

DenizBank
Financial Services Group
Annual Report | 2017

**We have created
unforgettable
masterpieces
over the past
20 years**

SECTION I INTRODUCTION

- 02 DenizBank Financial Services Group (DFSG)
- 16 DenizBank's Mission, Vision
- 16 Dividend Distribution Policy
- 16 Dividend Distribution Proposal
- 17 Amendments to the Articles of Association
- 17 Changes in the Management, Shareholding Structure and Activities of DFSG Companies
- 17 Any Events Occurring After the End of Operating Period that Have a Special Importance
- 17 Shareholding Structure, Paid-in Capital and Changes, Shares Held by the Management
- 18 DenizBank in Brief
- 20 Sberbank in Brief
- 22 Financial Highlights
- 26 2017 in Brief
- 28 2017 Awards
- 30 Message from the Chairman of the Board of Directors
- 32 Message from the CEO
- 34 Banking Services
 - 35 Retail Banking Group
 - 35 Affluent Banking
 - 36 Mass Banking
 - 36 Pensioner Banking
 - 37 Retail Banking Products
 - 38 Branch and ATM Planning
 - 38 Bancassurance
 - 39 SME Banking Group
 - 39 SME Banking
 - 40 Merchant Relations
 - 41 Gold Banking
 - 42 Agricultural Banking Group
 - 44 Wholesale Banking Group
 - 44 Corporate and Commercial Banking Group
 - 44 Corporate Banking
 - 44 Commercial Banking
 - 45 Project Finance and International Loans Coordination Group
 - 45 Cash Management, Public Finance and Organization Group
 - 45 Cash Management
 - 46 Public Finance
 - 46 Organization
 - 47 Payment Systems and Non-Branch Channels Group
 - 47 Credit Cards
 - 48 Debit Cards/PTT Cards
 - 48 Call Center
 - 48 Telemarketing and Customer Retention
 - 49 Mobile Sales
 - 49 Treasury and Financial Institutions Group
 - 50 Treasury
 - 50 Treasury Sales
 - 50 Financial Institutions
 - 51 Digital Generation Banking Group
 - 51 Main Distribution Channels and Digital Experience Management
 - 52 Fintech Banking, Innovation and Digital Marketing Department
 - 52 Digital Sales Marketing
 - 53 Fintech Banking
 - 54 SMEDeniz
 - 54 Innovation Committee and Management
 - 56 Operations Group
 - 56 Information Technology and Support Operations Group
 - 56 Service Quality
 - 57 CRM-Customer Relationship Management
 - 58 IT Security and Digital-Card Payment Operations Group
 - 60 Branch and Central Operations Group
 - 60 Central Operations and Branch Operations
 - 61 Fund Management Payment Systems, Foreign Payments and Private Banking Operations
 - 61 Investment Banking, Custody and Fund Services Operations
- 62 Foreign Subsidiaries
- 63 Information Technology (IT) Services
- 65 Private Banking and Investment Operations
- 68 Leasing and Factoring Services
- 70 Cultural Services

SECTION II MANAGEMENT AND CORPORATE GOVERNANCE

- 71 Board of Directors
- 76 Executive Board Members
- 77 Executive Board
- 80 Executive Management
- 81 Committees
- 82 Summary Report of the Board of Directors to the General Assembly
- 83 Donations Made in 2017
- 83 Related Party Transactions
- 84 Human Resources
- 86 Training
- 87 Support Services
- 88 DenizBank Corporate Governance Principles Compliance Report

SECTION III FINANCIAL INFORMATION AND RISK MANAGEMENT

- 96 Internal Audit, Internal Control, Compliance and Risk Management Systems
- 99 Assessments of the Audit Committee
- 101 Independent Auditor Report on the Annual Report
- 103 Five-Year Summary Financial Highlights
- 105 Assessment of Financial Position
- 106 Capital Market Instruments Issued by DenizBank
- 107 DenizBank Ratings by International Rating Agencies

SECTION IV INDEPENDENT AUDIT REPORTS, FINANCIAL STATEMENTS AND NOTES

- 109 Independent Auditor's Reports, Unconsolidated Financial Statements and Notes as of December 31, 2017
- 221 Independent Auditor's Report, Consolidated Financial Statements and Notes as of 31 December 2017

Contact Information

Adding value to every part of our country, our customers and stakeholders has been our main motivation for 20 years.

We didn't content ourselves with the successes we have achieved in our country; guided by the global vision of our valuable shareholder Sberbank, we have become a bank that delivers world-class services.

Like an orchestra that performs the masterpieces perfectly, we used all banking instruments skillfully and demonstrated unforgettable performances. Now we take the stage once again for many 20 years.

**Hakan ATEŞ
CEO**



**Herman GREF
Chairman of the
Board of Directors**





DENİZBANK FINANCIAL SERVICES GROUP (DFSG)

BANKING SERVICES

- | DENİZBANK
- | DENİZBANK AG (AUSTRIA)
- | DENİZBANK MOSCOW (RUSSIAN FEDERATION)
- | EURODENİZ INTERNATIONAL BANKING UNIT LTD. (TRNC)

LEASING AND FACTORING SERVICES

- | DENİZLEASING
- | DENİZFACTORING

PRIVATE BANKING AND INVESTMENT ACTIVITIES

- | DENİZBANK PRIVATE BANKING
- | DENİZINVEST SECURITIES
- | DENİZ REAL ESTATE INVESTMENT TRUST
- | DENİZASSET MANAGEMENT

INFORMATION TECHNOLOGY SERVICES

- | INTERTECH
- | EKSPRES IT AND TRADE

CULTURAL SERVICES

- | DENİZKÜLTÜR

OTHER SERVICES

- | BANTAŞ
- | AÇIK DENİZ RADIO-TV
- | DENİZ CARD PAYMENT SYSTEMS

20 years ago,

We had a dream and
set off to make it come true...



Many thanks to the Captains, Sailors and all stakeholders
who have a part in our

success story...






A great team for great performance

With the workforce we generated, we have become one of the private banks offering the highest number of jobs.





Global execution of the local

Since 1997, we aimed to achieve works that would be exemplary for the whole world as a Turkish bank. We thought local and acted global, and secured a unique part in the industry.





Success led by harmonious integration

The synergy we achieved with our main shareholder Sberbank flourished our success story.





Results that boost and influence the sector

We became the 5th largest private bank of Turkey thanks to our corporate governance principles and human-oriented approach in our banking adventure, where we started ranking 81st.





Keeping up with the digitizing world

As the world is changing rapidly, DenizBank has captured the attention in the digital spheres thanks to its customer experience and readiness for the new generation and HR processes.





Innovative banking instruments

Representing Turkey with great success in international platforms with novelties, DenizBank has become the innovation base of banking throughout the years.



DENİZBANK'S MISSION, VISION

DenizBank's mission is to become a bank that maximizes employee, customer and shareholder satisfaction with its position, image and corporate characteristics in the market by adopting a supermarket approach to financial services.

DenizBank envisions becoming one of the five largest banks in Turkey and the foremost financial institution in the region defined as the Middle East, Balkans, Caucasus and Commonwealth of Independent States countries through sustained and profitable growth.

DIVIDEND DISTRIBUTION POLICY

After deducting any sums that would be compulsory for the Bank to pay or set aside, such as general expenditures and miscellaneous depreciation expenses as well as any amount of taxes that would be compulsory for the Bank to pay, from the calculated income at the end of the accounting year, the remaining sum shall constitute the net income; after deducting the previous year's losses, if any, the net income shall be distributed as follows:

First Scheme Legal Reserves:

- a) 5% of this sum shall be allocated to the legal reserves.

First Dividend:

- b) Out of the remaining amount, the rate and amount set by the Capital Markets Board of Turkey is allocated to the first dividend.

Second Dividend:

- c) After deducting any sums specified in item (a) and (b) from the net income, the General Assembly shall be authorized to distribute such remaining amount, in whole or in part, or to allocate as the extraordinary reserves.

General Legal Reserves:

- d) Out of the sum calculated after deducting a dividend of 5% of the paid-in capital from the set amount to be distributed to the shareholders and other parties participating in the profit, 10% shall be added to the general legal reserves in accordance with Article 519, Paragraph 2, Item c of the Turkish Commercial Code.

Unless the discretionary legal reserves are duly set aside, and unless the dividends determined for the shareholders are distributed in cash and/or in the form of share certificates as per the Articles of Association, no decision may be adopted to allocate further legal reserves, to pass any profits to the following year, or to distribute

any dividends to the members of the Board of Directors as well as any officials, workers and employees, to foundations established for various purposes, and to a similar person and/or persons.

The date and manner of distribution to shareholders of the annual profit shall be determined by the General Assembly upon a proposal by the Board of Directors prepared under the relevant legislation issued by the Capital Markets Board. As of the accounting period of the dividend, irrespective of its issue and acquiring dates, annual profit shall be distributed equally to all existing shares. The profits distributed pursuant to the provisions of these Articles of Association shall not be recalled.

DIVIDEND DISTRIBUTION PROPOSAL

As its meeting on 14 February 2018; taking into consideration the net profit of our Bank for the financial year 2017 balance sheet amounting to TL 1,879,791,967.32, the Board of Directors hereby took a decision to submit to the approval of the General Assembly;

- ♫ to set aside 5% of the net profit, amounting to TL 93,989,598.37, as legal reserve as per article 519/1 of the Turkish Commercial Code,
- ♫ to set aside the remaining TL 1,785,802,368.95 as extraordinary reserve.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

There were no changes made to the Articles of Association in 2017.

CHANGES IN THE MANAGEMENT, SHAREHOLDING STRUCTURE AND ACTIVITIES OF DFSG COMPANIES

Capital Increase of DenizBank AG

The Bank has participated 100% in the increase of the paid-in capital of DenizBank AG, headquartered in Austria, a 99.99% owned subsidiary of the Bank, from EUR 191,830,557.72 to EUR 211,830,894.05 by the issuance of 27,521 registered ordinary shares of DenizBank AG (from 263,964 shares to 291,485 shares) with an issuing price of EUR 1,816.83 per share which must be paid in cash. Following the transfer of EUR 20,000,336.33 to the "Paid-in Capital" account and EUR 30,000,642.10 to the "Share Premium" account, EUR 50,000,978.43 in total for all newly issued shares, the capital increase was completed on October 17, 2017.

ANY EVENTS OCCURRING AFTER THE END OF OPERATING PERIOD THAT HAVE A SPECIAL IMPORTANCE

Sberbank of Russia (Sberbank), commenced initial strategic discussions with Emirates NBD Bank PJSC (Emirates NBD) regarding DenizBank A.Ş. (DenizBank) including the possibility of Emirates NBD acquiring SberBank's existing shareholding in DenizBank. Discussions are at a very preliminary stage and there is no certainty that any transaction will be entered into.

Sberbank also stated that it routinely evaluates potential opportunities in different markets and a further announcement will only be made if there is a significant development.

SHAREHOLDING STRUCTURE, PAID-IN CAPITAL AND CHANGES, SHARES HELD BY THE MANAGEMENT

DenizBank's shareholding structure, and the shares held by ultimate controlling real person(s) as of December 31, 2017 are presented in the table below. DenizBank's shareholding structure does not contain any cross-shareholdings.

Shares Held by the Management

DenizBank's CEO Hakan Ateş owns 52.449 shares, corresponding to 0.000002% of the total capital.

DenizBank A.Ş. Shareholding Structure – 31.12.2017

Shareholders	Nominal Value (TL)	Share%
Sberbank of Russia	3,311,211,134	99.8526
	<i>Central Bank of Russia</i>	<i>49.9263</i>
	<i>Foreign Institutional Investors</i>	<i>45.3431</i>
	<i>Domestic Legal Entities</i>	<i>1.8972</i>
	<i>Private Investors</i>	<i>2.6861</i>
Others	157	0.000005
Publicly Listed	4,888,709	0.1474
TOTAL	3,316,100,000	100.00



DENİZBANK IN BRIEF

DenizBank was founded in 1938 as a state-owned bank to provide funding for Turkey's developing maritime sector. Acquired by Zorlu Holding from the Privatization Administration as a banking license in early 1997, DenizBank became one of the country's major banks in a short period of time.

In October 2006, Dexia, a leading European financial services institution, acquired DenizBank from Zorlu Group and remained its primary shareholder for six years. On September 28, 2012 DenizBank started operating under the umbrella of Sberbank Group, Russia's oldest and largest bank.

A rapid and extensive transformation

Following privatization in 1997, DenizBank implemented a "Return to Life" program that encompassed employee recruitment and new branch openings as part of its new corporate identity. These initiatives were undertaken in line with a five-year strategic plan, with all the Bank's growth objectives ultimately achieved. This growth was bolstered by buying back certain branches that were transferred to the Savings Deposit Insurance Fund, and by the Group's acquisition of Tarihbank at year-end 2002. To further extend its banking products and services, DenizBank established factoring, leasing, investment and portfolio management companies and acquired banks in Austria and Russia during this period.

As a result of the Bank's solid capital base and balanced financial structure, as well as the rapid growth of Turkey's banking sector, DenizBank bolstered its strong market position in very short order. In 2003, DenizBank Financial Services Group (DFSG) was formed to create a "financial supermarket" that provides a wide variety of financial services under a single umbrella.

The "financial supermarket" era in banking

In addition to the flagship entity DenizBank, DenizBank Financial Services Group includes five domestic and three international financial subsidiaries, six domestic non-financial subsidiaries and a branch in Bahrain. The Group's domestic companies include DenizInvest Securities, Deniz Real Estate Investment Trust, DenizAsset Management,

DenizLeasing, DenizFactoring, Intertech, Ekspres IT and Trade, DenizKültür, Açık Deniz Radio-TV, and Deniz Card Payment Systems while Bantaş, EuroDeniz, DenizBank AG and DenizBank Moscow are DFSG's international subsidiaries.

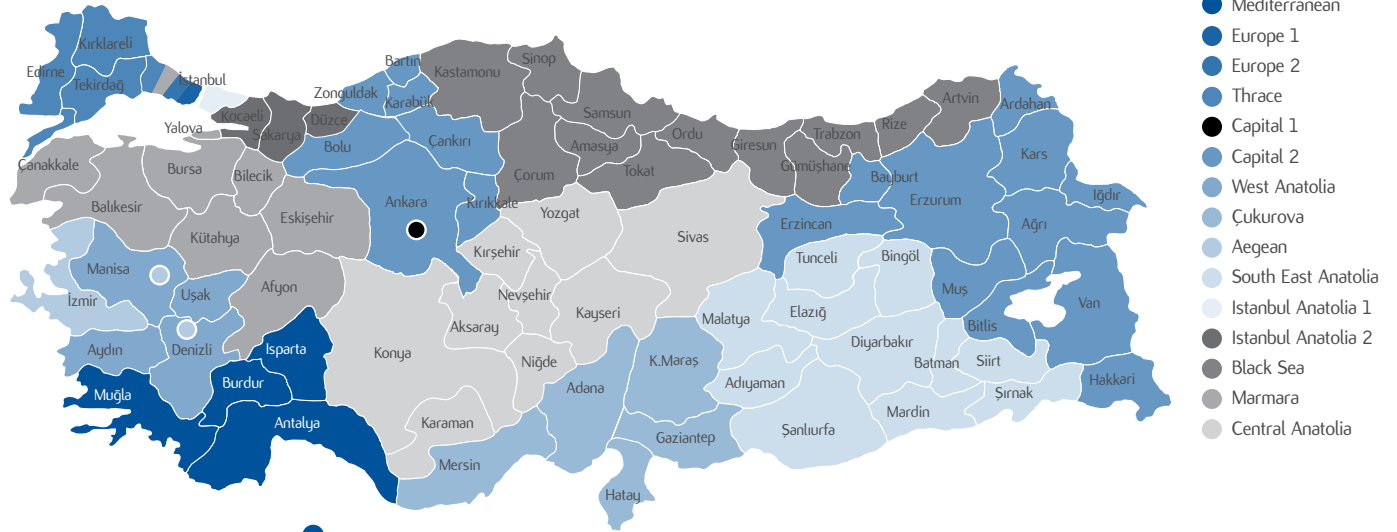
DenizBank Financial Services Group's primary customer segments include retail customers, small and medium-size enterprises, exporters, public and project finance customers, and commercial and corporate clients. The Group has identified the agriculture, energy, tourism, education, healthcare, sports, infrastructure and maritime industries as the strategic priority areas of its business activities. DFSG also operates in European Union countries via its Vienna-based subsidiary DenizBank AG. Additionally, DenizBank serves the Group's existing customers abroad that have commercial and trade ties with Russia, meeting their various financial needs.

DFSG consolidated its operations, financial control and accounting functions at the head-office level and converted DenizBank branches into marketing centers. As a result of this strategy, the Bank has maintained an optimal number of employees while boosting overall operational efficiency.

DFSG's service network reaches out to all segments of Turkish society. In addition to DenizBank's 697 branch locations in Turkey and Bahrain, DenizBank AG and DenizBank Moscow operate 43 branches in total. Additionally, DenizBank provides its retail and corporate clients the world over the opportunity to carry out financial transactions via the Internet, as part of its alternative distribution channel offering.



DENİZ IS EVERYWHERE



740
Branches*

14,136
Employees

5,612
ATMs

11.5
MILLION
Customers

* Including DenizBank AG branches



SBERBANK IN BRIEF

Sberbank plays a significant role in Russia’s economy as the largest commercial bank in terms of assets, deposits and loans.

Established in 1841, Sberbank is a universal commercial bank with diversified businesses, providing financial services to retail and corporate customers in all regions of presence. Sberbank’s geography covers 22 countries, including Russia. The number of the Group’s customers has reached 148.9 million. In Russia, Sberbank has 132 million individual and 1.8 million corporate clients. Sberbank plays a significant role in Russia’s economy as the largest commercial bank in terms of assets, deposits and loans with market shares of 28.7%* in assets, 45.7%* in retail deposits and 40.3%* in retail loans.

In its activity, Sberbank aims to implement transformative digital technologies and increase process efficiency to ensure long-term sustainable development and create value for all stakeholders – clients, employees, shareholders, society and state.

Sberbank offers its services through the largest banking distribution network in Russia via 14.3** thousand branches and promotes banking via remote channels, which include Sberbank Online banking by applications and Mobile Bank services, with 25.2 million and 29.0 million unique users, respectively, as

well as through around 80 thousand ATM and self-service terminals, the largest network in Russia.

Sberbank’s international footprint is spread through subsidiary banks in the CIS region (Kazakhstan, Ukraine, Belarus), Turkey via DenizBank, Switzerland, Austria and countries of Central and Eastern Europe via Sberbank Europe as well as through a branch in India and representative offices in Germany and China.

Sberbank’s major shareholder is the Central Bank of Russia, which owns 50% of the Bank’s share capital plus one voting share, while the remaining shareholder base is represented by a wide range of international and domestic investors. The Bank’s ordinary and preferred shares have been publicly traded in Russia since 1996; Sberbank’s American Depository Shares were listed on the London Stock Exchange, admitted to trading on the Frankfurt Stock Exchange and, trade over the counter in the United States.

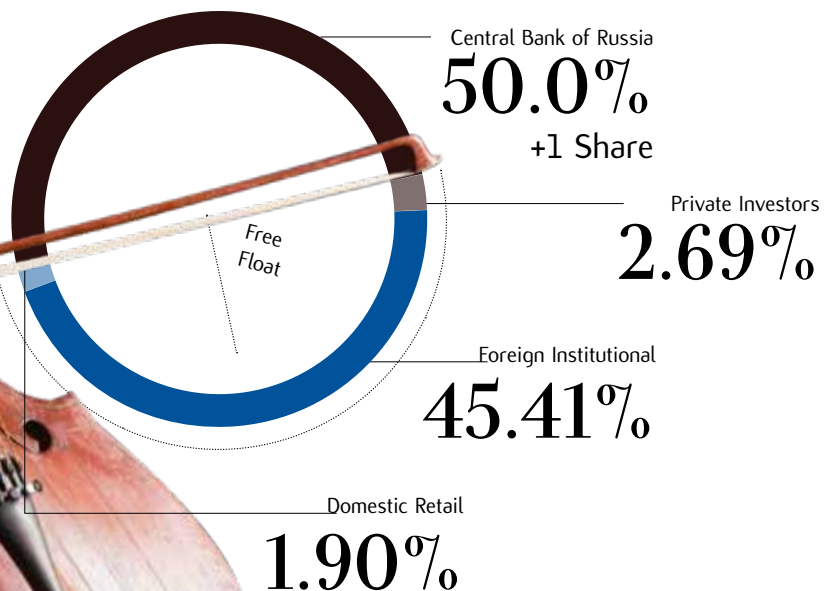
General banking license by the Bank of Russia No. 1481.

Sberbank’s official website is www.sberbank.com.

**According to Sberbank’s calculation as of 01.12.2017*

***As of 01.01.2018*

SBERBANK’S OWNERSHIP STRUCTURE



45.7%
RETAIL DEPOSITS MARKET SHARE

~ 311 thousand^(*)
Employees

40.3%
RETAIL LOANS MARKET SHARE

~ 134 million in RUSSIA

33.0%
CORPORATE LOANS MARKET SHARE

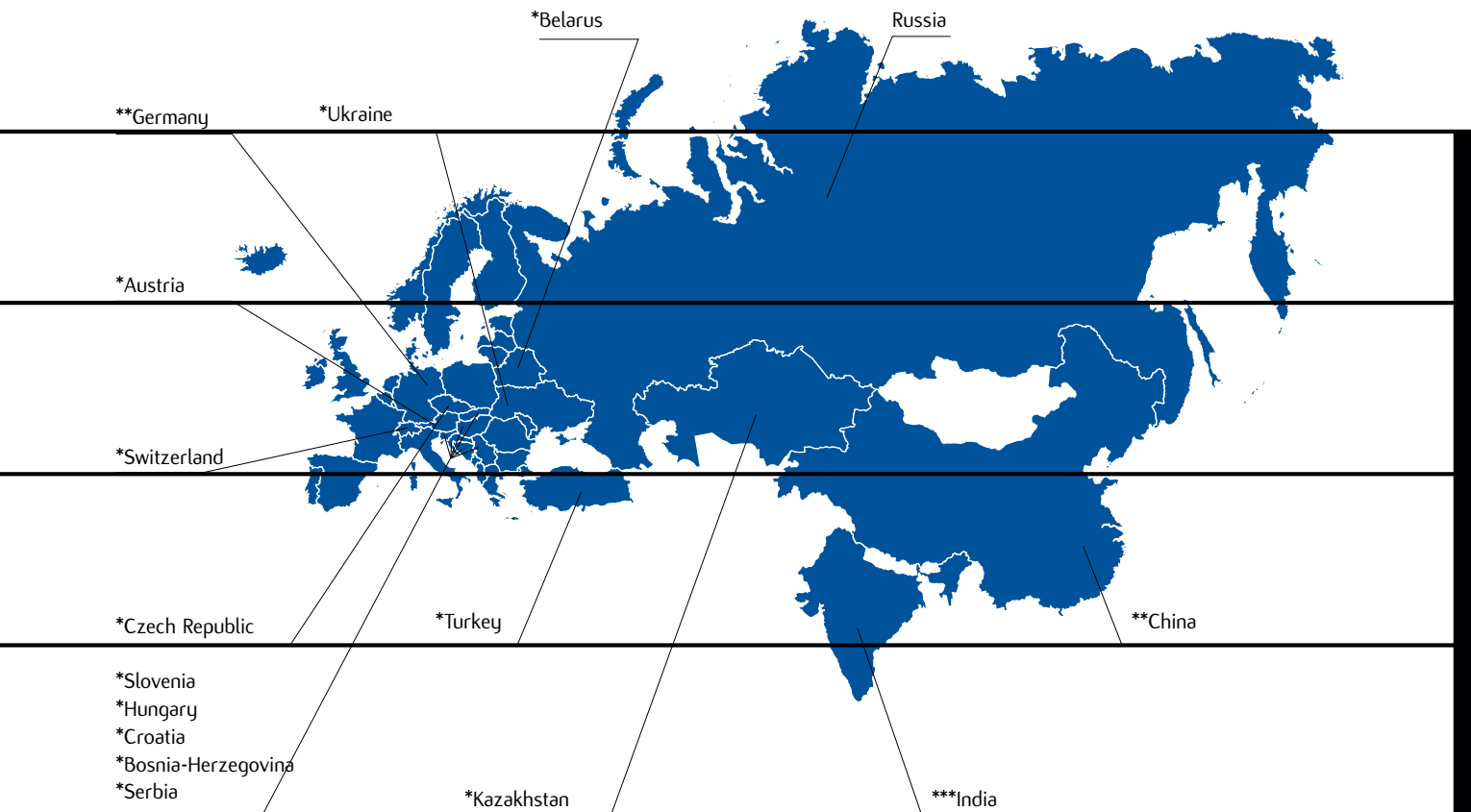
~ 16.3 million INTERNATIONAL CUSTOMERS

~ 80 thousand
ATM AND SELF-SERVICE TERMINALS

~ 14.3 thousand^()**
Branches

^(*) As of 30.09.2017

^(**) As of 01.01.2018





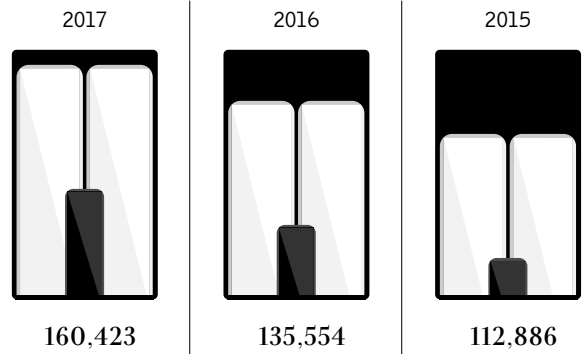
FINANCIAL HIGHLIGHTS

DenizBank, powered by its parent company Sberbank, has posted strong financial and operational results in 2017, thus adding more value to shareholders' investments.

CONSOLIDATED

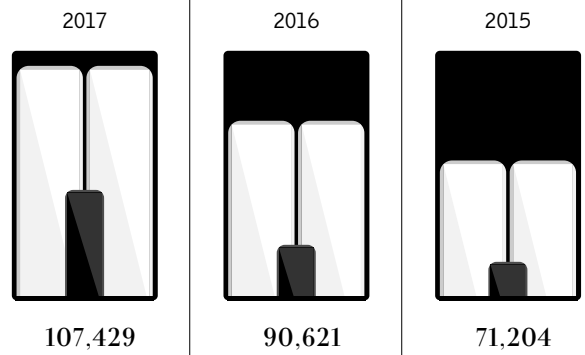
TOTAL ASSETS (TL million)

18%



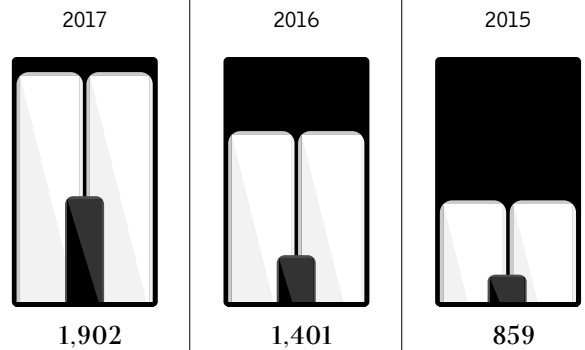
DEPOSITS⁽¹⁾ (TL million)

19%



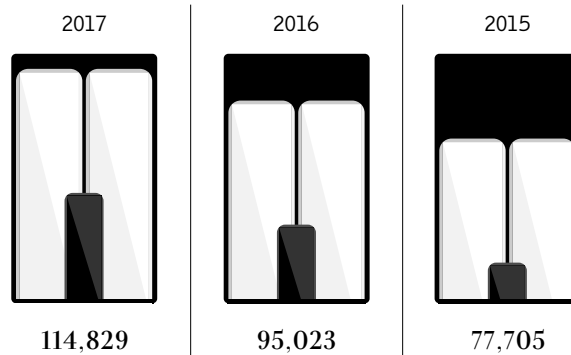
NET PROFIT (TL million)

36%

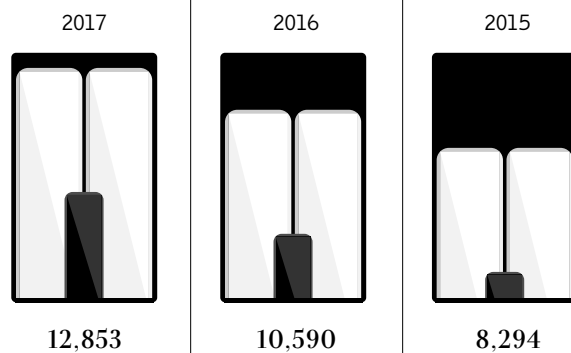


LOANS⁽²⁾ (TL million)

21%

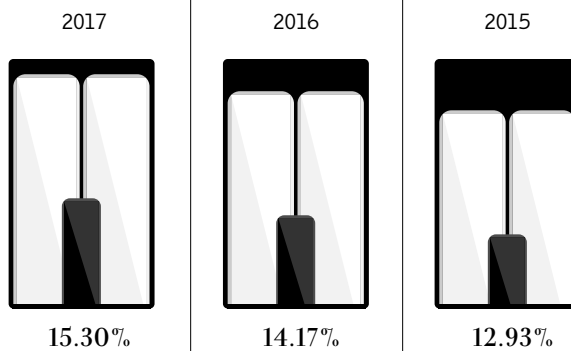
SHAREHOLDERS' EQUITY⁽³⁾
(TL million)

21%



CAPITAL ADEQUACY RATIO

113 bps



Audited consolidated BRSA financials.

