In line with the performance management system and strategic practices developed, the Bank focuses on individual performance in order to increase overall corporate performance.

Performance targets are set through an advanced technology and user friendly system by focusing on realistic, customer and profit oriented capabilities that measure real success. These targets help make up the road map to execute the Bank’s core strategies.

HUMAN RESOURCES

With a focus on the importance of competencies in attaining targets, the Bank strives to retain and develop employees who can effectively manage their customers, tasks and change; are result-oriented; understand their colleagues well and have developed communication skills; and conduct themselves within the framework of leadership principles. Activities are carried out in the Bank to have a permanent system within.

Performance evaluation process was efficiently conducted within the timeframe; and 2016 year-end evaluation was completed without any problems while managers and employees were given support in 2017 target determining process.

Compensation and Reward Management

The Bank's Human Resources Management Strategy and Practices - one of the most important factors behind Odeabank's success - sets up a fair reward system to enable all employees to work with pleasure and a high level of motivation, feeling they are valued.

The compensation plan for the year 2017 was developed by taking into consideration the average wages in the banking sector, workload across all positions, performance indicators, balances within the organization and annual budgets.

Developments in HR Systems

Odeabank implements its human resources practices through an advanced technology infrastructure, and makes a difference in the sector. At the Bank, human resources processes are integrated into developing technology, while fast, high quality, effective and systematic solutions are provided to best meet the needs of employees.

Within this scope, the bank continued to use human resources application, Leave Request and Approval System, Payroll Viewing Module, My HR Module, Performance Management System and "e-odea" human resources training platform, Vide'O, secondment and to provide quick and quality services to its employees.

The Bank completed the technical infrastructure and testing for the Odeabank Candidate Career Portal. Operating through the Bank's official web site, this portal will announce vacant positions, create an online candidate pool, filter eligible candidates according to certain criteria, manage the candidate interview processes in a systematic fashion, and register newly recruited employees.

Career Management

Through Odeabank Career Management; the Bank offers rotation, vertical and horizontal movement opportunities for employees within the framework of the authorities and responsibilities they can assume based on their competency development; provides advice to employees in light of their competencies and areas of specialization; and offers opportunities for personal development and different career paths within the Bank.

The underlying principle in all processes is to reinforce corporate loyalty and motivation and to ensure the sustainability of the organization's success.

Odeabank formulated its promotion procedures as a foundation to creating a corporate culture where capabilities are developed internally. The Bank's promotion procedures include the rules to provide internal career opportunities for high performance personnel who can assume tasks at a higher title with their attitude, professional knowledge base and skills, education level and responsibility awareness. The promotion system is based on objectivity, equality and impartiality and is conducted with final decisions and approvals of the manager of the employee to be promoted, Odeabank Human Resources, and all other relevant parties.

Training & Development

Seeing employee training and development as one of the most important factors in its success, Odeabank plans and conducts a comprehensive range of training activities in order to contribute to its staff's advancement and development.

Odeabank plans professional trainings to increase the technical knowhow needed by its workforce and to expand the knowledge base and skills personnel are expected to have in line with their job positions. The Bank ensures performance development by enriching these training sessions with on-the-job trainings and e-trainings. In addition, the Bank administers corporate trainings for employees in line with Odeabank's corporate culture, targets and strategies.

During 2017, the Bank organized general trainings, exclusive leadership programs, legal trainings, external trainings, meetings, congresses and conferences, all planned to improve the behavioral and technical skills of the staff, as well as training programs specially designed for the Bank.

Additionally, the Bank aims to support all employees' professional development with internal e-learning platforms that include: "e-Odea Human Resources Training Platform," and "Vide'O."

2018 Goals

In 2018, the Department plans to take the following measures:

- High profile management trainee(MT)s and sales trainees will be recruited for the Head Office and branch sales management, if the right market and business conditions materialize.
- Evaluation and development processes will continue via mentorship and leadership programs.
- According to their fields of expertise, employees will continue to participate in domestic and international training programs, conferences, congresses and meetings.
- Personnel will continue to participate in training and development programs, for their managerial and technical advancement.
- Project to measure employee loyalty and satisfaction will be put into practice.



03

FINANCIAL INFORMATION AND RISK MANAGEMENT ASSESSMENT



EFFICIENT RISK MANAGEMENT

Odeabank's asset quality maintained its robust profile thanks to the efficient risk management and %1.3 risk cost average.



EVALUATIONS OF THE AUDIT COMMITTEE ON THE OPERATION OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND ASSESSMENT OF THEIR ACTIVITIES IN THE ACCOUNTING PERIOD

The Audit Committee is established within the frame of Banking Law No. 5411 and Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process. Internal Audit Unit, Internal Control, and Compliance Departments which are included in the internal systems, directly report to the Audit Committee.

On behalf of the Board of Directors,

The Audit Committee, has the authority and responsibility to supervise the efficiency and adequacy of the Bank's internal systems, the functioning of these systems and of the accounting and reporting systems in accordance with the Law and applicable regulations, and the integrity of the information that is generated, to carry out the necessary preliminary assessment for the selection of independent audit institutions and rating, valuation and support service institutions by the Board of Directors, to monitor regularly the activities of the institutions selected by the Board of Directors and with which contracts have been signed.

The Audit Committee convened four times in 2017 and following observations and the relevant examinations, concluded that the internal systems of the Bank were efficient, functioning as planned and the internal controls on financial reporting were effective.

A summary of the activities performed by the units reporting to the Audit Committee is provided below:

Internal Audit Unit

The purpose of the Internal Audit is to provide assurance that the activities of the Bank are conducted in accordance with the Law and other applicable legislation and with the internal strategies, policies, principles and targets of the Bank and that the internal control and risk management systems are effective and adequate.

To this end, Internal Audit Department performed branch audits, process audits, head Office audits and IT audits in the scope of the 2017 audit plan, and dedicated some of its time to investigation and examination activities. The Internal Audit Department started operations with 15 employees in 2017 and reported all of its operations to the Board of Directors via the Audit Committee. The total number of its employees reached 16. Seven of the employees have master's degrees, while two continue doctoral education. In total, Internal Audit Department staff hold two International Auditor Certificates (CIA); one Certificate of Risk Management Assurance (CRMA), eight Certificates of Fraud Examiner (CFE); one Certificate of Information Systems Auditor (CISA), one Certi-

ificate of Information Systems Security Specialist (CISSP), one Certificate of Information Security Manager (CISM) and one Certificate of Ethical Hacker (CEH). The employees also have three CMB Advanced Level, two CMB Derivatives, three CMB Credit Rating and three CMB Corporate Governance Rating licenses.

Internal Control and Compliance

The Internal Control and Compliance department fulfilled its responsibilities with fourteen personnel as of December 31, 2017. ICU personnel acquire certificates as 1 Certified Internal Auditors (CIA), 1 Control Self-Assessment (CCSA), 2 Certified Risk Management Assurance (CRMA) and 1 Certified Fraud Examiners (CFE), two Certificated Internal Control Auditor (CICA) and 1 Capital Market Activities Level 3 Graduate Certificate and 1 CMB Derivative Instruments License.

Internal Control is responsible for monitoring and independent evaluation of the financial, operational and other controls and timely and effectively reporting their results to senior management periodically in order to ensure that all banking activities are performed in accordance with current policies, methodologies, and related regulations.

The results achieved following the branch and headquarters controls executed by the Internal Control in 2017 were shared with the relevant units of the Bank. Design and operating effectiveness tests are performed and designated controls are assessed for each banking process within the scope of Management Declaration. In addition, Internal Audit worked according to "Regulation on Bank's Procurement of Support Services" and risk assessment report presented to the Board of Directors. The agreements are also reviewed within the scope of the related regulation. Additionally periodical controls and İSEDES activities for support system companies were realized.

Within the scope of Operational Risk, the following tasks were carried out within the Bank in line with the Basel II and local regulations; monitoring, recording, reporting operational risk cases, updating Operational Risk policy and procedures, specifying the Bank's Operational Risk profile, taking and pursuing preventive and recuperative measures against risk and loss. Additionally; Activities were carried out within the scope of Support Services Risk Management Program, Risk Control Appraisal, Key Risk Indicator, Branch Risk Assessment, BBB Insurance Management Consolidated Follow Up and the coordination of New Product Committee.

Within the scope of Business Continuity, the following tasks were carried out: coordination of the activities aimed to ensure that critical business processes and technical infrastructure are sufficient and ready so that operations will not be interrupted after a probable disaster; updating business continuity policy and procedures; carrying out and updating business impact and risk analysis tasks; preparing and updating business rescue plans and sharing them with the related departments; and making business continuity tests.

In the legal and regulatory arena, the Bank carried out efforts designed to: i) monitor legal and regulatory changes and make sure they are duly announced within the Bank; ii) ensure that a strong communications link is made between the Bank and relevant regulatory authorities; iii) respond to questions asked by Bank staff about legislative and regulatory issues; iv) provide guidance to staff members; v) perform controls on compliance with legal and regulatory requirements; vi) Law on managing compliance to the Protection of Personal Data and vii) raise awareness within the Bank about relevant legal and regulatory issues.

Compliance

Odea Bank A.Ş. has an effective strategy related to activities for complying with the Law on the Prevention of Laundering Crime Proceeds and Financing Terrorism, and managing possible compliance risks. To this end, efforts are expended to enhance the compliance culture within Bank.

Odeabank formulated its Policy on Prevention of Laundering Proceeds of Crime and Financing of Terrorism. The policy was developed with a risk management based approach and in line with the commitments the Bank has made with all its shareholders. In addition, the Bank's policy is in compliance with local legal and regulatory requirements, including those issued by the Financial Crimes Investigation Board (MASAK), as well as applicable standards, such as those of the Financial Action Task Force (FATF), Wolfsberg Principles, and BASEL Principles, that are issued

by international institutions and entities. The Customer Acceptance Policy, in particular, and all other compliance policies established in compliance with this Policy, went into force upon the approval of the Bank's senior management.

The Compliance Unit oversees the Bank's responsibilities and compliance with the Foreign Account Tax Compliance Act (FATCA), as well as Common Reporting Standards adopted by the OECD.

To fulfill the Bank's commitments with regard to compliance policies, the Compliance Unit monitors customer acquisition processes; customers' financial or non-financial transactions; the parties with which the Bank enters into business contracts, correspondent relations and transactions; and the Bank's entire range of products, services, and service channels, in a systematic fashion.

Aiming to raise awareness on the prevention of laundering proceeds from crime and financing terrorism and on compliance with FATCA, enhance the efficiency of Odea Bank A.Ş. controls and practices, and cultivate a culture of compliance, all Bank employees undergo annual training programs, complete with information on the latest developments. Information on recent developments in domestic and international compliance is provided to all Bank units at the same time, thereby raising awareness and fostering a shared culture on this matter.

With regards to recent developments, the Unit ensures the compliance of all in-house policies and rules with applicable legislation, and takes corrective action to manage the risks that may be created by current or existing products, services and fields of activities, by making use of the latest advanced technology methods.

Odea Bank A.Ş. believes that all employees must take part in an efficient struggle to prevent the laundering of crime proceeds and financing terrorism, and organizes its operations and services accordingly.

EVALUATIONS OF THE AUDIT COMMITTEE ON THE OPERATION OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND ASSESSMENT OF THEIR ACTIVITIES IN THE ACCOUNTING PERIOD

Risk Management***Credit Risk***

Credit Risk is defined as the risks accrued or risks expected to accrue on the capital due to debtor(s) not complying with the terms of the agreement they signed with the Bank and capital. Credit risk management is considered as a cycle and is sited at every stage of the credit process from its origination. Each limit request is assessed by the credit allocation unit which is independent from profit centers. Moreover, Credit limits are determined based on product and total amount for each individual customer, corporate client and risk group. Credit Risk Management Department is responsible for developing necessary methods for defining, computing and measuring the credit risk. Within this scope, in accordance with the legislation, Credit Risk Management is responsible for specifying and monitoring the limits on the risk strategy and risk appetite, besides reporting them to the Audit Committee. Credit Risk Management is also responsible for specifying the compliance with capital adequacy, the calculation of credit risk weighted assets and developing score card models.

Market Risk

Market risk management is actively involved in the management of market risk arising out of trading activities, structural interest rate risk arising out of maturity mismatch and liquidity risk. These risks are measured in compliance with local regulations and Odeabank/Banque Audi group risk policies, and are monitored, reported and managed within the framework of risk limits approved by the BoD.

Market risk of trading activities is measured by internationally recognized risk metrics, while volumes and p&l of treasury transactions are simultaneously monitored. In order to limit the exposure to risks, nominal volume limits, stop-loss limits are utilized along with sensitivity limits such as DV01 and vega limits.

The counterparty credit risk measurement regarding derivative products is made again by means of internationally accepted risk metrics. Within this scope, a separate risk measurement and risk tracking is made for each derivative product customer.

Structural Interest Rate Risk

To measure structural interest rate risk, interest rate reprising gap and duration analyses are performed and the economic value of equity (EVoE) is measured. Moreover, Interest Rate Risk Arising from Banking Calculations is calculated within the scope of statutory reporting. Structural interest rate risk hedging transactions are evaluated by the Asset and Liability Committee (ALCO).

Liquidity Risk

Within the scope of the "liquidity ratios and statutory Liquidity Coverage Ratio calculations" approved by the Board of Directors; Measurement of liquidity risk encompasses determination of liquidity shortages in various time buckets and monitoring early warning indicators specified in the Bank's liquidity policy. Liquidity risk hedging transactions are evaluated by ALCO.

Information and Customer Security

In 2017, within the Information and Customer Security Department, 14 staff members composed of two managers and two assistant managers, three senior specialists, four specialists and three intern employees carried out their tasks. Under the Information and Customer Security Department, the Information Security Unit, Application Security Unit and Transaction Security Unit carry out their tasks.

As part of Information Security activities, the following tasks were carried out: management of log monitoring products; monitoring of suspicious activities threatening the Bank's information security; reporting these activities to related units and ensuring that appropriate measures were taken; reviewing all agreements through an information security perspective and submitting comments; preventing data leakage; keeping track of laws and regulations related to information security and ensuring that their requirements are met; creating an Information Security policy and procedures; executing Information Security Awareness procedures; coordinating attack and penetration testing; preparing the Security Plan; evaluating all access and authorization requests related to Information Security infrastructure; presenting an Information Security opinion for all application development and information systems projects and practices that require architecture or infrastructure related change; participating in key management procedure for credit and debit cards as a Key Officer; carrying out data ownership and classification tasks, conducting user access reviews and coordinating and managing SWIFT Customer Security Control Framework and self-attestation process.

Within the scope of Application Security the following tasks were carried out, registering actions of new customers, reviewing Personal Loan and Credit Card applications originating from all application channels; detection of fraud and forgery; and taking preventive measures against probable fraud and forgery; carrying out the correspondence between the bank and public authorities, reviewing application fraud disputes and monitoring SABAS and USTA (National Cyber Threat Network) records.

Within the scope of Transaction Security, the following tasks were carried out: performance monitoring, managing and improving Inter Fraud application; managing scenarios including different actions according to the risk status of Internet Banking, credit/bank cards and transactions of contracted merchants; analyzing transactions – within the framework of scenarios – that are monitored in order to prevent fraud and getting confirmation from the customers when necessary; replying information requests received from the public authorities; informing the related departments about the detected transactions that are fictitious, cash use, gambling/betting and that are made in bill payment centers; giving consent after performing necessary controls in the contracted merchants that are found risky in the “contracted merchant application process”, investigating, the high risk authorization demands from current contracted merchants (e.g. external debit and credit cards, resolving early blockages, mail orders) were evaluated and approved. Opinions of risk about new products, campaigns or developments were given. Internal and external customers were informed on fraud.

Visa/MasterCard/BKM/İFAS/other bank fraud reports and taking action when necessary; following security compliance of card corporations and ensuring compliance with the bank; reporting fraud events that take place or that are prevented.

Best regards,

Dr. İmad İtani

Board Member

Chairman of the Audit Committee

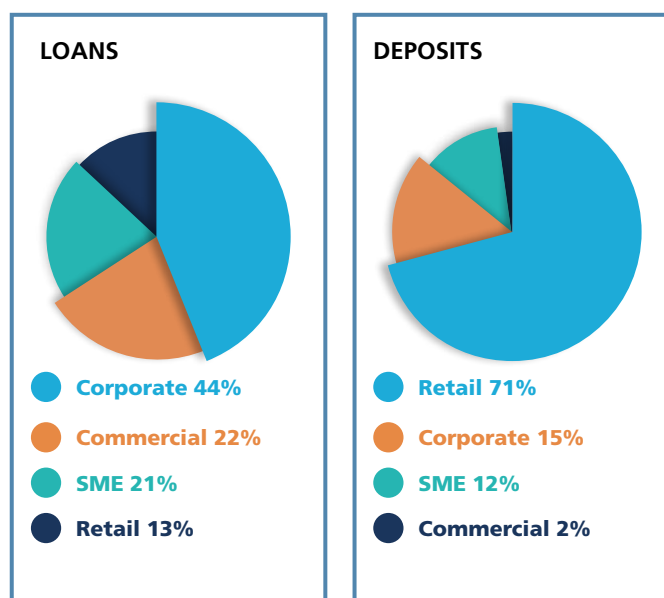
Ayşe Korkmaz

Vice-Chairman of the Board

Member of the Audit Committee

INFORMATION ON ODEABANK'S FINANCIAL STATUS, PROFITABILITY AND SOLVENCY

2017 has been a year full of challenges and successes for Odeabank. Following 5 years of fast and successful growth period and after achieving nontrivial market share, Odeabank is now in a new phase. As a mid-size player in Turkish banking sector, Odeabank has entered a consolidation mode in which it favors margin and efficiency improvements to reinforce profitability and asset quality. Thus, while Odeabank's asset size did not grow in 2017 for the first time since the bank has been established as it focused on rebalancing its loan portfolio and enhancing depth and width of its deposit base. Within this scope, while Odeabank's overall loan portfolio contracted by 14.4% YoY in 2017, its total asset size decreased by 13.5% in the same period.



Odeabank sets its consolidation and rebalancing initiative on several pillars, and one of them is reducing loan concentration in some business lines and some sectors. The Bank successfully increased the share of local currency loans and deposits within total loan book and deposits in 2017. Nevertheless, customers' deposits continued to represent the main source of funding reflecting Odeabank's sustained strategic priority of self-funded balance sheet with low reliance on wholesale funding. As a testimony to this, Odeabank's loan to deposit ratio at 95% is one of the lowest in the sector.

Odeabank has received inaugural rating from Moody's (Ba3) and Fitch (BB-) in 2017 in line with its well-established peers and three notches above its parent, Bank Audi, whose ratings are capped by the Lebanese sovereign rating. Following rating action, Odeabank successfully issued an inaugural US\$ 300 million 10NC5, 144A/RegS Subordinated Basel III Compliant Tier II bond. This transaction helped Odeabank to strengthen its capital base and provide long-term funding to finance its growth. Consequently, Odeabank's capital adequacy ratios increased significantly in 2017 and now it has the highest capital adequacy ratios compared its peers. Both of the successful inaugural rating and Tier II bond issuance have been reflections of Odeabank's solid position in the Turkish banking sector.

In 2017, in tandem with to CBRT's rate hikes, the Government raised its guarantee limits for the Credit Guarantee Fund (CGF) which led to a considerable credit impulse. Sector's CGF backed Turkish Lira loan growth increased sharply particularly in Q2 2017. Acceleration in sector's loan growth coupled with tighter monetary policy of CBRT pushed TL deposit rates up in 2017. Despite the adverse impacts of tighter monetary policy and fast loan growth on TL deposit costs in Turkish banking sector, Odeabank's core banking revenues continued to grow strongly in 2017 thanks to the solid growth in both the net interest income and the net fee and commission income. Following the negative impact of rising deposit costs in 1H 2017, it is a continuous effort to reprice Odeabank's loans higher and this is lifting its net interest income every quarter.

Despite one-off reclassifications of a few big-ticket loan items, Odeabank's underlying asset quality is still sound thanks to its cautious risk management. The Bank's cost of risk remains at 1.3%, very close to sector average. On the other hand with 2.1% OPEX/average assets and TL 482 million and TL 509 million loans and deposits per branch respectively, Odeabank boasts the best-in-class cost efficiency KPIs.