⁽¹⁾ Excludes bank deposits.⁽²⁾ Includes factoring and leasing receivables.⁽³⁾ Includes sub-debts.

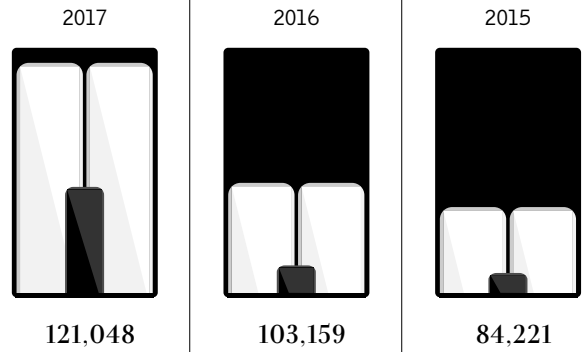


The total assets of DenizBank increased to TL 121,048 million in 2017 with annually 17% rise as a result of its robust capital structure and organizational competencies.

UNCONSOLIDATED

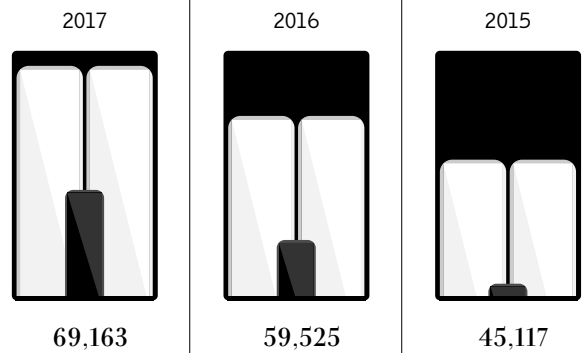
TOTAL ASSETS (TL million)

17%



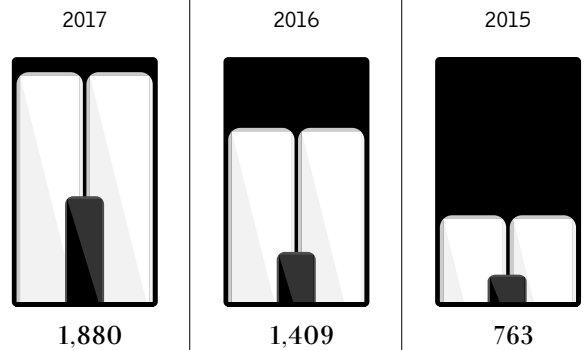
DEPOSITS⁽¹⁾ (TL million)

16%

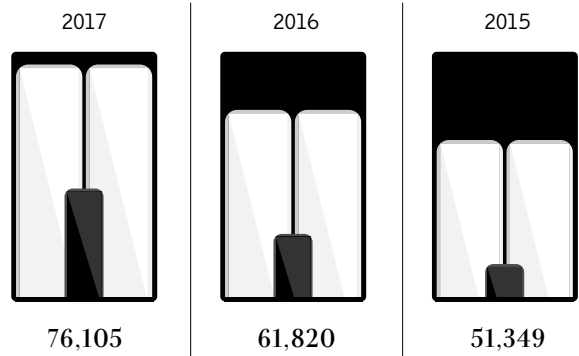


NET PROFIT (TL million)

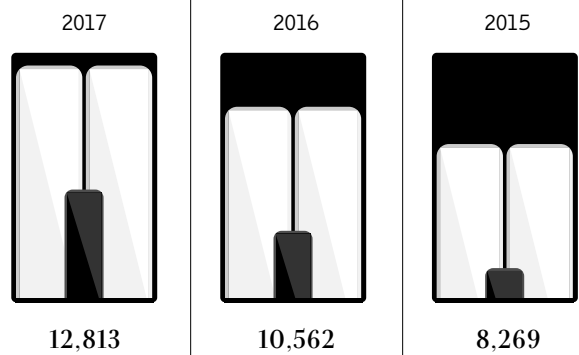
33%



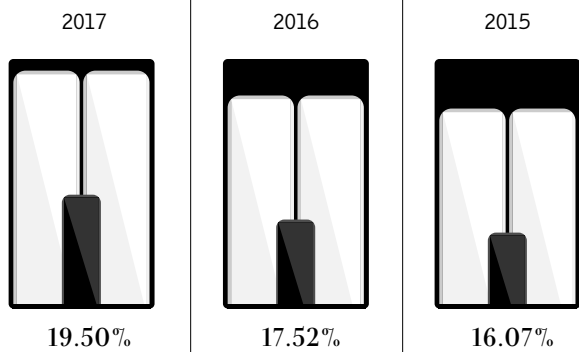
LOANS (TL million)
23%



SHAREHOLDERS' EQUITY⁽²⁾
(TL million)
17%



CAPITAL ADEQUACY RATIO (%)
198 bps



Audited unconsolidated BRSA financials.
⁽¹⁾ Excludes bank deposits.
⁽²⁾ Includes sub-debts.



2017 IN BRIEF...

JANUARY FEBRUARY MARCH

DenizBank disbursed the first rediscount credit in Chinese Yuan in Turkey.

“Fish at Deniz” event was organized with the participation of over 60 financial journalists within the scope of the 20th Anniversary of DenizBank.

DenizBank received the “Favourite Bank Branch” and “Banker of the Year” awards organized by the local Ordulum magazine.

APRIL MAY JUNE

Within the scope of the Capital Markets Awards, given for the second time this year DenizInvest was granted the “Most Creative Capital Market Award” with the Investor Protection and Incentive Applications used in IPOs.

While DenizBank was named among 23 pioneers according to Accenture Digitization Index in Digital Index Total Score consisting of Digital Strategy, Digital Services and Digital Enablement criteria, it ranked first in Turkey in Digital Services with 98% ratio compared to the banking sector that reached 81%.

DenizBank received the Bronze Mixx Award at the 7th Mixx Awards with its promo whereby an infrastructure running on automation and artificial intelligence was efficiently used.

DenizBank started offering virtual reality experience at its Ankara branch.

DenizInvest launched a new application named “T+0”, enabling the amount equivalent to stock sales to be transferred into the customers’ accounts without having to wait for two days.

DenizBank initiated a ground-breaking work with the series “The Visible Man”. A character starring in commercials became a series actor for the first time in Turkey.

DenizBank received the Gold Award at Social Media Awards Turkey, organized by Marketing Turkey and BoomSonar, in Social Brands Data Analytics Awards, in “Career” category.

DenizBank won the award for being the third bank to increase its commercial card portfolio the most in 2016 within the scope of “Impact Makers – Mastercard Banking Awards”.

DenizBank Payment Systems and Non-Branch Channels Group won the first prize in categories of “Top Bank to Proportionally Increase Its MasterCard Portfolio”, “Promo with Most Efficient Use of Visa Sponsorship Values” and “Innovation of the Year in MasterCard Awards”.

DenizBank received the “Quality Assurance Operations” and “Professional Promotion Activities” awards given by TİDE (The Institute of Internal Auditing-Turkey).

JULY AUGUST SEPTEMBER

The promo videos with the theme “Don’t invest in hearsay, consult the experts” prepared by DenizBank Investment Services with Güzel Sanatlar advertising agency, in collaboration with Peri Productions, directed by Barış Kaya, were aired on social media and became popular quickly.

DenizBank was granted the top prize in the global “Best HR Strategy from Overseas” and “Most Innovative Deployment of HR Technology” categories of HR Excellence Awards 2017, the most prestigious HR awards organization of the UK.

DenizBank celebrated its 20th Anniversary at Zorlu Performing Arts Centre at the special occasion honoured by the attendance of all its stakeholders and over 2,000 guests from the world of business, culture-arts, sports and media.

OCTOBER

NOVEMBER

DECEMBER

DenizBank rolled out the “From Deniz to Earth” mobile application enabling farmers to access all kinds of information they may need for a more fertile yield.

From Deniz to Earth Application won the first prize in “Best New Product or Service” category at “EFMA – DMI Awards 2017”.

DenizBank received the award at The Banker 2017 Technology Projects of the Year Awards with “Everybody Wins” application.

DenizBank marked a remarkable achievement at 2017 awards organized by the U.S. based Bank Administration Institute (BAI), one of the most prestigious institutions of financial services industry in banking management. The Bank won the award in Internal Process Innovation category with “Intelligent Workforce Management” project, developed with its technology base Intertech.

DenizFactoring launched the “Send Cheques to Deniz” mobile application, carrying factoring transactions into smart phones. With the new application, customers from all banks can send their invoiced cheques digitally, 24/7 to DenizFactoring without waiting for their due date and learn the corresponding cash amount and access cash from the nearest DenizBank branch.

DenizBank was the host to the “Script Writing and Script Doctors” panel, organized within the framework of the 2nd DenizBank First Script First Movie Contest, in collaboration with TÜRSAK foundation in line with the Bank’s mission to bring together arts and culture with the majority of the society.

“The Third Black Week Istanbul Festival”, sponsored by DenizBank, was promoted at the press conference held at Pera Palace Hotel Jumeirah.

Winners of the “The Second DenizBank First Script First Movie Contest”, held by DenizBank and Turkish Foundation of Cinema and Audio-visual Culture (TÜRSAK) were announced at the ceremony held at Raffles Hotel.



2017 AWARDS



“Most Creative Capital Market Project Award” to DenizInvest (April 2017)

Within the scope of the Capital Markets Awards, given for the second time this year, DenizInvest was granted the “Most Creative Capital Market Project Award” with the Investor Protection and Incentive Applications used in IPOs.



Innovation Award from BAI for DenizBank’s Intelligent Workforce Management project (October 2017)

DenizBank marked a remarkable achievement at 2017 awards organized by the U.S. based Bank Administration Institute (BAI), one of the most prestigious institutions of financial services industry in banking management. The Bank won the award in Internal Process Innovation category with “Intelligent Workforce Management” project, developed with its technology base Intertech.



Gold Award to DenizBank at Social Media Awards Turkey (May 2017)

DenizBank received the Gold Award at Social Media Awards Turkey, organized by Marketing Turkey and BoomSonar, in Social Brands Data Analytics Awards, in “Career” category.

DenizBank became the third bank to increase its commercial card portfolio the most (June 2017)

DenizBank won the award for being the third bank to increase its commercial card portfolio the most in 2016 within the scope of “Impact Makers – Mastercard Banking Awards”.



Great Achievement by DenizBank Payment Systems and Non-Branch Channels Group

DenizBank Payment Systems and Non-Branch Channels Group won the first prize in categories of “Top Bank to Proportionally Increase Its MasterCard Portfolio”, “Promo with Most Efficient Use of Visa Sponsorship Values” and “Innovation of the Year in MasterCard Awards”.



Award to DenizBank from TIDE

DenizBank received the “Quality Assurance Operations” and “Professional Promotion Activities” awards given by TIDE (The Institute of Internal Auditing- Turkey).



Two International Excellence Awards to DenizBank in Human Resources (July 2017)

DenizBank was granted the top prize in the global “Best HR Strategy from Overseas” and “Most Innovative Deployment of HR Technology” categories of HR Excellence Awards 2017, the most prestigious HR awards organization of the UK.



DenizBank gets the award with Everybody Wins application (October 2017)

DenizBank received the award at The Banker 2017 Technology Projects of the Year Awards with “Everybody Wins” application.



Grand Prize for DenizBank’s Mobile Application from the giant organization of Europe (November 2017)

From Deniz to Earth Application won the first prize in “Best New Product or Service” category at “EFMA – DMI Awards 2017”.



DenizBank–Digitalization Pioneer (April 2017)

While DenizBank was named among 23 pioneers according to Accenture Digitalization Index in Digital Index Total Score consisting of Digital Strategy, Digital Services and Digital Enablement criteria, it ranked first in Turkey in Digital Services with 98% ratio compared to the banking sector that reached 81%.



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2017, DenizBank
increased
consolidated

total assets by

18%

loans by

21%

deposits by

19%

Distinguished Stakeholders, Customers and Business Partners,

While the fragilities in global economy also have continued in 2017, as macro-prudential measures have been eased and Credit Guarantee Fund has stepped in, Turkish Banking sector has also sustained its stable outlook in 2017 activity year. Thanks to high credibility of the sector for domestic and foreign market players, credit growth continued at a stable pace whereas the sustainable profitability was maintained due to the high quality asset structure across the sector. NPL ratio was observed at 3%, capital adequacy ratio was at 17% corresponding to two times more than the global standards, which revealed the resistance of Turkish banking sector against the global shocks. Powered by its strong capital structure, prudent risk management principles, advanced technology and high quality manpower, we do not doubt at all that DenizBank will extend the sustainable growth of Turkish Banking sector across long term, and we will shape our future plans in the light of these parameters. Seeing the further deepening of economic and political relations with Russia and new dynamics that appear in Turkish economy encourages us to take stronger steps into the future.

One of the leading players in Turkish Banking sector, along with extending its customer base across all the business lines, DenizBank has achieved successful financial and operational results on its 20th anniversary in 2017. DenizBank increased its consolidated assets by 18% in 2017, loans by 21% and deposit by 19%. Operating in line with the principle of creating value for its shareholders, customers,

employees and all of its stakeholders, our bank continued to contribute to the sustainable development of Turkish economy through its innovative products and services.

Along with its leadership in the tourism, agriculture and pensioner banking, DenizBank also continued the support it has provided for SMEs which represents the building block of economic development in 2017. Our bank which has grown considerably above the sector for the last three years through the financial support it directly provided for over 5 million SMEs, is in a leading position supporting SMEs with NEFES Loan, KOSGEB Zero Interest Loan and KGF Loans. Additionally, it considers it a part of its social responsibility to also lend support to sectors which play a key role in the development of Turkish economy including energy, construction, infrastructure, tourism, healthcare, sports clubs and education in particular.

I extend my gratitude to all of our stakeholders providing their support to all our moves in 2017 activity year under all circumstances, including our main shareholder Sberbank in particular. I wish to carry our success we have achieved within 20-year activity period of which we completed the 5th year of our cooperation with Sberbank, to further levels in the future.

Yours sincerely,

Herman GREF
Chairman of the Board of Directors

DenizBank considers it a part of its social responsibility to also lend support to sectors which play a key role in the development of Turkish economy including energy, construction, infrastructure, tourism, healthcare, sports clubs and education in particular.





MESSAGE FROM THE CEO

Distinguished Friends of DenizBank,

The global economy sustained moderate growth by expanding 3.6% in 2017. The Fed continued its gradual monetary tightening policy during the year as new economic winds seemed to prevail in the United States following Donald Trump's election to the presidency. Although deeply shaken by the UK's decision to leave the EU, the Euro zone witnessed electoral victories by predominantly pro-EU parties, which had a positive impact on the region's financial assets and economic activity. Despite this favorable growth trend, the ECB maintained its expansionary monetary policy since inflation rates remained low. With regard to developing countries, although China pursued a strategy of controlled economic slowdown, a sharp fall in economic activity did not result, with capital flows to emerging markets continuing unabated.

Turkey did not compromise its sustainable growth performance

Thanks to the government's decisive steps to revitalize the economy, Turkey was the third fastest growing G-20 country after India and China in the first half of 2017. Key factors leading to this favorable economic climate included the relaxation of macroprudential measures and the extension of TL 250 billion in loans under the guarantee of the Credit Guarantee Fund to meet the financing requirements of SMEs. Government incentives such as tax reductions and the postponement of social security premium payments, designed to stimulate domestic demand and boost employment, did lead to a slight relaxing of fiscal policy. However, Turkey's fiscal discipline continued to live up to international standards.

In addition to the rise of geopolitical risks on a global scale, the contractionary monetary policies implemented by central banks in the developed countries continued to exert pressure on the

Turkish lira. The ensuing depreciation of the Turkish lira and the uptrend in economic activity together boosted domestic demand, thus pushing the inflation rate into double-digit territory in 2017.

Recovery in European markets has a positive impact on Turkish exports

The relative rebound in Europe's markets had a favorable effect on Turkey's export performance during the year. Normalization of relations with Russia translated into a significant rise in tourism revenues. Despite the undesirable impact of the rise in the price of energy, of which Turkey is a net importer, positive developments on the tourism and export fronts helped keep Turkey's current account balance at sustainable levels.

As DenizBank, we believe that Turkey will maintain sustainable growth by managing its risks effectively, in line with the objectives of the Medium Term Plan for 2018-2020. We have no doubt that Turkey will assume its rightful place among high-income economies once the necessary structural reforms packages are implemented.

Financial results befitting our proud 20th anniversary

DenizBank posted strong financial and operational results in 2017 – its 20th anniversary. As Turkey's fifth largest privately-owned bank, we increased our consolidated assets by 18% over the prior year to TL 160,423 thereby maintaining our robust market position. In addition, we boosted our net profit by 36% to TL 1,902 and achieved results well above the sector average in terms of return on equity.

During the year, DenizBank continued to provide financing support to education, health care, energy, infrastructure, tourism, shipping, agriculture, municipalities and sports clubs, as

well as SMEs, which are strategically important for Turkey's future. DenizBank extended USD 1.5 billion in direct and indirect financing to key projects such as the Third Istanbul Bridge, Third Istanbul Airport, TAV Bodrum Airport, Ilisu Dam in addition to City Hospitals of Public-Private Partnership. The Bank also provided robust support to Turkey's future via USD 20 billion in long-term financing to over 300 major projects – including TRNC Drinking Water, Ercan Airport and Ankara Fast Train Station – over the last decade.

We continued to stand by SMEs throughout 2017

In 2017, enhancing the economic position and competence level of SMEs – the driving engine of the Turkish economy – remained a top priority for us in line with our social responsibility approach. In the SME segment, we have expanded faster than the sector average in each of the last three years, while reaching out to more than 1.5 million SMEs.

We led the pack in SME Banking thanks to our *Nefes* Loan product, Small and Medium Enterprises Development Organization (KOSGEB) Zero-Interest Loans, and Credit Guarantee Fund loans. Additionally, we became the only private bank to participate in the *Nefes* Loan Project. Through these loans, the bank extended TL 14 billion to over 70 thousand customers, with TL 10 billion going to SMEs.

Commanding leader of Agricultural Banking

Keenly aware of the importance of sustainable agriculture for our country's future, DenizBank continued work apace on its Agricultural Banking operations. At year's end, the Bank boasted a customer base of over 1.1 million, a loan book of TL 11 billion, and 41% market share among private banks.

Blending our expertise on digital with our vision of adding value and productivity to farm work, we launched the world's first comprehensive mobile farmer app – Deniz'den Toprağa (from Deniz to Land). The innovative app functions as the farmer's intelligent advisor in the field by providing the opportunity to pose questions to agricultural engineers around-the-clock. In recognition of its ground-breaking excellence, Deniz'den Toprağa placed first in the "Best New Product or Service" category at the EFMA–DMI Awards 2017, one of the most prestigious award platforms in the financial world.

Factoring goes mobile with the "Deniz'e Çek Gönder" app

DenizBank is an institution committed to closely monitoring the digital transformation of the global banking industry. To this end, we rolled out yet another pioneering product that adds value to the lives of customers by capitalizing on our know-how in innovation and technology. The mobile app "Deniz'e Çek Gönder" (Send Cheques to DenizBank) brings the full range of factoring transactions to the mobile phone. This innovative product allows customers to avoid waiting for the maturity date of cheques with invoice, transmit these cheques to DenizFactoring over the digital channel 24/7, learn about their value, and access cash at the closest DenizBank branch.

International awards confirmed our innovative approach

DenizBank has garnered numerous prestigious international awards, thanks to the innovative and "agile" movement approach that it places at the heart of its operations, and to the ground-breaking products and services it has launched.

The Intelligent Workforce Management project, which we developed via our technology base InterTech, received an award in the "Internal Process Innovation" category at the Bank Administration

DenizBank has garnered numerous prestigious international awards, thanks to the innovative and "agile" movement approach that the bank places at the heart of its operations, and to the ground-breaking products and services it has launched.

Institute (BAI) 2017 Awards in the USA. In addition, the improvements in candidate and employee experience realized through our digital HR processes designed with a thoroughly innovative approach ranked first in the "Best HR Strategy from Overseas" and "Most Innovative Deployment of HR Technology" categories at the HR Excellence Awards 2017 in the UK.

Moving forward with courage, towards more ambitious targets

I would like to extend my gratitude to our main shareholder Sberbank, and all our other stakeholders for their contributions to our achievements in 2017. With the efforts of more than 14 thousand DenizBank employees, and the power of our collective wisdom and team spirit, we shall set sail towards more ambitious targets, always moving forward with courage, in the coming period.

Best regards,



Hakan ATEŞ
CEO





BANKING SERVICES

DenizBank continued to expand its branch network in line with the strategy of delivering closer and more active services to customers, particularly in the Retail Banking, SME Banking and Agricultural Banking segments.

DENIZBANK CUSTOMER SEGMENTATION

DenizBank has classified customers into six main segments to reflect its customer-oriented service approach to its operations in the most effective manner.

Corporate Banking:

This segment serves all companies with annual sales turnover of at least TL 200 million, as well as the groups to which these companies belong. (Financial services companies are included in this segment regardless of their turnover amount.)

Commercial Banking:

This segment serves companies with annual sales turnover of at least TL 40 million that do not fall within the scope of the Corporate Banking segment.

Public Banking:

This segment serves local public administrations, their subsidiaries and economic enterprises, as well as state economic enterprises, their establishments and subsidiaries, and all other enterprises in which the public or public companies hold at least a 50% stake.

SME Banking:

This segment serves firms and sole proprietorships with annual turnover of less than TL 40 million, as well as the owners and

partners of businesses (from TL 25 million to TL 40 million is the common area with Commercial Banking).

Agricultural Banking:

This segment covers producers with farmer certification who earn a living from agricultural activities as well as agricultural organizations with legal entity status and agribusinesses.

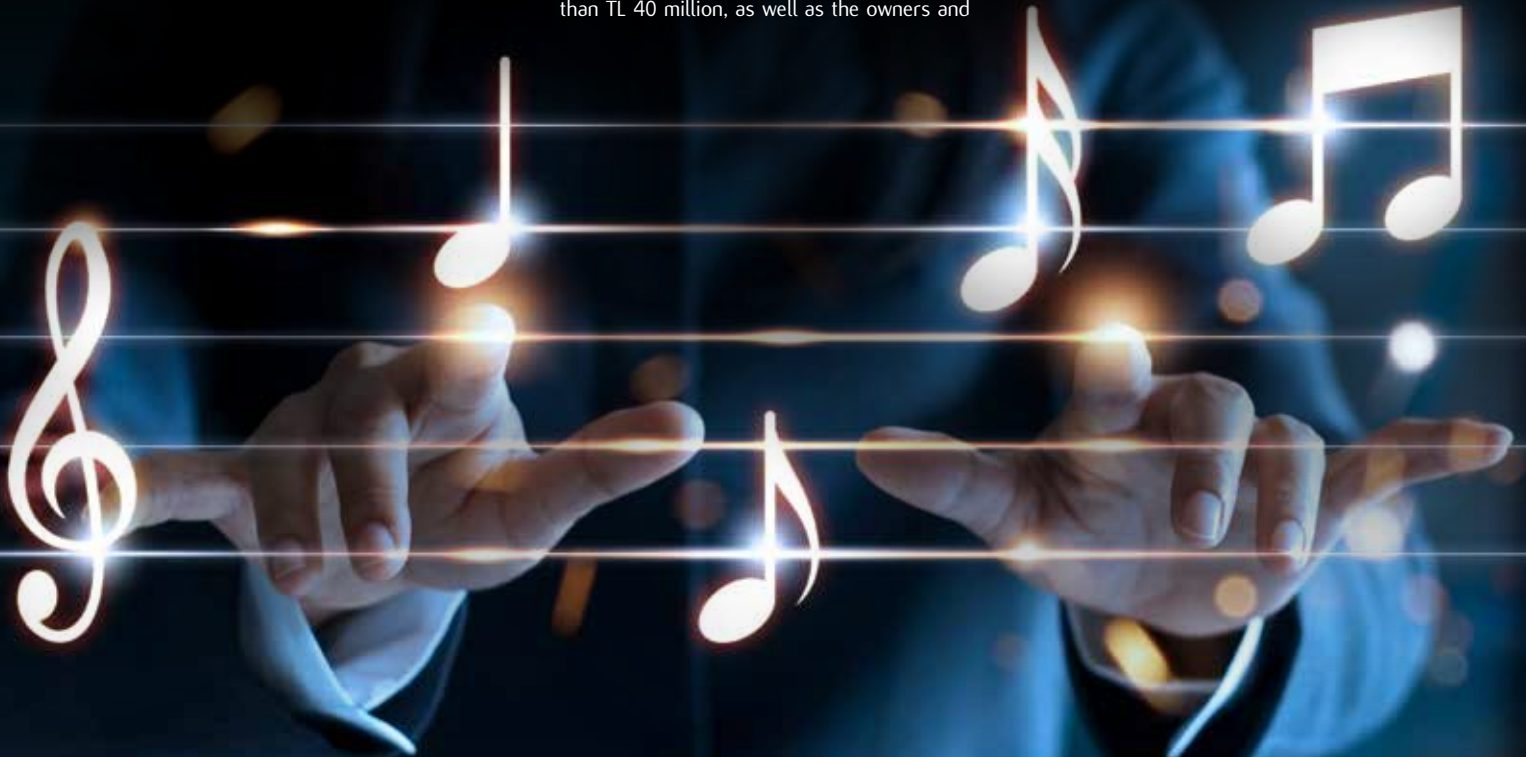
Retail Banking:

This segment serves individuals, self-employed professionals, owners and partners of corporate and commercial segment companies and owners and partners of enterprises that are clients of the Bank's SME segment with annual turnover of more than TL 5 million.

In addition to these six main segments, DenizBank delivers private banking services to upper retail segment clients and companies with a liquid net worth of at more than TL 5 million.

Branch Network/Segmentation

Aiming to become one of the major financial services providers in the region, DenizBank continued to expand its branch network in line with the strategy of delivering closer and more active services to customers, particularly in the Retail Banking, SME Banking and Agricultural Banking segments.



RETAIL BANKING GROUP

The Retail Banking Group runs operations within Retail Banking Sales Management and Marketing, in coordination and creating synergy with the other business lines of the Bank.

The main activities of the Group include:

- 🎵 Developing products and services designed for specific customer segments, monitoring the market, generating impact analyses of changes in the competitive environment, and employing analytical tools to create appropriate offers based on customer data;
- 🎵 Improving technological and operational processes related to retail banking;
- 🎵 Monitoring, evaluating, and conducting strategic planning to develop the business line;
- 🎵 Offering banking products and services through the branch network and digital channels (internet, mobile);
- 🎵 Working in coordination with other business lines to acquire new customers via agreements related to salary payments, school tuition and condo fees;
- 🎵 Boosting DenizBank's market share via new branches and ATMs while providing innovative solutions through new branch and ATM concepts to meet ever-changing customer needs;
- 🎵 Developing new loan, deposit and other banking products through an innovative, customer-focused approach and closely monitoring product performance to increase their market share.

The Retail Banking Group's high service quality was significant in encouraging customers to choose DenizBank, and it closed 2017 with a number of achievements. The Group introduced new services as firsts in the sector in Turkey and bolstered customer loyalty with an innovative and dynamic array of services.

Under the Branch Sales Force Mobilization Project, a key component of DenizBank's customer-focused and innovative strategy, branch sales personnel continued to deliver on-site services to customers via tablet PCs that integrate all banking applications.

The Bank started to implement the "Teller Sales Officer" project in order to allow tellers to provide multifaceted services to customers. As a result, customers are now able to conduct transactions and also access other banking products and services at the same counters, which have been lowered to enable tellers to establish eye contact with the Bank's customers.

As a 20-year-old banking institution, DenizBank has always aimed to build a stronger, more effective segmentation model in order to better understand the financial needs of its customers and thereby to offer them the most appropriate products and services. Having laid the foundations of relationship banking, DenizBank executes customer management programs under the "Affluent Banking," "Mass Banking" and "Pensioner Banking" segments to fulfill all the banking needs of its customers throughout all the stages of their lives.

Affluent Banking

Launched in 2010 and having set an example for the sector with its innovative business model, the Affluent Banking program features a number of exclusive products and services. These include customized personal consultancy at branches, priority in banking transactions, special rates in deposit/investment products and loans, free of charge cash deposits from home or office with private security guards.

The Affluent Hotline Service Model – established in 2015 to provide Affluent Banking services via phone to those customers of branches without Personal Consultants – was extended to more branch locations in 2017 as its customer base continued to expand. While this channel has enjoyed increased customer awareness, it has also become the top-of-mind channel for all banking needs of Affluent Banking customers.

As a 20-year-old banking institution, DenizBank has always aimed to build a stronger, more effective segmentation model in order to better understand the financial needs of its customers and thereby to offer them the most appropriate products and services.

Affluent Banking values the highly trained human resources of Turkey, closely monitoring daily changes in the needs of specific professions such as lawyers, doctors, dentists, financial consultants, public notaries and pilots, and offering them customized financial solutions. Under an agreement with the Turkey Bar Association, DenizBank offered attractive products and services to attorneys while acquiring new lawyer clients and deepening relationships with existing ones.

In addition to collaborating with 50 bar associations across Turkey, DenizBank has partnered with 47 professional associations for financial consultants, dentists, physicians, and notary publics, aiming to become the primary bank of these target professionals.

In 2017, the Bank renewed its collaboration agreement with the Federation of Family Physicians, and continued to offer exclusive products and services to all family physicians across the country under the Affluent Banking program.

DenizBank establishes brand partnerships to deliver special experiences at a discount for its high-net-worth customers. The Bank conducts seasonal campaigns in cooperation with car rental and airline companies, offering discounts of up to 30%.



Embracing the motto “Respect for Pensioners,” DenizBank develops solutions that are tailored to meet pensioners’ financial needs.

Mass Banking

As part of its Mass Banking activities, DenizBank effectively analyzed customer data to formulate targeted offers for customers in centrally managed promotional campaigns. The Bank used CRM data to revise current customer relationship management models and create new models. As a result, DenizBank’s CRM modeling, which helps customer representatives achieve their sales targets, has come to boast a wider array of sales opportunities.

To effectively manage a wider customer base, DenizBank began implementing the Behavioral Segmentation model. Under this approach, offers and campaigns are formulated centrally, based on customer behaviors and trends, by analyzing historical data and establishing a link between past and future behaviors and needs.

- ♫ The Bank’s relationships with its customer base is monitored regularly via the “Mystery Client” and “Net Recommendation Score” initiatives;
- ♫ The Bank used the neuro-marketing methodology to measure customer interest and perception levels and further improved communication content based on these findings.

As part of its social responsibility efforts, DenizBank began offering Financial Literacy courses to elementary school students in cities across Turkey. These courses are delivered by the Bank’s managers to teach children the concepts of saving, spending and helping people in need through a rich curriculum that includes interactive games. The project is designed to cultivate financial awareness among the nation’s youth. DenizBank plans to reach 50 thousand schoolchildren during the 2017-2018 academic year.

Pensioner Banking

In line with the strategy of focusing on niche customer segments, DenizBank has closely monitored the needs of pensioners since 2010. Embracing the motto “Respect for Pensioners,” DenizBank develops solutions that are tailored to meet pensioners’ financial needs. In 2013, DenizBank achieved yet another first in the industry and established the Pensioner Banking Division under the Retail Banking Group in order to help pensioners make their social lives more enjoyable and dynamic during retirement.

Offering an array of exclusive banking services to pensioners, Pensioner Banking signed an agreement with the Social Security Institution (SGK) in June 2015 pertaining to the first pension payments of new retirees. Under the agreement, which remained valid until March 2017, DenizBank offered a promotion to approximately 50 thousand new retirees each month and served as an intermediary for their first pension payments. Today, pension payments of more than 1 million persons are made via DenizBank, which issues payments to the highest number of retirees among all private banks.

DenizBank Pensioner Banking continues to launch innovations that make a difference in the sector. In 2017, the Bank offered special advantages to meet the needs and expectations of pensioner customers with products and services designed around the concept, “Pensioners are Happy at Deniz!”

DenizBank set up exclusive areas at its branches where pensioners can drink tea or coffee, read their newspapers comfortably and spend quality time. DenizBank strives to support pensioners, who have worked and been productive for many years, while playing an important role in building the future of Turkey.

Pension customers enjoy discounted interest rates on general purpose, car and housing loans, as well as priority standing in branch transactions. They also benefit from special fees and commissions in many banking services.

Pensioner Bonus – the first Turkish credit card specially designed for pensioners – allows cardholders to conduct free-of-charge shopping by earning bonus points, enjoy discounts at contracted merchants, or receive billing discounts during seasonal promotional campaigns. In addition, Pensioner Bonus customers can benefit from assistance services in the event of a utility outage, problems with locks and keys, or broken glass.

As in previous years, Pensioner Banking staff met with thousands of retired customers in 2017 at a wide range of social events, including a health seminar, concert, picnic, a breakfast and a film screening – in effect becoming part of their everyday lives. Additionally, regular bulletins on healthy living keep pensioners up-to-date with information they can use. Established jointly by Pensioner Banking and Deniz Academy, Pensioner Academy provides monthly training programs to pensioners on several topics such as art, technology, health, finance, sports, and the like.

Retail Banking Products

Deposits and Savings Products

DenizBank Deposits and Savings Products offer an extensive array of deposit and savings options to meet various retail customer needs such as accumulating savings or facilitating cash flow. These offerings are designed in consideration of customers' risk perception and expectations while channeling their savings towards investment. In line with this approach, DenizBank's Retail Banking segment continued to expand its total deposits in 2017, posting an increase of 30% over the prior year.

Promotional campaigns specially designed for specific customer segments continued throughout the year. For example, DenizBank successfully conducted the Expat Campaign – which offers advantages to Turkish citizens living abroad – between May and September, the period when this target group visits Turkey most frequently. DenizBank also developed special campaigns and advantageous deals tailored to pensioners and target professional groups. The “Alo Mevduat” campaign, which was rolled out in September, helped DenizBank acquire a significant number of new deposit customers.

Consumer Loans

DenizBank is one of the key players of the banking sector with its innovative, accessible and competitive loan products. In 2017, the Bank expanded its consumer loan volume by 24% to TL 15.4 billion.

General Purpose Loans

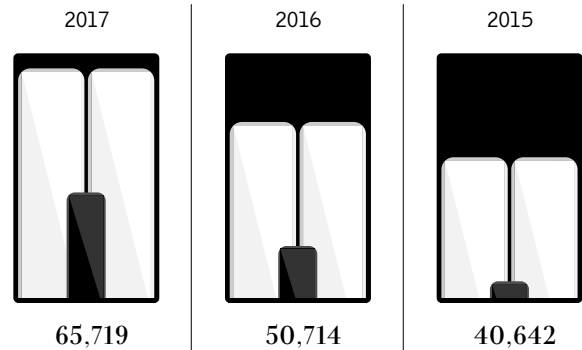
As a result of many innovations and campaigns introduced to the TL 200 billion market, DenizBank's general purpose loan portfolio continued to expand, reaching 5.9% market share.

The first innovative breakthrough was launched in 2007 when DenizBank started to allocate loans via **SMS** and **WEB**, enabling the Bank to use its superior technology in this area. DenizBank was among the first banks to implement this groundbreaking practice in the market. Furthermore, DenizBank differentiated from the competition by communicating the loan limit to customers and then allowing customers to use the loan with only their ID cards.

In collaboration with PTT, DenizBank has offered financing outside of its branch network since 2011. Due to the credit term limits imposed on consumer loans and certain industries at the end of 2013, DenizBank launched new financing

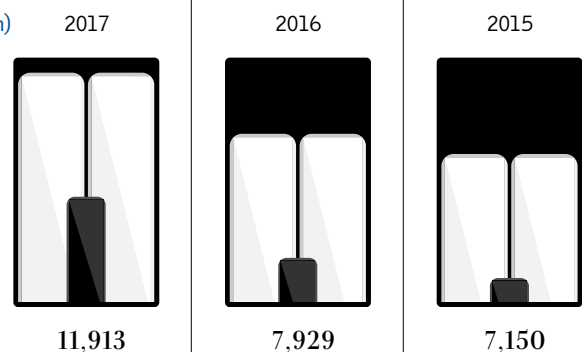
Retail Customer Deposits (TL million)

30%



General Purpose Loans (TL million) Including Overdraft Loans

50%



options through non-branch channels, such as instant financing at retail locations during shopping. As of the banks that have moved quickly in dealer lending, DenizBank has provided financing to hundreds of thousands of customers and maintains its leadership position in this area.

Additionally, DenizBank allows customers with pre-approved loan limits to use their limits instantly through alternative channels such as Telemarketing, Direct Sales, Internet Banking, MobilDeniz, Teller Sales Officer and ATMs. Thanks to the contribution of these channels, the Bank's loan allocations and market share have expanded consistently over the past three years.

2017 saw DenizBank develop products and processes designed to meet evolving customer needs and expectations, which are increasingly shaped by the ever-changing retail environment. The Bank also continued to offer private credit limits for current customers as part of pre-approved credit promotional campaigns, and particularly improved loan processes in line with the customer experience.

The overdraft account product “Kurtaran Hesap,” which meets customers' urgent demands for cash, is available to customers round-the-clock via all the Bank's alternative distribution channels.

Customers who would like to access the overdraft account in the form of installments can opt for installment payments of up to 12 months with the Overdraft Account with Installments and Instant Money Account product.

Housing and Car Loans

In 2017, DenizBank's housing loan volume amounted to TL 4.2 billion with a market share of 2.19%.

DenizBank aims to become “Turkey's Leading Bank in Urban Transformation Projects” with the support of successful efforts in extending housing loans. Although it was the second bank to sign an agreement with the Ministry of Environment and Urbanization, DenizBank was the first Turkish banking institution to actually extend an Urban Transformation Loan and to complete the urban transformation project. As of year-end 2017, DenizBank has extended more than TL 500 million in Urban Transformation Loans. The Bank captured over 40% market share in the urban transformation lending segment, thanks to the unique advantages it offers.

Enjoying active and extensive cooperation with Turkey's leading automobile brands and an ever-expanding car dealer network, DenizBank's car loans market share was 3.22% in 2017.



Branch and ATM Planning

As part of optimization efforts in 2017, DenizBank merged 25 of its branches. The Bank then used the banking licenses of these branch locations to open new branches in 28 cities with high potential for Agricultural Banking.

In 2017, the number of DenizBank branches totaled 697 while the Bank's branch market share stood at 6.6%. DenizBank operates a network of 740 branches, including its 43 overseas foreign subsidiary branch locations.

DenizBank's ATM network, including those allocated to the Bank under the PTT partnership, was comprised of 5,612 ATMs at year-end 2017, up from 4,756 at year-end 2016.

In line with its overall strategy, the Bank developed innovative branch and ATM concepts for different customer segments, boosted its disabled-friendly banking efforts, transforming its branches and ATMs accordingly. In 2017, DenizBank introduced an audio menu for visually impaired customers as well as new functionality for transactions that can be performed with "Not on Us" cards, including credit card bill payment, debt inquiry and deposit functions.

Bancassurance

Insurance and Individual Pension Products

Since the establishment of bancassurance in 2004, DenizBank has provided life insurance, non-life insurance and individual pension products to its customers.

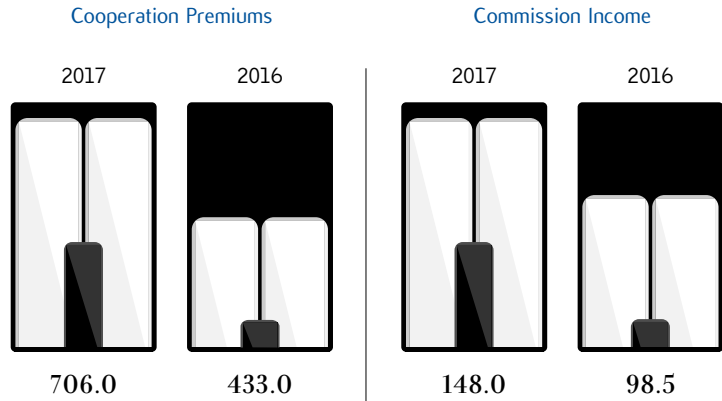
Thanks to its strong position in the market, Deniz Pension and Life was sold to MetLife in 2011 for 10 times higher than its book value, marking a huge success.

Today, the Bank's extensive product portfolio offers a full range of insurance and individual pension products and services, including fire, agriculture, accident, engineering, liability, unemployment personal accident, and life insurance plans, as well as pension plans.

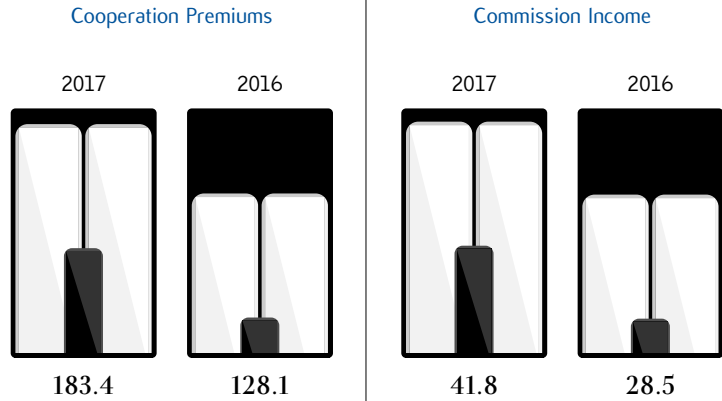
Individual pension products are on offer in the form of automatic participation system products, individual products, corporate products, and various plan options tailored for specific customer segments. DenizBank continues its cooperation with Axa Sigorta in non-life insurance activities and with MetLife in life insurance and individual pension products.

DenizBank Bancassurance Performance (TL million)

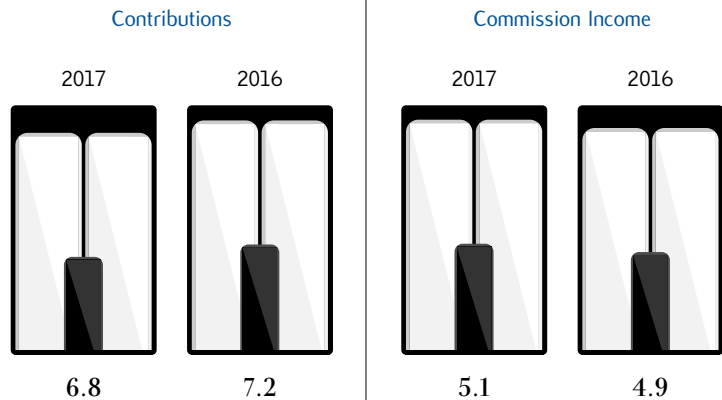
Life Insurance



Non-Life Insurance



Individual Pensions



SME BANKING GROUP

The SME Banking Group operations below are conducted in synergy, and in coordination with the other business lines of the Bank:

- 🎵 SME Banking,
- 🎵 Merchant Relations and Commercial Cards Management,
- 🎵 Gold Banking,

The SME Banking Group's primary activities include:

- 🎵 Developing products and services designed to meet SMEs' needs, devising sector and product-specific packages, and creating timely and multidimensional sales opportunities;
- 🎵 Managing merchant relations, setting targets aligned with the Bank's policies and strategies, and coordinating the sales of merchant firms;
- 🎵 Developing new POS products and supporting to branches in promoting and marketing these products;
- 🎵 Marketing and selling of gold and silver loans and deposits, and other products related to precious metals, as well as undertaking activities to acquire new customers.

SME Banking

Having celebrated its 20th anniversary in 2017, DenizBank had a very successful year in terms of SME Banking. While the Bank continued to improve its service quality, it also stepped up its support for SME Banking customers, thanks to ongoing collaborations with KOSGEB (Small and Medium Industry Development Organization) and KGF (Credit Guarantee Fund).

In light of macroeconomic developments, DenizBank ramped up its SME related activities. As such, the Bank's expert personnel at the Head Office, SME Banking Department, Regional Offices and branches across Turkey continued to provide new productivity-enhancing solutions to SME clients.

Sector-wide, total cash loans to SMEs went up 22%, while DenizBank SME Banking recorded a 25% increase, well outperforming the industry average in 2017. DenizBank's SME customer base expanded to over 1.5 million, with an added boost from new products and marketing related activities.

In 2017, the government increased the size of its Credit Guarantee Fund ("KGF") – which guarantees loans to SMEs that experience difficulties in accessing finance due to lack of collateral – to TL 250 billion, thus helping SMEs stay resilient through tough economic times. DenizBank, one of the major lenders of KGF-backed loans, has quickly delivered the loans to SME clients, thanks to its fast and efficient decision-making processes. As a result, KGF-backed loans extended to SMEs increased by more than tenfold, climbing to TL 7 billion in 2017.

During the year, DenizBank achieved yet another first in the industry and began providing round-the-clock service and detailed information to customers via the KGF Support Hotline (0212 355 10 55).

At year-end 2016, DenizBank launched the "Nefes Kredisi" initiative in collaboration with TOBB (Turkish Union of Chambers and Exchanges) and KGF (Credit Guarantee Fund). Under this effort, DenizBank provided 12-month loans of up to TL 150 thousand at an annual interest rate of 9.90% (0.83% on a monthly basis) to SMEs that are members of chambers and exchanges under the umbrella of TOBB. To date, the Bank has extended TL 1.15 billion in Nefes Kredisi to more than 12 thousand SMEs. DenizBank was the first private bank to join this initiative and the only private bank to actively participate.

In 2017, KOSGEB introduced its Working Capital Loan with Zero Interest Rate support program, which provides up to TL 50 thousand in interest-free loans with a maturity period of three years, no repayment in the first year and quarterly repayments starting from the second year. The program aims to help SMEs meet their needs. Under this effort, DenizBank provided support to more than 38 thousand customers and became one of the top three banks that have provided the biggest support to customers.

DenizBank continued to participate in other support programs introduced by KOSGEB. The Bank extended machinery equipment loans to more than 1,000 customers under another KOSGEB initiative that started in 2016 and ended in 2017. The loans allocated under KOSGEB's support programs totaled nearly TL 1 billion in 2017.

Over the last decade, the Bank's total number of SME Cards issued rose to 370 thousand, with the product remaining central to the

DenizBank sees improving SMEs' place and note in the Turkish economy as corporate social responsibility.



We breathed new life into SMEs.

overall SME Banking strategy. The SME Card allows shopkeepers to meet their daily financial needs with ease while also providing fast and practical solutions to SME customers with a wide range of options. These include postponed repayment and additional installments, as well as instant loans for fuel oil, food, electronics, accommodation and other expenses via promotional campaigns specific to the segment.

In 2017, DenizBank continued to serve SMEs through all available channels. During the year, the SME Call Center (KOBİ Ümit) received some 1.4 million calls, 94% of which were responded to within an average of 26 seconds. More than 12 thousand customers took out loans as a result of outbound calls made from the telemarketing channel.

Committed to facilitating SME access to finance products and streamlining their application processes, DenizBank launched the Swift Loan, for which customers may apply via SMS, online, AçıkDeniz Internet Banking, Facebook page and ATMs. With this innovative loan, SMEs have the opportunity to choose from among one or more of the product options – SME Card, Installment Commercial Loans, Commercial Kurtaran Hesap, DBS and Vehicle Recognition System products – in cash amounts of up to TL 80 thousand. As such, SMEs that apply for loans receive the result of their application within at most five minutes, and can easily obtain the products from DenizBank branches.

Shopkeepers and SMEs can save up to TL 5 thousand per year by selecting the best tariff suited to their needs among a wide range of special SME tariffs for daily banking transactions that vary according to the type and frequency of transaction. Thanks to other banking packages tailored to their sector's specialized needs, they can also benefit from sector-specific advantages, convenient credit options, and banking transaction tariffs.

DenizBank provides consulting services to exporter SMEs to help them create a strategic roadmap, obtain information, make investments and enter new markets. Customers can call the Foreign Trade Hotline at 0212 348 3444 to obtain information about many topics such as payment methods used in foreign trade, international rules, and the like.

DenizBank also offers special products and services for different sectors. For example, the Bank provides pharmacists additional contributions to their Private Pension Payments, cost-free banking transactions, as well as credit facilities at favorable rates, under the agreement reached with the Association of Turkish Pharmacists.

DenizBank provides women entrepreneurs the financial support that they need in establishing and expanding their businesses, the fastest and easiest solutions at special interest rates are offered to meet their loan requirements. Woman entrepreneurs are also presented with the Women Entrepreneur Tariff, which consists of the transactions they need most to save on banking transactions, as well as time deposits at special interest rates for their savings in TL, USD, EUR or gold.

SME Banking places great importance on cooperating with chambers and professional associations. DenizBank is the main sponsor of the SME Summits organized by TOSYÖV (Turkish Foundation for SMEs, Self-Employed People & Business Managers) in Istanbul and Ankara as well as SME Support Meetings held in seven cities. The Bank organized events in many cities across Turkey – including Samsun, Hatay, Bursa, Kayseri, Çorlu, Izmir – and plans to continue its sponsorship in the coming period.

As a result of collaborations with firms that lead their respective sectors, the Bank provides small and medium enterprise customers with exclusive services to render their day-to-day operations easier, alleviating issues arising from their commercial operations.

Thanks to other various collaborations, SMEs that are customers of DenizBank receive discounted services from firms in relevant sectors such as shipping, dry cleaning, electricity, catering and security services.

Merchant Relations

2017 saw further extension and enhancement of Cash Register POS applications at DenizBank. As Cash Register POS replacement is set to continue, the Bank aims to increase its market share by entering into new agreements with Olivetti, Pidion, Pax, Verifone VX680 and Hugin Tüyer, in addition to existing brands.

In today's world, all service channels are becoming increasingly digital. Accordingly, DenizBank launched new products, such as DenizPOS mobile application and Kolay POS packages, to boost customer satisfaction and operational speed.

DenizPOS mobile application enables POS customers to complete their transactions via a self-service channel. 23 thousand people downloaded the application and the number of active users reached 17 thousand. Member companies can perform many operational transactions using only one button on DenizPOS, such as printing POS statements, demanding POS paper rolls, notification and instant resolution of POS errors, viewing accounts, and the like. Sale of POS unblocking system's latest version may be advised by Alternative Distribution Channel teams at the beginning of February 2018 and all the transactions will be fully automated with ROTA process. DenizPOS has drastically reduced the workload on branches and operations departments at the Head Office. Additionally, it has become possible to conduct POS sales via the mobile app in order to boost POS sales. Furthermore, DenizBank plans to extend loans to POS customers through the mobile application.

Kolay POS is a package aimed at customers who refrain from variable pricing because their turnover remains below the specified level. Kolay POS comes with a fixed usage fee and thereby eliminates any service fee issues that may be experienced by SMEs. When customers purchase this product, they will know exactly how much they will pay and they will not have to make any additional calculations. Depending on their monthly turnover, business owners can choose from among eight different packages and they do not pay any commissions other than the monthly fixed fee for POS usage. As a Bonus member, they will also be able to offer their customers monthly installments for an additional fee.

DenizTaksit is a new product to help increase the number of member companies and turnover. It provides monthly installments for DenizBank cards; bonus costs do not apply to this product.

In the digital world, electronic money is the new preferred method of payment. Therefore, DenizBank initiated a new collaboration project with electronic money and payment institutions BELBİM and TÖHAŞ. With the Paycell project, the Bank also aims to implement the Payment Facilitator model, the new online payment method, in the physical world.

DenizBank signed shared POS agreements with Yapı Kredi and İş Bank to boost the number of POS devices in the market.

DenizBank improved its operational processes to increase efficiency, reduce operational workload on branches, raise internal and external customer satisfaction. DenizBank undertook new projects and improvements to celebrate its 20th anniversary. As a result, customer acquisition and turnover climbed significantly.

Gold Banking

The gold sector, which creates extensive added value for Turkey, is not simply a niche market for DenizBank. In fact, the Bank intensified its focus in this key area, leapfrogging its peers by establishing the Gold Banking department in 2011. DenizBank's objective is to provide a full suite of banking instruments, ranging from loans to deposits, to fully meet the demands of the gold sector.

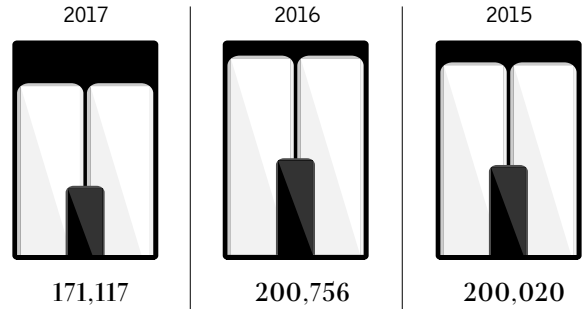
DenizAltın Days has encouraged households to invest their "under-the-mattress" savings into the national economy. This scheme has turned more than six tons of physical gold savings into deposits. The Gold Accumulating Account and Saver Account each offer savers the opportunity to grow their investments.

DenizBank Gold Banking aims to channel investors' gold assets in jewelry to clients as financial support under attractive terms, thus contributing to the national economy.

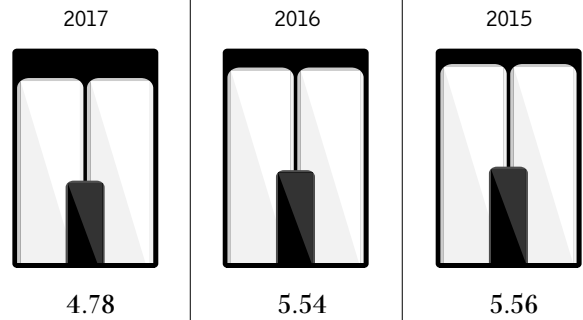
DenizBank's total gold loan support has climbed to some five tons with a 17% market share. This was achieved through innovative means such as special loan assessment processes for precious metals, as well as groundbreaking product innovations including Equal-Installment Gold Loan, Gold Loan with Early Closure Option and Gold Support Loan to Manufacturers.

Number of POS and Market Share

Number of POS

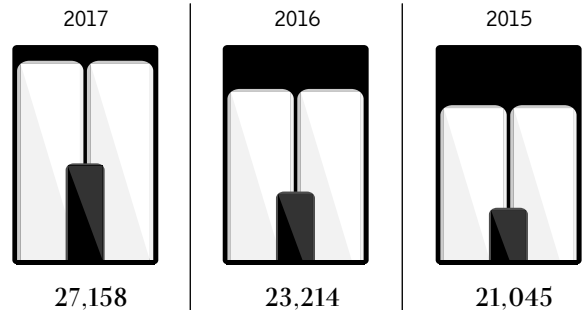


Market Share (%)

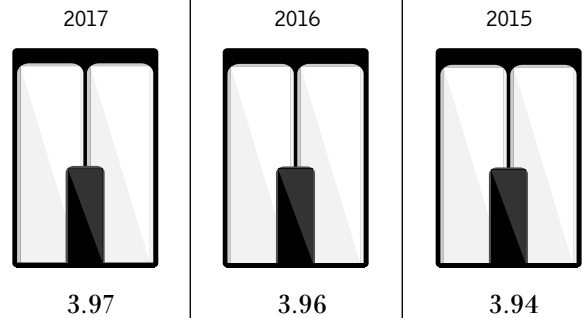


Shopping Turnover and Market Share

Shopping Turnover (TL million)



Market Share (%)





Providing support for the advancement of Turkish agriculture is a key part of our corporate social responsibility efforts: “Investing in agriculture is investing in the future of our country.”

AGRICULTURAL BANKING GROUP

The Agricultural Banking Group

Ensures that DenizBank’s agricultural banking related activities are run in coordination and synergy with the Bank’s other business lines.

To reach out to its target groups such as farmers, agricultural businesses and investors interested in the agriculture sector, the Group undertakes the following activities:

- Meeting the financing needs of producers and agricultural enterprises and developing financial products to this end;
- Researching and designing new funding products in agricultural banking;
- Developing new applications and projects to help Agricultural Banking keep abreast of new innovations and technological advancements in the future.

DenizBank conducts its operations with a view toward supporting Turkish agriculture, boosting agricultural productivity, putting “a smile on every farmer’s face” and contributing to a brighter future for our nation.

With the belief that agriculture holds the key to Turkey’s future, DenizBank operates in the agricultural sector in line with its social responsibility mission. DenizBank is the first private Turkish bank to differentiate its Head Office organizational, region and branch network structure to create a true agricultural banking enterprise. The Bank has executed all its agricultural efforts along the slogan, “A smile on every farmer’s face” and has touched the lives of about half of all the farmers in Turkey.

The highest quality, fastest and state-of-the-art agricultural solutions

In line with its commitment to agriculture and the land, DenizBank acquired Tarıřbank in 2002 and launched its Agricultural Banking operations. Since these beginnings, the Bank has been proud to stand by Turkish farmers. Today, the Bank delivers the highest quality, fastest and state-of-the-art agricultural solutions to producers via 330 branches located across Turkey’s 81 provinces and with a field team composed largely of agricultural engineers.

DenizBank supports small producers who have difficulties in accessing finance as well as large producers and investors involved in modern agriculture on a larger scale.

In 2017, DenizBank reaching a total loan volume of over TL 11 billion, with more than 1.1 million customers, DenizBank is the leader of agricultural loan allocations among private banks, boasting a market share of 41%.

Producer Card

Enjoying a leadership position in the provision of financing to the agricultural sector, DenizBank works to establish a Producer-Merchant-Bank relationship, offering solutions that provide maximum benefit to all parties. Leading the agricultural commercial card market with 533 thousand Producer Cards issued and various innovative services on offer, DenizBank has customized the Producer Card to effectively meet the special requirements of the sector. Facilitating access to finance for micro producers and offering zero interest rate and favorable maturity at contracted merchants, the Bank provides significant cost advantages for producers in their agricultural input purchases.

Producer Card-holders can purchase all their agricultural inputs – such as fertilizer, animal feed, seeds, saplings and pesticides – from 15 thousand contracted merchants across the country with six-month repayment grace periods.

As part of DenizBank’s collaboration with Petrol Ofisi dating back to 2006, producers can purchase fuel oil with the Producer Card, with a five-month repayment period and free of interest, from contracted dealers. In 2017, the Bank entered into similar collaborations with Opet, Sunpet, Lukoil Aytemiz and TECO.

In 2017, DenizBank expanded its collaboration with Toros Tarım, which started in 2016, to İGSAŞ and Gediz Elektrik. As a result, the Bank continued to

spread the advantages of the Producer Card across new locations. With the Producer Card Installment Loan product rolled out in early 2015, producers can obtain installment loans from DenizBank branches, via 24/7 DenizBank ATMs or over the phone at maturity periods of up to three years, and with annual payments following harvest time. Additionally, Producer Card-holders can withdraw cash advances from DenizBank branch and 24/7 ATMs to meet their short-term cash needs.

Producers can pay for their TARSİM agricultural insurance policy, the essential insurance to protect agriculture and livestock activities, with their Producer Cards and enjoy zero interest rate until the harvest. In addition, producers have the opportunity to pay the premiums on their Private Pension Insurance, Farmer Health Insurance and Farmer Individual Accident Insurance once a year, at harvest time. The Producer Card also helps farmers pay their monthly bills by giving them the option of repayment at harvest. As such, producers can make their monthly utility bill payments within a certain limit, including electricity, water and natural gas, at harvest time once a year, at more favorable interest rates. Additionally, DenizBank gives producers the chance to pay their Bağ-Kur premiums with automatic payment orders via the Producer Card. As a result, producers can pay their premiums at harvest time and enjoy timely, uninterrupted access to all the rights the social security institution provides.