In the face of challenges in the macroeconomic environment and banking sector Odeabank completed 2017 successfully, increasing its bottom line by 60% YoY to TL 321 million. Odeabank continues its efforts to further improve its low cost business model and to deliver higher value added to all its stakeholders.

STATEMENT CONCERNING THE 2017 ANNUAL REPORT OF ODEA BANK A.Ş.

The following 2017 annual report of Odea Bank A.Ş. has been prepared in accordance with the "Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by Banks" published in the Official Journal numbered 26333, dated 1 November 2006.



Samir Hanna

Chairman of the Board of Directors



Ayşe Korkmaz

Vice-Chairman of the Board and
Member of Audit Committee



Imad Itani

Board Member and
Member of Audit Committee



Naim Hakim

Deputy General Manager and AGM in
charge of Finance



Hüseyin Arıtkan

Director in charge of Financial Reporting

INFORMATION AND CONTENT ON RATINGS PROVIDED BY RATING AGENCIES

The Bank received these ratings from international rating agencies on 14th of July 2017.

Moody's:

Long Term Deposits	Ba3
Short Term Deposits	Not-Prime
Base Credit Assessment-BCA	Ba3
Long Term National	A2.TR
Short Term National	TR-1
Outlook	Negative

Fitch:

Long Term Foreign and Local Currency	BB-
Short Term Foreign and Local Currency	B
Financial Capacity	BB-
Support Rating	5
Long Term Local Currency	A+(tur)
Outlook	Stable

CONVENIENCE TRANSLATION OF THE REPORT ON COMPLIANCE OF THE ANNUAL REPORT



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(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Odeabank A.Ş.

1) Opinion

We have audited the annual report of Odeabank A.Ş. ("the Bank") for the period of 1 January 2017 – 31 December 2017.

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

2) Basis for Opinion

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

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

We have expressed a qualified opinion in our auditor's report dated 27 February 2018 on the full set financial statements of the Bank for the period of 1 January 2017 – 31 December 2017.

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

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of "Communiqué on Principles and Procedures set out by the Regulations on Preparation and Issuance of Annual Reports of Banks", the management of the Bank is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Bank for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Bank and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Bank,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.
 - Other matters set out per the "Communiqué on Principles and Procedures set out by the Regulations on Preparation and Issuance of Annual Reports of Banks"

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

Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the "Communiqué on Principles and Procedures set out by the Regulations on Preparation and Issuance of Annual Reports of Banks" published in official gazette no.26333 dated November 1, 2006, the prevailing accounting principles and standards set out as in accordance with "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulations, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Bank's audited financial statements and to prepare a report including our opinion.

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

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.



16 March 2018
İstanbul, Türkiye

ODEA BANK A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2017 TOGETHER WITH AUDITOR’S REPORT

(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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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Odea Bank A.Ş.

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Odea Bank (the Bank), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter referred in the basis of qualified opinion paragraph on the unconsolidated financial statements, the accompanying financial statements present fairly, in all material respects, the financial position of Odea Bank A.Ş. as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulations.

Basis for Opinion

The accompanying unconsolidated financial statements as at 31 December 2017 include a free reserve for possible risks amounting to TL 257.700 thousands of which TL 44.000 thousands is provided in the current period and TL 213.700 is provided in the prior period 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 TL 56.694 thousands in the accompanying unconsolidated financial statements as at 31 December 2017.

As a result of this provision which does not meet the accounting criteria of TAS 37, pre-tax income is understated by TL 44.000 thousands for the period ended 31 December 2017, other provisions are overstated by TL 257.700 thousands and deferred tax asset is overstated by TL 56.694 thousands, as at 31 December 2017.

We conducted our audit in accordance with Independent Auditing Standards ("ISA") which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank within the meaning of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

Allowance for Impairment on Loans and Advances to Customers

Loans and advances to customer is a key area of judgement for the management. There is a potential risk that loans and advances are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation as determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgment for the management. Accordingly, carrying amount of loans and customers might be greater than the estimated recoverable amounts, therefore the impairment test of these loans of advances is a key audit matter. Refer Note 5 of explanations and disclosures related to the assets relating to the impairment of loans and advances.

Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and advances. We also assessed whether impairment losses for loans and advances were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and advances and the required provisions against them.

Derivative Financial Instruments

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased), credit default swaps and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Refer to information on derivative financial assets and liabilities notes relating to derivative financial instruments.

Our audit procedures includes among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of our firm and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.

The fair value of derivative financial instruments is determined through the application of valuation techniques and the use of assumptions and estimates. The significance of derivative financial instruments is considered by us as a key audit matter because of the uncertainty in the estimates used.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Yaşar Bivas.

Additional paragraph for convenience translation to English

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

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



February 27, 2018
İstanbul, Türkiye

Translated into English from the original Turkish report and financial statements

THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF ODEA BANK A.Ş. AS OF DECEMBER 31, 2017

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Web Site : <http://www.odeabank.com.tr>

Contact Email Address : <https://www.odeabank.com.tr/en-us/contact-us/sayfalar/contact-form.aspx>

The unconsolidated financial report for the year 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:

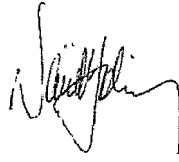
- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS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

The accompanying unconsolidated financial statements for the year 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 independent audited.



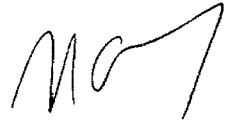
Samir HANNA

Chairman of the Board of Directors



Naim HAKIM

Deputy General Manager and Assistant
General Manager in charge of Finance



Hüseyin ARITKAN

Financial Reporting Director



Ayşe KORKMAZ

Chairman of Board of Directors
and Audit Committee Member



İmad İTANİ

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
Fax Number : +90 (212) 304 84 45

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

INDEX

**SECTION ONE
General Information About the Bank**

I.	Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue	100
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	100
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	101
IV.	Information about the Persons and Institutions that have Qualified Shares	102
V.	Summary on the Bank's Functions and Areas of Activity	102
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	102
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	102

**SECTION TWO
Unconsolidated Financial Statements of the Bank**

I.	Balance Sheet	104
II.	Statement of Off Balance Sheet Contingencies and Commitments	106
III.	Statement of Income	107
IV.	Statement of Income and Expense Items Accounted Under Shareholders' Equity	108
V.	Statement of Changes in Shareholders' Equity	109
VI.	Statement of Cash Flow	111
VII.	Profit Distribution Table	112

**SECTION THREE
Accounting Policies**

I.	Basis of Presentation	113
II.	Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions	113
III.	Explanations on Forward and Option Contracts and Derivative Instruments	114
IV.	Explanations on Interest Income and Expenses	114
V.	Explanations on Fees and Commission Income and Expenses	114
VI.	Explanations on Financial Assets	114
VII.	Explanations on Impairment of Financial Assets	116
VIII.	Explanations on Offsetting of Financial Assets and Liabilities	116
IX.	Explanations on Sales and Repurchase Agreements and Lending of Securities	117
X.	Explanations on Assets Held For Sale and Discontinued Operations	117
XI.	Explanations on Goodwill and Other Intangible Assets	117
XII.	Explanations on Tangible Fixed Assets	117
XIII.	Explanations on Leasing Transactions	118
XIV.	Explanations on Provisions and Contingent Liabilities	118
XV.	Explanations on Liabilities Regarding Employee Benefits	118
XVI.	Explanations on Taxation	119
XVII.	Additional Explanations on Borrowings	120
XVIII.	Explanations on Issued Share Certificates	120
XIX.	Explanations on Avalized Drafts and Acceptances	120
XX.	Explanations on Government Incentives	120
XXI.	Explanations on Segment Reporting	120
XXII.	Explanations on Reclassifications	120
XXIII.	Explanations on Other Matters	120

**SECTION FOUR
Information Related to Financial Position and Risk Management of the Bank**

I.	Explanations on Equity	121
II.	Explanations on Credit Risk	128
III.	Explanations on Currency Risk	138
IV.	Explanations on Interest Rate Risk	140
V.	Explanations on Share Certificates Position Risk	144
VI.	Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	144
VII.	Explanations on Leverage Ratio	149
VIII.	Explanations on Presentation of Financial Assets and Liabilities at Fair Value	149
IX.	Explanations on Transactions Made on Behalf of Others and Fiduciary Transactions	150
X.	Explanations on Risk Management Objectives and Policies	150
XI.	Explanations on Hedge Transactions	159
XII.	Explanations on Business Segments	160

**SECTION FIVE
Explanations and Disclosures on Financial Statements**

I.	Explanations and Disclosures Related to the Assets	161
II.	Explanations and Disclosures Related to the Liabilities	170
III.	Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments	176
IV.	Explanations and Disclosures Related to the Statement of Income	179
V.	Explanations and Disclosures Related to the Statement of Changes in Shareholders' Equity	184
VI.	Explanations and Disclosures Related to the Statement of Cash Flows	184
VII.	Explanations on the Risk Group of the Bank	185
VIII.	Explanations and Disclosures Related to Subsequent Events	185

**SECTION SIX
Other Explanations**

I.	Other Explanations on the Operations of the Bank	187
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**SECTION SEVEN
Independent Auditor's Report**

I.	Explanations on the Independent Auditor's Report	187
II.	Explanations and notes prepared by independent auditor	187

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 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 December 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%
H.H Sheikh Dheyab Binzayed Binsultan Al-Nahyan	131.697	4,004%	131.697	4,004%
IFC Financial Institutions Growth Fund L.P	112.674	3,426%	112.674	3,426%
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 endorsement of the mentioned registered share certificates.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 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

Title	Name-Surname	Responsibility	Education
Chairman of the Board of Directors	Samir HANNA	Chairman	High School
Vice Chairman of the Board of Directors^(*)	Ayşe KORKMAZ	Vice Chairman of the Board of Directors and Member of Audit Committee	Bachelor's 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 and Member of Audit Committee	PHD Degree
	Marwan GHANDOUR	Member of the Board of Directors	PHD Degree
	Elia SAMAHA	Member of the Board of Directors	Bachelor's Degree
	Khalil EI DEBS	Member of the Board of Directors	Master Degree
	Philippe Elias Farid EL-KHOURY	Member of the Board of Directors	Master Degree
	Aristeidis VOURAKIS	Member of the Board of Directors	Master Degree
	Bülent ADANIR	Member of the Board of Directors	Master Degree
	Guy Charles HARRINGTON ^(****)	Member of the Board of Directors	Master Degree
Deputy General Manager^(**)	Naim HAKIM	Finance	Master Degree
Assistant General Managers^(***)	Alpaslan YURDAGÜL	Credits, Project Financing and Financial Institutions	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 December 20, 2017, Ms. Ayşe KORKMAZ has been appointed as Vice Chairman of the Board of Directors and Mr. Marwan GHANDOUR has been appointed as Member of the Board of Directors.

^(**) As of December 20, 2017, Member of Board of Directors and General Manager Mr. Hüseyin ÖZKAYA resigned.

^(***) Pursuant to the resolution taken by the Board of Directors dated December 20, 2017, Mr. Alpaslan Yurdagül, who was serving as Assistant General Manager responsible for Financial Institutions and Investment Banking, has been assigned such that Mr. Yurdagül is responsible for the Credits in addition to his current duties.

^(****) As of January 18, 2018 Mr. Guy Charles HARRINGTON resigned and was replaced by Mrs. Dragica Pilipovic-CHAFFEY as a member of the Board of Directors.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 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 December 31, 2017:

Name / Commercial Title	Share Amount	Share Ratios	Paid upShares	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 December 31, 2017, there are 47 domestic branches with 1.185 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)
- II. Statement of Off Balance Sheet Contingencies and Commitments
- III. Statement of Income
- IV. Statement of Income and Expense Items Accounted Under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flow
- VII. Statement of Profit Appropriation

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET

AS OF DECEMBER 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)

		Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
	Note Ref (Section Five)	TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	1.490.122	2.241.698	3.731.820	1.364.386	3.353.854	4.718.240
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	375.208	821.103	1.196.311	321.278	104.655	425.933
2.1 Financial assets held for trading		375.208	821.103	1.196.311	321.278	104.655	425.933
2.1.1 Public sector debt securities		760	-	760	5.905	-	5.905
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		374.448	46.668	421.116	315.373	104.655	420.028
2.1.4 Other marketable securities		-	774.435	774.435	-	-	-
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	203	286.526	286.729	139	118.585	118.724
IV. MONEY MARKET PLACEMENTS		2.742.869	-	2.742.869	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		2.742.869	-	2.742.869	4.412.052	-	4.412.052
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	433.804	828.629	1.262.433	425.565	479.890	905.455
5.1 Share certificates		4.897	3.004	7.901	-	1.927	1.927
5.2 Public sector debt securities		428.907	825.625	1.254.532	425.565	477.963	903.528
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	I-5	13.018.365	9.613.141	22.631.506	13.342.398	13.105.388	26.447.786
6.1 Loans and receivables		12.388.537	9.613.141	22.001.678	12.955.273	13.105.388	26.060.661
6.1.1 Loans to risk group of the Bank		304	-	304	1.186	-	1.186
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		12.388.233	9.613.141	22.001.374	12.954.087	13.105.388	26.059.475
6.2 Non-performing loans		1.075.472	-	1.075.472	688.443	-	688.443
6.3 Specific provisions (-)		445.644	-	445.644	301.318	-	301.318
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-6	-	447.133	447.133	-	428.155	428.155
8.1 Public sector debt securities		-	447.133	447.133	-	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	104.383	-	104.383	129.466	-	129.466
XV. INTANGIBLE ASSETS (Net)	I-13	89.925	-	89.925	98.807	-	98.807
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		89.925	-	89.925	98.807	-	98.807
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-	-	-	-
XVII. TAX ASSET	I-15	64.664	-	64.664	92.593	-	92.593
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		64.664	-	64.664	92.593	-	92.593
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-16	170.946	-	170.946	42.094	-	42.094
18.1 Held for sale		170.946	-	170.946	42.094	-	42.094
18.2 Discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-17	196.671	178.985	375.656	230.979	228.116	459.095
TOTAL ASSETS	-	18.687.160	14.417.215	33.104.375	20.459.757	17.818.643	38.278.400

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET

AS OF DECEMBER 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)	Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	II-1	10.291.845	13.618.542	23.910.387	10.774.307	18.480.089	29.254.396
1.1 Deposits from risk group of the Bank		923	583.852	584.775	16.644	1.194.888	1.211.532
1.2 Other		10.290.922	13.034.690	23.325.612	10.757.663	17.285.201	28.042.864
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	329.823	74.648	404.471	472.909	72.966	545.875
III. FUNDS BORROWED	II-3	2.940	2.939.780	2.942.720	8.616	3.656.881	3.665.497
IV. MONEY MARKET BALANCES		-	-	-	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	-	-	-	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		8.563	923	9.486	9.179	722	9.901
VIII. OTHER LIABILITIES	II-6	157.955	125.106	283.061	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	407.021	151.775	558.796	414.936	122.541	537.477
12.1 General loan loss provisions		105.029	151.775	256.804	132.295	122.541	254.836
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		11.002	-	11.002	14.915	-	14.915
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		290.990	-	290.990	267.726	-	267.726
XIII. TAX LIABILITY	II-10	62.332	-	62.332	93.027	-	93.027
13.1 Current tax liability		62.332	-	62.332	93.027	-	93.027
13.2 Deferred tax liability		-	-	-	-	-	-
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	-	1.174.992	1.174.992	-	528.417	528.417
XVI. SHAREHOLDERS' EQUITY	II-13	3.772.430	(14.300)	3.758.130	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		(18.985)	(14.300)	(33.285)	(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		(20.038)	(14.300)	(34.338)	(19.816)	(8.925)	(28.741)
16.2.4 Tangible assets revaluation differences		3.251	-	3.251	-	-	-
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		182.001	-	182.001	-	-	-
16.3.1 Legal reserves		9.263	-	9.263	-	-	-
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		172.738	-	172.738	-	-	-
16.3.4 Other profit reserves		-	-	-	-	-	-
16.4 Profit or loss		320.572	-	320.572	185.252	-	185.252
16.4.1 Prior years' income/ (losses)		-	-	-	(15.102)	-	(15.102)
16.4.2 Current year income/ (losses)		320.572	-	320.572	200.354	-	200.354
16.5 Minority shares	II-14	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		15.032.909	18.071.466	33.104.375	15.389.768	22.888.632	38.278.400

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AS OF DECEMBER 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)	Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		16.844.184	38.853.979	55.698.163	18.985.010	43.335.254	62.320.264
I. GUARANTEES	III-1	912.612	1.665.278	2.577.890	1.023.257	1.876.881	2.900.138
1.1 Letters of guarantee		907.017	553.168	1.460.185	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		907.017	553.168	1.460.185	1.013.390	1.200.672	2.214.062
1.2 Bank loans		5.595	136.656	142.251	9.867	104.656	114.523
1.2.1 Import letter of acceptance		5.595	136.656	142.251	9.867	104.656	114.523
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	845.476	845.476	-	571.553	571.553
1.3.1 Documentary letters of credit		-	845.476	845.476	-	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		-	129.978	129.978	-	-	-
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	III-1	1.262.638	236.092	1.498.730	1.138.614	1.051.410	2.190.024
2.1 Irrevocable commitments		1.262.638	236.092	1.498.730	1.138.614	1.051.410	2.190.024
2.1.1 Forward asset purchase and sales commitments		131.071	167.813	298.884	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		175.568	61.590	237.158	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		72.796	-	72.796	102.372	-	102.372
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		883.203	-	883.203	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		-	6.689	6.689	-	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	III-2	14.668.934	36.952.609	51.621.543	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		14.668.934	36.952.609	51.621.543	16.823.139	40.406.963	57.230.102
3.2.1 Forward foreign currency buy/sell transactions		1.124.178	1.647.267	2.771.445	1.443.317	2.887.100	4.330.417
3.2.1.1 Forward foreign currency transactions-buy		765.077	630.795	1.395.872	872.631	1.281.244	2.153.875
3.2.1.2 Forward foreign currency transactions-sell		359.101	1.016.472	1.375.573	570.686	1.605.856	2.176.542
3.2.2 Swap transactions related to foreign currency and interest rates		11.542.601	31.243.416	42.786.017	11.842.400	26.807.263	38.649.663
3.2.2.1 Foreign currency swaps-buy		3.961.120	11.220.573	15.181.693	2.997.882	10.540.022	13.537.904
3.2.2.2 Foreign currency swaps-sell		6.857.515	8.350.997	15.208.512	6.426.736	7.251.743	13.678.479
3.2.2.3 Interest rate swaps-buy		361.983	5.835.923	6.197.906	1.208.891	4.507.749	5.716.640
3.2.2.4 Interest rate swaps-sell		361.983	5.835.923	6.197.906	1.208.891	4.507.749	5.716.640
3.2.3 Foreign currency, interest rate and securities options		2.002.155	4.061.926	6.064.081	3.537.422	10.712.600	14.250.022
3.2.3.1 Foreign currency options-buy		957.383	1.836.913	2.794.296	1.494.471	5.352.121	6.846.592
3.2.3.2 Foreign currency options-sell		1.044.772	1.790.777	2.835.549	2.042.951	4.880.569	6.923.520
3.2.3.3 Interest rate options-buy		-	217.118	217.118	-	239.955	239.955
3.2.3.4 Interest rate options-sell		-	217.118	217.118	-	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)		69.029.493	32.738.213	101.767.706	59.204.924	28.957.022	88.161.946
IV. ITEMS HELD IN CUSTODY		479.864	262.140	742.004	593.366	384.751	978.117
4.1 Assets under management		181.853	-	181.853	197.238	-	197.238
4.2 Investment securities held in custody		6.183	11.937	18.120	16.921	38.986	55.907
4.3 Checks received for collection		38.861	210.239	249.100	46.741	239.459	286.200
4.4 Commercial notes received for collection		252.967	39.964	292.931	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		68.549.629	32.476.073	101.025.702	58.611.558	28.572.271	87.183.829
5.1 Marketable securities		-	-	-	-	-	-
5.2 Guarantee notes		25.774.880	4.018.134	29.793.014	21.099.168	3.555.888	24.655.056
5.3 Commodities		3.979.512	-	3.979.512	4.137.127	-	4.137.127
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		28.095.493	16.439.889	44.535.382	24.665.080	14.654.317	39.319.397
5.6 Other pledged items		10.699.744	12.018.050	22.717.794	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)		85.873.677	71.592.192	157.465.869	78.189.934	72.292.276	150.482.210