Producer customers can use the Producer Card to make purchases of equipment in the member establishments where the Bank has an agreement with the advantage of taking up to three years to pay in full and making payment once a year. Producers can also postpone payment of their Turkcell phone bills within a certain limit until harvest time, interest-free. DenizBank places great importance on agricultural chambers, unions and cooperatives to protect micro-scale farming, and to achieve higher productivity. Thanks to the Bank’s partnerships with leading unions and cooperatives such as Çukobirlik, Tarıř and Pankobirlik, irrigation cooperatives, as well as breeding animal and cattle cooperatives, their members are able to purchase agricultural inputs at attractive prices. In addition, the Producer Card gives producers the opportunity to postpone payment of their power bills due to agricultural irrigation until harvest time.

Producers can apply for the Producer Card at DenizBank branches, POS machines at contracted merchants, ATMs or with a simple SMS from their mobile phones in an easy, fast and hassle-free manner.

Other Products and Advantages

In agricultural loans, DenizBank offers customers the option of making a repayment once a year, at harvest time, in line with its payment plans suited to farmers' cash and income flows. The Bank has developed numerous products to meet the specific requirements of the sector. These lending products include Animal Husbandry, Greenhousing, Fruit Growing, Fishery, Tractor, Equipment, Land Purchase, Wedding Ceremony, Repair & Modernization, Plow & Drill, Best Agricultural Practice and Project Investment loans. The Bank's innovative solutions help farmers finance their operational costs and all agricultural investments.

DenizBank, in accordance with Ministry of Food, Agriculture and Livestock regulations to prevent the division of agricultural land through inheritance arrangements, offers "Benim Bahçem Benim Tarlam" loans. These special lending products are designed to protect the unity of land parcels, prevent the division of agricultural tracts and promote sustainable development. The loan provides up to 100% financing for the transfer of inheritable lands and agricultural tracts generating sufficient revenue, at maturity periods of up to 15 years. As such, farmers can continue agricultural activity on their parents' land and are not forced to abandon their home village. To ensure the sustainability of agricultural production, farmers who earn the right to receive grants from the Young Farmer Grant Support Program are provided with financing featuring maturity periods of up to seven years and affordable interest rates.

After launching "Green Drop" branches, a groundbreaking model designed to become closer to producers, DenizBank expended efforts in 2016 to ensure that producers can access banking services without even leaving their homes. Employing technology to deliver practical banking services to producers more rapidly, DenizBank continues to introduce such innovations in every facet of agricultural banking. In addition to alternative channels such as telemarketing, ATM and digital banking, the Bank's field personnel visit farmers in their villages, fields and homes to bring the branch to their doorstep in case the farmer customers are not able to easily access the Bank. Having in effect brought the branch to the village, DenizBank transferred its agricultural know-how and expertise to social media with its "Deniz'den Toprağa" ("From Deniz to Land") platform. In another innovative solution for the agricultural sector, DenizBank launched in May 2015 the Facebook page "Deniz'den Toprağa" designed especially for producer users on the world's most popular social media site. The dedicated page now boasts over 95 thousand followers, enhancing

farmers' financial literacy and providing agricultural advisory to providers. The Facebook page provides advice to help farmers boost productivity, information on weather conditions, news on grants and other support, and price information during harvest times.

The "Deniz'den Toprağa" smart device application, which launched in September 2017 following the launch of the "Deniz'den Toprağa" Instagram account, won the Best New Product or Service Award in the "Innovation" category at the 2017 EFMA – DMI Awards, which was held on October 25, 2017. DMI Awards is a highly prestigious international competition for financial markets.

All producers – whether they are customers of DenizBank or not – and anyone who is interested in agriculture or considers it a hobby can use this application for free. The app neared 20 thousand downloads in a very short period after launch. The algorithms within the application simulate the growth of a product, from planting to harvesting, in a virtual environment. The app informs producers about specific fertilization, disinfestation and irrigation for each phase. The "Ask the Engineer" feature enables users to submit their questions 24/7 to an expert team of agricultural engineers and receive their answers either via the application or by calling the registered numbers. Producers can instantly access information such as market and stock prices, news updates, and official announcements. The "Rent a Tractor" feature helps producers share equipment and machinery that are required to continue production.

DenizBank is proud to launch an application that may be described as a "smart consultant" for farmers in the field. The fact that this app has been recognized at a prestigious, international awards competition demonstrates that it was a very successful initiative.

In 2017, DenizBank introduced another innovation in Agricultural Banking and started extending tractor loans to producers directly through the dealers, without having to visit a Bank branch. The project was initiated in collaboration with TürkTraktör and included the New Holland and Case IH brands. This lending product offers a solution to many difficulties faced when taking out tractor loans and provides easier access to loans.

With the Farmer Card, specially customized by DenizBank, farmer customers can withdraw money round-the-clock from ATMs and shop from contracted merchants without having to carry cash. The Bank also intermediates in Turkish Grain Board

DenizBank's "Benim Bahçem Benim Tarlam" loans contribute to sustainable agriculture.

(TMO) product payments to farmers, ranking first among all private banks in this category. Thanks to DenizBank's Farmer Card, producers receive TMO payments early on. With the Instant Farmer Card launched this year to make a difference in TMO product payments, producers – even those who are not members of DenizBank – can receive their card while waiting in the queue at TMO agencies, and then receive product payments 20 days earlier.

DenizBank provides support for development of licensed warehousing activities. The Bank continues to intermediate for payment of crop proceeds by opening investment accounts and give credits in return for Electronic Crop Receipts as collateral. Thanks to the licensed warehousing system, producers do not have to sell their crop at the time of harvest; instead, they can store it in licensed warehouses at favorable rates. The system enables storage of crops in a healthy environment and price disadvantages are eliminated in favor of producers.

DenizBank's agricultural consulting service facilitates access to information.

DenizBank is committed to help increase the scale of agricultural enterprises, a key issue in Turkish agriculture. To this end, the Bank extends loans to producers to assist in covering agricultural investments and enterprise costs; additionally, it provides services to facilitate the establishment of new processing plants, affect capacity increases in and modernization of existing facilities, and make equipment purchases easier.

Tarım Plus is another service that fuels growth of the sector, by offering turnkey project, information transfer and advisory services to large-scale producers, agricultural entrepreneurs and industrials. Agricultural investment projects are supported by the Bank with convenient maturity and repayment terms so that investors can finance their projects in cattle breeding, animal husbandry for meat production, dairy farming, sheep and goat breeding, greenhousing, and fruit growing with special DenizBank advantages. The Bank also offers financing facilities under grant initiatives such as the Rural Development Investment Support Program (KKYDP) and the EU's Instrument for



The Corporate Banking and Commercial Banking Group ensures that operations are conducted in a way that creates synergy and coordination with the Bank's other business lines.

Pre-Accession Assistance in Rural Development (IPARD). DenizBank's specialized project team helps entrepreneurs to complete applications for these programs.

DenizBank continues to add value to the everyday lives of producers through its corporate social responsibility activities.

DenizBank operates in the agricultural sector not simply as a lender but also as a comprehensive agricultural banking solutions provider that adds value to the everyday lives of producers in many ways.

To expand the availability of agricultural publications across Turkey and ensure that farmers have direct access to quality information, the Bank joined forces with the Ministry of Food, Agriculture and Livestock to conduct Turkey's most extensive training campaign. Some 500 thousand agricultural books were delivered to producers in 5 thousand villages, intermediated by agricultural engineers who served as consultants. Meanwhile, by sponsoring the 9th "Agriculture and People" national photography competition held by the Ministry of Food, Agriculture and Livestock, DenizBank aimed to raise agricultural awareness across the country. In addition, high-achieving children of farmers who lack financial means are granted full tuition scholarships in collaboration with Turkish Education Association.

In 2017, DenizBank provided support for the third time to the "Adding Value to Agriculture" competition held by the Ministry of Food, Agriculture and Livestock; intermediated in recognizing Ministry and Tar-Gel (Agricultural Know-How Enhancement Project) employees who make significant contributions to the agricultural sector with innovative initiatives that make a difference; and helped promote these projects which set examples for the sector.

As in prior years, DenizBank officers participated in local harvest celebrations and agricultural festivals across Turkey in 2017, continued to stand by producers under all circumstances and put smiles on the faces of the country's farmers.

WHOLESALE BANKING GROUP

The Wholesale Banking Group ensures that the following operations are executed in a way that creates synergy and coordination with the Bank's other business lines:

- 🎵 Corporate and Commercial Banking Group
- 🎵 Project Finance and International Loans Coordination Group
- 🎵 Cash Management, Public Finance and Organization Group

The core operations of the Group include bolstering relations and creating partnerships with overseas subsidiaries and branches, and expanding the overseas subsidiary and branch network in line with the Bank's overall strategy. Furthermore, DenizBank Moscow, DenizBank AG, DenizLeasing, and DenizFactoring report to the Board Member in charge of the Group.

Corporate and Commercial Banking Group

The Corporate Banking and Commercial Banking Group ensures that operations are conducted in a way that creates synergy and coordination with the Bank's other business lines.

The Group executes the following core activities geared towards its target group of corporate and commercial enterprises:

- 🎵 Developing and marketing Corporate and Commercial Banking products in favor of strategic priorities;
- 🎵 Organizing sales of products and services by branches in line with set targets;
- 🎵 Organizing the workflow between related departments and coordination of their relationships.

According to the portal approach of Wholesale Banking; The Wholesale Banking Group's marketing approach rests on the following pillars: The capacity to create high-quality assets, adapt rapidly to economic change, generate synergy with other business lines and subsidiaries, and employ well experienced personnel who embody DenizBank's "collective wisdom" approach.

The Group has over 70 products in areas such as loans, deposits, securities, cash management, project finance, leasing, factoring, insurance, foreign trade, and investment banking. DenizBank Corporate Banking Group contributed to the investment and privatization processes through its know-how in project finance and financial strength, thus bolstering its position in the market. Wholesale Banking plans to continue its focus on cash management and the foreign trade portal approach in 2018.

Corporate Banking

The Corporate Banking Group provides the right financial solutions to meet its customers' needs through innovative project finance and cash management products, as well as traditional corporate banking products. This approach creates chains of value that integrate all business lines of DFSG.

Relationships with customers start through loan instruments, thereafter becoming long-term ties as a result of high customer satisfaction. These strategic alliances in turn create new business opportunities for DFSG as well as synergy between DenizLeasing, DenizFactoring and the Commercial, SME and Retail Banking divisions. The Bank offers customers the opportunity to slash operational costs through its advanced technology infrastructure and cash management products, while receiving the maximum return from the economic cycle.

Commercial Banking

The Commercial Banking Group, which has customer turnover criteria of TL 40 – 200 million, provides tailor-made and proactive solutions to meet all the financial needs of its clients.

Through its financial supermarket approach, the Group offers clients from diverse industries a wide range of products and services. These offerings include project financing, cash management, insurance, leasing, factoring, foreign trade, treasury and investment products, as well as different types of loans. Providing support to target industries – including tourism, sports, health care, education and energy – the Commercial Banking Group plans to continue serving these sectors in 2018 as well. The Group also aims to create synergy with other business lines and subsidiaries under its "collective wisdom" strategy.

Commercial Banking operates 23 Commercial Central Branches with an experienced and specialized sales team.

Project Finance and International Loans Coordination Group

The Project Finance Department's core business includes providing structured finance for:

- 🎵 Projects in target sectors,
- 🎵 Industrial investments, and
- 🎵 Privatization transactions.

The Project Finance Department focuses on large scale investments that play a key role in developing the economy, and thus necessitate medium and long-term financing. The Department provides funds to such top priority sectors as telecoms, energy, infrastructure (e.g. ports, airports and motorways), Public-Private Partnerships (PPP), health care and education, all of which form the backbone of economic and social development. It also conducts long-term transactions, including industrial investment, privatization and acquisition finance, as well as "club-loans" featuring multiple banks.

DenizBank has secured more than USD 20 billion in long term financing for some 300 public sector projects it has funded during the last decade.

By year-end 2017, Turkey's total installed power generation capacity has increased to 85,200 MW. Over the last 12 years, DenizBank has intermediated in commissioning 6,400 MW in installed capacity. Including electricity distribution natural gas distribution and wholesale projects, DenizBank has provided over USD 4 billion in long term financing to the energy industry.

DenizBank plays an active role in Turkey's infrastructure investments, and has specialized in airport financing. The Bank provided EUR 500 million to Istanbul's Third Airport project, EUR 154 million for TAV Bodrum Airport, and varying amounts to İzmir Adnan Menderes Airport, İstanbul Atatürk Airport, Antalya Airport and Alanya Gazipaşa Airport – totaling EUR 800 million. TAV provided financing of Bodrum Airport and Ankara High Speed Train Station projects on its own, while DenizBank became the private bank endowing the highest limit for the 3rd Airport Project.

Looking at 2018, the Project Finance Department plans to reinforce its pioneering position in large-scale infrastructure projects, while further bolstering growth in such core sectors as energy, infrastructure, transportation, mining, healthcare and education.

Cash Management, Public Finance and Organization Group

- 🎵 The Cash Management,
- 🎵 Public Finance
- 🎵 Organization Group

conducts the Bank's Cash Management, Public Finance, and Organization operations in coordinated and synergistic fashion with the other activities of DenizBank. The Group also reports to the COO within a matrix organization structure.

Cash Management, Public Finance and Organization Group's major lines of operation include:

- 🎵 Managing and developing the products concerning the Bank's Cash management systems, coordinating the enforcement of all legal and internal regulations, and designing customer actions based on data and analytical models for the purpose of effective management of cash management products;
- 🎵 Providing banking services to local public administrations, their subsidiaries and economic enterprises, as well as state economic enterprises, their establishments and subsidiaries, and coordinating the marketing activities carried out across the Bank's public finance branches;
- 🎵 Supporting the operations of the Bank and its subsidiaries through development and implementation of process improvement methodologies, process efficiency improvements, and management of organizational changes.

Cash Management

Focusing on establishing multi-faceted, long-term relationships with its clients, the Cash Management Department continued to offer technology-oriented products and services to fit customer needs and strived to be its customers' primary bank in collection and payment processes in 2017. To this end, the Cash

DenizBank continues to provide long-term financing to numerous projects that are strategically important for the future of Turkey.

Management Department focused on expanding the client base subscribing to the Bank's integrated collection and payment products and continued to offer solutions and integrations that facilitate clients' daily payment, collection and cash flow transactions.

Marketing Analytics was added to the list of functions carried out by the Cash Management Department pursuant to an organizational change made in 2017. The Department's primary objective is to design customer actions based on data and analytical models for the purpose of enhancing customer penetration, profitability, and efficiency of the cash management business line.

As part of these efforts, the Bank created and activated the Cash Management Segmentation model, and switched from a "product-oriented" approach to a "customer-oriented" approach. One of DenizBank's highest priorities is to read customer needs accurately, generate quick and high-quality solutions, and meet customer needs comprehensively.

The Cash Management Department intends to carry out activities in 2018 in accordance with the strategy of acquiring new customers through enhanced synergy between business lines, deepening relationships with existing customers to increase the share of cash management products, and offering innovative products in response to customer demands.

Electronic Collection Services

In electronic collection services, the Bank contracted 30 new companies in the Direct Debit System (DDS) and corporate collection projects in 2017. As of year's end, the number of parent companies to have signed up to DDS and Card Payment System projects had grown 39%, with a total collection volume of TL 6.6 billion.



Focusing on establishing multi-faceted, long-term relationships with its clients, the Cash Management Department strives to be its customers' primary bank in collection and payment processes.

In line with its goal of intermediating all the cash flow of its customers, the Bank plans to deepen its customer relationships within the context of Supplier Finance and Discounted DBS products in 2018.

Electronic Payment Services

During 2017, the Bank intermediated approximately 5.5 million payment transactions through the Bulk Payment System, and increased the electronic payment transaction volume by 28% to TL 140 billion.

The Bank's Foreign Currency Bulk Payment System, launched to facilitate DenizBank customer domestic and overseas bulk foreign currency transfers, recorded a 33% rise in the number of transactions in 2017.

One of the first banks to activate the QR Code feature in cashier's checks in 2015, DenizBank reached 7.04% market share in cashier's checks in 2017.

Collections from Institutions and Municipalities

DenizBank signed contracts with 12 new companies and continued to enrich its customer service channels in 2017. Further, the Bank offered IT solutions tailored exclusively to municipalities and continued to forge strategic partnerships. As a result of the efforts in this scope, the Bank continues to provide collection services to more than 80 municipalities.

Public Finance

Defining public finance as a business line, DenizBank broke new ground in Turkish banking history and targeted specializing in public finance as one of its strategic working fields. The Public Finance Department was established to service a target group that comprises local government, its subsidiaries and economic enterprises, as well as state economic enterprises, their establishments and subsidiaries. The Public Finance Department has provided low-cost and long-term financing to more than 300 projects to date.

The Public Finance Department provides the full range of banking services to local governments with its specialized and highly-experienced staff at its Head Office, regional offices, and branches.

The cash management systems developed exclusively for DenizBank as well as the Bank's branch network and alternative distribution channels maximize operational efficiency and productivity in tax collection processes. Today, the Bank provides collection services for tax, water bill, and other collections for more than 80 municipalities.

The service provided to Public Finance customers is not limited to banking products. The Bank delivers news and information to customers via the BelediyeDeniz.com web site, which is specially designed for municipalities and public sector employees.

Organization

The Department focuses on establishing the optimal organizational structure for DenizBank which strives to offer top quality service to customers, and providing the informational tools that maximize in-house cooperation and sharing.

As part of its enterprise resource planning (ERP) initiatives, DenizBank continues to conduct capacity requirement assessment efforts for Branch Operations permanent staff and Central Operations Departments. Process measurement and evaluation activities continued to provide a basis for permanent staffing calculations as well as activity-based costing efforts.

In addition, the Bank launched the personal Capacity Utilization Rate model to assess the productivity of users employed at Branch Operations service points during business hours. Accordingly, DenizBank began conducting periodic performance evaluations and bonus assessments based on Capacity Utilization Ratio realizations, which led to increased labor productivity.

Further, the Bank began to generate a Branch Volume Analysis report, and started publishing it on the Portal, where branches are evaluated monthly based on the data obtained from the Qmatic system as well as the transactions performed by the branches. The report enables the user to monitor volume by day of week and hour of day, with an eye toward making improvements where productivity is low. A forecasting model suggests, separately for each branch, the days that are likely to have high volume in the coming month in an attempt to manage customer waiting times.

PAYMENT SYSTEMS AND NON-BRANCH CHANNELS GROUP

The Payment Systems and the Non-Branch Channels Group make up the following functions within the coordination and synergy with other business lines at DenizBank:

- 🎵 Credit and Bank Cards Product Management,
- 🎵 Credit Cards Portfolio Management,
- 🎵 Planning and Analysis,
- 🎵 Call Center,
- 🎵 Telemarketing and Customer Retention, and Mobile Sales.

Credit Cards

DenizBank continued to expand its extensive credit card product portfolio appealing to different segments and preferences in 2017.

As of year-end, the Bank's total credit card unit market share rose from 6.1% to 6.4%. Credit card turnover increased from TL 34 billion in 2016 with a 18% rise to TL 40 billion in 2017; meanwhile, DenizBank's turnover market share went up from 6.0% to 6.5% in 2017.

The number of credit cards issued rose by 6% sector-wide, while DenizBank's portfolio expanded by 12% during the year.

Bonus and Co-Branded Cards

In order to offer credit card products which will play a role in the life cycles of customers and to help meet their daily needs, DenizBank continued to undersign successful Co-Branded Projects with brands from various sectors, in addition to its privileged Bonus offerings with services that continued to make a difference in customers' lives in 2016.

Tailoring the Bank's card products for individual customers from the application stage through to exclusive promotional offers in order to provide the right product to the right customer, DenizBank offers a vast array of alternatives to its customer base. The Bank's card portfolio includes city cards and cards without annual fee. A key example was the "DenizKızı (Mermaid)" initiative, which was designed to become more involved in women's daily lives.

DenizKartım (My Deniz Card) was launched as the last leg of this strategy in 2017. DenizKartım is a mobile application with both loyalty and wallet features designed exclusively for DenizBank credit and debit cards. Aiming to provide the best benefit to customers at the right place and time, this application strives to reduce communication costs and increase customer use while ensuring customer satisfaction thanks to its ease of transaction features.

The DenizKartım mobile application enables customers to:

- 🎵 View all campaign details, participate, and monitor their status in the campaign;
- 🎵 View the campaigns in their vicinity and get directions via the map app;
- 🎵 Reach all up-to-date information on their cards; view Card Limit, Cash Advance limit, Statement Details, Bonus balances; and pay their card balances;
- 🎵 Perform transactions related to all services and products of their cards;
- 🎵 Earn D-Points with each step they take using the Walk & Earn feature;
- 🎵 Make contactless payments using their phones.

Segment Cards

With its specially designed products for customers in different segments and stages of their life cycles—including Deniz Private, Affluent Bonus, Pensioner Bonus and D-şarj Bonus—DenizBank continued to provide services suited to the needs and lifestyles of its diversified customer base in 2016.

Three new innovations were launched this year as a result of the Bank's particular focus on pensioner customers.

- 🎵 Pensioner customers who transferred direct deposit of their pension payments to DenizBank as part of a campaign will be exempt from the annual fee during the duration of the campaign if they apply for the Pensioner Bonus credit card and make at least one automatic payment through their credit card. Thanks to this campaign that was launched in April 2017, 75 thousand cardholders to date enjoyed the exemption from annual credit card fees.

Upon the completion of its credit card segmentation initiative, DenizBank has fully implemented its strategy of "delivering the right card product to the right customer."

- 🎵 Setting out with the message that the life experiences of retiree customers should serve as a roadmap and a helm for the following generations, credit card design and card communication materials were overhauled with a more dynamic and distinctive image.
- 🎵 The Bank created a platform for Pensioner Bonus cardholders in March 2017 that offers special discounts and privileges in distinguished brands across Turkey. 38 campaigns were held including Burger King, Karaca Home, Altinyıldız, GoldMaster, Tchibo and other similar brands.

DenizBank continued to deliver DenizPrivate Life and Affluent Magazine, quarterly e-magazines with content created exclusively for DenizPrivate and Affluent Bonus cardholders. This year's issues were enriched with video content from entertaining, distinguished and distinctive speakers.

DenizBank continued to get together with DenizPrivate and Affluent Bonus cardholders in high-profile events and special brands, and reinforced long-standing partnerships in 2017.

Affluent Bonus took part in the Time Out 101 Tastes of Istanbul Festival, a classic among urban festivals with its content and participants, by sponsoring the Sunday Breakfast concept. Solidifying its distinction in this field, Affluent Bonus offered the privilege of 30% discount in tickets for all cardholders.

DenizBank presented the GastroClub service as a gift to customers. Turkey's largest dining club, GastroClub offered discounts of up to 50% at more than 100 restaurants and beach clubs in Istanbul, Izmir, Çeşme, Bodrum and Antalya throughout the summer season.



DenizBank Call Center's first goal is to be both a major service channel with its high-quality service approach and an effective sales channel that generates value with its sales.

Football Fan Cards

DenizBank is the official card supplier of the five of the major Turkish football teams, which have won the national championship, in addition to clubs across Anatolia. The Bank is also the official card supplier of Manchester United, the only international team with a credit card in Turkey. In total, the Bank has card agreements with 17 football teams. The portfolio grows rapidly with 19 different products, totaling 225 thousand Football Fan Cards.

The Football Fan Card portfolio generated turnover of TL 1.9 billion as of year-end 2017. Thanks to this shopping volume created by football fans, the Bank has made contributions exceeding TL 25 million to the sports clubs it collaborates with since 2008.

DenizBank's Football-Themed Loyalty Programs, operated in line with the vision of "Triple Win-Win-Win," was deemed worthy of Visa Vizyonist 2015's "Most Successful Brand" Award. With the application of Dynamic Fixtures developed for fan card holders in 2016, DenizBank received a prize from MMA (Mobile Marketing Association) in the field of Relationship Building / CRM in 2017.

The Bank plans to render its current Football Fan Card partnerships more profitable, and continue providing more benefits to the clubs and customers with its innovative service approach.

Debit Cards/PTT Cards

DenizBank was recognized by MasterCard in May 2017 with the "Innovation of the Year" award in the "2016 Difference Makers" category with the "Arar Bulur" feature available on Paracard and in all Debit cards. "Arar Bulur"

defines all accounts of the customer in Paracard. If the main account does not have sufficient cash balance to complete the purchase or cash withdrawal transaction, the transaction is not aborted. Instead, the system queries other defined accounts and completes the transaction by supplementing the main account with the balances from other defined accounts. To this end, "Arar Bulur" provides uninterrupted shopping or cash withdrawal experience to customers. "Arar Bulur" feature can be added using the branches, the Internet Banking, or the Call Center.

During the year, DenizBank's total Debit cards issued rose from 11.9 million to 12.9 million, with a market share of 9,8%. As such, ATM and POS turnover increased by, respectively, 23% and 51% to TL 39.9 billion and TL 3.3 billion as of year-end 2017.

BIN infrastructure support was provided for Paycell, Turkcell's prepaid card. Launched in Q4 2017, this product is projected to be issued 1 million times in the first year.

Call Center

The Call Center provides customers with top quality, non-stop services 24/7. All processes and the individual performance system are designed to maximize customers' experience in customer communications.

The Bank's Interactive Voice Response (IVR) System was completely overhauled this year in an attempt to provide personalized, fast and simple service to customers using smart methods. Thanks to this technology replacing touchtone menus with voice-activated commands for performing telephone banking transactions, customers merely tell the new virtual assistant "Deniz" the transaction they would like to perform without having to listen to all menu options. Fifty-nine percent of customers complete their transactions with the user-friendly interactive voice response system without having to talk to a customer representative.

In addition to the conventional channels of access, DenizBank serves for its customers with three language options includes Turkish, English, Russian and customers can reach DenizBank Call Center via telephone, AçıkDeniz Internet Banking, Skype, Mobil Deniz and fastPay, in line with changing technological needs and emerging trends.

The Call Center's revenue-oriented business culture is focused on optimizing the customer experience and maximizing productivity. Systems were established at the Center to monitor its overall performance and issue warnings whenever problems arise. The General Service Performance of the Call Center (percentage of answered call, speed of answer, overage call quality score) is measured by monthly scorecard and the results are reflected in Call Center employees' performance system. Studies on incoming call projections and shift organizations and efficient performance monitoring allowed the Center to reach its numerical and quality targets. In 2017, the response period was 51 seconds for 15.4 million incoming calls, with 88% of all calls answered. Another important link in the DenizBank communications chain is the POS Hotline which responds to contracted merchant questions and provides immediate solutions to 89% of all incoming cases over the phone.

The Call Center screening used to serve inbound customers is capable of presenting the best offer and next best offer, determined according to the needs of the customer through analytical CRM models. The call blending infrastructure allows the Center to maximize productivity and enables respondent personnel to function as a Tele-marketing team. In 2017, the Call Center's top priorities included systems and technological enhancements, productivity improvements in sales automation, customer service representative staff increases, and deeper integration of sales activities with the business culture. In 2017, the Call Center, which is a standout with its superior service and sales-focus, sold more than 1.5 million products to customers.

Telemarketing and Customer Retention

DenizBank's telephone sales channel, which manages all sales processes that start and end telephonically, has two main functions, namely:

- ♫ Customer cross sales, activation and intensification via outgoing calls, and
- ♫ Customer retention and reacquisition through incoming and outgoing calls.

Always focused on delivering superior efficiency and high quality sales, the channel contributes to all business lines in sustainable, efficient, measurable sales projects as shareholder.

The channel, which manages over 270 sales campaigns per month, is expanded in product line and sales activities while various sales projects on phone accomplished with Cash Management, Investment Banking, Factoring and Leasing business lines. Thanks to the sales efforts carried out in 2017, the channel reached the sales targets for all business lines, reporting a total of 1.6 million products sold and generating sales of TL 1.2 billion.

Aside from cross sales activities which are mainly realized through outgoing calls, customer loyalty activities carried on successfully in 2017 as another important channel mission. Increasing its persuasion rates compared to the previous year with its centralized staff of specialists, the channel retained the retail, commercial and agricultural credit cards that showed up in recommendation persuasion flows or returned via mail, thereby making direct contributions to the number of these products in circulation and the profitability goals of the business lines.

Thanks to the digital transformation that is visible to the naked eye in many areas as well as its many years of telesales experience, the sales channel will continue to be a valuable partner in helping all business segments reach their productivity and profitability targets.

Mobile Sales

The Mobile Sales Group is a dedicated sales team focused on the marketing of payment systems, retail, SME, digital banking and DenizFactoring products in line with segment-specific targets. The Group also lends support to the Bank's many business line as well as to general sales initiatives.

The Group's four departments include: Mobile Sales, Business Partnerships Mobile Sales, Project Mobile Sales and Branch Customer Advisor.

The Mobile Sales Group's primary goal is to acquire new customers through multiple sales efforts, while also making the best use of technology to conduct highly efficient sales transactions.

The mobile team visits individuals who have yet to become acquainted with DenizBank in their workplaces to respond to their needs with the widest product range possible, immediately meeting the financing needs of customers as part of Business Partnership projects. In addition to acquiring new customers, the team contributes to customer activation and profitability by offering new products to current customers encountered in the field.