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2017 AND 2016

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

III. STATEMENT OF INCOME

	Note (Section Five)	Audited Current Period 01.01- 31.12.2017	Audited Prior Period 01.01- 31.12.2016
I. INTEREST INCOME	IV-1	3.467.922	2.756.259
1.1 Interest on loans		2.913.386	2.321.222
1.2 Interest received from reserve deposits		52.150	35.352
1.3 Interest received from banks		138.860	73.258
1.4 Interest received from money market placements		231.564	215.106
1.5 Interest received from marketable securities portfolio		111.805	95.971
1.5.1 Held-for-trading financial assets		16.438	1.379
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		78.162	81.039
1.5.4 Investments held-to-maturity		17.205	13.553
1.6 Finance lease income		-	-
1.7 Other interest income		20.157	15.350
II. INTEREST EXPENSE	IV-2	2.109.052	1.608.045
2.1 Interest on deposits		1.947.782	1.475.996
2.2 Interest on funds borrowed		114.059	99.343
2.3 Interest on money market borrowings		97	17.726
2.4 Interest on securities issued		40.488	10.393
2.5 Other interest expense		6.626	4.587
III. NET INTEREST INCOME (I - II)		1.358.870	1.148.214
IV. NET FEES AND COMMISSIONS INCOME		155.608	108.261
4.1 Fees and commissions received		194.586	142.276
4.1.1 Non-cash loans		37.050	31.857
4.1.2 Other		157.536	110.419
4.2 Fees and commissions paid	IV-12	38.978	34.015
4.2.1 Non-cash loans		-	-
4.2.2 Other	IV-12	38.978	34.015
V. DIVIDEND INCOME	IV-3	14	-
VI. NET TRADING INCOME	IV-4	(36.163)	181.816
6.1 Securities trading gains/ (losses)		226.775	337.033
6.2 Gain/(losses) from derivative financial instruments		(133.227)	159.268
6.3 Foreign exchange gains/ (losses)		(129.711)	(314.485)
VII. OTHER OPERATING INCOME	IV-5	14.018	13.526
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		1.492.347	1.451.817
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	353.411	530.366
X. OTHER OPERATING EXPENSES (-)	IV-7	737.782	656.779
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		401.154	264.672
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	401.154	264.672
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-9	(80.582)	(64.318)
16.1 Provision for current income taxes		(51.254)	(119.628)
16.2 Provision for deferred taxes		(29.328)	55.310
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	IV-10	320.572	200.354
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	320.572	200.354
Profit / Loss per Share (shown with full TL amount)		0,097	0,061

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S 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 DECEMBER 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

	Audited Current Period 31.12.2017	Audited Prior Period 31.12.2016
I. Additions to marketable securities revaluation differences for available for sale financial assets	(6.996)	17.912
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	1.399	(3.582)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(5.597)	14.330
XI. Profit/Loss	320.572	200.354
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	-	355.646
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	320.572	(155.292)
XII. Total Profit/Loss accounted for in the period (X±XI)	314.975	214.684

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED DECEMBER 31, 2017 AND 2016

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

V.STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSANDS OF TURKISH LIRA(TL)																			
	Note (Section Five)	Paid-In Capital	Adjustment to Share Capital	Share Premiums	Share Cancellati- on Profits	Legal Reserves	Status Reserves	Extraor- dinary 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 Subs. and J.V.	Hedging Purp./Disc. Reserves	Val.Chan. In Prop. And Eq.HFS Opr..	Total Equity Before Minority Shares	Minority Shareholders' Equity	Total Sha- reholders' Equity
CHANGES IN SHAREHOLDERS' EQUITY																			
PRIOR PERIOD 31/12/2016																			
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		-	-	-	-	-	-	-	-	-	-	14,330	-	-	-	-	14,330	-	14,330
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-13	1,792,692	-	-	-	-	-	-	-	-	90,838	-	-	-	-	-	1,883,530	-	1,883,530
14.1 Cash Increase		1,883,530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,883,530	-	1,883,530
14.2 Internal Resources		(90,838)	-	-	-	-	-	-	-	-	90,838	-	-	-	-	-	-	-	-
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid-in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	(2,198)	(50,290)	50,290	-	-	-	-	-	(2,198)	-	(2,198)
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	200,354	-	-	-	-	-	-	200,354	-	200,354
XX. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+...+XVI+XVII+XVIII)		3,288,842	-	-	-	-	-	-	(2,198)	200,354	(15,102)	(28,741)	-	-	-	-	3,443,155	-	3,443,155

(*) Pursuant to the approval of BRSA dated December 8, 2015, The Bank, on March 1, 2016, converted into TL the capital contribution which were obtained from its controlling shareholder Bank Audi sal amounting to total USD 300 million, and completed the necessary legal and administrative procedures with the relevant authorities and added the counter value TL 883.530 to the paid in capital on March 31, 2016. On August 10, 2016, in line with Article 473 and Article 474/2 of the Turkish Commercial Code, The Bank simultaneously reduced the paid in capital by TL 90.838 and increased to TL 3.288.842 where TL 224.451 have been subscribed by Bank Audi S.A.L., TL 263.394 by European Bank for Reconstruction and Development, TL 209.252 by International Finance Corporation, TL 112.674 by IFC FIG Investment Company S.a.r.l, TL 131.697 by H.H. Sheikh Dheyab Binzayed Binsultan Al-Nahyan and TL 58.532 by Mr. Mohammad Hassan Zeidan.

(**) As per Turkish Account Standards 32, the Bank deducted stamp tax and competition board fees amounting TL 2.198 from equity that were resulted from capital increase.

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 DECEMBER 31, 2017 AND 2016**

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

THOUSANDS OF TURKISH LIRA(TL)																			
	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Cancellati- on Premiums	Share on Profits	Legal Reserves ^(*)	Status Reserves	Extraor- inary Reserves	Other Reserves ^(*)	Current Period Net Income (Loss)	Prior Period Net Inco- me(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 Sha- reholders' Equity
CHANGES IN SHAREHOLDERS' EQUITY																			
CURRENT PERIOD 31/12/2017																			
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 Securitis Valuation Differences	-	-	-	-	-	-	-	-	-	-	(5.597)	-	-	-	-	(5.597)	-	(5.597)
IV.	Hedging Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Property and Equipment Revaluation Differences	-	-	-	-	-	-	-	-	(3.251)	-	-	3.251	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	320.572	-	-	-	-	-	-	320.572	-	320.572
XVIII.	Profit Distribution	-	-	-	-	9.263	-	172.738	-	(197.103)	15.102	-	-	-	-	-	-	-	-
18.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	-	-	-	-	9.263	-	172.738	-	(197.103)	15.102	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+...+XVI+XVII+XVIII)		3.288.842	-	-	-	9.263	-	172.738	(2.198)	320.572	-	(34.338)	3.251	-	-	-	3.758.130	-	3.758.130

(*) 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.

(***) TL 3.251 presented under extraordinary reserves includes the share sales gain benefited from corporate tax exemption and transferred to the Revaluation Surplus on Tangible and Intangible Assets account

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED DECEMBER 31, 2017 AND 2016

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

VI. STATEMENT OF CASH FLOW

	Note (Section Five)	Audited Current Period 31.12.2017	Audited Prior Period 31.12.2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		422.776	547.368
1.1.1 Interest received		3.292.327	2.623.056
1.1.2 Interest paid		(2.067.027)	(1.590.897)
1.1.3 Dividend received		14	-
1.1.4 Fees and commissions received		181.631	151.104
1.1.5 Other income		(109.133)	130.235
1.1.6 Collections from previously written off loans (*)		139.115	100.541
1.1.7 Payments to personnel and service suppliers		(665.924)	(572.528)
1.1.8 Taxes paid		(309.652)	(265.783)
1.1.9 Others	VI-1	(38.575)	(28.360)
1.2 Changes in operating assets and liabilities		(2.068.811)	(286.074)
1.2.1 Net (increase) decrease in financial assets held for trading		(526.415)	(18.747)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		(142.492)	(84.041)
1.2.3 Net (increase) decrease in due from banks and other financial institutions		1.114.700	212.554
1.2.4 Net (increase) decrease in loans		3.568.616	(4.411.917)
1.2.5 Net (increase) decrease in other assets	VI-1	(141.965)	(261.771)
1.2.6 Net increase (decrease) in bank deposits		(606.427)	198.686
1.2.7 Net increase (decrease) in other deposits		(4.747.167)	3.711.021
1.2.8 Net increase (decrease) in funds borrowed		(721.553)	371.785
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	VI-1	133.892	(3.644)
I. Net cash provided from banking operations		(1.646.035)	261.294
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		14.469	(498.820)
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		(39.371)	(56.634)
2.4 Fixed assets sales (*)		58.738	-
2.5 Cash paid for purchase of financial assets available for sale (**)		(4.898)	(1.684.234)
2.6 Cash obtained from sale of financial assets available for sale		-	1.242.048
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		609.300	845.005
3.1 Cash obtained from funds borrowed and securities issued (****)		1.239.503	190.666
3.2 Cash used for repayment of funds borrowed and securities issued (****)		(630.203)	(345.661)
3.3 Issued equity instrument		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	1.000.000
IV. Effect of change in foreign exchange rate on cash and cash equivalents and other asset and liabilities		(358.362)	681.286
V. Net increase / (decrease) in cash and cash equivalents		(1.380.628)	1.288.765
VI. Cash and cash equivalents at beginning of the period	VI-2	5.978.464	4.689.699
VII. Cash and cash equivalents at end of the period	VI-2	4.597.836	5.978.464

(*)The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

(**) The Bank generated cash inflow of TL 58.738 from the sale of properties previously classified under assets held for sale.

(***)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.

(****)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. The bill was amortized on July 7, 2017. The Bank, on August 1, 2017, paid back in full the USD 150 million sub-loan, provided by main shareholder Bank Audi sal on October 31, 2014, with the consent of BRSA dated July 28, 2017.

The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

UNCONSOLIDATED PROFIT DISTRIBUTION TABLE FOR THE PERIOD ENDED DECEMBER 31, 2017 AND 2016

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

VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31.12.2017 ^(*)	Audited Prior Period 31.12.2016
I. DISTRIBUTION OF CURRENT YEAR INCOME/(LOSS)		
1.1 CURRENT YEAR INCOME/(LOSS)	401.154	264.672
1.2 TAXES AND DUTIES PAYABLE (-)	(80.582)	(64.318)
1.2.1 Corporate tax (Income tax)	(51.254)	(119.628)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(29.328)	55.310
A. NET INCOME FOR THE YEAR (1.1-1.2)	320.572	200.354
1.3 PRIOR YEARS' LOSSES (-)	-	15.102
1.4 FIRST LEGAL RESERVES (-)	-	9.263
1.5 OTHER STATUTORY RESERVES (-)	-	3.251
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	320.572	172.738
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	172.738
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES	-	-
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (***)	-	-
3.1 TO OWNERS OF ORDINARY SHARES	0,097	0,061
3.2 TO OWNERS OF ORDINARY SHARES (%)	%9,7	%6,1
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(***)It shows with full TL amount.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 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 2018, 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.

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 2017. The aforementioned accounting policies and valuation principles are explained in Notes II to XXIII below.

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, subordinated loans 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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 December 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.

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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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.

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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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.

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 December 31, 2017, the Bank has specific provision amount to TL 445.644 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 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 December 31, 2017, the Bank has TL 2.742.869 of reverse repo transactions (December 31, 2016: TL 4.412.052).

As of December 31, 2017, the Bank does not have any funds provided under repurchase agreements (December 31, 2016: TL 2.457).

As of December 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 in the unconsolidated financial statements in accordance with the regulations of "Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TAS 5)".

As of December 31, 2017, the Bank has TL 170.946 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 December 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.

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 equipment's	10-33

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

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.

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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

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 December 31, 2017, the Bank has corporate income tax provision amounting to TL 62.210, which is netted with prepaid taxes amounting to TL 60.715 and shown in the liabilities amounting to TL 1.495 (December 31, 2016: Tax Asset TL 35.105 Corporate Taxes Payable).

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.

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.

As of 31 December 2017, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable for 3 years has been changed to 22% . However, 20% tax rate is used for temporary differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

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 29.328, deferred tax assets amounting to TL 64.664 in the statement of financial position (December 31, 2016: TL 92.593).

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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 XII of Section Four.

XXII. Explanations on Reclassifications

In order to be consistent with the presentation of financial statements dated December 31, 2017, there are certain reclassifications made on the balance sheet, income statement and cash flow statement 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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 December 2017, Bank's total capital has been calculated as TL 5.027.825, a capital adequacy ratio is 20,32%. As of 31 December 2016, Bank's total capital amounted to TL 4.073.229 capital adequacy ratio was 15,03%. This ratio is above the minimum ratio required by the legislation.

a. Information about Total Capital:

	Current Period 31 December 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 (**)	182.001	
Gains recognized in equity as per TAS	-	
Profit	320.572	
Current Period Profit	320.572	
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	3.791.415	
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 (**)	33.285	
Improvement costs for operating leasing	45.755	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	64.027	80.034
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	143.067	
Total Common Equity Tier 1 Capital	3.648.348	

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	Current Year 31 December 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 (-)	16.007	
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	16.007	
Total Additional Tier I Capital	16.007	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.632.341	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA (****)	1.138.680	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	256.804	
Tier II Capital Before Deductions	1.395.484	
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 (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1.395.484	
Total Capital (The sum of Tier I Capital and Tier II Capital)	5.027.825	
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)	5.027.825	

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	Current Year 31 December 2017	Amounts Subject to Pre-Basel III treatment (Before the 1/1/2014) ^(*)
TOTAL CAPITAL		
Total Capital (TIER I Capital and TIER II Capital)	5.027.825	
Total risk weighted amounts	24.737.767	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	14,75	
Tier 1 Capital Adequacy Ratio	14,68	
Capital Adequacy Ratio	20,32	
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	10,25	
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)	256.804	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	256.804	
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.

^(****) The Bank, on August 1, 2017, paid back in full the USD 150 million sub-loan, provided by main shareholder Bank Audi sal on October 31, 2014, with the consent of BRSA dated July 28, 2017.

The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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	

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	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 1 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 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	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	

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	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	27.104.488	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,28	
Tier 1 Capital Adequacy Ratio	12,14	
Capital Adequacy Ratio	15,03	
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	7,78	
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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Details on Subordinated Liabilities:

Lender	Odea Bank A.Ş
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1655085485/ US67576MAA27
Governing law(s) of the instrument	It is subject to English law additionally certain articles are subject to Turkish law. It has been issued under the "Communiqué on Borrowing Instruments" of the CMB and the "Regulation on Equities of Banks" of the 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) ^(**)	Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date) ^(***)	1.138.680
Per value of instrument (Thousand USD)	300.000
Accounting classification	Liability-Subordinated Loans
Original date of issuance	01/08/2017
Perpetual or dated	10 Years Dated
Original maturity date	-
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	On 1 August 2022, there is an early repayment option.
Amount to pay back: TL 1.138.680 thousand	
Subsequent call dates, if applicable	-
Coupons / dividends	-
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	7,625%
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	None
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, specify instrument type convertible into	None
If convertible, specify issuer of instrument it converts into	None
Write-down feature	Yes
	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down
If write-down, write-down trigger(s)	
If write-down, full or partial	Fully or partially
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In priority of receivables, it comes after the debt instruments which are nonsubordinated loans.
Whether the sub-loan agreement contains all the items stated within the article number 7 and 8 of "Own fund regulation" or not	The instrument is in compliance with article number 8.
Details of above mentioned items within article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.

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

^(**) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

^(***) Does not include accrued interests.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Explanations on Internal Capital Management

To define Bank's internal capital requirement assessment process; "Internal capital requirements assessment process" and "risk strategy" were prepared and approved by the Board of Directors in August 2012. In the related process and strategy; criterias are defined which provides maintaining of continuity of capital adequacy in compliance with risk profile and appetite. The assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

Capital adequacy ratio is calculated by Risk Management Group on a monthly basis, when requested by Senior Management capital requirement according to strategic plans is explained and studies on internal capital management is conducted. Capital requirement internal assessment process is designed and conducted by Risk Management Group. Risk Management Group informs Senior Management and Board of Directors about these issues directly or through Risk Committee.

II. Explanations on Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits and updated on a defined frequency based on market developments. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

	Current Period Risk Amount (*)	Average Net Loan Amount After Provisions
Risk Types		
Contingent and Non-Contingent Receivables from central governments or central banks	5.415.257	5.746.433
Contingent and Non-Contingent Receivables from regional or local governments	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	6	8
Contingent and Non-Contingent Receivables from banks and brokerage houses	1.421.582	4.691.183
Contingent and Non-Contingent Corporates	14.817.352	17.135.779
Contingent and Non-Contingent Retail Receivables	4.013.959	4.363.017
Contingent and Non-Contingent Receivables Secured by Mortgages	7.038.044	8.198.426
Past Due Receivables	601.927	459.468
Receivables defined in high risk category by Regulator	6.758	102.154
Secured by mortgages	-	-
Securitization positions	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other Receivables	775.347	814.765
Total	34.090.232	41.511.233

(*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Risk Types ^(*)	Prior Period Risk Amount ^(*)	Average Net Loan Amount After Provisions
Contingent and Non-Contingent Receivables from central governments or central banks	6.068.710	5.589.156
Contingent and Non-Contingent Receivables from regional or local governments	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	633
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	11	8
Contingent and Non-Contingent Receivables from banks and brokerage houses	1.741.987	1.333.591
Contingent and Non-Contingent Corporates	18.339.380	15.629.611
Contingent and Non-Contingent Retail Receivables	3.990.733	2.848.384
Contingent and Non-Contingent Receivables Secured by Mortgages	8.139.851	7.369.517
Past Due Receivables	271.999	257.115
Receivables defined in high risk category by Regulator	135.184	285.078
Secured by mortgages	-	-
Securitization positions	-	-
Short-Term Receivables from Banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other Receivables	762.263	593.597
Total	39.450.118	33.906.690

^(*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquirements related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

Indemnified non-cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity.

The proportion of the Bank's top 100 and 200 cash loan customers' in total cash loans is 52% and 63% respectively.

The proportion of the Bank's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 83% and 93%.

The proportion of the Bank's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 37% and 45% respectively.

The Bank provided a general loan loss provision amounting to TL 256.804 (31 December 2016: TL 254.836).

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Information on loan types and provisions:

31 December 2017	Corporate and Commercial	SME	Consumer Loans	Total
Standard Loans	13.498.849	3.938.782	2.310.970	19.748.601
Close Monitoring Loans	1.345.136	619.707	288.234	2.253.077
Loans Under Follow-up	402.308	465.137	208.027	1.075.472
Specific Provision (-)	(119.357)	(202.470)	(123.817)	(445.644)
Total	15.126.936	4.821.156	2.683.414	22.631.506

31 December 2016	Corporate and Commercial	SME	Consumer Loans	Total
Standard Loans	17.716.762	4.593.660	2.510.728	24.821.150
Close Monitoring Loans	449.802	528.306	261.403	1.239.511
Loans Under Follow-up	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

Information on past due loan and other receivables:

31 December 2017	Corporate and Commercial	SME	Consumer Loans	Total
Not past due and 30 days past due	13.498.849	3.938.782	2.310.970	19.748.601
30-60 days past due	1.018.203	485.407	227.400	1.731.010
60-90 days past due	91.755	134.300	60.834	286.889
Delayed over +90 days (*)	235.178	-	-	235.178
Total	14.843.985	4.558.489	2.599.204	22.001.678

(*) Part of overdue receivables (more than 90 days) which are not evaluated as receivables for which provisions are made and reasons of this application: The Bank classifies loans that are more than 90 days of overdue as non-performing and books specific provisions on month-ends. Exceptional cases that are due to legal procedures delaying restructuring or the creditor's ongoing processes with the Guarantor may result in corporate, commercial and sme loans being more than 90 days overdue. On the other hand, the Bank, as explained in the II. Explanations and Disclosures Related to the Liabilities, 9. Information on provisions, the Bank have provided excess General Provisions to selective customers including above mentioned exceptions.

31 December 2016	Corporate and Commercial	SME	Consumer Loans	Total
Not past due and 30 days past due	17.716.762	4.593.660	2.510.728	24.821.150
30-60 days past due	449.802	446.234	187.878	1.083.914
60-90 days past due	-	79.912	61.474	141.386
Delayed over +90 days(*)	-	2.159	12.052	14.211
Total	18.166.564	5.121.965	2.772.132	26.060.661

(*) Part of overdue receivables (more than 90 days) which are not evaluated as receivables for which provisions are made and reasons of this application: The Bank classifies loans that are more than 90 days of overdue as non-performing and books specific provisions on month-ends. Exceptional cases that are due to bankruptcy protection cases may delay this process for corporate, commercial and sme loans. As of December 31, 2016 these loans were insignificant.

Information on debt securities, treasury bills and other eligible bills:

Moody's

	A1	BA1	B3	Total
Financial assets at fair value through profit and loss (net)	-	760	774.435	775.195
Financial assets available for sale (net)	-	751.234	508.195	1.259.429
Held to maturity investments (net)	-	447.133	-	447.133
Total	-	1.199.127	1.282.630	2.481.757

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH; SEE NOTE I. OF SECTION THREE

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

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

Significant Risks that are significant on the profile of the regions

Risk Classifications ^(*)																
31 Dec 2017	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units or Local and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent Receivables on Corporates	Contingent Receivables on Non-Contingent Receivables	Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Securities	Short-term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	Total
Domestic	4.906.921	-	-	-	1	131.549	13.098.093	2.940.497	6.948.756	601.927	6.758	-	-	-	775.347	29.409.849
European Union Countries	-	-	-	-	-	780.621	-	302	-	-	-	-	-	-	-	780.923
OECD Countries**	-	-	-	-	-	534	-	358	-	-	-	-	-	-	-	892
Off-shore Banking Regions	-	-	-	-	-	16.425	-	312	-	-	-	-	-	-	-	16.737
USA, Canada	-	-	-	-	-	191.519	-	185	-	-	-	-	-	-	-	191.704
Other Countries	508.195	-	-	-	-	407	498.277	2.739	-	-	-	-	-	-	-	1.009.618
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5.415.116	-	-	-	1	1.121.055	13.596.370	2.944.393	6.948.756	601.927	6.758	-	-	-	775.347	31.409.723
31 Dec 2016	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units or Local and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent Receivables on Corporates	Contingent Receivables on Non-Contingent Receivables	Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collateralized Mortgage Securities	Short-term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Other Receivables	Total
Domestic	5.590.747	-	-	-	2	156.315	16.197.884	3.127.475	7.989.960	271.999	135.184	-	-	-	762.263	34.231.829
European Union Countries	-	-	-	-	-	681.687	115.393	746	150	-	-	-	-	-	-	797.976
OECD Countries**	-	-	-	-	-	2.495	-	-	448	-	-	-	-	-	-	2.943
Off-shore Banking Regions	-	-	-	-	-	-	-	17	-	-	-	-	-	-	-	17
USA, Canada	-	-	-	-	-	83.247	-	58	-	-	-	-	-	-	-	83.305
Other Countries	477.963	-	-	-	-	33.713	467.237	3.682	-	-	-	-	-	-	-	982.595
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities ***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6.068.710	-	-	-	2	957.457	16.780.514	3.131.978	7.990.558	271.999	135.184	-	-	-	762.263	36.098.665

^(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

^(**) EU countries, OECD countries other than USA and Canada

^(***) Assets and liabilities that are not distributed according to a consistent principle

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

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

Sector concentrations for cash loans:

Risk Classifications (*)																				
Sectors/Counterparties	Due from Central Governments or Central Banks	Regional Governments or Local Government Banks	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contin- gent and Non-Con- tingent Receivables	Contin- gent and Non-Con- tingent Receivables	Contin- gent and Non-Con- tingent Receivables	Past Due Receivables	Receivables defined in high risk category by Regulator	Collate- realized Mortgage table Securities	Short-Term Receivables from Banks, brokerage houses and investment Corporates	Investment similar to collective funds	Other Receivables	Total				
1	Agriculture	-	-	-	-	-	125.368	17.845	57.001	1.643	-	-	-	-	-	-	125.834	76.023	201.857	
1.1	Farming and Raising Livestock	-	-	-	-	-	-	55.895	17.054	1.640	-	-	-	-	-	-	-	118.142	12.136	130.278
1.2	Forex TL, Wood and Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3	Fishery	-	-	-	-	-	-	69.473	2	1.312	3	-	-	-	-	-	-	6.903	63.887	70.790
2	Manufacturing	-	-	-	-	-	4.994.055	190.792	1.300.332	113.621	9	-	-	-	-	-	-	3.005.488	3.593.321	6.598.809
2.1	Mining and Quarry	-	-	-	-	-	296.054	16.899	107.171	62.386	-	-	-	-	-	-	-	413.104	69.406	482.510
2.2	Production	-	-	-	-	-	3.732.140	169.553	1.160.937	50.847	9	-	-	-	-	-	-	2.465.428	2.648.058	5.113.486
2.3	Electricity, Gas and Water	-	-	-	-	-	965.861	4.340	32.224	388	-	-	-	-	-	-	-	126.956	875.857	1.002.813
3	Construction	-	-	-	-	-	2.997.360	118.454	2.761.113	271.697	110	-	-	-	-	-	-	3.005.210	3.143.524	6.148.734
4	Services	180	-	-	-	-	3.789.603	308.278	2.060.286	128.474	51	-	-	-	-	-	-	4.238.860	3.169.067	7.407.927
4.1	Wholesale and Retail Trade	-	-	-	-	-	1.433.544	217.295	531.626	76.504	33	-	-	-	-	-	-	1.887.009	371.993	2.259.002
4.2	Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	612.274	13.848	1.056.560	41.344	-	-	-	-	-	-	-	401.810	1.322.216	1.724.026
4.3	Transportation and Communication	-	-	-	-	-	920.514	39.085	153.746	8.858	18	-	-	-	-	-	-	569.041	553.180	1.122.221
4.4	Financial Institutions	-	-	-	-	-	1.121.055	5.870	38.217	676	-	-	-	-	-	-	-	694.448	614.118	1.308.566
4.5	Real Estate and Renting Services.	-	-	-	-	-	742.488	9.303	55.007	183	-	-	-	-	-	-	-	108.004	34.977	142.981
4.6	Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7	Education Services	180	-	-	-	-	115.967	6.431	75.304	81	-	-	-	-	-	-	-	177.735	20.228	197.963
4.8	Health and Social Services	-	-	-	-	-	486.068	16.446	149.826	828	-	-	-	-	-	-	-	400.813	252.355	653.168
5	Other	5.414.936	-	-	-	1	1.689.984	2.309.024	770.024	86.492	6.588	-	-	-	-	-	-	775.347	6.613.388	4.439.00811.052.396
Total	5.415.116	-	-	-	-	1	1.121.055	13.596.370	2.944.393	6.948.756	601.927	6.758	-	-	-	-	-	775.347	16.988.77914.420.94431.409.723	40.923.723

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH; SEE NOTE I. OF SECTION THREE

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

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

Sector concentrations for cash loans:

Risk Classifications (*)													
31 December 2016													
Sectors/Counterparties	Due from Regional Governments or Central Government Banks	Due from Regional Governments or Local Government Banks	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contin- gent and Non-Cont- tingent Corporates	Contin- gent and Non-Cont- tingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by Regulator	Collate- ralized Mortgage Securities	Securi- tization Positions	Short-Term Receivables from Banks, brokerage houses and investment funds
1 Agriculture	-	-	-	-	-	-	96.219	14.001	52.269	2.640	350	-	-
1.1 Farming and Raising Livestock	-	-	-	-	-	-	85.809	13.082	51.641	2.640	350	-	-
1.2 Forests, Wood and Paper	-	-	-	-	-	-	-	416	188	-	-	-	-
1.3 Fishery	-	-	-	-	-	-	10.410	503	440	-	-	-	-
2 Manufacturing	-	-	-	-	-	-	6.251.742	248.703	1.446.745	53.884	31.011	-	-
2.1 Mining and Quarry	-	-	-	-	-	-	238.468	11.172	166.591	9.225	7.036	-	-
2.2 Production	-	-	-	-	-	-	4.580.046	233.324	1.248.178	44.659	23.975	-	-
2.3 Electricity, Gas and Water	-	-	-	-	-	-	1.413.228	4.207	31.976	-	-	-	-
3 Construction	-	-	-	-	-	-	4.279.997	154.168	3.226.913	91.341	26.041	-	-
4 Services	456	-	-	-	-	2	957.457	4.167.117	443.869	2.303.656	85.641	61.003	-
4.1 Wholesale and Retail Trade	-	-	-	-	-	-	1.516.636	332.525	655.893	70.996	46.698	-	-
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	283.305	12.665	1.118.182	8.194	10.539	-	-
4.3 Transportation and Communication	-	-	-	-	-	-	1.584.735	60.341	205.323	3.840	2.131	-	-
4.4 Financial Institutions	-	-	-	-	-	-	957.457	188.258	6.957	99.143	14	820	-
4.5 Real Estate and Renting Services	-	-	-	-	-	-	-	67.170	12.899	11.114	39	176	-
4.6 Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education Services	456	-	-	-	-	2	156.496	1.916	59.762	2.096	2	-	-
4.8 Health and Social Services	-	-	-	-	-	-	370.517	16.566	154.289	462	637	-	-
5 Other	6.068.254	-	-	-	-	-	1.985.439	2.271.236	960.975	38.493	16.779	-	-
Total	6.068.710	-	-	-	-	2	957.457	16.780.514	3.131.977	7.990.558	271.999	135.184	-

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Maturity Distribution of Remaining Maturities of time exposures:

31 December 2017

Risk Types	Time to Maturity					Total
	1 Month	1–3 Months	3–6 Months	6–12 Months	Over 1 Year	
Due from central governments or central banks	2.152.903	-	-	-	1.384.241	3.537.144
Regional or Local Government Receivables	-	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	1	1
Receivables on Multilateral Development Banks	-	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-	-
Receivables on Banks and Brokerage Houses	113.109	64.830	41.514	130.802	294.979	645.234
Receivables from Corporates	761.157	952.504	955.128	1.527.005	9.397.751	13.593.545
Retail Receivables	92.970	62.942	149.829	244.831	1.883.059	2.433.631
Receivables Secured by Mortgages	236.417	107.545	242.172	290.175	5.880.584	6.756.893
Past Due Receivables	18.585	-	-	-	151.021	169.606
Receivables defined in high risk category by Regulators	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporates	-	-	-	-	-	-
Investment similar to collective investment funds	9.932	-	-	-	-	9.932
Other Receivables	-	-	-	-	-	-
Total	3.385.073	1.187.821	1.388.643	2.192.813	18.991.636	27.145.986

31 December 2016

Risk Types	Time to Maturity					Total
	1 Month	1–3 Months	3–6 Months	6–12 Months	Over 1 Year	
Due from central governments or central banks	3.265.814	175	-	438	1.329.217	4.595.644
Regional or Local Government Receivables	-	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
Receivables on Multilateral Development Banks	-	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	2	2
Receivables on Banks and Brokerage Houses	119.529	141.262	88.079	43.600	251.702	644.172
Receivables from Corporates	1.022.489	877.010	1.366.984	2.569.946	10.652.130	16.488.559
Retail Receivables	138.742	124.436	190.573	496.455	1.858.915	2.809.121
Receivables Secured by Mortgages	146.947	125.175	158.925	506.253	7.053.024	7.990.324
Past Due Receivables	3.302	12.390	353	412	3.397	19.854
Receivables defined in high risk category by Regulators	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporates	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	4.696.823	1.280.448	1.804.914	3.617.104	21.148.387	32.547.676

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

Risk by Risk Weights Balances:

	Risk Weights ^(*)	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity	Total
1	Amount before the credit risk mitigation	4.377.100	-	515.472	-	1.452.945	3.440.286	21.125.330	498.590	-	-	-	-	31.409.723
2	Amount after the credit risk mitigation	5.441.794	-	515.472	1.070.387	5.365.521	2.626.670	15.743.389	265.359	-	-	-	-	31.028.592

(*) Balances with financial collateral are shown as 0% risk weight.

Important sectors or type of information according to counterparty

Sectors/Counterparties ^(*)	Loans			
	Non-performing Loans	Watchlist	General Provisions of WL	Specific Provisions
Agricultural	13.867	40.202	402	8.281
Farming and raising livestock	13.867	40.202	402	8.281
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	204.358	374.375	43.992	73.397
Mining	79.635	138.304	23.181	14.715
Production	115.204	234.650	20.797	49.557
Electricity, Gas, Water	9.519	1.421	14	9.125
Construction	195.136	435.652	46.507	63.723
Services	447.436	1.128.641	73.539	176.010
Wholesale and retail trade	223.288	180.827	7.596	129.696
Hotel, Food, Beverage services	188.150	142.617	8.149	31.974
Transportation and Telecommunication	15.425	156.543	8.328	6.503
Financial Institutions	1.191	272	3	514
Real Estate and Lending Service	338	192	2	154
Self employment service	-	-	-	-
Education Service	6.549	274.555	8.710	3.300
Health and social services	12.495	373.635	40.751	3.869
Other^(**)	214.675	274.207	7.133	124.233
Total	1.075.472	2.253.077	171.573	445.644

(*) Breakdown of sector classified according to type of principal activity of costumers.

(**) Includes individual credit cards, retail loans and other loans.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Information related to Impairment and Loan Loss Provisions:

	Opening Balance	The amount of provision in the period	Reversal of Provision ^(*)	Other Provisions ^(**)	Closing Balance
1 Specific Provisions	301.318	406.320	57.861	204.133	445.644
2 General Provisions	254.836	1.968	-	-	256.804

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

^(**) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

Risk involved in counter-cyclical capital buffer calculation:

	December 31, 2017		
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	19.363.358	103.13	19.466.371
United Arab Emirates	256.488	-	256.488
Saudi Arabia	74.687	-	74.287
Egypt	55.648	654	56.032
Albania	45.914	-	45.914
Marshall Islands	20.995	-	20.995
Iraq	15.993	-	15.993
Virgin Island (British)	4.915	-	4.915
Azerbaijan	434	-	434
Switzerland	268	-	268
Netherlands	160	-	160
USA	139	-	139
Lebanon	79	-	79
Russia Federation	24	-	24
Kazakhstan	7	-	7
France	7	-	7
Slovenia	1	-	1
Other	661.935	-	661.935

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Internal credit rating system

Internal credit rating system is used by The Bank. As a basis for the rating classification; financial data of customers has been processed by the MRA - Moody's Risk Analyst software and output rate is considered.

The risks that are subject to rating models can be allocated as follows.

Rating	Risk Grade	Description
(1) Excellent	1	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; excellent and proven management; market leader.
(2) Strong	2+ 2 2-	Very good business credit with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share.
(3) Good	3+ 3 3-	Good business credit considered upper-medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry.
(4) Satisfactory	4+ 4 4-	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance.
(5) Adequate	5+ 5 5-	Average to low business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance.
(6) Marginal	6+ 6 6-	Below average business credit subject to high credit risk. Company is likely a lower tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
(7) Vulnerable	7+ 7 7-	Weak business credit: Judged to be of poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status not to the point of justifying a Substandard classification.
(8) Substandard	8	Substandard (Default): Unacceptable business credit with normal repayment in jeopardy.
(9) Doubtful	9	Doubtful (Default): Full repayment questionable. Serious problems to the point where partial loss of principal is likely.
(10) Loss	10	Loss (Default): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification.

Below table shows the portion of the performing cash loans as per BRSA's scale that is equivalent to the MRA ratings:

Debtors financial Position	Degree	Portion
Debtor has a solid financial position	1	3%
Debtor has a good financial position	2	56%
Debtor's financial position is at risk within short and medium term	3	28%
Debtor's financial position is at high risk within short term	4	0%
Debtor has been defaulted	5	0%
Debtor has not been rated	6	13%

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Collateral Distribution^(*)

31 December 2017	Corporate and Commercial	SME	Retail	Total
Deposit	220.133	111.049	50.049	381.231
Mortgage	7.206.755	3.098.836	640.013	10.945.604
Assignment of claim	2.950.988	190.639	-	3.141.627
Cheque	162.016	166.986	-	329.002
Pledge of vehicle	132.051	86.633	52.380	271.064
TOTAL	10.671.943	3.654.143	742.442	15.068.528

31 December 2016	Corporate and Commercial	SME	Retail	Total
Deposit	1.567.299	298.551	70.201	1.936.051
Mortgage	6.797.615	3.117.756	676.769	10.592.140
Assignment of claim	3.424.894	187.787	-	3.612.681
Cheque	261.343	533.905	-	795.248
Pledge of vehicle	332.914	80.436	75.188	488.538
TOTAL	12.384.065	4.218.435	822.158	17.424.658

^(*)Represents the amounts weighted by taking into consideration the credit risks of the customers.

III. 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 December 31, 2017 and the previous five working days in full TL are as follows (Bank's FC evaluation rates):

	27 December 2017	26 December 2017	27 December 2017	28 December 2017	29 December 2017
USD	3,8205	3,8073	3,8246	3,7759	3,7956
CHF	3,8593	3,8442	3,8667	3,8530	3,8873
GBP	5,1118	5,0827	5,1318	5,0748	5,1332
100 JPY	3,3695	3,3621	3,3790	3,3523	3,3751
EURO	4,5311	4,5146	4,5531	4,5152	4,5507

	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 December 31, 2017 are as follows:

	Monthly Average Foreign Exchange Rate
USD	3,8429
CHF	3,8906
GBP	5,1530
100 JPY	3,4049
EURO	4,5526

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

December 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	587.915	1.649.125	4.658	2.241.698
Banks	81.084	152.248	53.194	286.526
Financial Assets at Fair Value Through Profit and Loss (****)	-	774.435	-	774.435
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	317.536	511.093	-	828.629
Loans (*)	5.430.663	5.235.875	-	10.666.538
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-
Held-To-Maturity Investments	-	447.133	-	447.133
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	15.819	163.164	2	178.985
Total Assets	6.433.017	8.933.073	57.854	15.423.944
Liabilities				
Bank Deposits	524.221	59.631	-	583.852
Other Deposits	2.964.595	9.952.696	117.399	13.034.690
Derivative financial liabilities(****)	-	-	-	-
Money Market Balances	-	-	-	-
Funds Provided From Other Financial Institutions	801.917	2.137.863	-	2.939.780
Subordinated Loan	-	1.174.992	-	1.174.992
Miscellaneous Payables	122	801	-	923
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	83.169	41.843	94	125.106
Total Liabilities	4.374.024	13.367.826	117.493	17.859.343
Net Balance Sheet Position	2.058.993	(4.434.753)	(59.639)	(2.435.399)
Net Off-Balance Sheet Position	(1.817.675)	4.408.814	50.409	2.641.548
Financial Derivative Assets	4.665.856	14.213.752	861.715	19.741.323
Financial Derivative Liabilities	6.501.734	9.898.246	811.306	17.211.286
Forward deposit purchase commitments	18.203	121.459	-	139.662
Forward deposit sales commitments	-	28.151	-	28.151
Non-Cash Loans (**)	599.364	1.065.914	-	1.665.278
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 1.053.394 are included in the loan portfolio.

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

(***) FC denominated GLLP and marketable securities value increase fund 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Foreign currency sensitivity:

The Bank holds EUR and USD currencies because of foreign currency transactions due to currency risk exposures and managed by using miscellaneous financial instruments. 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	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
USD	10%	(2.601)	(43.512)	(2.601)	(43.512)
USD	(10)%	2.601	43.512	2.601	43.512
EUR	10%	24.132	64.221	24.132	64.221
EUR	(10)%	(24.132)	(64.221)	(24.132)	(64.221)

^(*) Represents before tax amounts.