The project staff also supports the bulk customer acquisition projects organized by the regions. Customers visiting selected pilot branches with heavy volume are channeled into using ATMs and e-tellers, which in turn accelerates customer transactions and increases customer satisfaction. In addition, Branch Customer Consultants support the efforts to promote digital products to customers DenizBank establishes contact with and to encourage the use of such products.

Sales representatives use the Mobile Sales app installed on their tablet devices. This application enables the marketing of credit cards, consumer loans, SME cards, overdraft accounts, cash advance with installment repayment, automatic utility bill payment, motor vehicle tax payment, supplementary cards as well as insurance products. Thanks to upgrades effected in 2017, the Mobile Sales team became capable of collecting applications for SME cards, credit cards integrated with overdraft accounts, automatic utility bill payment orders via credit card, motor vehicle tax payment, and supplementary cards with their tablet devices. In 2018, the Bank aims to add new products to tablet apps and ensure that each staff member in contact with a customer can operate like a Mobile Branch.

Mobile Sales sold over 1.2 million products in 2017. As a result of this strong performance, Mobile Sales accounted for 44% of the Bank's total SME card sales through all channels for the SME Banking, 27% of all credit card sales for the Payment Systems unit, 14% of all retail loan sales for the Retail Banking department, 18% of all overdraft account sales and 20% of retiring pension transfers.

Making the most effective use of technology infrastructure, the Mobile Sales Department attains the multi-product sales goal of the banking industry with a high level of efficiency in the field.

TREASURY AND FINANCIAL INSTITUTIONS GROUP

The Treasury and Financial Institutions Group undertakes the following activities in such a way so as to create synergy and coordination with other business lines of

DenizBank:

- 🎵 Treasury,
- 🎵 Treasury Sales,
- 🎵 Financial Institutions.

The core activities of the Group include:

- 🎵 Treasury: managing short-term liquidity, pricing treasury products, implementing the treasury-related aspects of asset-liability decisions, and performing profit-oriented trading activities,
- 🎵 Financial Institutions: establishing, enhancing and maintaining DFSG's correspondent bank relations; carrying out talks to intermediate the Bank customers' foreign trade transactions jointly with correspondent banks; securing bilateral loans from correspondent banks,
- 🎵 Management of Nostro – Vostro account relations: conducting talks with overseas banks and other financial institutions concerning medium and long term borrowing activities, structuring and monitoring relevant transactions, and coordinating these with the relevant Bank departments corresponding with foreign banks and other financial institutions as regards medium and long-term borrowing activities, structuring and monitoring transactions, as well as coordinating these with other Bank units.



Expanding its portfolio of Foreign Trade Finance solutions, DenizBank continued to be among the sector's major and active banks in 2017 as evidenced by its share of Turkey's foreign trade.

Treasury

In addition to managing the Bank's short-term liquidity in foreign and local currency, the Treasury Department performs treasury product pricing, implements those decisions of the Assets and Liabilities Committee related to the Treasury, and carries out profitable trading activities. The Treasury Department makes active use of risk measurement techniques in order to balance risks, and bases its activities on the principle of attaining sustainable profit, rather than short-term gain. Moreover, the Treasury Department carries out its activities in line with the targets set by the Assets and Liabilities Committee and implements the decisions made at the weekly Committee meetings.

The Treasury Department monitors the terms and costs of items on and off the Bank's balance sheet that will be exposed to risk, monitors economic developments in terms of risk and ensures that improvements are performed in line with the Bank's risk management strategy.

The Treasury Department consists of four sub-units: Treasury Marketing and Pricing, Money Markets, Fixed-Income Securities, and Derivative Transactions. The Department engages in money market transactions, foreign and local currency borrowings and placements, and ensures the effective management of the Bank's short-term funds by means of such instruments as FX swaps, repos and reverse repos. The Department carries out the pricing of all treasury and financial market products such as spot and forward exchange in international markets, all kinds of fixed-income securities, commodities, and derivative products. The Department is also in charge of profit-oriented trading activities within defined limits.

Treasury Sales

With the main function of coordinating between the branches and the Treasury Group, the Treasury Sales Department establishes direct contact with the customer base via the branch channel, while also providing active sales and pricing service for capital market products. The core strategy of the Treasury Department is to boost the transaction volume of financial products. Treasury Sales offers its customers treasury products for balance sheet management and to mitigate possible financial risks.

The Department also plays a role in determining the sales strategies and targets of treasury products (foreign exchange, options, and securities). Treasury Sales devises new and sophisticated treasury products and offers these for sale, while ensuring that the branches market these products in line with the overall targets. The Department strives to establish long term, sustainable relationships with customers as well as branch personnel.

The Department visits potential customers in person in order to expand the customer base and increase transaction volume.

The Treasury Sales Department's other duties include informing customers about all treasury products, keeping track of customer positions, in addition to providing them with fast, high quality services.

Playing an active role in the issuance of DFSG bonds and bills—which have a nominal volume of TL 2.5 billion and a market share of 6%—the Treasury Sales Department is key in ensuring the coordination between departments and the management of corporate investor relations.

Financial Institutions

Correspondent Relations and Foreign Trade Departments, maintaining correspondent bank relations in 118 countries and with over 850 banks, DenizBank continued to expand its Foreign Trade Finance solutions portfolio in 2017. As a result, the Bank became one of the most important and active players in the sector during the year, based on the significant share it captures from Turkey's total foreign trade volume.

Despite political and economic uncertainty prevailing in the world and in Turkey in recent years, Turkey's foreign trade continued to grow

significantly in 2017. While Turkey's foreign trade reached 10% in export, 18% in import, and 15% in total, DenizBank reached 29% market share in exports, 15% in imports, and 22% in overall foreign trade by offering new financing solutions to foreign trade customers and continuing to stand by its clients.

DenizBank reported an 10.5% market share in import letters of credit in 2017 by offering diversified financing alternatives and options to importers, once again confirming its market position as a leading foreign trade finance bank. In addition, DenizBank added to its already long list of collaborations with various export loan insurance agencies from America to Asia, Europe to the Middle East. The Bank continues to be a major solution partner by meeting domestic companies' long term financing needs thanks to the agreements it has reached with Chinese banks and the China Export and Credit Insurance Corporation.

In 2017, DenizBank continued to expand its correspondent bank network into new markets where Turkey increases its market share. In doing so, the Bank supported its exporter customers which want to enhance their export performance and hedge themselves against country risk in the new markets they enter. DenizBank implements unique, innovative projects with its solution-centered customer approach. The solutions provided by the Bank include, for instance, providing exporter customers with convenient financing in the form of CBRT and Eximbank loans, international loans as well as the ability to trade in 146 different currencies. Always providing support to meet the international guarantee requirements of construction companies operating across the world, DenizBank provides those customers active in Central and West Africa the assistance and know-how that they need.

DenizBank continued to expand and diversify its funding portfolio in 2017 thanks to its strong and extensive correspondent network.

SME-friendly DenizBank has continued to stand beside SMEs this year, as always, by providing appropriate financing solutions via Product and Service Packages customized for SMEs. Continuing to stand beside SMEs this year, DenizBank maintained its support for SMEs by providing them with product offerings tailored specifically to their commercial cycles. In addition, the Bank continued to support foreign trade with its SME Foreign Trade Hotline that was set up exclusively for SMEs.

DenizBank's Correspondent Relations and Foreign Trade Departments plan to expand their foreign trade solutions portfolio, while providing critical support to customers in 2018. DenizBank aims to continue serving customers' foreign trade financing and investment needs via country loans as well as domestically and internationally-sourced funds while offering insurance solutions aimed at risk management with its specialist staff and customer-friendly approach.

Financial Institutions Credit Analysis Department's main function is to carry out credit analyses of correspondent banks whose risk will be assumed by the Bank in line with its requirements, initiate the credit allocation process and follow it up until completion. All the necessary coordinations are facilitated with Credit Analysis Group, Credit Allocation and other related groups. We take the responsibility for 356 bank limits in different countries.

The Structured Finance Department's responsibility is maintaining relationships with foreign banks and other financial institutions to meet the medium- and long-term borrowing needs of DenizBank Financial Services Group, managing the financing process, monitoring and structuring transactions, as well as establishing coordination with the Bank's other business lines.

DenizBank continued to provide loans for the agricultural sector, SMEs and the public sector secured from the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), International Finance Corporation (IFC), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Japanese Bank for International Cooperation (JBIC), The European Fund for Southeast Europe S.A. SICAV-SIF (EFSE), Agence Française de Développement (AFD).

In 2018, DenizBank plans to continue cooperating with international investment and development banks to secure such loans, thereby increasing its market share and supporting the real economy with low-cost and long-term funds.

DIGITAL GENERATION BANKING GROUP

The Digital Generation Banking Group undertakes the following activities in such a way so as to create synergy and coordination with other business lines of DenizBank:

- 🎵 Main Distribution Channels and Digital Experience Project
- 🎵 Next Generation Banking and Innovative Projects Management
- 🎵 Fintech Banking, Digital Marketing and Sales Management
- 🎵 Innovation Committee

The Group's core activities are as follows:

- 🎵 Delivering banking products and services via all digital channels, increasing the sales capacity and performance of these channels and monitoring and measuring the transactions undertaken,
- 🎵 Monitoring technological developments which concern the channels and adapting innovative projects and new products to the channels,
- 🎵 Developing new business model solutions based on digital media for all subsidiaries and business lines, analyzing user behavior to develop new applications, and helping the Bank gain new customers and enhance customer loyalty,
- 🎵 Monitoring innovative practices and integrating these innovations into the banking system,
- 🎵 Expanding the number of individuals who benefit from products and services in digital media, as well as shifting products and services from more to less costly channels.

Main Distribution Channels and Digital Experience Management

Internet Banking

Internet Banking continued to serve customers with advanced functionality before and after login. The Bank carried out innovations to acquire new customers and to enrich the customer experience in frequently used screens; furthermore, in yet another first in Turkey, it offered password-free access to the "e-Government Portal" both via AçıkDeniz and e-Government, thus becoming a pioneer once again in the banking sector. In 2017 our foreign customers also began using the "Password-free Login" button for the e-Government portal.

DenizBank received an award in the "Internal Process Innovation" category at the BAI Global Banking Innovation Awards with the "Intelligent Workforce Management" project that the Bank developed in conjunction with its technology base Intertech.

A batch structure for transactions defined in Internet Banking was created, enabling customers to enjoy the convenience of completing multiple transactions at once with a single action. Customers managed to add Banking transactions such as money transfers, bill payments (mobile phone, phone, water, TV, cable, internet, electric, natural gas, etc.) and municipal taxes to the "basket" and perform multiple transactions at the same time.

During the year, the Bank completed studies related to legal regulations affecting investment and loan transactions, which led to major changes in Internet Banking.

"Digital link" was activated in branch lending processes, which improved the documentation and approval processes while reducing the Bank's operational workload significantly.

Mobile Banking

In 2017, the Main Distribution Channels and Mobile Banking continued its successful operations from the prior year by enhancing its applications with features to allow mobile banking users to perform their transactions with increased ease and security. The instant allocation of MobilDeniz General Purpose Loan has boosted customer satisfaction and reduced the Bank's operational workload, as is the case in Internet Banking.



A ground-breaking bank, DenizBank is proud to offer Turkey's first mobile wallet fastPay to the users.

A new landing page was launched that maximized MobilDeniz User experience. The new design enables customers to reach information on basic products and services they are looking for and perform related transactions without having to click through various menu options. After launching it in Internet Banking last year, the Bank activated the "Practical Menu," which maximizes user experience while combining business practices with artificial intelligence, in MobilDeniz. This feature increased customer satisfaction while differentiating MobilDeniz from other banking applications.

In 2017, with a view to ensuring that users can perform transactions quickly without having to install applications, the Bank continued to improve the menu map and design of its mobile banking app. As a result of these developments and projects, the number of active MobilDeniz users topped one million. In 2018, users will be greeted with a brand new welcome page and offered a next generation user experience.

New Generation Banking

The New Generation Banking Department is charged with DenizBank's activities in the areas of:

- 🎵 New Generation Banking Channel Management,
- 🎵 Innovative Projects and
- 🎵 ATM Projects.

Details and strategies for four ongoing projects are as follows:

Yihu

Launched in 2016, the Yihu project serves users as a mobile application. Yihu strives to leverage state-of-the-art technologies to meet customers' banking needs within a single app. To this end, fastPay, MobilDeniz, opportunities, and activity management were combined under a single umbrella.

Whether a customer of DenizBank or not, anyone who installs Yihu to his or her smart phone can enjoy Chat, make money transfers via Facebook, enjoy password-free access to Debit card, bill and loan information, and monitor account activity via Push notifications.

DenizFX

Whether a customer of the Bank or not, DenizBank aims to add all users interested in forex trading to its client portfolio. Account applications were accepted from users who are not DenizBank customers while the Bank ensured that all pre- and post-transaction functionality and directions are easily understood by everybody and users can execute their transactions more conveniently than on any other application or platform.

Mobile Qmatic

The Qmatic mobile application was completely overhauled on the Android and iOS platforms in January 2017, providing a more convenient and memorable experience for the users. Qmatic is available for everybody to use, whether a DenizBank customer or not. This application enables users to see information on nearby branches and waiting times, and get a ticket number for the transaction they intend to perform. Customers with Qmatic tickets enjoy complimentary WiFi access in the branches.

ATM Project Management

A number of developments and improvements were implemented in the ATM channel in 2017 in order to increase customer satisfaction while complying with new legal and regulatory requirements. DenizBank is making the necessary upgrades to its ATM network to comply with the "Accessible Banking Services" Communiqué that was issued to give better access to banking services for individuals with disabilities. The number of beacon enabled ATMs, the innovative project that DenizBank launched last year, increased. The Bank is currently expanding its beacon enabled ATM network.

Fintech Banking, Innovation and Digital Marketing Department

Digital Sales Marketing

The Digital Marketing team is responsible for the sales and marketing of the Bank's products and services on all digital channels as well as monitoring and analyzing data regularly. The team also supports the efforts to grow the Bank's products (time deposits, loans, credit cards, cash advances, installment cash advances, installments for cash, insurance, etc.) while differentiating them from the competition

to give DenizBank a competitive edge. In the process, the team focuses on customer satisfaction, the Bank's profitability, and lowering costs.

The share of product sales in the Bank rose in 2017; DenizBank plans to further boost these shares in accordance with its digitalization goals.

Web Platforms Department

The Department conducted initiatives on identifying services to be offered on DenizBank corporate internet site, mobil.denizbank.com and other digital platforms, devising the strategies, implementing the projects, adding the functionality for marketing and sales of banking products and services through interactive communication channels in accordance with marketing strategies, supporting the efforts to launch the planned projects, and providing post-launch reporting.

The number of users visiting denizbank.com each month topped 3.3 million in 2017. The web site has become a more effective tool thanks to a reorganization of the business flows, and the personalization of the page according to each users' behavior patterns while on the site.

As a result of web site upgrades which enhance the user experience, the number of credit card applications went up by 54% over the prior year. Similarly, the number of loan applications also increased. The Bank also launched a number of deposit projects in 2017 in response to the time deposit reform.

Fintech Banking

fastPay

Established to develop new generation payment systems, such as Turkey's first mobile wallet fastPay, the Project Department has completed infrastructural upgrades in 2017 in order to facilitate and expand the use of fastPay. Furthermore, the Bank executed design improvements to enhance the usability of the fastPay mobile app and web site, lending them a more esthetical, contemporary look and feel.

fastPay enables its users to take out cash advances from their credit cards, enter automatic bill payment instructions for payments they defined in the application, easily perform bill, lottery and betting, condominium

fee and membership due payments, as well as making payments at the Bank's extensive network of contracted merchants. In addition to these, DenizBank implemented new projects in 2017 and enhanced fastPay with brand-new functionalities in order to provide a more extensive range of services to users. The "Cash Request" function adds the capability to request money from one person or multiple individuals for an activity, pocket money, or similar purpose. The IBAN EFT feature enables users to transfer amounts from their fastPay balances to other IBAN accounts. Further, the "Digital Code" purchase feature allows users to buy games or subscriptions from digital platforms. The ability to make payments simply by scanning the QR code and tapping the fastPay-installed phone on the POS, using the NFC technology available exclusively for Android devices, without having to carry a credit card, in the form of "Pay with QR Code" and "Contactless payment" functions, provided fastPay users with a fast and convenient payment experience.

DenizBank created a "digital ecosystem" for the first time in the world that brings together TVs, banks, FinTechs, brand sponsors and contracted merchants and began to allow users to earn money in a quiz show that thousands of users can participate simultaneously online through a mobile application. The "Everybody Wins" mobile application represents the first time a bank pushed the envelope, went beyond providing financial services to everybody whether they are bank customers or not, and created an environment that combines entertainment and earnings.

Deniz Shell

During the year, the Bank made upgrades to the Deniz Shell mobile app, which launched in 2015, aiming to boost user satisfaction. Business cards can now be uploaded to the app and shared with other users with a single click. Users can also choose a template to easily create their own business card, navigate with the addresses on business cards or conduct searches among the cards. The "Deniz Shell Password Manager" web browser add-on launched in 2017 enables the user to track all passwords defined in the application also on the computer. Passwords for related websites are entered with a single click, providing the convenience of automatic login as needed.

DenizBank created a "digital ecosystem" for the first time in the world and launched the "Everybody Wins" mobile application that enables thousands of users, whether a bank customer or not, to compete simultaneously online.



The Innovation Committee launched the “I Found a Solution” application in 2017 and laid the foundations of the in-house open innovation culture.

SMEDeniz

In 2017 the Kumsal (Beach) platform currently offered by the Cloud Banking department to SMEs and the SMEDeniz platform were merged under the “SMEDeniz” umbrella and launched as a new platform.

The condo and housing development management platform SiteniYönet (ManageYourBuilding), offered to condo managements in return for the payment of condo fees over fastPay, commenced service in 2017. SiteniYönet represents the first complimentary digital platform in Turkey to bring together a bank with residents and managements of a housing complex.

Innovation Committee and Management

2015 saw the creation of the Innovation Committee, comprised of a Committee President who oversees DenizBank’s innovation processes, senior executive comprising over 50 members representing all business lines and the Committee Secretary General. The Committee’s vision is to make DenizBank the leading innovative enterprise in Turkey and worldwide, not only in finance but all sectors. Its mission is to interpret innovation in a way that touches upon both internal and external customers to ensure that all DenizBank units actively engage in and think of innovation. As such, the Innovation Committee strives to expand the culture of innovation among all Bank employees, and transform DenizBank into a veritable factory of innovation.

The follow-up of all business lines and the coordination of the Innovation Committee are carried out by the Innovation Management Department, which reports to Digital Generation Banking. In order to enhance current innovative products and identify new problems, the Committee and the Innovation Management team join forces, design DenizBank’s all upcoming product processes, and take the necessary action to implement these. In addition to the traditional banking operations, the Innovation Committee continues to shape the banking of the future in every way as a leading bank in innovation and creativity.

Responsible for managing and developing digital projects within the Bank in conjunction with various business segments, the Committee launched the “From Deniz (Sea) to Land” project with the Agriculture business line, the “Neuroscience” project with the Call Center, and the “I Found a Solution” project with Human Resources within the last year. The Committee is also working on innovative projects that are currently in planning stages.

The Committee launched the “I Found a Solution” application in 2017 and laid the foundations of the in-house open innovation culture. This application is an open Innovation platform that enables employees to share their ideas and solutions freely, grade and compete with each other, and opine on each other’s work. The aspect that separates “I Found a Solution” from “I Have an Idea” is that employees come forward with their solutions in response to problems in “I Have an Idea.” Further, all employees vote on existing solutions and evaluate them with their comments.

The Committee launched the “From Deniz (Sea) to Land” application to increase the productivity of farmers in the agriculture industry, which is considered as an economic engine. The application generates personalized dynamic recommendations to enhance productivity. “From Deniz (Sea) to Land” is an agricultural advisory service that generates technology-supported customized solutions for farmers who are interested in lowering their production costs and increasing their yields. In addition, the “ask the engineer” feature enables farmers to be educated by expert engineers about the

problems they are experiencing. Furthermore, farmers can follow Wholesale Produce Market and Exchange prices and reach the latest prices in real time. All developments in the agriculture industry such as news, official announcement, grant and support notifications, and lucrative campaigns can be reached in the “News & Announcements” section of the application. In addition, users can contact tractor owners via classifieds to rent the tractor that meets their brand, model, horsepower, and daily rental price criteria.

In an effort to improve customer satisfaction and provide them with the best service, neuroscience techniques (EEG, emotion measurement, etc.) were employed to measure customers’ brainwaves and analyze their cognitive responses, which in turn led to updated call center scripts and enhanced customer experience.

Working in parallel with the Innovation Committee, the Innovation Management Department not only follows up on in-house innovation processes, but also keeps track of all innovative products and technologies from Turkey and worldwide, and explores how these can be utilized at DenizBank. The Innovation Committee also conducts meetings and agreements with fintech start-ups and third parties that provide high quality services which can generate value for DenizBank, contributing to the formation of an open innovation ecosystem around DenizBank.

Also, in order to sustain DenizBank’s international innovation achievements, which are appreciated across the world, the Bank conducts relationships with international authorities providing the global recognition of innovative products and services. Furthermore, in order to expand DenizBank’s successes and unique experiences in this area, efforts are made to prepare and publish domestic and overseas publications on technology, digitalization and innovation.

Celebrating its 20th anniversary in 2017, DenizBank crowns its success with awards every year and continues to be the rising star of banking.

Our Awards

Last year was yet another year when DenizBank bolstered its reputation as an innovation leader. DenizBank placed the “BAI 2016: the World’s Most Innovative Bank” award it won in October 2016 alongside the “World’s Most Innovative Bank” awards it received in 2014 from BAI and in 2015 from EFMA.

After solidifying its reputation as an “Innovation Leader” for three straight years, DenizBank took an exciting step in a new direction and won EFMA’s silver award in a special category consisting of next generation, branchless digital banks which spearhead the industry with head-spinning innovations and revolutionize classic banking. In the competition, considered as the innovation arena of the global banking industry, participated by 183 financial institutions from 59 countries with more than 467 projects in 10 categories, the Bank took first place in the “Best New Product or Service” category, the most prestigious category, with the “From Deniz (Sea) to Land” application (Augmented

Solution” application and in the “Digital Marketing” category with the “Visible Man” project thanks to its innovative approach and value creation in its projects.

In 2017 DenizBank received an award in the “Internal Process Innovation” category at the US-based Bank Administration Institute (BAI) Global Banking Innovation Awards, participated by financial institutions from more than 22 countries with thousands of projects, with the “Intelligent Workforce Management” project that the Bank developed in conjunction with its technology base Intertech.

The “I Found a Solution” application was recognized with an award in the Product & Process Innovation category at the “Global Finance Names the Innovators 2017 – Transaction Services” innovation award competition organized in November 2017 by Global Finance, one of the most respected authorities in the finance industry.





DenizBank aims to become the best service provider in the sector in all card payment transactions provided to customers.

OPERATIONS GROUP

The Information Technology and Support Operations Group, IT Security and Digital-Card Payment Operations Group, the Branch and Central Operations Group, and Intertech report to the Chief Operating Officer (COO). The Cash Management, Public Finance and Organization Groups also report to the COO as a matrix.

INFORMATION TECHNOLOGIES AND SUPPORT OPERATIONS GROUP

The Information Technology and Support Operations Group undertakes the following activities in such a way so as to create synergy and coordination with other business lines of DenizBank;

- ♫ Service Quality,
- ♫ Customer Relationship Management (CRM).

The core business activities of the Group include the following:

- ♫ Increasing service quality and standardizing services offered through all channels as well as enforcing and managing business development, process improvement, branch support and data quality,
- ♫ Determining strategies to provide the products and services that suit customer needs by segmenting customers in DenizBank's business lines, and updating and managing the analytical and operational CRM platform in line with these strategies,
- ♫ Developing and implementing the methodology, process and other IT projects of credit, allocation and risk units and managing of similar integrations with Sberbank.

The Information Technology (IT) and Support Operations Group focuses on "Operational Excellence" in the awareness that in today's increasingly competitive world, "Customer Experience" is key to making a real difference, in addition to the actual products or services on offer.

In line with an approach that strives for continuous improvement and places the customer at the heart of the business, all processes are designed on the basis of five principles:

- ♫ Simplicity
- ♫ Consistency
- ♫ Service through Multiple Channels

- ♫ Empathy
- ♫ Automation

In order to enhance service quality on an ongoing basis, the Bank uses customer feedback, customer surveys, operational measurements and benchmark results to improve the processes with the most advanced BPM techniques and tools.

Service Quality

To uphold DenizBank's strategic targets, the Service Quality Department focuses on improving processes and developing competitive, efficient and productive business methods to make progress toward operational excellence. Accordingly, its main targets are as follows:

- ♫ Performing the Bank's Change Management function,
- ♫ Achieve simplicity and productivity in processes,
- ♫ Maximize automation,
- ♫ Convert all service points (in branches or non-branch channels) into sales-focused platforms without operations,
- ♫ Ensure standardization, and
- ♫ Maximize internal and external customer satisfaction.

As part of development and improvement efforts, process analysis modeling is applied, as the projects are put into practice, the departments strive to ensure that processes are defined and interconnected and that responsibilities and roles are clearly identified. In parallel with the continuous follow-up and improvement efforts, experiences yielded by each project are reflected upon in other projects and processes with a view to establishing a learning organization.

To boost branch productivity with a customer-focused approach and to minimize and control risk, the improvement needs of branches are identified, turned into projects and resolved; strategic projects concerning the branches are implemented within the set deadlines.

In order to implement the projects, training, notification and coordination related activities are carried out. The purpose of these activities is to spread and reinforce the innovations that will make DenizBank more competitive and customer oriented. To this end, the necessary methodology for extending and systematically implementing these training programs is outlined.

Efforts are expended to implement developments and improvements across the entire organization at the same standards. To this end, branch visits are performed, and the questions, opinions and requests from branch personnel are duly assessed.

In order to offer customers the most efficient services, all questions and problems coming from branches on applications, procedures and business methods—excepting certain technical issues—are resolved as soon as possible. The Department communicates with concerned departments to settle all malfunctioning business practices.

CRM–Customer Relationship Management

In today's world, where competitors provide similar products and services, companies can create the highest added value possible solely by offering the best experience and delivering superior products or services. For this reason, focusing on customers' experiences and improving these experiences has become as important as the functions and benefits of services that have become almost a standardized commodity.

As business becomes more and more digital with ever-growing data volumes and high technologies, the companies capable of creating analytical business skills and strategies get ahead in competition. Analytical business strategies began in 2005 with a focus on DWH installation, customers' purchasing and abandonment trends, and marketing models, and now continue with artificial intelligence based on big data in the fields of marketing, sales, risk and operations/productivity management.

Data and customer communication management related activities were geared up in line with the goal of delivering DenizBank's personalized financial services at the right time, through the right channel, at high quality and as quickly as possible. The customer communication and marketing applications have allowed the Bank to offer personalized and proactive solutions based on customer preferences, at every point of contact. Resource management strategies that maximize efficiency have laid the groundwork for various departments to operate at top productivity levels. The roadmaps for specific customer groups, which serve to deepen the relationship on the basis of the customer's life cycle, were automated thus bringing resource efficiency to the highest maximum level.

In line with the strategy of offering accessible services that make the lives of customers easier, DenizBank customers were instantly delivered e-mail and SMS messages related to over 70 banking actions such as money deposits and withdrawals, investment accounts, credit card transactions and cheque transactions, in accordance with individual customer preferences.

With customer service and transaction packages designed in line with customer behavior in transactions and channels, DenizBank took further steps to become customers' bank of choice, and posted significant growth in cross-sales and profitability from customers using these packages. Using online CRM applications, the Bank continued to make instant, personalized offers to customers by identifying their needs during various banking transactions. The integration of the application with trend models has allowed the Bank to present on-the-spot proposals based on analytical data at points of contact.

Emphasis was placed on innovative channels created in line with the channel habits of new generations of Bank customers. The latest technologies were deployed to communicate with and serve customers in social networks. To enhance the experience in these channels, customer interactions with the Bank were analyzed and the information collected was used to further improve customer experience at DenizBank.

The central service management model, which helps provide top-notch services in line with customer expectations at the same standard in all the distribution channels, enables customers to enjoy the same high quality experience at every point of contact with the Bank.

Through systematic NPS (Net Promotion Score) measurements among customers receiving service from the channels, customer experience and expectations were analyzed more accurately, and process and product designs were performed in accordance with customer expectations. In year 2017, the Bank received "ISO: 10002-2014 Customer Satisfaction Quality Certificate" with a view towards ensuring the continuity of the customer focused organization structure.

On the digital front, activities continue along the motto "The Branch is a Sales Office". In the biggest branch mobile transformation project of the banking sector, the Portfolio/Sales Managers in the branches have each become a digital/

With customer service and transaction packages designed in line with customer behavior in transactions and channels, DenizBank took further steps to become customers' bank of choice, and posted significant growth in cross-sales and profitability from customers using these packages.



DenizBank has launched inter-Paynext, a new card package integrated with the banking system, and NFC Card, which is based on Cloud Technologies.

mobile branch in their own right with 3 thousand high-tech CRM-based tablets. While portfolio managers visit customers with their tablets, tellers turn into strong sales points that provide fast and high quality operational service to customers arriving at the branch and perform sales best suited to customer needs thanks to a strong CRM automation. Tellers account for 45% of all sales in the branches.

Cognizant that each branch is a sales office, the Bank has centralized the scanning and archiving operations in the branches. As such, branches now only perform document control while the scanning, archiving and indexing functions are carried out centrally. As of 2017, 88% of all transactions are being realized through digital channels.

IT SECURITY AND DIGITAL-CARD PAYMENT OPERATIONS GROUP

The IT Security and Digital-Card Payment Operations Group is responsible for running DenizBank's coordination and synergy with the other business lines:

- 🎵 IT Security,
- 🎵 Digital and Card Operations,
- 🎵 Corporate Security and Chargeback,
- 🎵 Project Management,
- 🎵 Research and Development, and
- 🎵 ATM and POS Operations.

The Bank keeps a close watch on customer behaviors and IT structures that evolve as technology develops, and upgrades its relevant processes. Since the digital world has become an indispensable part of our corporate and individual lives, the risks arising from digitalization are managed in the most efficient way in order to be confident of our future in the digital world. Behavior-based security technologies have been designed and built, leading to better protection against zero-day attacks. Security risks have been minimized by isolating Internet access from the surrounding environment.

Security processes have become much more dynamic, such that the new feature publishing cycle has been shortened significantly. The Bank makes a point of raising the awareness of users and customers against cyber attackers who exploit people's weaknesses.

Internal users and customers become more and more exposed to cyber security risks with the widespread use of digital devices, and these

rising threats aggravate the risks associated with digital media. The IT Security Unit's detection and prevention activities are being enhanced with further investments in the field of security. The integration of new security technologies into the network allows the Bank to swiftly receive information about global threats. The Bank has carried out risk management activities related to IT processes, applications, infrastructure and security systems. The IT Risk Management Unit has been restructured with a focus on cyber risks, and has become less prone to such risks thanks to an increase in its capacity.

Card payment systems, very well-developed in Turkey, certainly affect customers' choice of bank with the ease of use and the comfort they bring to their lives. As such, card payments form a critical service that creates a competitive difference. Cognizant of the fact that card payment systems are a key component of its competitive edge, DenizBank aims to be the best service provider in the sector in terms of all card payment transactions offered to customers.

In order to provide customers the best experience while striving to achieve operational excellence, DenizBank has become the bank that delivers credit and Debit cards in the fastest and most accurate manner in the sector. DenizBank is the Turkish bank with the highest level of completeness and accuracy in terms of customer address structure.

Cards are sent to customers with a 90% successful Delivery rate, reflecting the Bank's operational accuracy.

The Bank maintains a close watch on technology, and offers customers innovative products which break new ground in the domestic sector and worldwide. By adding anonymous prepaid and preauthorized prepaid cards to its existing credit/Debit cards portfolio, DenizBank has succeeded in providing banking services to an even larger customer base. DenizBank has become a leader in the sector with instant Anonymous Credit Card service at the banking branches. DenizBank's card services reach out to a vast population in Turkey by means of cards specially designed for transportation use, sports events and campus projects. Payment automation systems set up at Marmara and TED Universities offer students and academics secure payment and safe access at these locations.

DenizBank has almost doubled its number of POS devices, with 171 thousand deployed over the past two years; according to statistics of the Interbank Card Center of Turkey, the Bank ranked ninth in the sector. And thanks to POS services enabling customers to receive 24/7 support, DenizBank has achieved the service quality level required to become their preferred bank.

The Bank participated in the design and manufacture of the New Generation Payment Registration Devices (ÖKC) demanded by the Ministry of Finance. It became the first bank in the world to launch these devices at contracted merchants. The Bank now enjoys an 8% market share in this segment and 76 thousand ÖKC.

With the addition of new Payment Registration Device (ÖKC) models, there is a significant increase in ÖKC models supporting the banking application, and this wider range of choice means that more clients prefer the Bank. Projects devised for the current POS models were also integrated with payment recording device terminals. In 2017, the Producer Card Project was integrated with Vera Payment Recording Devices. Payment recording devices were also enhanced to integrate with the multi-bank operation system. This process has a positive impact on customer satisfaction.

The project to complete fastPay – a mobile app launched for the first time in Turkey by DenizBank – by generating invoices, was finalized and around 25 thousand New Generation Payment Registration Device (ÖKC) terminals started to provide this service.

In another innovation, it has become possible to employ the ÖKC device as a POS terminal only. As such, clients who do not need or want a cash register but just a POS terminal can now also employ a VERA ÖKC.

The working model of POS operation processes was changed to the “per call” model, and around TL 1.2 million was saved per annum.

Thanks to the DENİZPOS mobile app for smartphones, POS clients can easily access banking applications and access services such as bank statements, materials, POS application or rate changes.

A new payment method has been created in ÖKC devices for payments made via FastPay, since it has become possible to generate and scan QR codes with the FastPay mobile application.

In order to get a larger share of the rapidly growing card market in Turkey, banks have to rapidly launch POS/card/card packages in line with consumer preferences. To this end, DenizBank has developed its own card payment package, **inter-PayNext**. The POS client and contracted merchant side has also been made compatible with this package, ensuring a safer and faster operation through our own package. The Bank continues to work on upgrades for POS clients and contracted merchants.

Over the last two years, the number of DenizBank ATMs has grown to 5,512. To alleviate the workload of branch tellers, advanced Express Gişe Kiosks were developed to offer money deposit, withdrawal services and function as alternative distribution channels in retail chains. The number of Express Gişe Kiosks is over 400. ATMs have become a channel based on the CRM infrastructure that not only provides services but also sells products; as such, they propose products and services to customers. The ATM Cash Flow Management application was enhanced to minimize the funding cost of money transfers to ATMs, and render their operation more efficient. The Recycle support, which allows the money deposited in ATMs to be used in withdrawals, has allowed ATMs to run for longer periods without being supplied and costs were cut as a result. During the year, the Bank launched innovative projects at its ATMs, including card-free money withdrawal, login via SMS, money withdrawal by voice, and i-Beacon.

The Bank added Dielbold ATMs, one of the top three brands in the world, to its existing ATM models (NCR and WINCOR). Over 320 Diebold branded ATMs are now in service.

The Chargeback project and the Visa-MC foreign barter accounting automation project have minimized the operations-related loss of time and labor and operational failure risk. Reports have started to be stored in a digital format.

Actions in response to payment system fraud, increasingly widespread across the world, were analyzed, with proactive and reactive measures adopted according to customer lifestyles. As a result, DenizBank customers, who carry out transactions in all channels via the Bank’s systems, were provided with the most secure payments services in Turkey. Loan and credit card applications were merged under Fraud Risk management, and a more secure structure was established. In the area of customer information and security, the Bank took measures against financial losses of customers in line with recent trends and total loss was lowered despite a rise in the number of attacks.

DenizBank has almost doubled its number of POS devices, with 171 thousand deployed over the past two years; according to statistics of the Interbank Card Center of Turkey, the Bank ranked ninth in the sector. And thanks to POS services enabling customers to receive 24/7 support, DenizBank has achieved the service quality level required to become their preferred bank.



At BAI 2017 Global Innovation Awards, DenizBank Operations received an award in the Internal Process Innovation category with its “Intelligent Workforce Management” project developed jointly with Intertech, its subsidiary and technology hub.

BRANCH AND CENTRAL OPERATIONS GROUP

The Branch and Central Operations Group undertakes the following activities in such a way as to create synergy and coordination with the other business lines of DenizBank:

- ♫ Central Operations and Branch Operations,
- ♫ Treasury, Payment Systems, Foreign Payments and Private Banking Operations,
- ♫ Investment Banking, Custody and Fund Services Operations.

The Branch and Central Operations Group ensures that the banking products previously or currently purchased by DenizBank customers and their after-sales aspects are in accordance with national, international and in-house regulations.

Central Operations and Branch Operations

- ♫ Regional Operations and New Applications Department Managers continue to extend new applications to the entire field, inform and train field employees, and provide sales coaching to operations staff.
- ♫ In order to better coordinate and monitor operational sales and operational functioning, Regional Operations was restructured, and the Regional Operation Sales Representative Office was created. Field visits and sales monitoring activities are carried out under this unit.
- ♫ In line with the target of transforming branches from “Service Points” into “Service and Sales Offices,” the entire teller group, after the completion of the necessary training process, has been transformed into a new task group, namely “Teller Sales Officers”, who can perform sales and pricing as well as teller services, along the motto “high quality sales with a smile.”
- ♫ At BAI 2017 Global Innovation Awards, considered to be the most prestigious award platform for innovative banking applications, DenizBank Operations received an award in the Internal Process Innovation category with its “Intelligent Workforce Management” project developed jointly with Intertech, its subsidiary and technology hub.

- ♫ The first of its kind in the world, “Intelligent Workforce Management” project offers features such as prioritizing of customer needs and transactions, ensuring a balanced work load distribution by making necessary calculations with the workforce and work load, evaluating the competence of all personnel, and supporting the employees in developing their versatility and competence.
- ♫ In this scope, all personnel have received certification training, and started working together in the work pools that they are assigned to. Likewise, competencies, work style, process priorities, SLA management, performance management and operation promotion criteria have been aligned with this model.
- ♫ In line with the target of transforming branches from “Service Points” into “Service and Sales Offices,” as part of the SME Support Project, Operations Directors in branches have started to play an active role in sales and services to the clients in the SME segment, thereby allowing SME Portfolio Managers to focus more on customer visits, new customer acquisition and sales.
- ♫ In order to be able to provide the best service to end customers at all times, the “Operational Quality” platform has been established between the Branches and Central Operations for reporting on issues that interrupt business and adversely affect service quality. Report to this address are analyzed, and remedial actions are taken.
- ♫ In order to contribute to the Bank’s foreign trade expansion goal and foreign trade mobilization, the “Foreign Trade Support Line” has been established under Operations, and it has started offering one-on-one live support to customers via Skype or phone.
- ♫ As part of the foreign trade mobilization, regional training programs and meetings have been organized with Branch Managers, Portfolio Managers as well as different segments.
- ♫ In order to support specialization in foreign trade and enrollment in the necessary certification programs, the total proportion of employees to receive CDCS at the international ICC test taken after intra-departmental training programs was brought up to 60%.
- ♫ The operational transactions of the DenizBank subsidiaries Deniz Factoring and Deniz Leasing have started being delivered by the “Domestic Subsidiary Operations” under the umbrella of Branch and Central Operations.

- 🎵 In Central Operations, loan operations have been divided into Cash and Noncash Loan Departments in order to boost speed and quality. Furthermore, team leaders were designated to offer consultancy services to branches in areas of specialization such as loan-related legislation and procedures.
- 🎵 The branches' accounting operations have been placed under the Central Operations.
- 🎵 In all departments and branches reporting to the Branch and Central Operations Group, efforts continued to set up efficient monitoring mechanisms, monitor and develop operational processes, reduce operational risk and raise productivity.

Fund Management Payment Systems, Foreign Payments and Private Banking Operations

Fund Management, Payment Systems and Private Banking Operations implemented the following improvements in 2017 to comply with applicable legislation, boost operational productivity and minimize operational risk:

- 🎵 In 2017, the SWIFT infrastructure and workflows have been aligned with the "Customer Security Framework",
- 🎵 The "Netting" module has been created in interbank transactions, for a more effective management of correspondent bank costs and operational efficiency purposes
- 🎵 The Bank has taken its place in the first group of banks to participate in the SWIFT gpi project, designed to follow-up foreign currency customer transfers in a more efficient manner, and has initiated the relevant efforts. Upon the completion of the project, customer payments will be followed up online - in terms of time taken by the by correspondent banks, incurred expenses - and information will be sent to the supervisor's customer by crediting the beneficiary's account.

Investment Banking, Custody and Fund Services Operations

Investment Banking

To maintain DenizBank's competitive edge in securities operations, in addition to the standard services offered in the market, DenizBank's exclusive securities projects are developed and automated in the securities system.

The Investment Banking Operation Department carries out the following transactions:

- 🎵 Trading in liquid and short term investment funds via branches and alternative distribution channels, 24/7,
- 🎵 Automatic trading for the "Captain Account" application of the Liquid Fund's Short-term bond fund,
- 🎵 Automatic terminating of Liquid Funds and short-term bond fund during cash withdrawal from ATMs,
- 🎵 Performing automatic fund sales in line with the criteria of the "Deposit Fund" project,
- 🎵 Conducting public offering of Capital-Protected Funds, termination of these funds according to certain criteria, and repayment on maturity date,
- 🎵 The public offering of Umbrella Funds, termination of these funds according to certain criteria, and repayment on maturity date,
- 🎵 Issuing DenizBank Asset-Backed Securities, related Central Registry Agency transactions and customer transactions,
- 🎵 Issuing DenizBank Bonds, related Central Registry Agency transactions, distribution, trade, repayment of principal and coupons.
- 🎵 Registry, issuance and trading transactions for Electronic Warehouse Receipts (ELÜS).

Since the beginning of 2013, DenizBank has enjoyed market-maker status in the government debt securities (DİBS) market with the approval of the Undersecretariat of Treasury. The Bank's transactions on the Stock Exchange and the OTC market have expanded in terms of number and volume. Due to this market-maker status, the Bank also participates in Open Market Transactions (API) tenders and direct trading tenders. An automatic tender notification infrastructure has been established to communicate with the Central Bank of Turkey regarding weekly DİBS tenders.

Custody Services

In line with Capital Markets Board communiqés, DenizBank's Custody Services Department provides custody services to:

- 🎵 Customers served by portfolio management companies, and individual customers;
- 🎵 Investment funds and investment trusts (collective investment companies),
- 🎵 To DenizBank AG customers with their portfolios on customer basis.

The main products that fall under custody services include:

- 🎵 Stocks,
- 🎵 Fixed Income Securities,
- 🎵 Eurobonds,
- 🎵 Investment Fund Participation Certificates,
- 🎵 Domestic and foreign currency deposits,
- 🎵 Foreign currency exchange transactions,
- 🎵 OTC derivative transactions and Futures and Options Market (VİOP).

Fund Services

Fund Services provides such services as price calculation, accounting, notification and funds reporting to investment funds set up and managed by Deniz Portföy A.Ş., or other portfolio management companies.

The Bank has changed its ATP Fund Service Program during the year, transferring all funds to the InFlex system.

During 2017, three funds were liquidated, and nine new funds were issued. In total, fund services are provided for 30 investment funds, of which twenty-three belong to the Bank and seven are external.

Changes and improvements required by applicable laws, rules and regulations are communicated to the software company and completed in a joint effort.



FOREIGN SUBSIDIARIES

DenizBank AG offers private banking services to numerous Turkish citizens abroad as well.

DenizBank AG (Austria) – JSC DenizBank Moscow (Russian Federation) – EuroDeniz International Banking Unit Ltd. (TRNC)

DenizBank AG (Austria)

Established in 1996 by the former Esbank in Vienna, Esbank AG was acquired by DenizBank A.S. in 2002, and renamed DenizBank AG in 2003.

DenizBank AG operates with an extensive range of deposit and loan products in Retail and Commercial Banking. The Bank serves corporate, commercial, SME and retail customers by focusing on products such as investment loans and project and foreign trade finance based on market needs and identified opportunities. Headquartered in Austria, DenizBank AG has a network of 43 branches; 27 in Austria, and 16 branches in Germany as of year-end 2017. DenizBank AG closely follows global development trends, and is the third biggest bank in Austria in terms of direct banking customer portfolio.

DenizBank AG also provides retail banking services to many Turkish citizens living abroad. Synergy between DenizBank AG and DenizBank is attained by pooling resources such as the extensive branch network, the increasing number of money transfer points, and easy access to services. These resources bring about a positive customer experience that reflects well on both companies, and thereby expands their respective customer bases.

As of year-end 2017, the total assets of the Bank amounted to EUR 10.6 billion while total shareholders' equity was EUR 1,390 million.

In the coming period, DenizBank AG plans to expand its branch network and the scope of its Internet banking services in the Eurozone.

DenizBank AG has been growing steadily over the last two decades. Thanks to its specialized staff and its main shareholder, it has become one of the five largest private banks in Austria, bringing its total assets up to EUR 10.6 billion. In terms of its total assets, DenizBank AG is among the five largest Turkish banks abroad.

In early 2017, DenizBank AG has acquired accredited bank status for European Exim loans, reached an agreement with the global leader Allianz Group for the sale of its insurance services and products, and continues to diversify its product portfolio.

DenizBank AG had been nominated to the "Best Advertising Contest Award 2013", as its advertising designs had made it to the top three in 2013 through an innovative and perfectionist perspective. In 2015, DenizBank AG had been awarded the excellence in customer focus award at the FMVO awards.

JSC DenizBank Moscow (Russian Federation)

DenizBank acquired Iktisat Bank Moscow in 2003 and changed the name to CJSC DenizBank Moscow. This company name was changed to JSC DenizBank Moscow on December 3, 2014. The Bank offers a full array of banking services to corporate and commercial customers from its head office in Moscow.

The opportunities for economic partnership between Turkey and Russia generate new investments, primarily in foreign trade and tourism; as such, the number of Turkish entrepreneurs investing in Russia is on the rise. By establishing close relationships with these entrepreneurs, JSC DenizBank can identify the needs of these businesses accurately and bring all financial services offered by DFSG to its customers, while responding quickly to requests by way of DenizBank's financial power.

DenizBank customers perform their foreign trade transactions in Russian rubles with the support of the subsidiary. Moreover, customers can perform many other banking transactions like money transfers, account openings, external guarantees, foreign exchange transactions, Russian ruble purchasing, as well as forwards and arbitrage.

As of end-2017, the Bank's total assets stand at USD 299 million and its shareholders' equity at USD 84.4 million, as it maintains its leadership in the Turkish niche market. In 2017, the Bank registered an increase of 127% in its tourism sector cash flow, and a 179% surge in its ruble denominated foreign trade transactions.

EuroDeniz International Banking Unit Ltd. (TRNC)

Acquired by DenizBank from the Savings Deposit Insurance Fund of Turkey in 2002, the bank was renamed EuroDeniz International Banking Unit (IBU) Limited in February 2009. The Bank is licensed to undertake all commercial banking operations, and offers various deposit and loan products to the corporate and commercial customer segments.

As of year-end 2017, the Bank's total assets stood at USD 173 million and its shareholders' equity amounted to USD 7 million.

INFORMATION TECHNOLOGY (IT) SERVICES

Intertech's latest integrated finance platform "inter-Vision" serves 49 institutions in 10 different countries.

INTERTECH

Established to provide much needed IT services to the financial sector, Intertech continues to report to the DenizBank COO, under the umbrella of the DenizBank Financial Services Group (DFSG). Intertech designs innovative and efficient solutions for 49 institutions in 10 countries, in particular the finance sector, its field of expertise, with superior service quality.

Intertech provides cutting edge IT solutions-recognized by multiple international awards-for DenizBank to achieve its targets of "Operational Excellence" and "Unique Customer Experience."

Operating under the umbrella of DenizBank Financial Services Group (DFSG) since 2002, Intertech has developed four core banking packages used in many domestic and foreign banks, and has capitalized on its experience and expertise to further upgrade its product range. A strategic solution partner of Microsoft's, Intertech has built its inter-Vision integrated banking platform on Microsoft-based current technologies such as NET and Microsoft SQL Server.

Having received many awards since its inception, Intertech has most recently obtained the Silver prize at one of the most prestigious award platforms in the global finance circles, namely Innovation Awards 2017, jointly organized by the management consultancy company Accenture, and European Financial Management Association (EFMA), which has over 3300 member banks and financial corporations from 130 countries as of 2017, in the special category "The Top Innovative and Game-Changer Banks on a Global Scale." More than 467 projects from 183 financial corporations in 59 countries competed in ten different categories in this event considered to be the innovation arena of the global banking sector. DenizBank also won the Best New Product/Service award for its "Denizden Toprağa" App at this event.

Furthermore, at the US-based Bank Administration Institute's (BAI) Global Innovation Awards, organized since 2011 with thousands of participations from over 22 countries, DenizBank received an award in the

Internal Process Innovation category with its "Intelligent Workforce Management" project developed jointly with Intertech, its technology hub.

After Austria, Bahrain, Germany, TRNC, Saudi Arabia, Turkey, Albania, Kosovo and Lebanon, Intertech's latest integrated finance platform "inter-Vision" has extended its services to Azerbaijan, thus bringing up the number of national markets it serves to 10 and its references to 50 as of 2017.

One of the most important projects launched by Intertech and DenizBank in 2017 was the new generation card payment platform, inter-Paynext. It has been developed with state-of-the-art technologies to address companies' card payment system requirements, from end to end. Developed in line with Visa and Mastercard rules and in a PCI/DSS compatible manner, the platform consists of modules that can operate independently of each other, and offers all processes of the card life cycle - from the application stage up to card termination - through effective decision and action mechanisms.

The next generation banking platform, inter-Vision Integrated Banking Platform, was developed in line with DFSG's IT strategy. It is a web-based banking application built entirely on service oriented architecture to assure scalable solutions through the quick application and unique combination of the best IT infrastructure in its field. The inter-Vision Integrated Banking Platform links DenizBank's corporate marketing strategy with banking processes in a manner that places customer process management at the center, thus allowing DenizBank to execute its activities in line with customer needs and expectations. Information retrieved from consolidated and central data feeds marketing applications to provide dynamic access to decision support models and turns its operational employees into a fully equipped sales force.

DenizBank has achieved the following results via the inter-Vision Integrated Banking Platform:

🎵 *Customer Relationship Management for a Customer-Oriented Perspective:* Customers are offered high-quality products and services aligned with their preferences and financials.



In 2017, Intertech and DenizBank launched their new card generation payment platform, inter-Paynext project.

- 🎵 *Business Process Management for Operational Productivity:* The platform was provided to design, automate, implement and optimize customer-oriented business processes, achieve low training costs and inject agility across all levels of the organization.
- 🎵 *Financial Solutions for Agility:* Intertech's fields of expertise are not limited to basic banking operations, but also include financial topics that appeal to all institutions. As such, the relevant companies in DFSG not only utilize Intertech's solutions in basic banking, but also in factoring and leasing.
- 🎵 *Business Intelligence Solutions for Efficient Decision Support:* This platform has strengthened the management of financial data storage and created an integrated decision support structure.
- 🎵 *Alternative Distribution Channels Management for Banking, Anytime and Anywhere:* The platform has provided uninterrupted 24/7 financial services through all distribution channels and has developed IT solutions and infrastructure in line with business growth.

Intertech designs a continuous, robust and flexible IT development infrastructure for DFSG. The Company has also established the Disaster Recovery Center in Ankara, outside operational areas, with a view to providing continuous services in cases of emergencies and disasters. Twice a year, Intertech controls the operations expected to be delivered by the Disaster Recovery Center to ensure the continuation of banking services.

As the expansion of online services across the world brings about a parallel increase in IT security threats, Intertech has expanded its IT security team. As such, Intertech provides the following security measures:

- 🎵 Development of security policies and procedures,
- 🎵 Training of code security and techniques for secure code development,
- 🎵 Training of security awareness,
- 🎵 Audit for IT security,
- 🎵 Application security audits,
- 🎵 Network weakness analyses and penetration tests,
- 🎵 Installation of public key infrastructures,
- 🎵 Encryption and electronic signature applications,
- 🎵 IT security risk analyses,
- 🎵 Project consulting for security technologies,
- 🎵 Architectural modeling for security technologies,
- 🎵 Cyber crisis management and
- 🎵 Border, Endpoint and Network Security Technologies management.

Intertech implements processes based on the global ITIL and COBIT standards to continuously improve and sustain the quality of IT services provided to DFSG, and to keep its services in line with defined Service Level Agreement (SLA)s.

With the belief that service quality can be guaranteed only with a quality life cycle, Intertech continuously improves and sustains its service quality by including the quality life cycle into all process within its projects, developed through the total quality management approach.

In its DenizBank/Intertech IT infrastructure (storing units, servers and network equipment, cooling systems), DenizBank prefers green hardware which uses energy efficiently. In the evaluation of the bid offers, costs and sensitivity for the environment are important criteria. When calculating the total cost of ownership, energy costs are also included in the calculation.

Energy consumption figures of DenizBank's systems are monitored and the Bank's IT infrastructure was virtualized by 85%.

Green cooling systems and high efficiency UPS systems are utilized. In order to control the Data Center's energy consumption, air-conditioning is made at the optimum temperature the systems can tolerate. The right space for energy optimization is where there are too many devices. For this purpose, all PCs and monitors are managed remotely by Microsoft SCCM; when they are not in use, standby mode is activated and thus energy savings are achieved.

Ekspres IT and Trade

Ekspres Securities joined DenizBank Financial Services Group at the end of 2002 and focuses on offering equity investment services for foreign institutional investors.

In the final quarter of 2013, it was decided that EkspresInvest and DenizInvest would merge under the trade name of the latter and the merger was finalized by year's end.

A Securities Trading Brokerage Authorization Certificate sales agreement was signed in July 2015, and transfer procedures were finished in June 2016; and the Company has changed its status from financial company to non-financial company. Upon a resolution adopted at the Ordinary General Assembly in August 2016, the company's primary business line was changed to provision of IT services, solutions and systems integration, communication network services, system installation and operation services, IT support and consultancy services, and its trade name was registered as Ekspres Bilgi İşlem ve Ticaret A.Ş. (Ekspres IT and Trade).

PRIVATE BANKING AND INVESTMENT OPERATIONS

DenizBank Investment Services Group places its main emphasis on customers and their satisfaction.

DENİZBANK INVESTMENT SERVICES GROUP

DenizBank Investment Services Group — established to merge the forces of DenizInvest, DenizPortfolio and Deniz REIT — is structured to enable customer access to all financial products under a single roof. Customers can manage their deposits at DenizBank Investment Centers, access mutual investment instruments, including securities, investment funds organized market products, over-counter products, and derivatives, and conduct their transactions.

Along its motto “Don’t Invest on Hype”, the Bank strives to enhance its investors’ financial literacy and to offer the best service to its clients, while employing a simple and understandable language. In order to stand by its clients at all times and make life easier for them, the Bank aims to develop new technologies and innovative products with its specialized staff. DenizBank launches new products designed to reinforce its innovative and dynamic position in the sector.

Although most companies focus on providing specific products, The Group places its main emphasis on customers and their satisfaction. The Bank’s business model has been designed to maximize customer trust as well as profit.

Investment instruments are offered to customers at every service point in line with the financial supermarket approach, and the Bank has determined the service and product model best suited for each customer segment.

DenizBank Private Banking

DenizBank Private Banking serves clients whose total financial worth exceeds TL 500 thousand.

DenizBank Private Banking has 14,661 active clients as of end-2017, and offers a wide range of customized services and solutions. The Private Banking Group boasts the widest private banking network in Turkey. It operates a total of 18 Private Banking service points: seven in Istanbul and 11 locations elsewhere across the country, in Ankara, Izmir, Antalya, Bursa, Adana, Trakya, Kayseri, Samsun, Bodrum and Diyarbakır. The Bank established the first private banking service points in Kayseri, Samsun, Bodrum and Diyarbakır, staying one step ahead of the competition.

The Private Banking Group closed fiscal year 2017 with total assets worth TL 28 billion. DenizBank’s trajectory of success received a boost when the Bank joined the Sberbank family in 2012, and was further enhanced upon the acquisition of Citibank Turkey’s Retail Banking Division in 2013. Operating in harmony and collaboration with the other business lines to constitute a single gateway for customers, the Group’s 61 portfolio managers deliver all DenizBank Financial Services Group product and services with their many advantages and privileges.

DenizBank Private Banking offers a diverse investment fund portfolio suited to the different needs of its customer base, featuring BIST 25 dividend funds, Eurobond funds, lease certificate funds and ÖBYM special variable funds. Special umbrella funds have been created for clients to manage their wealth in a more professional manner. In 2017, the Group brokered the issuance of over TL 7.3 billion in bank and non-bank private sector bills and bonds, enabling customers to access alternative, non-deposit products.

In addition to Hillside Leisure Group, DenizBank has signed new sponsorship agreements with Big Chefs Group and Su Group in order to offer its Private Banking customers various advantages at restaurants managed by these entities that serve upmarket clientele within 2017.

Deniz Private, DenizBank’s most prestigious credit card designed for the upper segment, offers privileges to Private Banking customers in both Turkey and abroad. 8,300 Bank customers enjoy the privileges of Private Card. As one of the most exclusive private cards, Deniz Private offers 10% discount at overseas hotels and restaurants, 30% cashback on domestic breakfasts and weekend cinema and theater tickets in Turkey, free-of-charge or discounted airport lounge use, 50% discount at airport car parking and valet parking services in large cities, and a free-of-charge tourist visa consultancy service once a year. Since its launch in May 2012, the Deniz Private card has become a groundbreaking and attention grabbing product thanks to the innovative services it provides.



The assets under management have grown by an annual average of 56% between 2005 and 2016, reaching TL 29 billion as of end-2017.

In the realm of events, DenizBank Private Banking aims to offer its customers exclusive experiences where they will feel special. The Group is committed to getting to know its customers well and strives to maximize customer satisfaction through exclusive activities. In 2017, the Group reached over 2 thousand Private Banking customers and vivified their life via special screenings, gourmet and gusto tasting events, concerts, auctions, launch and festival invitations.

In 2018, the Private Banking Group aims to expand its asset size and service quality, while providing personalized solutions with a dedicated workforce to meet customer needs and expectations. The Group also aims to continue standing by its customers with special activities, and other non-banking services.

DenizInvest

In accordance with the Capital Markets Board's communiqué on investment firms, DenizInvest delivers its services in 37 service points. Seventeen of these have "Private Investment Center" status, delivering personalized services in an expanding capital market product range.

The remaining service centers have "Investment Center" status, and are positioned to deliver services in organized markets products.

Continuing to break fresh ground in the sector, DenizInvest has launched an innovative scheme called "T+0", where it now immediately transfers the sums for equity sales to clients' accounts, without having to wait for two work days.