IV. 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

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
December 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	3.003.191	-	-	-	-	728.629	3.731.820
Banks	-	-	-	-	-	286.729	286.729
Financial Assets at Fair Value Through Profit and Loss	75.087	83.013	218.025	38.976	781.210	-	1.196.311
Money Market Placements	2.742.869	-	-	-	-	-	2.742.869
Available-For-Sale Financial Assets	-	258.265	-	287.011	709.256	7.901	1.262.433
Loans	6.410.470	3.688.727	4.530.335	6.091.804	1.280.342	629.828	22.631.506
Held-To-Maturity Investments	-	-	-	447.133	-	-	447.133
Other Assets	-	-	-	-	-	805.574	805.574
Total Assets	12.231.617	4.030.005	4.748.360	6.864.924	2.770.808	2.458.661	33.104.375
Liabilities							
Bank Deposits	541.994	42.073	10.121	-	-	160	594.348
Customer Deposits	17.278.425	4.969.878	191.359	291	-	876.086	23.316.039
Money Market Borrowings	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	9.486	9.486
Marketable Securities Issued	-	-	-	-	-	-	-
Subordinated Loans ^(*)	-	-	-	-	1.174.992	-	1.174.992
Funds Provided From Other Financial Institutions	146.681	393.369	1.719.403	293.289	389.978	-	2.942.720
Other Liabilities ^(**)	96.226	58.144	89.433	157.185	3.483	4.662.319	5.066.790
Total Liabilities	18.063.326	5.463.464	2.010.316	450.765	1.568.453	5.548.051	33.104.375
Balance Sheet Long Position	-	-	2.738.044	6.414.159	1.202.355	-	10.354.558
Balance Sheet Short Position	(5.831.709)	(1.433.459)	-	-	-	(3.089.390)	(10.354.558)
Off-Balance Sheet Long Position	9.509.851	6.021.806	7.130.073	2.768.296	356.859	-	25.786.885
Off-Balance Sheet Short Position	(10.187.707)	(7.596.999)	(5.211.670)	(2.596.504)	(241.778)	-	(25.834.658)
Total Position	(6.509.565)	(3.008.652)	4.656.447	6.585.951	1.317.436	(3.089.390)	(47.773)

^(*) The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

^(**) Other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.758.130, tax liabilities amounting to TL 62.332, provisions amounting to TL 558.796 and other liabilities amounting to TL 283.061.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	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 .

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

Interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
December 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	-	1,50	-	4,00
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	6,60	-	10,76
Money Market Placements	-	-	-	11,74
Available-For-Sale Financial Assets	4,75	6,66	-	10,66
Loans	5,59	6,98	-	16,15
Held-To-Maturity Investments	-	3,46	-	-
Liabilities				
Bank Deposits	1,87	3,35	-	12,42
Customer Deposits	2,05	4,09	-	14,26
Money Market Borrowings	-	-	-	-
Subordinated Loans	-	7,63	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2,01	3,37	-	6,71
	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	-	0,75	-	3,31
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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method.

Unit of Currency	Applicable Shock (+ / -) base point)*	Profit / Loss	Profit / Equity Capital -Loss / Equity Capital
TL	500	(527.598)	% (10,49)
	(400)	493.947	% 9,82
EUR	200	(58.668)	% (1,17)
	(200)	(2.872)	% (0,06)
USD	200	17.545	% 0,35
	(200)	(14.885)	% (0,30)
Total (For Positive Shock)		(568.721)	% (11,31)
Total (For Negative Shock)		476.190	% 9,47

* The intensity and direction of a currency different rows were entered separately for each shock.

V. Explanations on Share Certificates Position Risk

The Bank has no outstanding share certificate position.

VI. 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, Risk 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.

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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.

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%.

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 third quarter of 2017 is as follows:

Current Period-31.12.2017	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			6.143.539	3.801.100
1 High quality liquid assets	8.572.434	6.229.995	6.143.539	3.801.100
CASH OUTFLOWS				
2 Retail and Small Business Customer Deposits	16.981.949	8.404.303	1.611.719	840.430
3 Stable deposits	1.729.514	-	86.475	-
4 Less stable deposits	15.252.435	8.404.303	1.525.244	840.430
5 Unsecured Funding other than Retail and Small Business Customer Deposits	7.737.939	5.542.850	3.975.603	2.942.098
6 Operational deposits	506	50	126	12
7 Non-Operational Deposits	6.811.823	4.872.699	3.049.867	2.271.985
8 Other Unsecured Funding	925.610	670.101	925.610	670.101
9 Secured funding	-	-	-	-
10 Other Cash Outflows	4.734.715	3.484.062	974.317	1.958.885
11 Liquidity needs related to derivatives and market	620.335	1.780.948	620.335	1.780.948
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	4.114.380	1.703.114	353.982	177.937
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			6.561.640	5.741.413
CASH INFLOWS				
17 Secured Lending Transactions	1.095.205	-	-	-
18 Unsecured Lending Transactions	3.505.074	1.546.346	2.908.096	1.357.900
19 Other contractual cash inflows	498.896	2.958.425	498.896	2.958.425
20 TOTAL CASH INFLOWS	5.099.175	4.504.771	3.406.992	4.316.325
			Upper Limit Applied Amounts	
21 TOTAL HQLA			6.143.539	3.801.100
22 TOTAL NET CASH OUTFLOWS			3.154.647	1.673.485
23 Liquidity Coverage Ratio (%)			196,62	236,33

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

Prior 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

	Current Period- 31.12.2017		Prior Period- 31.12.2016	
	TL+FC	FC	TL+FC	FC
Lowest	152,23	159,38	97,63	53,15
Week	15.12.2017	27.10.2017	30.09.2016	30.09.2016
Highest	279,50	326,64	171,50	168,69
Week	17.11.2017	29.12.2017	04.11.2016	04.11.2016
Average	196,62	236,33	126,40	117,03

Presentation of assets and liabilities according to their remaining maturities:

December 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	182.519	3.549.301	-	-	-	-	3.731.820
Banks	286.729	-	-	-	-	-	286.729
Financial Assets at Fair Value Through Profit and Loss	-	60.170	34.022	152.260	168.651	781.208	1.196.311
Money Market Placements	-	2.742.869	-	-	-	-	2.742.869
Available-For-Sale Financial Assets	-	-	-	-	545.276	709.256	1.262.433
Loans	-	1.575.646	970.211	2.964.722	10.293.348	6.197.751	22.631.506
Held-To-Maturity Investments	-	-	-	-	447.133	-	447.133
Other Assets	-	-	-	-	-	-	805.574
Total Assets	469.248	7.927.986	1.004.233	3.116.982	111.454.408	7.688.215	1.443.303 33.104.375
Liabilities							
Bank Deposits	160	541.994	42.073	10.121	-	-	594.348
Customer Deposits	876.086	17.278.425	4.969.878	191.359	291	-	23.316.039
Funds Provided From Other Financial Institutions	-	135.196	393.369	1.250.964	806.920	356.271	2.942.720
Money Market Borrowings	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Subordinated Loans ^(**)	-	-	-	-	-	1.174.992	1.174.992
Miscellaneous Payables	-	-	-	-	-	-	9.486
Other Liabilities ^(***)	-	96.226	56.870	88.083	158.460	4.832	5.066.790
Total Liabilities	876.246	18.051.841	5.462.190	1.540.527	965.671	1.536.095	4.671.805 33.104.375
Liquidity Gap	(406.998)	(10.123.855)	(4.457.957)	1.576.455	10.488.737	6.152.120	(3.228.502)
Net Off-Balance Sheet Position	-	(61.129)	(32.490)	49.930	(3.001)	(1.083)	(47.773)
Financial Derivative Assets	-	8.386.021	4.058.750	7.089.634	5.654.716	597.764	25.786.885
Financial Derivative Liabilities	-	8.447.150	4.091.240	7.039.704	5.657.717	598.847	25.834.658
Non-Cash Loans	1.084.107	87.177	216.934	1.189.672	-	-	2.577.890
Prior period							
Total Assets	4.836.964	6.277.248	1.115.853	5.035.828	12.115.092	7.686.308	38.278.400
Total Liabilities	1.456.604	18.318.237	9.472.762	2.583.643	853.778	1.311.618	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, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

^(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 3.758.130, tax liabilities amounting to TL 62.332, provisions amounting to TL 558.796 and other liabilities amounting to TL 283.061.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Analysis of financial liabilities by remaining contractual maturities ^(*):

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
As of December 31, 2017								
Bank Deposits	160	542.642	42.189	10.203	-	-	-	595.194
Customer deposits	876.086	17.330.485	5.021.702	194.769	332	-	-	23.423.374
Subordinated Loans	-	-	-	-	-	1.977.494	-	1.977.494
Funds Provided From Other Financial Institutions	-	135.513	396.303	1.282.547	996.091	418.706	-	3.229.160
Funds From interbank money market	-	-	-	-	-	-	-	-
Total	876.246	18.008.640	5.460.194	1.487.519	996.423	2.396.200	-	29.225.222

^(*) Includes total interest to be paid

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
As of December 31, 2016								
Bank Deposits	17	614.627	323.108	4.064	271.713	-	-	1.213.529
Customer deposits	1.456.587	17.166.429	8.773.691	766.849	10.478	-	-	28.174.034
Subordinated Loans	-	-	-	-	-	873.765	-	873.765
Funds Provided From Other Financial Institutions	-	389.891	387.493	1.441.162	527.066	934.717	-	3.680.329
Funds From interbank money market	-	12.328	2.994	216.443	-	-	-	231.765
Total	1.456.604	18.183.275	9.487.286	2.428.518	809.257	1.808.482	-	34.173.422

^(*) Includes total interest to be paid

Breakdown of derivative instruments due to their remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
As of December 31, 2017						
Gross settled						
Foreign exchange forward contracts	1.515.438	712.334	543.673	-	-	2.771.445
Currency swaps	12.644.361	6.420.250	8.193.009	2.980.091	152.494	30.390.205
Interest rate swap agreement	227.736	235.766	3.014.675	7.873.518	1.044.117	12.395.812
Foreign currency sell and buy options	2.445.636	781.640	2.377.981	24.588	-	5.629.845
Interest rate sell and buy options	-	-	-	434.236	-	434.236
Total	16.833.171	8.149.990	14.129.338	11.312.433	1.196.611	51.621.543
As of December 31, 2016						
Gross settled						
Foreign exchange forward contracts	1.945.445	1.214.648	1.137.540	32.784	-	4.330.417
Currency swaps	12.380.499	9.365.466	2.903.609	2.442.561	124.248	27.216.383
Interest rate swap agreement	91.965	1.590	1.633.614	8.653.776	1.052.335	11.433.280
Foreign currency sell and buy options	5.211.579	3.500.599	5.055.589	2.345	-	13.770.112
Interest rate sell and buy options	-	-	-	479.910	-	479.910
Total	19.629.488	14.082.303	10.730.352	11.611.376	1.176.583	57.230.102

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

VII. 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 8,98 % (December 31, 2016: 7,75%). According to Regulations, minimum leverage ratio is 3%.

Disclosure of Leverage ratio template:

	Current Period 31 December 2017 ^(*)	Prior Period 31 December 2016 ^(*)
Balance sheet transactions		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	34.780.324	36.798.395
2 (Assets deducted from Core capital)	(64.033)	(94.706)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	34.716.291	36.703.689
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	292.878	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)	292.878	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	-	-
9 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	4.919.073	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)	4.919.073	5.112.865
Capital and total risk		
13 Core Capital	3.577.376	3.264.903
14 Total risk amount(sum of lines 3, 6, 9 and 12)	39.928.242	42.113.356
Leverage ratio		
15 Leverage ratio	8,98	7,75

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

VIII. Explanations on Presentation of Financial Assets and Liabilities at Fair Value

	Book Value December 31, 2017	Fair Value December 31, 2017	Book Value December 31, 2016	Fair Value December 31, 2016
Financial Assets	27.370.670	27.153.662	32.312.172	33.279.788
Money Market Placements	2.742.869	2.742.869	4.412.052	4.412.052
Banks	286.729	286.729	118.724	118.724
Available-For-Sale Financial Assets	1.262.433	1.262.433	905.455	905.455
Held-To-Maturity Investments	447.133	448.992	428.155	422.999
Loans	22.631.506	22.412.639	26.447.786	27.420.558
Financial Liabilities	28.037.585	27.955.254	33.228.903	33.239.162
Bank Deposits	594.348	594.348	1.202.891	1.202.891
Other Deposits	23.316.039	23.317.898	28.051.505	28.053.045
Funds Borrowed From Other Financial Institutions	2.942.720	2.939.752	3.436.189	3.437.775
Subordinated Loans	1.174.992	1.093.770	528.417	535.550
Issued Bonds	-	-	-	-
Miscellaneous Payables	9.486	9.486	9.901	9.901

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

The following methods and assumptions were used to estimate the fair value of the financial instruments:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- Quoted market prices (non-adjusted) (1st level)
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- Data not based on observable data regarding assets or liabilities (3rd level)

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial Assets	1.255.292	1.195.551	2.897	2.453.740
Financial Assets at Fair Value through Profit and Loss	760	1.195.551	-	1.196.311
Available-For-Sale Financial Assets	1.254.532	-	2.897	1.257.429
Financial Liabilities	-	404.471	-	404.471
Derivative financial liabilities held for trading	-	404.471	-	404.471
December 31, 2016	Level 1	Level 2	Level 3	Total
Financial Assets	907.593	420.028	1.840	1.329.461
Financial Assets at Fair Value through Profit and Loss	5.905	420.028	-	425.933
Available-For-Sale Financial Assets	901.688	-	1.840	903.528
Financial Liabilities	-	545.875	-	545.875
Derivative financial liabilities held for trading	-	545.875	-	545.875

IX. Explanations on Transactions Made on Behalf of Others and Fiduciary Transactions

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

X. 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 2016. 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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

a. Overview of RWA

	Risk Weighted Amount		Minimum Capital Requirement
	Current Period	Prior Period	Current Period
	31 December 2017	31 December 2016	31 December 2017
1 Credit risk (excluding counterparty credit risk) (CCR)	20.911.154	25.095.066	1.672.892
2 Standardised approach (SA)	20.911.154	25.095.066	1.672.892
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	497.600	574.171	39.808
5 Standardised approach for counterparty credit risk (SA-CCR)	497.600	574.171	39.808
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	1.516.863	407.963	121.349
17 Standardised approach (SA)	1.516.863	407.963	121.349
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)	24.737.767	27.104.488	1.979.021

b. Credit risk explanation

1. General qualitative information about credit risk:

Credit Risk Management Department operates under Internal Systems pillar directly subject to Board of Directors as it is mentioned in scope of "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process". Reports, prepared in a wider perspective, are reported to Board of Directors and senior management as well as reports having given minimum standards in scope of aforementioned regulation. Risk Report include customer, group, collateral and sector concentrations, stress tests, risk profile, overdue receivables and specific provision development, close monitoring development and capital adequacy analysis as general scope and main content.

The Bank determines risk limits including all risks and covering all activities of the Bank and those limits are approved by Board of Directors. Limits of the Bank are determined in a way to reflect risk appetite, which is planned to be undertaken, and expectations in economy with our main partner. Credit policies are established in compliance with risk limits accordingly. Those limits are periodically monitored by Risk Management and Board of Directors is informed in scope of respective outputs.

Credit allocation processes are established in line with risk appetite and limits determined in scope of credit policies. In this scope, rating and decision support systems are used in evaluation of credits in order to reflect related risks. Access levels are determined by Board of Directors.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Credit Risk is the possibility of loss to which the current or future return or capital of the bank shall be exposed since the debtor cannot fulfil its liability in due time through violating requirements of related contract. The Bank approaches risk management as a cycle. Credit allocation units, form the first level of line of defence for credit risk in scope of allocation decision. Board of Directors holds the control over credit process in scope of authorization levels. Credit Risk Management Department of the Bank carries out its operations under Internal Systems organization which is directly subject to Board of Directors as it is mentioned in scope of "Communique on Internal Systems and Internal Capital Adequacy Assessment Process of Banks". Risk Management executes measurement, monitoring and reporting activities of credit risk through using statistical methods and forms line of defence at second level. Internal Control and Supervisory Board Directorate forms line of defence at third level in this process.

Board of Directors is responsible for determination of taking risks and appetite level. Board of Directors manages risks through Risk Committee. Committee is responsible for determination of risk policies, measurement and monitoring of risks. Reports, which are issued in a wider perspective in addition to reports whose minimum standards are determined in scope of "Communique on Internal Systems and Internal Capital Adequacy Assessment Process of Banks", are reported to Board of Directors and senior management. The aforementioned reports include customer, group, collateral and sector concentrations; stress tests, risk profile, follow-up and special provision development, close monitoring development and analysis of capital adequacy.

2.Credit quality of assets:

Gross carrying values of (according to TAS)				
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
1 Loans	1.075.472	22.001.678	445.644	22.631.506
2 Debt Securities	-	2.509.135	32.275	2.476.860
3 Off-balance sheet exposures	11.665	4.064.955	7.349	4.069.271
4 Total	1.087.137	28.575.768	485.268	29.177.637

3.Changes in stock of defaulted loans and debt securities:

	31.12.2017
1 Defaulted loans and debt securities at end of the previous reporting period	688.443
2 Loans and debt securities that have defaulted since the last reporting period	804.461
3 Returned to non-defaulted status	-
4 Amounts written off	21.088
5 Other changes (*)	396.344
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1.075.472

(*) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

4. Additional disclosure related to the credit quality of assets:

a. Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	31.12.2017
Domestic	21.558.475
European Union Countries	2.582
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	-
Other	440.621
Total	22.001.678

(*) OECD Countries other than EU countries, USA and Canada.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Breakdown by sector:

	31.12.2017
Agricultural	541.688
Farming and raising live stock	480.352
Forestry	-
Fishing	61.336
Manufacturing	5.306.942
Mining	471.255
Production	3.504.352
Electricity, Gas, Water	1.331.335
Construction	5.759.296
Services	10.393.752
Wholesale and Retail Trade	2.118.880
Hotel, Food, Beverage Services	1.518.388
Transportation and Telecommunication	1.156.597
Financial Institutions	219.320
Real Estate and Lending Service	152.062
Self Employment Service	-
Education Service	961.160
Health and Social Services	1.160.406
Other	3.106.939
Total	22.001.678

(*) Breakdown of sector classified according to type of principal activity of costumers.

Breakdown by outstanding maturity:

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans	1.575.646	970.211	2.964.722	10.293.348	6.197.751	22.001.678

f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

Breakdown by geographical area:

31 December 2017	Loans Under Follow-Up	Provisions
Domestic	1.075.451	445.633
European Union Countries	15	8
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	-	-
Other	6	3
Total	1.075.472	445.644

(*) OECD Countries other than EU countries, USA and Canada.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Breakdown by sector:

	Loans Under Fol- low-Up	Provisions
31 December 2017		
Agricultural	13.867	8.281
Farming and raising live stock	13.867	8.281
Forestry	-	-
Fishing	-	-
Manufacturing	204.358	73.397
Mining	79.635	14.715
Production	115.204	49.557
Electricity, Gas, Water	9.519	9.125
Construction	195.136	63.723
Services	447.436	176.010
Wholesale and Retail Trade	223.288	129.696
Hotel, Food, Beverage Services	188.150	31.974
Transportation and Telecommunication	15.425	6.503
Financial Institutions	1.191	514
Real Estate and Lending Service	338	154
Self Employment Service	-	-
Education Service	6.549	3.300
Health and Social Services	12.495	3.869
Other	214.675	124.233
Total	1.075.472	445.644

(*)Breakdown of sector classified according to type of principal activity of costumers.

The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

5.Credit risk mitigation techniques – overview:

Odeabank A.Ş. considers appropriate collaterals mentioned in “Regulation on Measurement and Evaluation of Bank’s Capital Adequacy” published on Official Gazette numbered 29511 for the calculation of capital adequacy. Since mortgages determine a receivable class, collateral used in credit risk reduction consists of cash collaterals with blockage.

All expertise reports, get done by the Bank, are assigned to valuation institutions, which are authorized by Banking Regulation and Supervision Agency and also having CMB license. Expertise requests, received from branches for valuation reports issued for the purpose of collateral, are evaluated by Expertise and Mortgage Department and forwarded to contracted valuation institutions through expertise system of the Bank. Valuation institutions submits expertise report through using expertise system of the bank following the completion of expertise activity. The report, submitted by expertise institution, is reviewed by Expertise and Mortgage Department and delivered to branches via aforementioned system. If there exists elements, which are considered as risks, in collateralization, those elements are included in valuation report.