As such, clients can sell their equities and start using the proceeds round-the-clock.

Thanks to this restructuring, DenizInvest has transitioned from a product focus to a customer focus approach, becoming an investment bank that provides a full range of capital markets products.

Firsts and Achievements

♫ In 2006, the Group became the first institution in Turkey to offer brokerage services for international derivatives exchanges in accordance with its authorization certification received from the Capital Markets Board.

♫ In 2007, DenizInvest undersigned a groundbreaking achievement by offering institutional investors direct electronic access to the Istanbul Stock Exchange and the company continued to expand in this area.

♫ As part of the Investor Protection and Incentive Program, designed and implemented for the first time in Turkey, the incentive mechanisms Repurchase Guarantee and Bonus Shares were offered to the public. In 2012, the Daily Purchasing Order Guarantee and Financial Performance Guarantee mechanisms followed, and were designed to support IPO markets. DenizInvest's "Investor Protection and Incentive Practices", which are utilized during public offerings, has been deemed worthy of the "Most Creative Capital Markets Award" at the second edition of the Capital Markets Awards organized by Turkish Capital Markets Association in 2017.

♫ In IPOs carried out in Turkey since 2004, DenizInvest has captured 16.7% of the total domestic IPO demand and has become the leader of the sector with a market share of 17.3% according to the number of domestic investors.

♫ The Company underwrote as consortium leader 15 key IPOs above USD 1 billion, including real estate investment trusts, football companies, among others.

♫ DenizInvest also played a leading role in the expanding market of private sector borrowing instruments, and underwrote bond issues of many companies from the financial services sector and the real economy from 2012 until 2017.

♫ DenizInvest provides advisory and intermediation services for all capital markets instruments of Turkey's four major sports clubs.

♫ DenizInvest commenced margin trading operations after receiving the relevant license from the Capital Markets Board in 2012, with total margin trading volume of over USD 227 billion as of year-end 2017.

♫ As part of the collaboration initiated with Izmir Commercial Exchange in 2013, DenizInvest has become the first and only institution to intermediate in the electronic spot trading of agricultural products.

♫ In parallel with the increasing use of technology and digital channels in the sector, DenizBank continued to invest in these areas; the Bank now boasts 13 electronic delivery channels with 65% of all orders communicated digitally. Furthermore, orders for equities and the TurkDex are now placed via hardware positioned in Borsa İstanbul's co-location center, allowing significant improvements in the end-to-end order performance.

♫ The process of integration with Sberbank CIB Research Department, which started in 2014, was completed in 2015. As a result, all the reports of the Research Department started being issued under the brands of both Sberbank CIB and DenizInvest.

DenizPortfolio Management

In May 2003, Ege Portföy Yönetimi A.Ş. (Ege Portfolio Management) was acquired from the Savings Deposit Insurance Fund of Turkey and renamed Deniz Portföy Yönetimi A.Ş. (Deniz Portfolio Management) in June 2003. DenizPortfolio is committed to delivering top quality services in response to changing market conditions. DenizPortfolio manages 21 DenizBank investment funds and 13 pension investment funds, providing investors both high performance and consistent returns. Boasting a well experienced team of professionals, DenizPortfolio plays a key role in capital markets with world-class services that include domestic and foreign investment funds, pension funds and portfolio management.

In the last three years, DenizPortfolio Management has focused on the sales and management of funds investing in private sector bills and bonds, and has come to enjoy a prominent standing in the sector with its successful performance. DenizPortfolio figures among the top players in the market thanks to the personalized funds that it has established, as well as its Eurobond funds. As of end-2017, total assets under management have reached TL 3.7 billion and the market share in investments funds has risen to 4%. The Company plans to offer new products to the public, in due consideration of the investment preferences of its customers, while capturing more market share by focusing on individual/corporate portfolio management in 2018.

Deniz Real Estate Investment Trust

The Company joined the DenizBank Financial Services Group under the trade name of Deniz Yatırım Ortaklığı A.Ş. (DenizInvestment Trust) as a subsidiary of DenizInvest Menkul Kıymetler A.Ş. (DenizInvest Securities) at the end of 2001. At its Ordinary General Assembly on December 20, 2013, the Company transformed itself into

a real estate investment trust and changed its trade name to Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz REIT). After the transition, in order to create its real estate investment trust portfolio, Deniz REIT acquired the DFSG company Pupa in its entirety on December 31, 2013, and on June 11, 2014, created its real estate portfolio by merging with Pupa.

DenizREIT's core business consists of investing in real estate, real estate-based capital market instruments, real estate projects, real estate-based rights and capital markets instruments, so as to create and enhance a real estate portfolio.

Deniz REIT's real estate portfolio consists of 30,030 m² of leasable area and 159 independent sections.

In the REIT sector, there are 31 companies listed on the bourse, six of which -including DenizREIT- were established by banks. As of year-end 2017, DenizREIT's real estate portfolio stands at TL 171 million and its total assets at TL 250 million. Deniz REIT diversifies its investments and aims to enhance its profits with the mixed-use (villas, vacation houses, hotel) real estate development project that was set up in 2017 in addition to the current real estate portfolio.

Powered by the corporate and financial resources of DFSG, Deniz REIT continues its operations along its mission: "Carrying out activities to increase the value of the property featured in its real estate portfolio, bring about regular lease income, consistent growth and profitability, and create original real estate and construction projects, especially in the Istanbul region, by making a difference with business partners meticulously chosen to meet the requirements of each project and by upholding ethical principles."

Deniz REIT's real estate portfolio consists of 30,030 m² of leasable area and 159 independent sections.



LEASING AND FACTORING SERVICES

DenizLeasing maintains its pioneering position in financial leasing by providing the right financing method for the right investment, establishing customer relationships based on trust, and meticulously evaluating the financial requirements of customer projects.

DENİZLEASING DENİZFAKTORING

DenizLeasing

DenizLeasing provides financial and operational leasing services to Corporate, Commercial, Agricultural and SME customers in the Turkish economy, which is in need of modern financing methods due to its rapid development.

Established in 1997 with a customer-oriented approach and a strategy to launch new products in response to Customer needs, DenizLeasing is committed to becoming the leading provider in the field. The Company maintains its pioneering position in financial leasing by providing the right financing method for the right investment, establishing customer relationships based on trust, and meticulously evaluating the financial requirements of customer projects.

With its active sales policy; personalized financial solutions developed for the renewable energy, healthcare, real estate, business and construction machinery sectors; and the fleet leasing services launched under the DenizFleet brand, DenizLeasing has deepened its relationships with existing customers while acquiring new ones. As a result, in addition to its mission of adding value to the synergy of DenizBank Financial Services Group, the company also maintains its position as an innovative company.

Keeping the organization's internal dynamics fresh with a specialized staff, continuous improvement and ongoing restructuring, DenizLeasing strives to offer added value to its solution partners and the sector as a whole. DenizLeasing manages its sales operations with 18 branches across the whole country. In addition to this management approach that covers the entire country, DenizLeasing diversifies customer experience with regional differentiation. To its solution partners from different sectors, DenizLeasing provides various long- and medium-term payment schemes for financing of all manner of investment goods in foreign currency or TL, according to the respective sector's cash flow qualities. The Company also makes active use of DenizBank's distribution network.

Although it may vary according to currency, leasing is long term in structure, thereby allowing branches to access the customers' cash

flow and seize cross-sales opportunities. By its very nature, leasing is a strong instrument in collateral terms, since the purchased equipment belongs to the leasing company during the financing period. To this end, the leasing product will continue to support the DFSG portal as an important component of the Bank's "financial supermarket" approach, as it has done in the last two decades. The Company aims to reach customers in the SME segment with both Leasing and Fleet products.

DenizLeasing initiated operational leasing activities, the first in Turkey among leasing companies, upon the coming into effect in 2012 of Law No. 6361 on Leasing, Factoring and Financing Companies, and has since set up its new brand DenizFleet which stands out as a pioneering enterprise in the sector.

DenizFleet was established under the umbrella of DenizLeasing in 2014, in order to provide long term car rental services, and thus stands out in Turkey as the only operational leasing brand operating within a leasing company. Capitalizing on the synergy of the DenizBank Financial Services Group, DenizFleet strives to deliver unconditional customer satisfaction by providing swift and safe solutions with its professional staff across Turkey. To this end, the company offers the most reliable and comprehensive service package to the customers who demand a fleet rental service. At the moment, the company has 3 thousand vehicles on the fleet rental side. DenizFleet aims to enhance its sustainable profitability performance with a special focus on customers in the SME segment.

Capitalizing on the synergy created with DFSG's 740 branch network and more than 14 thousand-strong workforce, DenizFleet provides "boutique" services to every customer and strives to deliver unconditional and sustainable customer satisfaction.

Near the Top in Leasing Receivables

DenizLeasing continued to provide services for investment financing in line with its strategy of productivity and profitability, and reinforced its place among sector leaders in terms of assets and shareholders' equity. As of 2017 year-end, DenizLeasing maintained its place near the top of the sector with TL 2.6 billion in leasing receivables.

In 2018, DenizLeasing plans to maintain its position among the pioneering companies of the sector, with a consistent and prudent growth strategy. The Company will enhance its differentiation by offering the advantages of operational leasing to customers in need of leased car fleets, further improve performance in the SME segment by providing special financing facilities, boost market share by offering a specialized service approach to commercial and corporate enterprises on the basis of each specific customer and project. As a result, DenizLeasing will continue advancing toward its goal of becoming a company that leads and shapes the sector with innovative practices.

DenizFactoring

Set up in 1998 under the umbrella of DenizBank Financial Services Group (DFSG) to offer customers guarantee, collection and financing services, DenizFactoring is a pioneer in the field with products that include Express Factoring, Collection Management System, Supplier Finance Application, Public Sector Factoring and Export Factoring.

In August 2001, it has become a member of the world's most prominent international factoring organization, FCI (Factors Chain International).

In October 2004, it has become a Full Member of the FCI, after the confirmation of its transaction volume and service quality by the latter.

In 2006, the company passed from Zorlu Group to Dexia Group following a share transfer. After DenizBank was acquired by Sberbank -Russia's first and Europe's third largest bank-, on September 28, 2012 from Dexia Group via sale of shares, DenizFactoring, as a subsidiary of DFSG, joined Sberbank, one of Europe's foremost finance groups.

In 2013 the company became a member of the Association of Financial Institutions (Association of Financial Leasing, Factoring and Financing Companies). The CEO represents the company as a Board Member at the Association of Financial Institutions.

DenizFactoring delivers its products and services to customers via a highly qualified, strong team at the Head Office and via the DFSG network,

in a rapid and accessible fashion. DenizBank branches employees support DenizFactoring within the legislative framework established. Becoming one of the first three companies by guaranteeing sustainable and profitable growth, the company strives to expand DenizBank's product range with factoring products and to contribute significantly to DenizBank Financial Services Group's success.

According to September 2017 data, DenizFactoring ranks first in terms of profitability among bank-owned factoring companies, and has a market share of 8.5%. The Company's return on equity for 2017 is 36%, standing well above the sector average of 18%. DenizFactoring has a cost/income ratio of 18%, outperforming by a large margin the sector's ratio of 40%.

DenizFactoring has a 4.5% market share in factoring receivables, and domestic factoring transactions account for 80% and international transactions account for 20% of its total transaction volume.

Breaking ground in the sector, DenizFactoring has launched its digital factoring service in 2017, the 20th anniversary of the foundation of DenizBank, in keeping with the latest digital platform trends across the world.

Thanks to the application "Deniz'e Çek Gönder" (Send a Cheque to Deniz), customers can access factoring services over their smartphone or tablet, which allows firms in the micro or SME segments to swiftly perform factoring transactions at a small volume. The application also allows clients to rapidly access financing without having to wait for the maturity date of cheques with invoice.

The app can be downloaded free-of-charge at the Apple Store and Google Play. To apply, the customers can scan the QR code of the cheque for the transaction or upload a photo of this cheque to the application. The result is received in a short time. Furthermore "Deniz'e Çek Gönder" also shows the nearest DenizBank branches and their addresses so as to facilitate access to finance.

DenizFactoring, under the guarantee of Sberbank Factoring, is the only Turkish company to provide insurance for exports to Russia, and enjoys an unrivaled market position in this area.

"Deniz'e Çek Gönder"
application helps customers
carry out factoring
transactions swiftly.



CULTURAL SERVICES

DenizKültür upholds the Group's corporate and social mission through its activities in the fields of education, culture, arts and sports.

DenizKültür

Established in 2004 to organize and support scientific research, arts, literature and other cultural activities, DenizKültür represents the Group's corporate and social mission through educational, cultural, arts and sporting events.

DenizKültür's activities include the following:

- 🎵 Publishing books on science, arts and literature,
- 🎵 Producing audio and visual cultural materials,
- 🎵 Staging arts events,
- 🎵 Organizing collection/exhibition projects geared towards the plastic arts and handcrafts,
- 🎵 Organizing campaigns in line with the Bank's social mission, as well as other cultural activities to emerge from new ideas.

Arts Productions and Publications in 2017

Colors of Agriculture in 150 Shots

It is a project comprising photographs from the photo contest that DenizBank had organized together with the Ministry of Food, Agriculture and Livestock.

20th Anniversary Gift Book

Published as a 20th anniversary gift to DenizBank CEO Hakan Ateş, the book includes the celebratory messages and signatures of all Bank employees.

Yearend Book

The book comprises prize-winning photos from the Agriculture and Humans Photo Contest being organized for nine years by the Ministry of Food, Agriculture and Livestock and DenizBank.

Noir Week Festival

During the festival organized by DenizBank and Pera Palace Hotel Jumeirah, top Turkish and international crime writers came together in Istanbul for four days. The festival included talks by prominent authors, book signing days, and theater shows.

GaleriDeniz Art Exhibition

Featuring the works of two sculptors, the exhibition was held at GaleriDeniz Sabahattin Kirtunç exhibition hall for the enjoyment of DenizBank customers and employees. The catalogues of the exhibition were edited by DenizKültür. The exhibition opened its doors in mid-December and remained open throughout January.

BOARD OF DIRECTORS

Name Surname	Title	Executive/ Non-executive/ Independent Member	Education	Professional Experience (Years)	DenizBank Titles Held in the Last Five Years	Other Non-DFSG Titles Currently Held	% of Shares Held
Herman Gref	Chairman of the Board of Directors	Non-executive	Ph.D.	26	Chairman of the Board of Directors	Member of Sberbank Board of Directors, CEO, Chairman of the Executive Board of Sberbank	-
Hakan Ateş	Member of the Board of Directors, President and CEO, Credit Committee Member	Executive	Bachelor's Degree	36	Member of the Board of Directors, President and CEO, Credit Committee Member	Member of TED University's Board of Trustees, Member of TED Ankara College Association Board of Directors, Member of THK University's Board of Trustees, Member of MetLife's Board of Directors, Member of TED İstanbul College Foundation's Board of Trustees, Vice Chairman of the Board of the Turkish Tourism Investors Association	0.000002
Nihat Sevinç	Vice Chairman of the Board of Directors, Audit Committee Member, Remuneration Committee Member	Independent Member	Bachelor's Degree	31	Vice Chairman of the Board of Directors, Member of the Board of Directors, Audit Committee Member, Remuneration Committee Member	-	-
Deniz Ülke Arıboğan	Member of the Board of Directors, Corporate Governance and Nomination Committee Member	Independent Member	Ph.D.	31	Member of the Board of Directors, Vice Chairman of the Board of Directors, Corporate Governance and Nomination Committee Member	Chairman of the Advisory Committee of Istanbul Bilgi University, Member of Faculty of Political Sciences at Istanbul University, Senior Fellow at University of Oxford Centre for the Resolution of Intractable Conflict (CRIC)	-
Wouter Van Roste	Member of the Board of Directors, Audit Committee Member	Non-executive	Bachelor's Degree	28	Member of the Board of Directors, Audit Committee Member	-	-
Derya Kumru	Member of the Board of Directors, Credit Committee Member	Executive	Master's Degree	25	Member of the Board of Directors, Credit Committee Member	-	-
Alexander Vedyakhin	Member of the Board of Directors, Credit Committee Associate Member	Non-executive	Ph.D.	18	Member of the Board of Directors, Credit Committee Member	Chief Risk Officer (CRO) of Sberbank of Russia, Board Member at Sberbank PJSC (Ukraine), Supervisory Board Member of BPS Sberbank (Belarus)	-
Timur Kozintsev	Member of the Board of Directors, Credit Committee Member	Executive	Ph.D.	18	Member of the Board of Directors, Corporate Governance and Nomination Committee Member, Credit Committee Associate Member, Credit Committee Member	Sberbank Managing Director	-
Igor Kolomeyskiy	Member of the Board of Directors, Remuneration Committee Member	Non-executive	Bachelor's Degree	24	-	Senior Vice-President, Head of Sberbank International, Chairman of Sberbank JSC (Kazakhstan)	-
Alexander Morozov	Member of the Board of Directors	Non-executive	Master's Degree	25	Member of the Board of Directors	Sberbank Deputy Chairman of the Executive Board, Group CFO, Board Member at Sberbank PJSC, Board Member at Sberbank BPS	-
Pavel Barchugov	Member of the Board of Directors, Audit Committee Member	Non-executive	Bachelor's Degree	22	Member of the Board of Directors, Audit Committee Member	Sberbank Financial Planning and Control Director, Supervisory Deputy Chairman of Supervisory Board at BPS Sberbank (Belarus)	-
Alexander Titov	Member of the Board of Directors, Corporate Governance and Nomination Committee Member	Non-executive	Ph.D.	24	-	Sberbank Senior Managing Director - Director of International Corporate Business, Board Member at Sberbank d.d.(Croatia)	-



HERMAN GREF
CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Gref was born in 1964 and received an undergraduate degree in Jurisprudence from Omsk State University, Faculty of Law. Subsequently, he obtained a postgraduate degree from Leningrad State University, Faculty of Law. He went on to complete his Ph.D. studies in Economics at the National Academy of Economics, an institution of higher learning established by the government of the Russian Federation. Starting his professional career in 1992 as First Rank Legal Advisor at the Administration of Petrodvorets, St. Petersburg, Mr. Gref served on the City Property Committee of St. Petersburg Mayor's Office from 1994 to 1997 as First Deputy Chairman and Vice Chairman of the Committee. Between 1997 and 1998, he held the posts of Chairman and Vice Chairman on the City Property Committee of St. Petersburg Mayor's Office. After holding the position of First Deputy Minister of the Ministry of State Property of Russia from 1998 until 2000, Mr. Gref served as the Minister for Economic Development and Trade of Russia from 2000 to 2007. Mr. Gref has been a Member of the Supervisory Board and Chairman of the Executive Board & CEO at Sberbank since November 2007; Chairman of Sberbank JSC (Ukraine) Board of Directors since March 2008; and Chairman of DenizBank A.Ş. Board of Directors since September 2012.



HAKAN ATEŞ
*MEMBER OF THE BOARD OF DIRECTORS
PRESIDENT AND CEO*

Mr. Ateş was born in 1959 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration after completing his studies at TED Ankara College. He started his banking career in 1981 as an Internal Auditor at İşbank. After serving at various Interbank units from 1986 to 1993, he worked as Branch Manager at Elmadağ, Şişli, Bakırköy, İzmir and Central Branches. He established Interbank's Cash Management System and was promoted in 1993 as Executive Vice President in charge of Central Operations. Mr. Ateş worked as Executive Vice President in charge of Financial Affairs and Operations at Bank Ekspres between the years of 1994 and 1996 and led the bank's restructuring project with Bank of America. He established Garanti Bank Moscow in Russia and worked as CEO for one year starting from June 1996. He has continued his duties as President & CEO at DenizBank, where he started in June 1997 as the Founder President. During his management tenure, DenizBank shares were offered to public in October 2004 and were 5.5 times oversubscribed. His management also executed the process of selling Zorlu Holding owned DenizBank shares to Dexia S.A. in May 2006 for USD 3.250 billion – 4.7 times its book value which remains a record in Turkey – as well as the sales transaction of 99.85% of DenizBank shares owned by Dexia Group to Sberbank six years later in June 2012 for USD 3.6 billion, 1.33 times its book value. Also serving as the Chairman of the Board of Directors at DenizBank subsidiaries Deniz Yatırım Securities, Intertech A.Ş., DenizBank Moscow and DenizBank AG, Hakan Ateş was granted the "Those Who Add Value to Turkey" award presented by Bahçeşehir University in 2015. Hakan Ateş is married with two children. He speaks fluent English.



NİHAT SEVİNÇ
VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Sevinç was born in 1952 and graduated from Istanbul University, Faculty of Literature, English Language and Literature. Starting his professional career at Interbank in 1986, he held several different positions in the Branches, Central Operations and Capital Market Departments until 1994. Mr. Sevinç served as Department Head in the Branch Operations, Internal Control and Legislation Departments at Bank Ekspres headquarters until 1996. He worked as Deputy General Manager at GarantiBank Moscow between 1996 and 1997. He joined DenizBank in 1997, served as Executive Vice President of Operations until 2002 and as Executive Vice President of Foreign Subsidiaries from 2002 to 2007. Mr. Sevinç has served as an Independent Board Member at DenizBank A.Ş. since December 2012. As of December 2015, he was appointed as an Independent Board Member and Vice Chairman of the Board of Directors serving until March 2018.



DENİZ ÜLKE ARIBOĞAN
MEMBER OF THE BOARD OF DIRECTORS

Ms. Arıboğan was born in 1965 and graduated from TED Ankara College Foundation High School. She received an undergraduate degree in International Relations from Ankara University, Faculty of Political Sciences. Subsequently, she received an M.A. and Ph.D. from İstanbul University, Institute of Social Sciences in International Relations. In 1995, Ms. Arıboğan attended the International Security School at the University of St. Andrews in Scotland. Her academic career started at İstanbul University, and continued at İstanbul Bilgi University and Bahçeşehir University. Between 2007 and 2010, she served as the Rector of Bahçeşehir University. From 2010 to 2014, Professor Deniz Ülke Arıboğan served as a member of the Board of Trustees at İstanbul Bilgi University, prior to working as a faculty member at İstanbul University, Faculty of Political Sciences from March 2014, as Chairman of the Advisory Committee at İstanbul Bilgi University since February 2015 and as senior fellow at the University of Oxford CRIC (Centre for the Resolution of Intractable Conflict) since January 2016. Ms. Arıboğan has served as an Independent Board Member at DenizBank A.Ş. since December 2012. As of December 2015, she was appointed as an Independent Board Member serving until March 2018.



WOUTER VAN ROSTE
MEMBER OF THE BOARD OF DIRECTORS

Mr. Van Roste was born in 1965 and graduated from Limburg University (Belgium), Marketing Department. Starting his professional career at Bacob Bank Belgium in 1989 in the Corporate Sales Department, he held several positions at Paribas Bank Belgium and Artesia BC as Head of the Corporate Sales, Structured Products, and FX Derivatives Departments before joining Dexia in 2002. Mr. Van Roste worked at Dexia as Deputy Head of Financial Engineering and Derivative Products in the Treasury and Financial Markets Group and served in the Public and Project Finance Group, Structured Finance and Export Finance Department from 2003 to 2005. He held the position of Executive Director at Dexia Holding between 2005 and 2007, Executive Vice President in charge of the Public and Project Finance Group at DenizBank A.Ş. in 2007, and Executive Vice President in charge of Public Project Finance and the Corporate Banking Group at DenizBank A.Ş. from 2007 to 2009. Wouter Van Roste has served as a Member of the Board of Directors at DenizBank A.Ş. since June 2009.



DERYA KUMRU
MEMBER OF THE BOARD OF DIRECTORS

Mr. Kumru was born in 1964, graduated from Ankara University, Faculty of Political Sciences and obtained an M.A. degree from İstanbul University, Institute of Social Sciences. From 1987 to 1999, he held several positions at Esbank T.A.Ş. and was appointed Executive Vice President in 1998. Mr. Kumru joined DenizBank Financial Services Group in 1999. After serving as Executive Vice President in charge of DenizBank A.Ş. Corporate Marketing Group, General Manager of DenizLeasing and DenizFactoring, he was appointed General Manager of DenizBank Moscow in 2004. Between 2009 and 2011, he served as Executive Vice President in charge of Corporate, Commercial Banking, Public Project Finance and the Foreign Subsidiaries Group at DenizBank A.Ş. From 2011 to 2012, he assumed the position of Executive Vice President in charge of the Wholesale Banking Group at DenizBank A.Ş. Derya Kumru has served as a Member of the Board of Directors at DenizBank A.Ş. since December 2012.



ALEXANDER VEDYAKHIN
MEMBER OF THE BOARD OF DIRECTORS

Mr. Vedyakhin was born in 1977 and graduated from Volgograd State Technical University, Department of Global Economy. He obtained a Ph.D. in Economics from Volgograd State University and an MBA in Banking from the National Academy of Economics established by the government of the Russian Federation. From 2011 to 2012, he completed a program arranged for Sberbank executives at London Business School. Starting his banking career as a Specialist at Sberbank in 1999, Mr. Vedyakhin was appointed Head of the Retail Banking Unit in 2001 and, subsequently, Head of the Operational Department at Sberbank Volgograd. Continuing his career at Sberbank as Head of the Credit Department between 2004 and 2006, Mr. Vedyakhin also served as Deputy Chairman of the Management Board at Sberbank Volgograd. From 2008 to 2012, he held the position of First Deputy Chairman of the Board of Directors at Sberbank PJSC (Ukraine). Mr. Vedyakhin was appointed as a Member of the Board of Directors and Credit Risk Officer at DenizBank A.Ş. in November 2012. In addition, Mr. Vedyakhin has served as Board Member at Sberbank PJSC (Ukraine) and Supervisory Board Member at BPS Sberbank (Belarus) since April 2015. In August 2015, Mr. Vedyakhin was appointed as Head of Risk Management of Sberbank Group with the title of Senior Vice President and became Non-Executive Board Member at DenizBank A.Ş. In December 2016, he was appointed as Chief Risk Officer (CRO) of Sberbank of Russia. Mr. Vedyakhin has continued to serve as Non-Executive Board Member at DenizBank A.Ş. since August 2015.



TIMUR KOZINTSEV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Kozintsev was born in 1972 and received B.A., M.A. and Ph.D. degrees in Economics from Moscow State University. He worked at Bayerische Hypo Vereinsbank as Deputy Head Representative from 1996 to 2000, at UniCredit Bank as Head of the Corporate Customers Department between 2000 and 2007, and at UniCredit Security as Debt Capital Markets Director from 2007 to 2008. Subsequently, he served as Investment Banking Director at IFD Kapital between 2008 and 2012. Mr. Kozintsev has worked at Sberbank as Senior Managing Director since April 2013. He was appointed as a Member of the Board of Directors at DenizBank A.Ş. in July 2013. Mr. Kozintsev has held the position of Board Member in charge of Credit Risk at DenizBank A.Ş. since August 2015 and Supervisory Board Member at DenizBank AG since November 2016.



IGOR KOLOMEYSKIY
MEMBER OF THE BOARD OF DIRECTORS

Mr. Kolomeyskiy was born in 1971 and received his degree in Applied Mathematics at the Moscow State Institute of Radio-Engineering Electronics and Automation. He started his banking career in 1993 at the investment company Rinaco Plus as Head of the Derivative Instruments Department. In 2001, Mr. Kolomeyskiy joined the brokerage firm Nikoil as Head of the Sales Department. Between 2001 and 2005, he served as CEO at Uralsib Capital. Subsequently, Mr. Kolomeyskiy was Head of the Investment Department at Russian Railways from 2006 to 2011. He then joined Blagosostoyanie, where he worked as Advisor to the Executive Director in 2011. Mr. Kolomeyskiy served as Head of the Investment Business at Alfa-Bank OJSC until 2013. Joining Sberbank in April 2017, he has served as Senior Vice-President, Head of Sberbank International. In addition, Igor Kolomeyskiy has been Chairman of Sberbank JCS (Kazakhstan) since April 2017. He has continued his duty as a Member of DenizBank A.Ş. Board of Directors as of June 2017.



ALEXANDER MOROZOV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Morozov was born in 1969 and graduated from Lomonosov Moscow State University, Department of Economics. Subsequently, he completed an M.A. in Advanced Management Program – Executive Education at Harvard Business School. Mr. Morozov commenced his professional career as Deputy Head of the Currency Operations Department at Commercial Bank Rodina in 1992. Between 1994 and 2007, he served as Head of Treasury and General Manager at International Moscow Bank (UniCredit Bank since 2007). From 2007 to 2008, he held the posts of Executive Vice President and CFO at Renaissance Capital Bank. Mr. Morozov joined Sberbank in 2008 as Head of Financial Affairs and became Senior Vice President in charge of Financial Affairs in 2009. Since 2013, Mr. Morozov has served as Deputy Chairman of the Executive Board at Sberbank; in addition, he is a Board Member at Sberbank PJSC and Sberbank BPS, which are Sberbank subsidiaries. Alexander Morozov has been a Member of the Board of Directors at DenizBank A.Ş. since December 2012.



PAVEL BARCHUGOV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Barchugov was born in 1973 and studied Finance at Plekhanov University of Economics in the Russian Federation. From 1995 to 1997, he worked as the Finance Unit Head at Austria Aktiengesellschaft Bank, Moscow Branch; between 1997 and 2008, he was the Executive Director at CJSC UniCredit Bank. From 2008 until 2010, Mr. Barchugov worked at JSC Swedbank as Finance Director. Subsequently, he served as Executive Vice President at Group Renaissance Insurance LLC between 2010 and 2013. Mr. Barchugov joined Sberbank in 2013 where he is currently the International Business Financial Planning and Control Director. In addition, Mr. Barchugov has served as Supervisory Board Member since March 2014 and Deputy Chairman of Supervisory Board since March 2017 at BPS Sberbank (Belarus) Pavel Barchugov has been a member of the Board of Directors of DenizBank A.Ş. since May 2016.