Mortgage transaction is performed by law firms following the collateralization decision. Mortgage request is submitted from branch to our mortgage department via mortgage system of the bank. Mortgage department forwards the request to contracted law firms after controlling the request in question. Authenticated deeds and mortgage receipt certificates are delivered to branches via aforementioned system following the finalisation of mortgage transaction.

If the mortgage is in release phase, release request, submitted by the branch, is delivered to directorate of land registry with release letter which is obtained on mortgage release system following getting approval of required approvers.

A review report is issued on an annual basis in scope of communique on risk mitigation techniques for received collaterals.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secu- red amount(**)	Exposures secured by financial gua- rantees	Exposures secured by financial gu- arantees, of which: secu- red amount	Exposures secured by credit deriva- tives	Exposures secured by credit deriva- tives, of whi- ch: secured amount
1 Loans (*)	20.869.546	1.761.960	323.973	-	-	-	-
2 Debt securities	2.476.860	-	-	-	-	-	-
3 Total	23.346.406	1.761.960	-	-	-	-	-
4 Of which defaulted	416.912	658.560	605.587	-	-	-	-

(*) Shows loans that are covered with cash collateral

(**) Shows risk adjusted cash collaterals in line with related BRSA's credit risk mitigation regulation with the maturity profile of the loan.

6. Qualitative disclosures related to rating grades used by the Banks for the calculation of credit risk with standard approach: Odeabank A.Ş. uses external rating grades provided by Fitch Ratings for the calculation of credit risk with standard method. In this scope, risk weights in Receivables from Central Administrations or Central Banks class of the Bank are determined through taking ratings provided by Fitch Ratings and guidance given by BRSA for the aforementioned CRA into account.

7. Standard approach – credit risk exposure and credit risk mitigation (CRM) effects

Current Period - 31.12.2017		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Assets classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks		5.415.110	147	6.545.425	5	931.441	%14
2 Exposures to regional governments or local authorities		-	-	-	-	-	-
3 Exposures to public sector entities		-	-	-	-	-	-
4 Exposures to multilateral development banks		-	-	-	-	-	-
5 Exposures to international organisations		-	6	-	1	-	-
6 Exposures to institutions		1.104.999	316.583	1.104.999	16.057	414.278	%37
7 Exposures to corporates		12.425.016	2.392.336	11.459.039	1.158.190	12.617.229	%100
8 Retail exposures		2.849.696	1.164.263	2.573.132	77.667	1.994.132	%75
9 Exposures secured by residential property		1.116.077	42.090	1.050.078	20.309	374.636	%35
10 Exposures secured by commercial real estate		5.718.688	161.189	5.545.986	93.670	3.716.179	%66
11 Past-due loans		601.927	-	601.927	-	683.756	%114
12 Higher-risk categories by the Agency Board		6.758	-	6.758	-	8.073	%119
13 Exposures in the form of covered bonds		-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment		-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)		-	-	-	-	-	-
16 Other assets		765.415	9.932	765.415	9.932	532.198	%69
17 Investments in equities		-	-	-	-	-	-
18 Total		30.003.686	4.086.546	29.652.759	1.375.831	21.271.922	%69

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

8. Standard approach – exposures by asset classes and risk weights

Asset classes/ Risk weight*	0%	10%	20%	50%(*)	75%	100%	150%	200%	Other (35% - 50% (**))	Total credit risk exposure amount (***)
Exposures to central governments or central banks	5.198.643	-	-	-	-	516.095	-	-	830.692	6.545.430
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	1	-	-	-	-	-	-	-	-	1
Exposures to institutions	-	-	515.472	-	-	16.783	-	-	588.801	1.121.056
Exposures to corporates	-	-	-	-	-	12.617.229	-	-	-	12.617.229
Retail exposures	-	-	-	-	2.626.670	24.129	-	-	-	2.650.799
Exposures secured by residential property	-	-	-	-	-	-	-	-	1.070.387	1.070.387
Exposures secured by commercial real estate	-	-	-	3.846.954	-	1.792.702	-	-	-	5.639.656
Past-due loans	-	-	-	-	-	241.210	262.187	-	98.530	601.927
Higher-risk categories by the Agency Board	-	-	-	-	-	3.043	3.172	-	543	6.758
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-
Other assets	243.150	-	-	-	-	532.197	-	-	-	775.347
Total	5.441.794	-	515.472	3.846.954	2.626.670	15.743.388	265.359	-	2.588.953	31.028.590

(*) Collateralized with the Real Estate Mortgage

(**) Except that Collateralized with the Real Estate Mortgage

(***) Credit Conversion Rate and amount after credit risk mitigation

d. Counterparty Credit risk (CCR) explanations:

1. Qualitative disclosure related to counterparty credit risk:

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. The Bank monitors Counterparty Credit Risk in the framework of Counterparty Credit Risk and Exchange Risk Management Policy which is approved by Board of Directors. Counterparty Credit Risk and Exchange Risk Management Policy includes rules, limits and actions in case of non-compliance related to transactions in counterparty credit risk and exchange risk.

The Bank internally applies different action rules for each of the action groups determined for measurement of counterparty credit risk. Action groups are divided into Individual Business Line, Non-Individual Business Line (except for Stock Exchange and Banks) and Banks and Stock Exchanges.

Potential and current risk exposures of transactions are calculated/determined in order to determine CCR. Internal netting application is taken into account while calculating risk exposures.

Daily collateral management is performed in accordance with provisions of agreements related to transactions of counterparty credit risk and exchange risk with stock exchanges and banks having ISDA-CSA agreement.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

Internal limits related to counterparty credit risk and exchange risk are evaluated by Credits Department with respect to requests from related departments and submitted to the approval of Director of Credits Department, General Manager, Credit Committee or Board of Directors according to magnitude of exposures.

The Bank legally calculates counterparty credit risk and exchange risk in accordance with the rules and explanations mentioned in "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Counterparty credit risk and exchange risk, calculated legally, is subject to limit of capital adequacy ratio.

2. Analysis of counterparty credit risk (CCR) exposure by approach

Current Year – 31.12.2017	Revaluation Cost	Potential credit risk exposure	EBPRT ^(*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standart Approach-CCR	400.737	289.703	-	1,4	663.039	360.767
2 Internal Model Approach	-	-	-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation	-	-	-	-	-	-
4 Comprehensive Method for Credit Risk Mitigation	-	-	-	-	-	-
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	-	-
6 Total	400.737	289.703	-	-	663.039	360.767

(*) Effective expected positive risk amount

3. Credit valuation adjustment (CVA) capital charge

Current Year – 31.12.2017	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy		
1 (i) Value at risk component (3*multiplier included)	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	667.115	136.833
4 Total amount of CVA capital adequacy	667.115	136.833

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

4. Standard approach – CCR exposures by regulatory portfolio and risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk ^(*)
Risk Classes									
Central governments and central banks receivables	-	-	-	159	-	-	-	-	79
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	74.224	483.015	-	484	-	-	256.836
Corporate receivables	-	-	-	-	-	99.934	-	-	99.934
Retail receivables	-	-	-	-	5.224	-	-	-	3.918
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-
Total	-	-	74.224	483.174	5.224	100.418	-	-	360.767

^(*)Total credit risk; After applying counterparty credit risk measurement techniques that are related to the amount of capital adequacy calculation.

^(**)Other assets: "Central to the counterparty risk" table includes amounts that are not included in the reported counterparty credit risk in"

5. Composition of collateral for CCR exposure: Due to absence of derivative collateral considered in the calculation of capital adequacy, related table was not given.

6. Credit derivatives exposures: None.

7. Risk exposure to CCP: None.

e. Explanations Related to Securitization Positions: None.

f. Explanations on Market Risk

Market risk is the probability of impairment of in/off balance sheet positions based on fluctuations in market risk factors. Fluctuations in market risk factors states changes occurring in interest rates, exchange rates, share prices, commodity prices and volatility. Exchange rate and interest rate risks are considered as two of the most significant components forming market risk and derivative financial transactions are made in order to provide hedging from exposed financial risks, when required.

The Bank manages market risk in line with Market Risk Management Policy including rules and limits to be adopted related to management of trading portfolio and required actions to be taken in case of non-compliance. Trading Portfolio Strategy, approved by Board of Directors, determines which products shall be reviewed under trading portfolio. Principles, policies and risk limits with respect to management of market risk are approved by Board of Directors, reviewed periodically and applied by senior management of the Bank and related departments.

The Bank applies legal and internal limits which are determined in scope of measurement of market risk belonging to trading portfolio and approved by Board of Directors. Foreign exchange position, interest rate and volatility limits are included in various breakdowns under internal limits and compliance with limits are monitored and reported daily by Risk Management Department.

Legal capital requirement, sourcing from Market Risk, is calculated and reported using standard method in line with principles related to Calculation of Value at Market Risk of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

Responsibilities of Board of Directors, Member of Board of Directors Responsible from Internal Systems, General Manager, Asset-Liabilities Committee (ALCO), Treasury Department, Finance Department and Risk Management Department with respect to management of Market Risk are determined and detailed in Market Risk Management Policy.

Treasury Front-Office system and Banking Application is used related to measurement and reporting of Market Risk and integration process of a risk software application is still going on.

Standardised approach

	RWA
Outright products	
1 Interest rate risk (general and specific)	1.461.086
2 Equity risk (general and specific)	-
3 Foreign exchange risk	26.063
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	29.714
7 Scenario approach	-
8 Securitisation	-
9 Total	1.516.863

g. Explanations on Operational Risk

Basic indicators approach:

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

The value at operational risk is calculated according to the basic indicator approach of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No. 28337 dated June 28, 2012.

	2 PY Amount	1 PY Amount	CY Amount	Total / Total number of ye- ars for which gross income is positive	Rate (%)	Total
Gross income	589.767	865.225	1.444.451	966.481	15	144.972
The amount subject to operational risk (Total*12,5)						1.812.150

XI. Explanations on Hedge Accounting

None.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

XII. 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 December 2017)	Corporate, Commercial,SME	Retail Banking	Treasury	Other and Unallocated ^(*)	Bank's Total Activities
Net Interest Income	654.165	245.727	21.595	437.383	1.358.870
Net Fee and Commission Income	107.750	51.732	(2.528)	(1.346)	155.608
Dividend Income	-	-	-	14	14
Other Operating Income and Net Profit/Loss	(21.997)	17.164	10.400	(27.712)	(22.145)
Operating Income	739.918	314.623	29.467	408.339	1.492.347
Other Operating Expenses	-	-	-	(737.782)	(737.782)
Credit and Other Provisions	(209.015)	(98.021)	-	(46.375)	(353.411)
Profit Before Tax	-	-	-	401.154	401.154
Tax Provision	-	-	-	(80.582)	(80.582)
Net profit	-	-	-	320.572	320.572
Total Asset	19.407.521	3.002.120	5.622.682	5.072.052	33.104.375
Segment Assets	19.407.521	3.002.120	5.622.682	5.072.052	33.104.375
Total Liability	6.820.104	16.994.776	3.393.822	5.895.673	33.104.375
Segment Liability	6.820.104	16.994.776	3.393.822	962.551	28.171.253
Subordinated Loan	-	-	-	1.174.992	1.174.992
Equity	-	-	-	3.758.130	3.758.130

^(*) 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 Period(1 January-31 December 2016)	Corporate, Commercial,SME	Retail Banking	Treasury	Other and Unallocated ^(*)	Bank's Total Activities
Net Interest Income	640.447	197.690	10.491	299.586	1.148.214
Net Fee and Commission Income	74.068	26.521	(1.948)	9.620	108.261
Other Operating Income and Net Profit/Loss	(3.329)	16.993	47.815	133.863	195.342
Operating Income	711.186	241.204	56.358	443.069	1.451.817
Other Operating Expenses	-	-	-	(656.779)	(656.779)
Credit and Other Provisions	(180.103)	(100.490)	-	(249.774)	(530.366)
Profit Before Tax	-	-	-	264.672	264.672
Tax Provision	-	-	-	(64.318)	(64.318)
Net profit	-	-	-	200.354	200.354
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	5.133.006	38.278.400
Segment Liability	11.391.220	17.520.639	4.233.535	1.161.434	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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Cash in Vault	86.483	95.952	75.080	93.467
Balances with the Central Bank of Turkey	1.403.639	2.145.746	1.289.306	3.260.387
Other	-	-	-	-
Total	1.490.122	2.241.698	1.364.386	3.353.854

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

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Unrestricted demand deposits	1.403.639	164	1.289.306	104
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	2.145.582	-	3.260.283
Total	1.403.639	2.145.746	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 December 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 December 2017 (31 December 2016: 4,5% and 24,5% for all foreign currency liabilities).

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:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Classified as unrestricted	760	774.435	5.905	-
Subject to repurchase agreements	-	-	-	-
Given as collateral/blocked	-	-	-	-
Total	760	774.435	5.905	-

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Forward Transactions	18.038	2.445	17.278	8.941
Swap Transactions	332.524	40.445	240.288	79.108
Futures Transactions	-	-	-	-
Options	23.886	3.778	57.807	16.606
Other	-	-	-	-
Total	374.448	46.668	315.373	104.655

3.a) Information on banks:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Banks				
Domestic	203	1	139	-
Foreign	-	286.525	-	118.585
Branches and head office abroad	-	-	-	-
Total	203	286.526	139	118.585

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
European Union Countries	132.264	65.694	-	-
USA and Canada	153.673	52.422	-	-
OECD Countries ^(*)	524	419	-	-
Other	64	50	-	-
Total	286.525	118.585	-	-

^(*)OECD countries other than European Union countries, USA and Canada

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

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

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar securities	260.178	304.755	193.752	-
Other	-	-	-	-
Total	260.178	304.755	193.752	-

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

As of December 31, 2017, does not have any available-for-sale financial assets subject to repurchase agreements (31 December 2016: TL 2.466).

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

b) Information on financial assets available for sale portfolio:

	December 31, 2017	December 31, 2016
Debt securities	1.254.532	903.528
Quoted on a stock exchange	1.254.532	903.528
Not quoted	-	-
Share certificates	7.901	1.927
Quoted on a stock exchange	-	-
Not quoted	7.901	1.927
Value Decrease (-) / Increase (+)	-	-
Total	1.262.433	905.455

5. Information on loans:

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

	December 31, 2017		December 31, 2016	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	304	-	1.154	-
Corporate shareholders	304	-	1.154	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	21.257	-	16.028
Loans granted to employees	7.304	-	7.941	-
Total	7.608	21.257	9.095	16.028

b) Information on the first and second group loans and other receivables including restructured or rescheduled 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
Cash Loans						
Non-specialized loans	19.748.601	120.580	-	2.253.077	979.054	-
Business loans	-	-	-	-	-	-
Export loans	882.833	17.371	-	24.514	6.380	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	21.605	-	-	-	-	-
Foreign loans	400.333	-	-	42.870	16	-
Consumer loans	1.885.062	185	-	206.169	85.137	-
Credit cards	477.670	-	-	46.197	25.711	-
Precious metals loans	-	-	-	-	-	-
Other	16.081.098	103.024	-	1.933.327	861.810	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	19.748.601	120.580	-	2.253.077	979.054	-

(*)The total figures for credits and other receivables also include changes to the extension of the payment plan

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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	120.580	979.054
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-
Total	120.580	979.054

Extension periods	Standard loans and other receivables	Loans and other receivables under close monitoring ^(*)
0 - 6 Months	90.538	151.719
6 - 12 Months	185	62.538
1 - 2 Years	2.145	232.457
2 - 5 Years	27.712	532.340
5 Years and over	-	-
Total	120.580	979.054

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

d) Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables Total	Agreement Conditions Modified	Loans and Other Receivables Total	Agreement Conditions Modified
Short term loans and other receivables	3.535.135	2.145	285.207	28.369
Non-Specialized loans	3.535.135	2.145	285.207	28.369
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	16.213.466	118.435	1.967.870	950.685
Non-Specialized loans	16.213.466	118.435	1.967.870	950.685
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	19.748.601	120.580	2.253.077	979.054

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans – TL	32.656	1.946.566	1.979.222
Housing Loans	3	560.334	560.337
Car Loans	99	23.467	23.566
General Purpose Loans	32.554	1.362.765	1.395.319
Other	-	-	-
Consumer Loans - Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	75.053	75.053
Housing Loans	-	75.053	75.053
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	489.884	15.730	505.614
With Installments	167.431	15.730	183.161
Without Installments	322.453	-	322.453
Individual Credit Cards-FC	95	-	95
With Installments	-	-	-
Without Installments	95	-	95
Personnel Loans – TL	275	4.765	5.040
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	275	4.765	5.040
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	2.261	3	2.264
With Installments	862	3	865
Without Installments	1.399	-	1.399
Personnel Credit Cards - FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts – TL (Real Persons)	31.916	-	31.916
Overdraft Accounts – FC (Real Persons)	-	-	-
Total	557.087	2.042.117	2.599.204

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	384.475	5.895.302	6.279.777
Business Loans	-	9.129	9.129
Car Loans	77	28.280	28.357
General Purpose Loans	384.398	5.857.893	6.242.291
Other	-	-	-
Commercial loans with installment facility-Indexed to FC	39.560	736.935	776.495
Business Loans	-	-	-
Car Loans	-	1.942	1.942
General Purpose Loans	39.560	734.993	774.553
Other	-	-	-
Commercial loans with installment facility -FC	33.153	9.129.511	9.162.664
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	33.153	9.129.511	9.162.664
Other	-	-	-
Corporate Credit Cards-TL	15.828	-	15.828
With Installments	3.771	-	3.771
Without Installments	12.057	-	12.057
Corporate Credit Cards-FC	66	-	66
With Installments	-	-	-
Without Installments	66	-	66
Overdraft Accounts-TL (Legal Entities)	85.310	-	85.310
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	558.392	15.761.748	16.320.140

g) Loans according to types of borrowers:

	December 31, 2017	December 31, 2016
Private	22.001.678	26.060.661
Public	-	-
Total	22.001.678	26.060.661

h) Distribution of domestic and foreign loans:

	December 31, 2017	December 31, 2016
Domestic loans	21.558.475	25.689.044
Foreign loans	443.203	371.617
Total	22.001.678	26.060.661

i) Loans granted to subsidiaries and associates: None.

j) Specific provisions provided against loans:

	December 31, 2017	December 31, 2016
Specific provisions		
Loans and receivables with limited collectability	21.322	15.723
Loans and receivables with doubtful collectability	105.043	73.261
Uncollectible loans and receivables	319.279	212.334
Total	445.644	301.318

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

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

k.2) The movement of total non-performing loans:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
December 31, 2016 balance	110.548	210.011	367.884
Additions (+)	804.461	-	-
Transfers from other categories of non-performing loans (+)	-	688.618	421.188
Transfers to other categories of non-performing loans (-)	688.618	421.188	-
Collections (-)	51.586	94.445	67.268
Write-offs (-)	-	-	21.088
Corporate and commercial loans	-	-	21.088
Retail loans	-	-	-
Credit cards	-	-	-
Other (-)	-	-	183.045
Corporate and commercial loans	-	-	103.381
Retail loans (*)	-	-	63.709
Credit cards (*)	-	-	15.955
December 31, 2017 balance	174.805	382.996	517.671
Specific provision (-)	21.322	105.043	319.279
Net Balances on Balance Sheet	153.483	277.953	198.392

(*) The Bank completed the NPL sale of fully provisioned retail customers amounting to TL 79.664 to Hayat Varlık (Asset Management Company) on September 28, 2017 for TL 11.400 and TL 103.381 of the loans recognized as loss was sold to Emir Asset Management Company on December 28, 2017 for TL 725.

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

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
December 31, 2017 (Net)	153.483	277.953	198.392
Loans to Real Persons and Legal Entities (Gross)	174.805	382.996	517.671
Specific provision (-)	21.322	105.043	319.279
Loans to Real Persons and Legal Entities (Net)	153.483	277.953	198.392
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)	-	-	-

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

1) 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 December 31, 2017, the net amount after provisions of the non-performing loans and receivables in the fifth group is TL 198.392 (December 31, 2016: TL 155.550).

m) Explanations on write-off policy:

As of 31 December 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 December 31, 2017, held-to-maturity investments given as collateral is amounting to TL 338.078 (December 31, 2016: TL 304.071).

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

c) The Bank has TL 447.133 held-to-maturity investments as of December 31, 2017 (December 31, 2016: TL 428.155).

d) Movement on held-to-maturity investments:

	December 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 ^(*)	18.978	63.706
Total	447.133	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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

12. Information on tangible assets (Net):

	Closing Balance December 31, 2016	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2017
Cost:						
Land and buildings	9.174	-	-	-	-	9.174
Leased tangible assets	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	236.359	20.997	-	(5.874)	-	251.482
Total Cost	245.533					260.656

	Closing Balance December 31, 2016	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2017
Accumulated Depreciation:						
Land and buildings	763	183	-	-	-	946
Leased tangible assets	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	115.304	45.836	-	(5.812)	-	155.327
Total Accumulated Depreciation	116.067					156.273
Net Book Value	129.466					104.383

a) Disclosure for impairment losses or releases individually material for financial statements:

a.1) Conditions for allocating/releasing any impairment: None.

a.2) Amount of impairment losses provided or released in financial statements during current period: None.

b) Other impairment losses provided or released in current period that are immaterial for the financial statement individually: None.

c) Pledges, Commitments and other restrictions to acquire tangible assets: None.

13. Information on intangible assets:

	Closing Balance December 31, 2016	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2017
Cost:						
Software cost	165.754	24.248	-	-	-	190.002
Other intangible assets	1.129	-	-	-	-	1.129
Total Cost	166.883					191.131

	Closing Balance December 31, 2016	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2017
Accumulated Depreciation:						
Software cost	67.724	33.130	-	-	-	100.854
Other intangible assets	352	-	-	-	-	352
Total Accumulated Depreciation	68.076					101.206
Net Book Value	98.807					89.925

14. Investment Property (Net): None.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

15. Explanations on deferred tax assets:

a) As of December 31, 2017, the Bank has deferred tax asset amounting to TL 64.664 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.

	December 31, 2017		December 31, 2016	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Net Book Value and Tax Value Differences of Financial Assets:	410.759	90.367	565.275	113.055
Free Provision	257.700	56.694	213.700	42.740
Deferred Commissions	63.296	13.925	76.251	15.250
Other provisions	25.941	5.207	48.580	9.716
Reserve for Employee Benefits	11.002	2.420	14.915	2.983
Other	12.390	2.536	13.543	2.709
Deferred Tax Assets	781.088	171.149	932.264	186.453
Net Book Value and Tax Value Differences of Financial Liabilities:	432.326	95.112	425.158	85.032
Amortization Differences	34.696	7.323	33.613	6.723
Other	19.257	4.050	10.528	2.105
Deferred Tax Liability (-)	486.279	106.485	469.299	93.860
Deferred Tax Asset (Net)	294.809	64.664	462.965	92.593

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

As of December 31, 2017 the Bank has assets held for sale and discontinued operations amounting to TL 170.946 (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.

II. Explanations and Disclosures Related to the Liabilities

1. Information on maturity structure of deposits:

a.1) December 31, 2017

	Demand	7 Day Call Accounts	Up to 1month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	181.982	-	1.972.880	5.832.781	3.461	30.579	16.522	-	8.038.205
Foreign currency deposits	534.925	-	1.467.526	10.623.894	112.731	203.330	48.771	-	12.991.177
Residents in Turkey	500.151	-	1.449.610	10.368.214	112.304	201.136	35.229	-	12.666.644
Residents abroad	34.774	-	17.916	255.680	427	2.194	13.542	-	324.533
Public sector deposits	2.464	-	-	-	11.404	-	-	-	13.868
Commercial deposits	112.401	-	238.861	1.803.250	-	1.995	120	-	2.156.627
Other institutions deposits	827	-	1.993	69.855	-	-	-	-	72.675
Precious metals deposits	43.487	-	-	-	-	-	-	-	43.487
Interbank deposits	160	-	-	562.830	21.237	10.121	-	-	594.348
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	9.413	-	-	-	-	9.413
Foreign Banks	160	-	-	553.417	21.237	10.121	-	-	584.935
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	876.246	-	3.681.260	18.892.610	148.833	246.025	65.413	-	23.910.387

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

December 31, 2016

	Demand	7 Day Call Accounts	Up to 1month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year And over	Accumu- lating 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	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Saving deposits	2.534.217	2.045.154	5.503.988	5.434.596
Foreign currency saving deposits	582.697	364.616	8.130.958	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	3.116.914	2.409.770	13.634.946	14.290.681

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

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

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

	December 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	3.261	21.180
Deposits obtained through illegal acts defined in the 282nd 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	-	-

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

2. Information on derivative financial liabilities:

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

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Forward Transactions	5.244	302	44.285	3.203
Swap Transactions	308.446	69.711	383.159	34.976
Futures Transactions	-	-	-	-
Options	16.133	4.635	45.465	34.787
Other	-	-	-	-
Total	329.823	74.648	472.909	72.966

3. Information on borrowings:

a) Information on banks and other financial institutions:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
From Domestic Banks and Institutions	2.940	29.272	8.616	250.598
From Foreign Banks, Institutions and Funds	-	2.910.508	-	3.406.283
Total	2.940	2.939.780	8.616	3.656.881

b) Maturity analysis of borrowings:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Short-term	353	904.327	5.861	1.382.742
Medium and long-term	2.587	2.035.453	2.755	2.274.139
Total	2.940	2.939.780	8.616	3.656.881

4. Information on funds provided from repurchase agreement transactions:

a) Funds Provided Under Repurchase Agreements:

	December 31, 2017	December 31, 2016
Funds Provided Under Repurchase Agreements	-	2.457
Total	-	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 pre-payments 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.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

9. Information on provisions:

a) Information on general provisions:

	December 31, 2017	December 31, 2016
General Provisions	256.804	254.836
I. Provisions for First Group Loans and Receivables	81.041	203.743
o/w - Provision for extended loans	-	5.318
II. Provisions for Second Group Loans and Receivables	171.656	42.711
o/w - Provision for extended loans	-	32.793
Provisions for Non-cash Loans and Derivative Financial Instruments	4.106	8.382
Total	256.804	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. If the Regulation had been applied, the Bank has total excess general provisions of TL 146.447.

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TL 1.020 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 December 31, 2017 provision for NPL customers' non-cash loans that are not converted into cash is TL 7.349 (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:

	December 31, 2017	December 31, 2016
Employee termination benefit provision	5.745	8.459
Unused vacation provision	5.257	6.456
Total of provision for employee benefits	11.002	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.

	Current Period	Prior Period
Discount rate in real terms	%2,78	%2,94
Interest rate	%11,00	%9,62
Estimated salary/ Employee termination benefit increase rate	%8,00	%6,48

	Current Period	Prior Period
Balance at the beginning of period	8.459	4.983
Paid in during the period	(5.751)	(523)
The amount of provision	3.037	3.999
Balance at the end of period	5.745	8.459

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

e) Information on other provisions:

e.1) Provisions for possible losses: TL 257.700 (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 25.000 (December 31, 2016: TL 47.526) and promotions for credit cards and banking services amounting to TL 941 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.

10. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Information on corporate tax:

As of December, 2017, the Bank has corporate income tax provision amounting to TL 62.210, which is netted with prepaid taxes amounting to TL 60.715 and shown in the liabilities amounting to TL 1.495 (December 31, 2016: Tax Asset TL 35.105 Corporate Taxes Payable).

a.2) Explanations on taxes payable:

	December 31, 2017	December 31, 2016
Payroll Tax	9.365	3.973
Withholding taxation on deposits	26.283	25.505
BITT	15.996	18.389
Property Tax	483	481
Value Added Tax Payable	735	1.869
Stamp Tax	273	119
Corporate Taxes Payable	1.495	35.105
Foreign Exchange Transaction Tax	-	-
Other	548	479
Total	55.178	85.920

a.3) Information on premiums:

	December 31, 2017	December 31, 2016
Social Security Premiums-Employer	3.417	3.430
Social Security Premiums-Employee	3.085	3.035
Unemployment Insurance-Employer	435	428
Unemployment Insurance-Employee	217	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	7.154	7.107

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

12. Information on Subordinated Loans:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	-	-	528.417
From other foreign institutions	-	1.174.992	-	-
Total	-	1.174.992	-	528.417

The Bank, on August 1, 2017 issued the Basel III compliant, 10 year, semi-annual fixed %7,625 coupon paying bond of USD 300 million to foreign domicile investors. The bond, with the permission of BRSA dated July 17, 2017 was classified as Tier II sub-loan.

13. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

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

TL	December 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:

	December 31, 2017	December 31, 2016
Valuation Difference	(34.338)	(28.741)
Foreign Exchange Difference	-	-
Total	(34.338)	(28.741)

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

i) Information on legal reserves:

	December 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:

	December 31, 2017	December 31, 2016
Reserves allocated by the General Assembly	172.738	-
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Capital Exchange Difference	-	-
Total	172.738	-

14. Information on minority shares: None.

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:

	December 31, 2017	December 31, 2016
Forward asset purchase and sales commitments	298.884	782.136
Loan granting commitments	237.158	630.379
Commitments for checks	72.796	102.372
Credit card limit commitments	883.203	668.931
Other irrevocable commitments	6.689	6.206
Total	1.498.730	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:

	December 31, 2017	December 31, 2016
Letters of guarantee	1.460.185	2.214.062
Letters of credit	845.476	571.553
Bank acceptance loans	142.251	114.523
Other guarantees	129.978	-
Total	2.577.890	2.900.138

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

	December 31, 2017	December 31, 2016
Definite letter of guarantees	1.016.686	1.387.795
Temporary letter of guarantees	40.364	35.430
Other letter of guarantees	403.135	790.837
Total	1.460.185	2.214.062

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

c) Total amount of non-cash loans:

	December 31, 2017	December 31, 2016
Non-cash loans given to cover cash loans	194.378	183.486
With maturity of 1 year or less than 1 year	194.378	183.486
With maturity of more than 1 year	-	-
Other non-cash loans	2.383.512	2.716.652
Total	2.577.890	2.900.138

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2017			
	TL	(%)	FC	(%)
Agricultural	8.965	0,98	21.642	1,30
Farming and raising livestock	8.654	0,95	12.541	0,75
Fores TL	-	0,00	0	0,00
Fishery	311	0,03	9.101	0,55
Manufacturing	165.901	18,18	1.080.296	64,87
Mining	27.587	3,02	17.279	1,04
Production	120.906	13,25	931.512	55,94
Electric, gas and water	17.408	1,91	131.505	7,90
Construction	415.105	45,49	95.312	5,72
Services	310.773	34,05	448.189	26,91
Wholesale and retail trade	192.830	21,13	229.048	13,75
Hotel, food and beverage services	1.846	0,20	43.732	2,63
Transportation and telecommunication	25.108	2,75	108.172	6,50
Financial institutions	3.472	0,38	38.491	2,31
Real estate and renting services	60.025	6,58	14.571	0,87
Self-employment services	6.986	0,77	10.138	0,61
Education services	340	0,04	0	0,00
Health and social services	20.166	2,21	4.037	0,24
Other	11.868	1,30	19.839	1,19
Total	912.612	100,00	1.665.278	100,00

(*) Breakdown of sector classified according to type of principal activity of costumers.

	December 31, 2016			
	TL	(%)	FC	(%)
Agricultural	9.970	0,97	8.232	0,44
Farming and raising livestock	9.470	0,92	8.232	0,44
Fores TL	-	-	-	-
Fishery	500	0,05	-	-
Manufacturing	127.187	12,43	840.665	44,79
Mining	13.199	1,30	17.113	0,91
Production	78.840	7,70	544.006	28,99
Electric, gas and water	35.148	3,43	279.546	14,89
Construction	504.072	49,26	128.383	6,84
Services	368.065	35,97	898.967	47,90
Wholesale and retail trade	240.954	23,55	197.729	10,53
Hotel, food and beverage services	1.499	0,15	22.842	1,23
Transportation and telecommunication	30.122	2,94	570.546	30,40
Financial institutions	25.587	2,50	48.701	2,59
Real estate and renting services	46.736	4,57	18.593	0,99
Self-employment services	7.676	0,75	16.798	0,89
Education services	405	0,04	-	-
Health and social services	15.086	1,47	23.758	1,27
Other	13.963	1,36	634	0,03
Total	1.023.257	100,00	1.876.881	100,00

(*) Breakdown of sector classified according to type of principal activity of costumers.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

c.3) Information on I st and II nd group non-cash loans:

Non-cash loans	I st Group		II nd Group	
	TL	FC	TL	FC
Letters of guarantee	892.289	543.357	14.728	9.811
Bank acceptances	5.595	136.656	-	-
Letters of credit	-	843.684	-	1.792
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Factoring Commitments	-	-	-	-
Other commitments and contingencies	-	129.978	-	-
Total	897.884	1.653.675	14.728	11.603

2) Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading	Hedging	Trading	Hedging
	December 31, 2017	December 31, 2017	December 31, 2016	December 31, 2016
Types of trading transactions				
Foreign currency related derivative transactions (I):	38.791.495	-	45.316.912	-
Forward transactions	2.771.445	-	4.330.417	-
Swap transactions	30.390.205	-	27.216.383	-
Futures transactions	-	-	-	-
Option transactions	5.629.845	-	13.770.112	-
Interest related derivative transactions (II) :	12.830.048	-	11.913.190	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	12.395.812	-	11.433.280	-
Interest option transactions	434.236	-	479.910	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)	-	-	-	-
A. Total trading derivative transactions (I+II+III)	51.621.543	-	57.230.102	-
Types of hedging transactions				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	-	-
Total Derivative Transactions (A+B)	51.621.543	-	57.230.102	-

Forward foreign currency and swap transactions include mainly customer deals and proprietary transactions that are qualified as trading and measured at fair value in line with Turkish accounting Standards. Both legs of every derivative transaction are aggregated in the table.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

As of December 31, 2017 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

December 31, 2017	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Interest Swap Buy	Interest Swap Sell	Interest Option Buy	Interest Option Sell	Total
TL	765.077	359.101	3.961.120	6.857.515	957.383	1.044.772	361.983	361.983	-	-	14.668.934
USD	313.328	860.154	9.759.043	4.590.527	890.679	1.196.851	3.033.614	3.033.613	217.118	217.118	24.112.045
EURO	288.792	144.307	700.359	3.045.302	874.370	509.802	2.802.309	2.802.310	-	-	11.167.551
Other	28.675	12.011	761.171	715.168	71.864	84.124	-	-	-	-	1.673.013
Total	1.395.872	1.375.573	15.181.693	15.208.512	2.794.296	2.835.549	6.197.906	6.197.906	217.118	217.118	51.621.543

December 31, 2016	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Interest Swap Buy	Interest Swap Sell	Interest Option Buy	Interest Option Sell	Total
TL	872.631	570.686	2.997.882	6.426.736	1.494.471	2.042.951	1.208.891	1.208.891	-	-	16.823.139
USD	757.500	790.471	6.455.930	5.160.073	2.449.502	3.124.725	2.115.222	2.115.223	239.955	239.955	23.448.556
EURO	365.785	571.778	3.771.937	1.966.378	2.714.901	1.570.284	2.392.527	2.392.526	-	-	15.746.116
Other	157.959	243.607	312.155	125.292	187.718	185.560	-	-	-	-	1.212.291
Total	2.153.875	2.176.542	13.537.904	13.678.479	6.846.592	6.923.520	5.716.640	5.716.640	239.955	239.955	57.230.102

3. Information related to credit derivatives and risk exposures:

None.

4. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: None.

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: None.

5. Custodian and intermediary services:

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

IV. Explanations and Disclosures Related to the Statement of Income

1.a) Information on interest on loans:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Interest on loans ^(*)				
Short term loans	728.594	45.256	615.913	48.979
Medium and long term loans	1.441.356	698.180	934.690	721.640
Interest on non-performing loans	-	-	-	-
Total	2.169.950	743.436	1.550.603	770.619

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

b) Information on interest received from banks:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
The Central Bank of Republic of Turkey (CBRT)	23.831	28.319	21.403	13.949
Domestic banks	129.988	3.039	71.531	936
Foreign banks	7	5.826	-	791
Branches and head office abroad	-	-	-	-
Total	153.826	37.184	92.934	15.676

c) Interest received from marketable securities portfolio:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Trading Securities	270	16.168	1.379	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	43.828	34.334	45.143	35.896
Held-to-maturity securities	-	17.205	-	13.553
Total	44.098	67.707	46.522	49.449

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

2. a) Information on interest on funds borrowed:

	December 31, 2017		December 31, 2016	
	TL	FC	TL	FC
Interest on funds borrowed				
Banks	510	113.549	384	98.959
The Central Bank of Turkey	-	953	-	364
Domestic banks	510	612	384	188
Foreign banks	-	111.984	-	98.407
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	510	113.549	384	98.959

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

c) Information on interest expense to marketable securities issued: As of December 31, 2017; The bank has interest expense to marketable securities issued amounting to TL 40.488 (December 31, 2016: TL 10.393).

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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

December 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	-	501	-	-	-	-	-	501
Saving deposits	237	250.427	762.485	3.293	8.280	2.089	-	1.026.811
Public sector deposits	1	26	655	64	0	-	-	746
Commercial deposits	44	32.782	305.939	6.180	639	99	-	345.683
Other deposits	-	481	28.938	590	1.336	-	-	31.345
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	282	284.217	1.098.017	10.127	10.255	2.188	-	1.405.086
Foreign Currency								
Foreign currency deposits	163	46.054	453.493	10.582	12.986	1.626	-	524.904
Bank deposits	-	17.792	-	-	-	-	-	17.792
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	163	63.846	453.493	10.582	12.986	1.626	-	542.696
Grand Total	445	348.063	1.551.510	20.709	23.241	3.814	-	1.947.782

December 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	-	855	-	-	-	-	-	855
Saving deposits	292	103.532	645.608	4.921	11.065	1.372	-	766.790
Public sector deposits	-	2	356	-	-	-	-	358
Commercial deposits	41	27.729	230.969	3.807	329	45	-	262.920
Other deposits	1	745	39.948	1.929	-	-	-	42.623
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	334	132.863	916.881	10.657	11.394	1.417	-	1.073.546
Foreign Currency								
Foreign currency deposits	100	19.406	332.987	15.491	6.685	2.137	-	376.806
Bank deposits	-	25.644	-	-	-	-	-	25.644
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	100	45.050	332.987	15.491	6.685	2.137	-	402.450
Grand Total	434	177.913	1.249.868	26.148	18.079	3.554	-	1.475.996

3. Information on Dividend Income: At the end of December, The Bank has TL 14 dividend income collected from share certificates.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

4. Information on net trading income:

	December 31, 2017	December 31, 2016
Income	23.262.509	11.390.689
Gains on capital market operations	227.254	355.397
Gains on derivative financial instruments	1.794.610	1.951.894
Foreign exchange gains	21.240.645	9.083.398
Losses (-)	23.298.672	11.208.873
Losses on capital market operations	479	18.364
Losses on derivative financial instruments	1.927.837	1.792.626
Foreign exchange losses	21.370.356	9.397.883
Net Amount	(36.163)	181.816

5. Information on other operating income: As of December 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:

	December 31, 2017	December 31, 2016
Specific provisions for loans and other receivables (*)	307.443	280.378
III. Group Loans and Receivables	26.701	18.062
IV. Group Loans and Receivables	117.242	85.543
V. Group Loans and Receivables	163.500	176.773
General loan loss provision expenses / (income)	1.968	36.288
Provision expenses for possible losses (**)	44.000	213.700
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	353.411	530.366

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

(**) Includes the TL 120.500 free provision and TL 76.500 reverse of provision in current period by the Bank Management for possible results of the circumstances which may arise from possible changes in the economy and market conditions in the future.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

7. Information on other operating expenses:

	December 31, 2017	December 31, 2016
Personnel expenses	307.185	283.472
Employee termination benefit provision	285	3.476
Taxes and duties	-	-
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	46.018	43.852
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	33.130	28.673
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	1.035	665
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	350.129	296.641
Rent expenses	74.845	64.458
Maintenance expenses	4.926	4.757
Advertisement expenses	40.421	41.057
Other expenses (*)	229.937	186.369
Loss on sales of assets	-	-
Total	737.782	656.779

(*)As of December 31, 2017, other operating expenses include IT expenses amounting to TL 51.296, premiums for saving deposit insurance fund amounting to TL 20.661, support services amounting to TL 19.275, taxes and similar disbursements expenses amounting to TL 29.679, communication expenses amounting to TL 11.948 and other expenses amounting to TL 97.078 (31 December 2016: Other operating expenses include IT expenses amounting to TL 35.065, outsource services amounting to TL 36.770, communication expenses amounting to TL 21.507, taxes and similar disbursements expenses amounting to TL 15.121, premiums for saving deposit insurance fund amounting to TL 10.907 and other expenses).

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

As of December 31, 2017, the Bank's profit before tax from continued operations is TL 401.154.

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

As of December 31, 2017, The Bank has deferred tax expense amounting to TL 29.328 through temporary differences current tax expense amounting to TL 51.254 (December 31, 2016: 55.310 TL deferred tax income and 119.628 TL current tax expense).

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

As of December 31, 2017, the Bank's net profit from continued operations is TL 320.572 (December 31, 2016: TL 200.354).

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

a) 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: In 2017, the Bank purchased Certificate of Deposits issued by Central Bank of Lebanon amounting to nominal USD 196.700 thousands under special agreement conditions that generated capital gains of TL 226.667 and accounted under trading income/loss in the income statement.

In the first quarter of 2017, the Bank released free provisions amounting TL 76.500 that was provided in 2016. In the third quarter of 2017, the Bank booked free provisions amounting TL 120.500 resulting an addition of TL 44.000 to the income statement as at December 31, 2017.

b) Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.

c) Profit or loss attributable to minority shares: None.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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.

V. Explanations and Disclosures On Statement of Changes in Shareholders' Equity

- a) Decrease resulting from revaluation of financial assets available for sale is TL 34.338.
- b) Increase in cash flow risk hedging items: None.
- c) The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Amounts transferred to legal reserves: None.
- f) Information on shares issued:

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank after the balance sheet date.

VI. Explanations and Disclosures On Statement Of Cash Flows

1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:

"Others" line amounting to TL 38.575 consist of effect of change in foreign exchange rate on cash and cash equivalents.

"Net increase/decrease in other liabilities" line amounting to TL 133.892 in "Changes in bank operations assets and liabilities" consists of changes in miscellaneous payables, other liabilities and tax liability.

"Net increase/decrease in other assets" line amounting to TL 141.965 consists of changes in temporary accounts.

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

End of the period	December 31, 2017	December 31, 2016
Cash	1.571.107	1.449.740
Cash in TL/foreign currency	182.435	168.547
Central Bank of Republic of Turkey	1.388.672	1.281.193
Cash equivalents	3.026.729	4.528.724
Receivables from banks and other financial institutions	286.729	118.724
Receivables from money market placements	2.740.000	4.410.000
Total cash and cash equivalents	4.597.836	5.978.464

Prior period	December 31, 2016	December 31, 2015
Cash	1.449.740	593.713
Cash in TL/foreign currency	168.547	137.330
Central Bank of Republic of Turkey	1.281.193	456.383
Cash equivalents	4.528.724	4.095.986
Receivables from banks and other financial institutions	118.724	35.986
Receivables from money market placements	4.410.000	4.060.000
Total cash and cash equivalents	5.978.464	4.689.699

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

VII. 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) December 31, 2017:

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	-	-	1.154	16.028	32	80
Balance at end of period	-	-	304	21.257	-	147
Interest and commission income	-	-	1	-	-	-

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 and real persons included in the risk group
Deposits	December 31, 2017	December 31, 2017	December 31, 2017
Balance at beginning of period	-	1.202.909	8.623
Balance at end of period	-	584.775	-
Interest on deposits	-	20.344	1.195

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
Deposits	December 31, 2016	December 31, 2016	December 31, 2016
Balance at beginning of period	-	1.027.230	8.105
Balance at end of period	-	1.202.909	8.623
Interest on deposits	-	26.933	1.031

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

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

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 and real persons included in the risk group
Financial assets at fair value through profit and loss	December 31, 2017	December 31, 2017	December 31, 2017
Balance at beginning of period	-	66.908	-
Balance at end of period	-	64.525	-
Total Loss/ Profit	-	(833)	-

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
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	-	(684)	-

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

Gross payment made to the executive management as of December 31, 2017 is TL 31.981 (December 31, 2016: TL 27.621).

VIII. Explanations And Disclosures Related To Subsequent Events

As of January 18, 2018 Mr. Guy Charles HARRINGTON resigned and was replaced by Mrs. Dragica Pilipovic-CHAFFEY as a Member of the Board of Directors.

CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

ODEA BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

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

SECTION SIX

I. Other Explanations on the Operations of the Bank

None.

SECTION SEVEN

AUDITOR'S REVIEW REPORT

I. Explanations on the Auditor's Review Report

The unconsolidated financial statements for the period ended December 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 February 27, 2018 is presented preceding the unconsolidated financial statements.

II. Explanations And Notes Prepared By Independent Auditor

None.

ODEA BANK ANONİM ŞİRKETİ

5 YEARS COMPERATIVE

FINANCIAL STATEMENTS

ASSETS	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
I. CASH AND BALANCES WITH THE CENTRAL BANK	3.731.820	4.718.240	4.074.584	2.830.662	1.777.178
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	1.196.311	425.933	125.725	47.114	101.183
2.1 Financial assets held for trading	1.196.311	425.933	125.725	47.114	101.183
2.1.1 Public sector debt securities	760	5.905	24.812	3.157	2.610
2.1.2 Share certificates	-	-	-	-	-
2.1.3 Derivative financial assets held for trading	421.116	420.028	100.913	43.957	98.573
2.1.4 Other marketable securities	774.435	-	-	-	-
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	286.729	118.724	35.986	1.012.563	1.149.844
IV. MONEY MARKET PLACEMENTS	2.742.869	4.412.052	4.061.196	2.235.688	460.098
4.1 Interbank money market placements	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements	2.742.869	4.412.052	4.061.196	2.235.688	460.098
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	1.262.433	905.455	1.097.178	863.054	942.532
5.1 Share certificates	7.901	1.927	5.285	-	-
5.2 Public sector debt securities	1.254.532	903.528	1.091.893	863.054	942.532
5.3 Other marketable securities	-	-	-	-	-
VI. LOANS AND RECEIVABLES	22.631.506	26.447.786	21.806.871	18.011.460	11.344.470
6.1 Loans and receivables	22.001.678	26.060.661	21.507.378	17.854.872	11.307.041
6.1.1 Loans to risk group of the Bank	304	1.186	64	53	-
6.1.2 Public sector debt securities	-	-	-	-	-
6.1.3 Other	22.001.374	26.059.475	21.507.314	17.854.819	11.307.041
6.2 Non-performing loans	1.075.472	688.443	487.927	264.175	46.186
6.3 Specific provisions (-)	445.644	301.318	188.434	107.587	8.757
VII. FACTORING RECEIVABLES	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	447.133	428.155	364.449	300.091	-
8.1 Public sector debt securities	447.133	428.155	364.449	300.091	-
8.2 Other marketable securities	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	-	-	-	-	-
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)	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries	-	-	-	-	-
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	-	-	-	-	-
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)	-	-	-	-	-
12.1 Finance lease receivables	-	-	-	-	-
12.2 Operating lease receivables	-	-	-	-	-
12.3 Other	-	-	-	-	-
12.4 Unearned income (-)	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	-	-	-	-	-
13.1 Fair value hedge	-	-	-	-	-
13.2 Cash flow hedge	-	-	-	-	-
13.3 Hedge of net investment in foreign operations	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	104.383	129.466	142.902	116.962	104.438
XV. INTANGIBLE ASSETS (Net)	89.925	98.807	99.028	57.442	48.246
15.1 Goodwill	-	-	-	-	-
15.2 Other	89.925	98.807	99.028	57.442	48.246
XVI. INVESTMENT PROPERTY (Net)	-	-	-	-	-
XVII. TAX ASSET	64.664	92.593	40.881	18.398	30.154
17.1 Current tax asset	-	-	15	-	11.834
17.2 Deferred tax asset	64.664	92.593	40.866	18.398	18.320
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	170.946	42.094	29.879	6.132	-
18.1 Held for sale	170.946	42.094	29.879	6.132	-
18.2 Discontinued operations	-	-	-	-	-
XIX. OTHER ASSETS	375.656	459.095	204.029	122.571	151.653
TOTAL ASSETS	33.104.375	38.278.400	32.082.708	25.622.137	16.109.796

ODEA BANK ANONİM ŞİRKETİ

5 YEARS COMPERATIVE

FINANCIAL STATEMENTS

LIABILITIES					
	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
I. DEPOSITS	23.910.387	29.254.396	25.333.496	21.061.040	12.371.958
1.1 Deposits from risk group of the Bank	584.775	1.211.532	1.048.062	583.473	343.965
1.2 Other	23.325.612	28.042.864	24.285.434	20.477.567	12.027.993
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	404.471	545.875	142.719	50.663	103.355
III. FUNDS BORROWED	2.942.720	3.665.497	3.133.469	1.411.123	1.167.373
IV. MONEY MARKET BALANCES	-	2.457	156.858	138.889	221.454
4.1 Interbank money market takings	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings	-	-	-	-	-
4.3 Funds provided under repurchase agreements	-	2.457	156.858	138.889	221.454
V. MARKETABLE SECURITIES ISSUED (Net)	-	-	154.995	137.483	-
5.1 Bills	-	-	154.995	137.483	-
5.2 Asset backed securities	-	-	-	-	-
5.3 Bonds	-	-	-	-	-
VI. FUNDS	-	-	-	-	-
6.1 Borrower funds	-	-	-	-	-
6.2 Other	-	-	-	-	-
VII. SUNDRY CREDITORS	9.486	9.901	4.770	3.663	2.748
VIII. OTHER LIABILITIES	283.061	198.198	196.022	189.709	128.200
IX. FACTORING PAYABLES	-	-	-	-	-
X. LEASE PAYABLES (Net)	-	-	-	-	-
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	-	-	-	-	-
11.1 Fair value hedge	-	-	-	-	-
11.2 Cash flow hedge	-	-	-	-	-
11.3 Hedge of net investment in foreign operations	-	-	-	-	-
XII. PROVISIONS	558.796	537.477	255.055	197.796	120.159
12.1 General loan loss provisions	256.804	254.836	196.224	154.545	91.075
12.2 Restructuring reserves	-	-	-	-	-
12.3 Reserve for employee benefits	11.002	14.915	10.146	6.303	3.143
12.4 Insurance technical reserves (Net)	-	-	-	-	-
12.5 Other provisions	290.990	267.726	48.685	36.948	25.941
XIII. TAX LIABILITY	62.332	93.027	47.976	41.385	24.313
13.1 Current tax liability	62.332	93.027	47.976	41.385	24.313
13.2 Deferred tax liability	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	-	-	-
14.1 Held for sale	-	-	-	-	-
14.2 Discontinued operations	-	-	-	-	-
XV. SUBORDINATED LOANS	1.174.992	528.417	1.310.209	1.053.135	639.209
XVI. SHAREHOLDERS' EQUITY	3.758.130	3.443.155	1.347.139	1.337.251	1.331.027
16.1 Paid-in capital	3.288.842	3.288.842	1.496.150	1.496.150	1.496.150
16.2 Supplementary capital	(33.285)	(30.939)	(43.071)	(2.669)	(8.546)
16.2.1 Share premium	-	-	-	-	-
16.2.2 Share cancellation profits	-	-	-	-	-
16.2.3 Marketable securities value increase fund	(34.338)	(28.741)	(43.071)	(2.669)	(8.546)
16.2.4 Tangible assets revaluation differences	3.251	-	-	-	-
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)	-	-	-
16.3 Profit reserves	182.001	-	-	-	-
16.3.1 Legal reserves	9.263	-	-	-	-
16.3.2 Statutory reserves	-	-	-	-	-
16.3.3 Extraordinary reserves	172.738	-	-	-	-
16.3.4 Other profit reserves	-	-	-	-	-
16.4 Profit or loss	320.572	185.252	(105.940)	(156.230)	(156.577)
16.4.1 Prior years' income/ (losses)	-	(15.102)	(156.230)	(156.577)	(19.572)
16.4.2 Current year income/ (losses)	320.572	200.354	50.290	347	(137.005)
16.5 Minority shares	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	33.104.375	38.278.400	32.082.708	25.622.137	16.109.796

ODEA BANK ANONİM ŞİRKETİ

OFF BALANCE SHEET

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

	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	55.698.163	62.320.264	33.882.402	21.457.136	14.135.493
I. GUARANTEES	2.577.890	2.900.138	2.296.778	1.492.285	934.333
1.1 Letters of guarantee	1.460.185	2.214.062	1.748.730	1.005.914	744.241
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	1.460.185	2.214.062	1.748.730	1.005.914	744.241
1.2 Bank loans	142.251	114.523	68.037	54.686	44.079
1.2.1 Import letter of acceptance	142.251	114.523	68.037	54.686	44.079
1.2.2 Other bank acceptances	-	-	-	-	-
1.3 Letters of credit	845.476	571.553	480.011	431.685	146.013
1.3.1 Documentary letters of credit	845.476	571.553	480.011	431.685	146.013
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	129.978	-	-	-	-
1.9 Other collaterals	-	-	-	-	-
II. COMMITMENTS	1.498.730	2.190.024	901.450	1.143.101	2.148.837
2.1 Irrevocable commitments	1.498.730	2.190.024	901.450	1.143.101	2.148.837
2.1.1 Forward asset purchase and sales commitments	298.884	782.136	217.670	585.464	1.655.680
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	237.158	630.379	269.068	250.945	314.401
2.1.5 Securities underwriting commitments	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements	-	-	-	-	-
2.1.7 Payment commitment for checks	72.796	102.372	95.023	81.805	37.369
2.1.8 Tax and fund liabilities from export commitments	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits	883.203	668.931	314.447	216.925	139.816
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	6.689	6.206	5.242	7.962	1.571
2.2 Revocable commitments	-	-	-	-	-
2.2.1 Revocable loan granting commitments	-	-	-	-	-
2.2.2 Other revocable commitments	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	51.621.543	57.230.102	30.684.174	18.821.750	11.052.323
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	51.621.543	57.230.102	30.684.174	18.821.750	11.052.323
3.2.1 Forward foreign currency buy/sell transactions	2.771.445	4.330.417	3.639.662	1.340.262	947.036
3.2.1.1 Forward foreign currency transactions-buy	1.395.872	2.153.875	1.828.638	669.346	478.282
3.2.1.2 Forward foreign currency transactions-sell	1.375.573	2.176.542	1.811.024	670.916	468.754
3.2.2 Swap transactions related to foreign currency, and interest rates	42.786.017	38.649.663	18.370.422	8.738.405	4.358.919
3.2.2.1 Foreign currency swaps-buy	15.181.693	13.537.904	6.432.476	3.064.584	1.410.522
3.2.2.2 Foreign currency swaps-sell	15.208.512	13.678.479	6.537.678	3.075.927	1.440.037
3.2.2.3 Interest rate swaps-buy	6.197.906	5.716.640	2.700.134	1.298.947	754.180
3.2.2.4 Interest rate swaps-sell	6.197.906	5.716.640	2.700.134	1.298.947	754.180
3.2.3 Foreign currency, interest rate and securities options	6.064.081	14.250.022	8.674.090	8.743.083	5.746.368
3.2.3.1 Foreign currency options-buy	2.794.296	6.846.592	4.091.966	3.330.487	2.880.371
3.2.3.2 Foreign currency options-sell	2.835.549	6.923.520	4.125.616	3.363.120	2.865.997
3.2.3.3 Interest rate options-buy	217.118	239.955	228.254	1.024.738	-
3.2.3.4 Interest rate options-sell	217.118	239.955	228.254	1.024.738	-
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)	101.767.706	88.161.946	61.610.224	30.459.538	14.697.854
IV. ITEMS HELD IN CUSTODY	742.004	978.117	1.345.927	893.061	300.786
4.1. Assets under management	181.853	197.238	184.697	236.022	13.612
4.2. Investment securities held in custody	18.120	55.907	29.955	59.381	53.742
4.3. Checks received for collection	249.100	286.200	272.848	226.172	123.034
4.4. Commercial notes received for collection	292.931	438.772	858.427	371.486	110.398
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	101.025.702	87.183.829	60.264.297	29.566.477	14.397.068
5.1. Marketable securities	-	-	-	-	-
5.2. Guarantee notes	29.793.014	24.655.056	16.070.302	2.068.805	916.879
5.3. Commodities	3.979.512	4.137.127	2.314.283	2.105.178	820.095
5.4. Warrants	-	-	-	-	-
5.5. Properties	44.535.382	39.319.397	27.197.956	19.767.146	11.306.765
5.6. Other pledged items	22.717.794	19.072.249	14.681.756	5.625.348	1.353.329
5.7. Pledged items-depository	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	157.465.869	150.482.210	95.492.626	51.916.674	28.833.347

ODEA BANK ANONİM ŞİRKETİ

INCOME STATEMENT

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

INCOME STATEMENT		31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
I.	INTEREST INCOME	3.467.922	2.756.259	2.352.473	1.637.812	673.175
1.1	Interest on loans	2.913.386	2.321.222	1.948.124	1.409.240	523.446
1.2	Interest received from reserve deposits	52.150	35.352	15.173	881	-
1.3	Interest received from banks	138.860	73.258	93.076	44.432	14.972
1.4	Interest received from money market placements	231.564	215.106	191.093	96.648	78.235
1.5	Interest received from marketable securities portfolio	111.805	95.971	92.850	82.752	56.393
1.5.1	Held-for-trading financial assets	16.438	1.379	2.043	278	6.597
1.5.2	Financial assets at fair value through profit and loss	-	-	-	-	-
1.5.3	Available-for-sale financial assets	78.162	81.039	77.737	76.125	49.796
1.5.4	Investments held-to-maturity	17.205	13.553	13.070	6.349	-
1.6	Finance lease income	-	-	-	-	-
1.7	Other interest income	20.157	15.350	12.157	3.859	129
II.	INTEREST EXPENSE	2.109.052	1.608.045	1.376.088	1.057.937	534.868
2.1	Interest on deposits	1.947.782	1.475.996	1.269.788	994.688	500.157
2.2	Interest on funds borrowed	114.059	99.343	72.562	34.831	24.547
2.3	Interest on money market borrowings	97	17.726	12.056	16.334	10.164
2.4	Interest on securities issued	40.488	10.393	18.685	11.697	-
2.5	Other interest expense	6.626	4.587	2.997	387	-
III.	NET INTEREST INCOME (I - II)	1.358.870	1.148.214	976.385	579.875	138.307
IV.	NET FEES AND COMMISSIONS INCOME	155.608	108.261	98.608	42.327	7.114
4.1	Fees and commissions received	194.586	142.276	126.126	56.915	13.855
4.1.1	Non-cash loans	37.050	31.857	24.295	15.216	6.418
4.1.2	Other	157.536	110.419	101.831	41.699	7.437
4.2	Fees and commissions paid	38.978	34.015	27.518	14.588	6.741
4.2.1	Non-cash loans	-	-	-	-	-
4.2.2	Other	38.978	34.015	27.518	14.588	6.741
V.	DIVIDEND INCOME	14	-	-	-	-
VI.	NET TRADING INCOME	(36.163)	181.816	(215.908)	(36.069)	43.236
6.1	Securities trading gains/ (losses)	226.775	337.033	(1.910)	19.762	1.080
6.2	Gain/(losses) from derivative financial instruments	(133.227)	159.268	269.281	(64.404)	(11.206)
6.3	Foreign exchange gains/ (losses)	(129.711)	(314.485)	(483.279)	8.573	53.362
VII.	OTHER OPERATING INCOME	14.018	13.526	6.141	3.636	1.289
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)	1.492.347	1.451.817	865.226	589.769	189.946
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	353.411	530.366	258.640	167.823	82.233
X.	OTHER OPERATING EXPENSES (-)	737.782	656.779	532.650	404.646	260.741
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	401.154	264.672	73.936	17.300	(153.028)
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)	401.154	264.672	73.936	17.300	(153.028)
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(80.582)	(64.318)	(23.646)	(16.953)	16.023
16.1	Provision for current income taxes	(51.254)	(119.628)	(36.013)	(18.501)	1.483
16.2	Provision for deferred taxes	(29.328)	55.310	12.367	1.548	14.540
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	320.572	200.354	50.290	347	(137.005)
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)	320.572	200.354	50.290	347	(137.005)



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