ALEXANDER TITOV
MEMBER OF THE BOARD OF DIRECTORS

Mr. Titov was born in 1973 and received his Bachelor's degrees in Finance and Credit from the Russian Economic Academy. He studied in the Master's program at Russian Federation Academy of Sciences, Institute of World Economy and International Relations, International Economy Department between 1994 and 1998 and received his Ph.D. in the Eurobonds-experience of Russia. He obtained an MBA from London Business School in 2017. Mr. Titov began his banking career at Moscow Industrial Bank as an Economist in 1993. He transferred to International Moscow Bank as Officer in 1995 and served as Account Officer between 1996 and 2000. Mr. Titov worked as Senior Account Officer and Assistant Manager at Bank Austria Creditanstalt between 2000 and 2001. Subsequently, he returned to International Moscow Bank from 2001 to 2003 as Assistant Manager. Mr. Titov then transferred to Power Machines OJSC as Head of Credit Operations and the Documentary Business Department between 2003 and 2005. He worked as Advisor to the General Director at Ilyushin Finance Company until 2006. Mr. Titov returned to the banking sector as Deputy Head of the Department, Head of the Department, Vice President and Senior Vice-President at JSC VTB Bank, working there until 2012. Mr. Titov joined Sberbank in June 2012 and has served as Senior Managing Director – Director of International Corporate Business; he has also been a Board Member at Sberbank d.d. (Croatia) since January 2016. Mr. Titov has served as a Board Member at DenizBank Moscow since June 2016 and at Deniz Leasing since July 2016. As of March 2017, Alexander Titov has served as Member of the Board of Directors of DenizBank A.Ş.



EXECUTIVE BOARD MEMBERS



- 1) Alper Tunga Emecan
- 2) Wouter Van Roste
- 3) Edip Kürşad Başer
- 4) Ayşenur Hıçkırın
- 5) Hakan Ateş
- 6) Ruslan Abil
- 7) Cemil Cem Öneç
- 8) Ahmet Mesut Ersoy
- 9) Ali Murat Dizdar
- 10) İbrahim Şen
- 11) Tanju Kaya
- 12) Fatih Arabacıoğlu
- 13) Burak Koçak
- 14) Sinan Yılmaz
- 15) Dilek Duman
- 16) Bora Böcügöz
- 17) Murat Kulaksız
- 18) Mustafa Özel
- 19) Murat Çitak
- 20) Hakan Turan Pala
- 21) Ömer Uyar
- 22) Verda Beril Yüzer Oğuz
- 23) Kahraman Günaydın
- 24) Mehmet Aydoğdu
- 25) Mehmet Çitil
- 26) Önder Özcan
- 27) Hüseyin Melih Akosman
- 28) Derya Kumru
- 29) Selim Efe Teoman
- 30) Umur Özdoğan
- 31) Timur Kozintsev
- 32) Murat Çelik
- 33) Hayri Cansever
- 34) Oğuz Yalçın
- 35) Ramazan Işık
- 36) Oğuzhan Özark
- 37) Cem Demirağ
- 38) Yavuz Elkin
- 39) Saruhan Özel



EXECUTIVE BOARD

HAKAN ATEŞ

President, CEO and Member of the Board of Directors

Mr. Ateş was born in Ankara in 1959 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1981 as an Internal Auditor at İşbank. He continues to serve as Board Member, President and CEO at DenizBank, since joining the Bank in June 1997 as the Founder and CEO.

DERYA KUMRU

Member of the Board of Directors

Mr. Kumru was born in 1964 and graduated from Ankara University, with a degree in Political Science; he also holds an M.A. in Public Administration from Istanbul University. He began his banking career in 1987 and joined DenizBank in 1999.

TIMUR KOZINTSEV

Member of the Board of Directors

Mr. Kozintsev was born in 1972 and obtained B.A., M.A. and Ph.D. degrees in Economics from Moscow State University. He began his banking career in 1996 and joined DenizBank in 2013.

WOUTER VAN ROSTE

Member of the Board of Directors

Mr. Van Roste was born in 1965 and graduated from Limburg University (Belgium), Marketing Department. He began his banking career in 1989 and joined DenizBank in 2007.

ALİ MURAT DİZDAR

Legal Affairs Group, Chief Legal Advisor

Mr. Dizdar was born in 1960 and graduated from Istanbul University, Department of Law; he holds an M.A. in Private Law from the same institution. He began his career in 1982 and joined DenizBank in 2002.

AYŞENUR HIÇKIRAN

Payment Systems and Non-Branch Channel Group, Executive Vice President

Ms. Hiçkiran was born in 1969 and graduated from Ege University, Faculty of Letters, Department of English Language and Literature. She began her banking career in 1996 and joined DenizBank in 2013.

BORA BÖCÜGÖZ

Treasury and Financial Institutions Group, Executive Vice President

Mr. Böcügöz was born in 1967 and graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1989. He started his banking career in 1989 and joined DenizBank in 2002.

DİLEK DUMAN

Information Technology and Support Operations Group, Executive Vice President

Ms. Duman was born in 1967 and graduated from Boğaziçi University, Department of Computer Engineering. She began her professional career in 1989 and joined DenizBank Financial Services Group in 1997. Since 2008, Ms. Duman has served as Executive Vice President of the Information Technology and Support Operations Group.

MURAT ÇELİK(*)

Digital Generation Banking Group, Executive Vice President

Mr. Çelik was born in 1968 and graduated from Boğaziçi University, Department of Computer Engineering. He began his professional career in 1995 and joined DenizBank Financial Services Group in 2004.

RUSLAN ABİL

Financial Affairs Group, Executive Vice President

Mr. Abil was born in 1975 and graduated from Middle East Technical University, Department of International Relations. He began his professional career in 1997 and joined DenizBank in 2013.

SARUHAN ÖZEL

Economic Research, Strategy and Program Management Office Group, Executive Vice President

Mr. Özel was born in 1967 and graduated from Boğaziçi University, Department of Business Administration. He later obtained an M.A. in Finance and a Ph.D. in Economics from Virginia Tech. Mr. Özel began his professional career in 1996 and joined DenizBank in 1997.

TANJU KAYA

Administrative Services and Investment Group, Executive Vice President

Mr. Kaya was born in 1964 and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He began his banking career in 1986 and joined DenizBank in 1997.

BURAK KOÇAK

Agricultural Banking Group, Executive Vice President

Mr. Koçak was born in 1970 and graduated from Dokuz Eylül University, Department of Econometrics. He started his professional career in 1996 and joined DenizBank in 2006.

(*) resigned as of the 31.01.2018.

**CEM DEMİRAĞ*****Internal Control Center and Compliance Group, Head of Internal Control and Compliance***

Mr. Demirağ was born in 1968 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Public Administration. He began his professional career in 1991 and joined DenizBank in 2010.

CEMİL CEM ÖNENÇ***Private Banking and Investment Group, Executive Vice President***

Mr. Önenç was born in 1971 and graduated from Yıldız Technical University, Department of Mechanical Engineering. He holds an MBA from New York's Pace University and a Ph.D. in Banking from Marmara University. He began his professional career in 1997 at DenizBank.

EDİP KÜRŞAD BAŞER***Credit Policies and Retail, SME, Agricultural Banking Credits Allocation Group, Executive Vice President***

Mr. Başer was born in 1967 and graduated from Middle East Technical University, Department of Electrical-Electronics Engineering. He began his banking career in 1990 and joined DenizBank in 2004.

HAKAN TURAN PALA***Corporate, Commercial and Medium Enterprises Credits Administrative Follow Up Group, Executive Vice President***

Mr. Pala was born in 1967 and graduated from Middle East Technical University, Department of Business Administration. He began his banking career in 1994 and joined DenizBank in 2004.

HAYRİ CANSEVER^(*)***Secretariat General and Sberbank Coordination Group, Executive Vice President***

Mr. Cansever was born in 1974 and graduated from Istanbul Technical University, Department of Mechanical Engineering; he also holds an M.A. in Banking and Finance from Yeditepe University. He began his banking career in 1998 at DenizBank Financial Services Group. Mr. Cansever has served as Executive Vice President of the Secretariat General and Sberbank Coordination Group since January 2017.

İBRAHİM ŞEN***Credits Follow-up and Risk Monitoring Group, Executive Vice President***

Mr. Şen was born in 1967 and graduated from Middle East Technical University, Department of Industrial Engineering. He began his banking career in 1993 and joined DenizBank Financial Services Group in 2007.

MEHMET AYDOĞDU***Corporate and Commercial Banking Group, Executive Vice President***

Mr. Aydoğdu was born in 1968 and graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences. He began his banking career in 1996 and joined DenizBank Financial Services Group in 2002.

MURAT KULAKSIZ***SME Banking Group, Executive Vice President***

Mr. Kulaksız was born in 1972 and graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1996 and joined DenizBank in 2003.

MURAT ÇITAK***IT Security and Digital – Card Payment Operations Group, Executive Vice President***

Mr. Çitak was born in 1969 and graduated from Middle East Technical University, Department of Computer Engineering. He began his career in 1992 and joined DenizBank in 1998.

MUSTAFA ÖZEL***Branch and Central Operations Group, Executive Vice President***

Mr. Özel was born in 1966 and graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He began his banking career in 1988 and joined DenizBank in 1997.

OĞUZHAN ÖZARK***Retail Banking Group, Executive Vice President***

Mr. Özark was born in 1976 and graduated from Istanbul Technical University, Department of Mathematical Engineering. He began his banking career in 1997 and joined DenizBank in 2004.

ÖNDER ÖZCAN^()*****Management Reporting and Budget Planning Group, Executive Vice President***

Mr. Özcan was born in 1971 and graduated from Middle East Technical University, Department of Business Administration. He began his banking career in 1998 and joined DenizBank in 2004.

RAMAZAN IŞIK***Internal Audit Group, Head of Internal Audit***

Mr. Işık was born in 1977 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. He began his career in 1999 and joined DenizBank in 2013.

SELİM EFE TEOMAN***Corporate and Commercial Credits Group, Executive Vice President***

Mr. Teoman was born in 1970 and graduated from Hacettepe University, Faculty of Economic and Administrative Sciences, Department of Economics. He began his banking career in 1994 and joined DenizBank in 2003.

^(*) assumed the responsibility of Foreign Subsidiaries Department along with his existing responsibilities on 01.02.2018

^(**) resigned from the position on 07.02.2018

SİNAN YILMAZ***Risk Management Group, Head of Risk Management***

Mr. Yılmaz was born in 1974 and graduated from Istanbul Technical University, Department of Management Engineering. He began his banking career in 1998 at DenizBank.

UMUT ÖZDOĞAN^(**)*****Cash Management, Public Finance and Organization, Executive Vice President***

Mr. Özdoğan was born in 1976 and graduated from Marmara University, Business Administration in English; he also holds an MBA from Yeditepe University. He began his banking career in 1999 at DenizBank.

VERDA BERİL YÜZER OĞUZ***Financial Institutions Group, Executive Vice President***

Ms. Oğuz was born in 1975 and graduated from Marmara University, Department of International Relations. She began her banking career in 1997 and joined DenizBank in 2010.

YAVUZ ELKİN***Human Resources and Deniz Academy, Executive Vice President***

Mr. Elkin was born in 1971 and graduated from Marmara University, Department of Business Administration in English. He started his banking career in 1993 and joined DenizBank in 2004.

AHMET MESUT ERSOY***DenizBank AG, General Manager***

Mr. Ersoy was born in 1973 and graduated from Istanbul University, Faculty of Business Administration; he also received an MBA from Bahrain University. He began his banking career in 1995 and joined DenizBank Financial Services Group in 2002. Mr. Ersoy has served as General Manager at DenizBank AG since 2011.

ALPER TUNGA EMECAN***DenizFactoring, General Manager***

Mr. Emecan was born in 1971 and graduated from Istanbul University, Faculty of Economics and Administrative Sciences, Department of International Relations. He began his professional career in 1994 and joined DenizBank in 1998. Mr. Emecan has served as General Manager at DenizFactoring since 2015.

FATİH ARABACIOĞLU***DenizPortfolio Management, General Manager***

Mr. Arabacıoğlu was born in 1971 and graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration; he also holds an MBA from Edinburgh Heriot-Watt University in Banking and Finance. He began his professional career in 1988 and joined DenizInvest Securities in 1999. Mr. Arabacıoğlu has served as General Manager of DenizPortfolio Management since 2004.

HÜSEYİN MELİH AKOSMAN***DenizInvest Securities, General Manager and Board Member***

Mr. Akosman was born in 1971 and graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration; he also holds an MBA from the same university. He began his professional career in 1991 and joined DenizBank Financial Services Group in 2004.

KAHRAMAN GÜNAYDIN***DenizLeasing, General Manager***

Mr. Günaydin was born in 1966 and graduated from Middle East Technical University, Department of Geological Engineering; he also holds an MBA from Bilkent University. He began his professional career in 1990 and joined DenizBank in 2002. Mr. Günaydin has worked as General Manager at DenizLeasing since February 2011.

MEHMET ÇİTİL***Deniz Real Estate Investment Trust, General Manager***

Mr. Çitil was born in 1966 and graduated from Istanbul Technical University, Department of Architecture; he also holds an MBA from Istanbul University, Faculty of Economics and Administrative Sciences. He began his banking career in 1988 and joined DenizBank in 1997. Mr. Çitil has served as General Manager at Deniz Real Estate Investment Trust since January 2014.

OĞUZ YALÇIN***JSC DenizBank Moscow, General Manager***

Mr. Yalçın was born in 1975 and graduated from Boğaziçi University, Faculty of Economic and Administrative Sciences, Department of Political Sciences and International Relations. He began his banking career in 1998 and joined DenizBank in 2002. Mr. Yalçın has served as General Manager at JSC DenizBank Moscow since 2013.

ÖMER UYAR***Intertech, General Manager***

Mr. Uyar was born in 1977 and graduated from Istanbul Technical University, Department of Electrical and Electronic-Computer Engineering. He began his professional career in 1996 and joined DenizBank Financial Services Group in 2000. Mr. Uyar has served as General Manager at Intertech since 2012.

^(****) appointed as Deputy Director of Digital Transformation and Process Management Group as of 01.02.2018 and assumed role in charge of Digital Generation Banking Group while continuing his current responsibilities after Murat Çelik was resigned.



EXECUTIVE MANAGEMENT

Title	Name Surname	Duty	Education	Professional Experience (Years)
CEO	Hakan Ateş	CEO	Bachelor's Degree	36
Executive Vice Presidents	Ali Murat Dizdar	Chief Legal Advisor	Master's Degree	26
	Ayşenur Hıçkırın	Payment Systems and Non-Branch Channel Group – EVP	Bachelor's Degree	21
	Bora Böcügöz	Treasury and Financial Institutions Group – EVP	Bachelor's Degree	28
	Dilek Duman	Information Technology and Support Operations Group – EVP, COO	Bachelor's Degree	28
	Murat Çelik ^(*)	Digital Generation Banking Group – EVP	Bachelor's Degree	24
	Ruslan Abil	Financial Affairs Group – EVP, CFO	Bachelor's Degree	21
	Saruhan Özel	Economic Research, Strategy and Program Management Office Group – EVP	Ph.D.	21
	Tanju Kaya	Administrative Services and Investment Group – EVP	Bachelor's Degree	31
	Burak Koçak	Agricultural Group – EVP	Bachelor's Degree	21
	Cemil Cem Önenç	Private Banking and Investment Group – EVP	Ph.D.	20
	Edip Kürşad Başer	Credit Policies and Retail-SME, Agricultural Banking Credits Allocation Group – EVP	Bachelor's Degree	27
	Hakan Turan Pala	Corporate, Commercial and Medium Enterprises Credits Administrative Follow Up Group – EVP	Bachelor's Degree	23
	İbrahim Şen	Credit Following and Risk Monitoring Group – EVP	Bachelor's Degree	24
	Mehmet Aydoğdu	Corporate and Commercial Banking Group – EVP	Bachelor's Degree	22
	Murat Kulaksız	SME Banking Group – EVP	Bachelor's Degree	21
	Murat Çitak	IT Security and Digital – Card Payment Operations Group – EVP	Bachelor's Degree	19
	Mustafa Özel	Branch and Central Operations Group – EVP	Bachelor's Degree	29
	Oğuzhan Özark	Retail Banking Management Group – EVP	Bachelor's Degree	20
	Önder Özcan ^(**)	Managerial Reporting and Budget Planning Group – EVP	Bachelor's Degree	19
Selim Efe Teoman	Corporate and Commercial Credits Group – EVP	Bachelor's Degree	23	
Umut Özdoğan ^(***)	Cash Management, Public Finance and Organization Group – EVP	Master's Degree	18	
Verda Beril Yüzer Oğuz	Financial Institutions Group – EVP	Bachelor's Degree	20	
Yavuz Elkin	Human Resources and Deniz Academy Group – EVP	Bachelor's Degree	24	
Secretary General	Hayri Cansever ^(****)	Secretariat General and Sberbank Coordination Group – EVP	Master's Degree	19
Internal Systems	Ramazan Işık	Head of Internal Audit	Master's Degree	18
	Cem Demirağ	Head of Internal Control Unit and Compliance	Bachelor's Degree	26
	Sinan Yılmaz	Head of Risk Management	Bachelor's Degree	19

^(*) resigned from the position on 31.01.2018

^(**) resigned from the position on 07.02.2018

^(***) appointed as Deputy Director of Digital Transformation and Process Management Group with the current responsibilities on 01.02.2018

^(****) assumed the responsibility of Foreign Subsidiaries Department along with his existing responsibilities on 01.02.2018

COMMITTEES

Committee	Name Surname	Title	Education	Professional Experience (Years)
Audit Committee	Nihat Sevinç	Member	Bachelor's Degree	31
	Wouter G.M. Van Roste	Member	Bachelor's Degree	28
	Pavel Barchugov	Member	Bachelor's Degree	22
Corporate Governance and Nomination Committee	Deniz Ülke Arıboğan	Member	Ph.D.	31
	Alexander Titov	Member	Ph.D.	24
	Tanju Kaya	Member	Bachelor's Degree	31
	Yeliz Koraşlı Özdemir	Member	Master's Degree	17
Remuneration Committee	Nihat Sevinç	Member	Bachelor's Degree	31
	Igor Kolomeyskiy	Member	Bachelor's Degree	24
Credit Committee	Hakan Ateş	Member	Bachelor's Degree	36
	Derya Kumru	Member	Master's Degree	25
	Timur Kozintsev	Member	Ph.D.	18
	Alexander Vedyakhin	Associate Member	Ph.D.	18
	Alexander Titov	Associate Member	Ph.D.	24

Committee Meetings

Committee members fully and regularly attended all meetings held during the reporting period.

Other Committees⁽¹⁾

Management Board
 Executive Committee
 Assets and Liabilities Committee
 Executive Credit Risk Committee
 Disciplinary Committee
 Compliance Committee
 Operational and Information Risk Committee
 Rating Committee

⁽¹⁾ Details appear in the Corporate Governance Principles Compliance Report – Item 5.3.



SUMMARY REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY

Dear Shareholders,

DenizBank has achieved successful financial and operational results higher than the sector average in 2017 – its 20th proud anniversary.

DenizBank recorded consolidated net profit of TL 1,902 million and non-consolidated net profit of TL 1,880 million in 2017. Despite the increased funding costs sector-wide, DenizBank's consolidated net interest income rose 23% while unconsolidated net interest income went up 20% over the prior year. In the same period, the Bank's fees, commissions and banking services revenues increased 28% on a consolidated basis and 27% on an unconsolidated basis, higher than sector averages over 2015. DenizBank's consolidated and unconsolidated total operating revenue went up 17% and 13%, respectively.

DenizBank, the fifth largest Turkish private bank by consolidated asset size, continued its operations along the vision of contributing to Turkey's economic and social development in 2017. The Bank expanded its assets, loans, deposits and shareholder equity with a growth above the sector average.

As of year-end 2017, DenizBank reported consolidated and unconsolidated assets of TL 160,423 million and TL 121,048 million, up 18% and 17%, respectively, compared to the prior year. DenizBank's consolidated shareholders' equity, including subordinated loans, grew 13% to TL 18,115 million, while the Bank's consolidated capital adequacy ratio stood at 15.30%. Unconsolidated shareholders' equity, including subordinated loans, rose to TL 18,074 million, with an unconsolidated capital adequacy ratio of 19.50%.

As part of its social responsibility approach, DenizBank focused primarily on enhancing the economic position and competence level of SMEs – the driving engine of the Turkish economy – and financed SMEs as the only private bank to participate in the Nefes Loan Project in 2017.

During the year, extending new financing facilities to numerous sectors, mainly such as agriculture, tourism, energy, construction, infrastructure, healthcare, municipalities, sports clubs and education, DenizBank succeeded in expanding its consolidated loan portfolio by 21% over 2016 to TL 114,829 million. The Bank also maintained its market leading position in turning deposits into loans, with a loan/deposit ratio of 106.9%. Meanwhile, on an unconsolidated basis, DenizBank's loan volume increased 23% to TL 76,105 million.

In line with the Bank's core principles of providing unconditional and sustainable customer satisfaction, at year-end 2017. DenizBank operated a branch network with 740 locations, employed a workforce more than 14 thousand and served almost 11.5 million customers, up 12% over the prior year. Additionally, the Bank's consolidated customer deposits soared 19% to TL 107,429 million. Meanwhile, on an unconsolidated basis, customer deposits grew 16% to TL 69,163 million.

As a reflection of these positive financial results, DenizBank compensated DFSG personnel with performance based premium payment of an average 2.71 monthly salaries. Significantly contributing to the national economy not only through financial activities but also via educational, cultural, artistic and sports related initiatives, DenizBank continued to support the İstanbul State Symphony Orchestra, and Orchestra Academic Başkent Concerts. In addition to its mission of bringing together large segments of culture and art society by teaming up with the Turkish Cinema and Audiovisual Culture Foundation (TÜRSAK) to launch the "First Script Contest", DenizBank continued its sponsorship by providing support to the latter and also hosted the "Scriptwriter and Script Doctorate"(Senaristlik ve Senaryo Doktorluğu) Panel. In the field of education, DenizBank continued to support the Social Services Foundation (TOVAK).

Keeping a close watch on the global banking sector's innovation-based development, DenizBank continued to make a difference with its innovative products and services in 2017. Designated "The Most Innovative Bank of the Year" at the BAI Banking Innovation Awards and "Bank of the Year in Turkey" at The Banker Awards in 2014, the coveted "Global Innovator" title in 2015 from European Financial Management Association (EFMA) and once again garnered "the World's Most Innovative Bank" at the BAI Banking Innovation Awards and collected three major awards in the global arena in the last three years, DenizBank received an award in the "Internal Process Innovation" category at the Bank Administration Institute (BAI) 2017 Awards in the USA with the Intelligent Workforce Management project, which it was developed via the technology base subsidiary Intertech. In addition, the improvements in candidate and employee experience realized through the digital HR processes designed with a thoroughly innovative approach ranked first in the "Best HR Strategy from Overseas" and "Most Innovative Deployment of HR Technology" categories at the HR Excellence Awards 2017 in the UK.

We would like to take this opportunity to extend our gratitude to our customers, shareholders, business partners and employees for their unwavering support during the operating year 2017, and to our esteemed shareholders and stakeholders for gracing our General Assembly with their presence.

Board of Directors

DONATIONS MADE IN 2017

INSTITUTION NAME	Amount (TL)
GALATASARAY SPOR KULÜBÜ	200,000
TÜRK EĞİTİM DERNEĞİ- TED	88,000
TÜRKİYE KIZILAY DERNEĞİ	81,000
TOPLUM GÖNÜLLÜLERİ VAKFI	50,700
DOĞAL HAYATI KORUMA VAKFI-WWF	15,000
AKUT ARAMA KURTARMA DERNEĞİ	10,000
OTHER	6,125
TOTAL	450,825

RELATED PARTY TRANSACTIONS

Please see Notes to the Independently Audited Financial Statements, Section Five – VII



HUMAN RESOURCES

DenizBank Financial Services Group is committed to offering equal opportunities to its employees, cultivating the future's managers from within its ranks, and giving preference to current staff members when filling vacancies.

DenizBank's more than 14 thousand employees offered services through a total of 740 domestic and international branches in 2017. As a result of meticulous workforce planning, DenizBank is one of the banks with the lowest number of employees per branch.

In order to promote the DenizBank employer brand via social media, accounts named "Career at Deniz" were managed on Instagram, LinkedIn, Facebook (DenizBank Human Resources), Twitter (@denizbankik) and YouTube, with increases in follower numbers. In order to enhance the experience of visitors to DenizBank's human resources Facebook page, a chatbot application was launched on Facebook. As such, it has become possible to respond to candidates round-the-clock. DenizBank Human Resources social media accounts have received the top prize in the career category of Social Media Awards Turkey, organized for the first time by BoomSonar and Marketing Türkiye, in recognition of their creative content.

In parallel with the digital transformation across the world, the kariyer.denizbank.com web site has been redesigned to become mobile-compatible, and enriched with fresh content.

According to the results of the Universum youth survey, the Bank increased its ranking in the employer choices of students. Since university events and social media promotions are important in shaping student preferences, DenizBank participated in a total of 23 universities in 2017, 12 of which are at universities. Over 550 students passed the evaluations for the Pearls of Deniz internship, and completed their internship with success at the branches or Head Office. This year, a new internship program called "Pearls of Deniz-Plus" was launched. Six-month internships were offered to 70 final year students, and the interns who graduated and completed the program with success were recruited for various positions.

The first of its kind in Turkey, the Online Internship Program "Over Seas" has allowed over 300 students to complete online internships in 2017.

General talent exams for inexperienced candidates and interviews with experienced candidates from outside Istanbul continued to be conducted online in 2017. The Bank continued to collaborate with İŞKUR for the "On-the-job Training Program".

Corporate MBA and Executive MBA Programs continued at Bahçeşehir University and Sabancı University, which has graduated 93 Bank employees to date.

The Bank continued its assessment process called "Development Center", attended by employees at Vice President level since 2011.

According to the results of the Employee Loyalty survey conducted at the end of 2016, the Bank's loyalty statistics are 20% higher than the banking sector average. The results of the survey were shared with senior management. Following the Employee Loyalty survey, focus groups were organized and action plans were drawn up. In 2016, the results of the Employee Loyalty survey were shared with department managers in an online report, and Human Resources made presentations to regional and Head Office groups based on these results. Following the Employee Loyalty survey, the FikriNNe (What Do You Think) project was launched, where questionnaires are sent periodically to candidates and employees, in order to measure satisfaction among both candidates and employees and to proactively take the necessary action according to the results.

Through the mobile application "At Sea", which allows for continuous communication, employees can make suggestions about banking processes by means of the "I Found a Solution" platform launched in 2017. In addition, instantaneous surveys are sent to employees via the "Pulse" feature in the application, and action plans are drawn up according to the results.

As a learning organization, DenizBank allows three generations to teach each other and learn from each other's differences. In this context, a reverse mentoring program called "Bilakis (On the Contrary)," which allows different generations to learn from each other, has been put in place for second time. With this program, employees born in 1990 and later, trainees, university students mentored senior executives for six months on the expectations of younger generations, especially as regards social media, and current issues.

The mobile-compatible application "Onboarding" has been launched for newly recruited employees. The application features content and videos promoting the Bank. In addition, it also includes the Bank's procedures, service routes, access to denizakademi.com, and the documents required from employees, so as to help them adapt to the Bank with ease.

In 2017, the project "Deniz Volunteers" was initiated. Volunteering employees visited İzzet Baysal Seniors Center and worked in collaboration with the Koruncuk Foundation.

DenizBank won the first prize in the categories of "Best International Human Resources Strategy" and "Most Innovative Human Resources Technologies" at the prestigious British human resources event HR Excellence Awards 2017, where global companies compete. The Bank won these awards granted at a ceremony in London thanks to its digital HR processes designed through a completely innovative approach, the difference it has created in candidate and employee experience, and its strategy of preparation for the Z generation. Having received the same award back in 2014 in this 22-year-old organization, DenizBank thus holds two out of three such awards granted to Turkish companies until date.

Due to the surge in the number of Y generation employees (70%) and in anticipation of the Z generation's entry into the job market in the near future, Human Resources now focuses on digital transformation and optimization on both the employee and candidate side, as well as the enhancement of job experience at Deniz.

Career Opportunities

DenizBank Financial Services Group is committed to offering equal opportunities to its employees, cultivating the future's managers from within its ranks, and giving preference to current staff members when filling vacancies. As of 2016, the promotion periods within a year were dropped from four to two. In 2016, a total of 2,399 individuals advanced to a higher job level, while 105 Bank employees were appointed to managerial positions, amounting to 70,99% of all management promotions for the year.

Reward System

"Deniz'de Gelecek Diyalogu", which aims to improve employee performance and qualifications, is implemented twice a year. The objective is to increase the frequency of feedback provided to the employee and to offer guidance throughout the process.

The Group offers competitive salaries and fringe benefits in line with current market conditions. Manager and employee salaries are determined according to ethical values, internal balance, strategic goals and levels of responsibility.

All indemnity payments which function as incentives to reward the performance of managers are assessed with due consideration of the past performances of employees, and their contribution to the long term performance of the Bank.

As part of managers' bonus payments GM Premiums and the PUPA Premium system, performance based Premium payment of average 2.71 monthly salary were made to DFSG personnel in 2017.

Due to the surge in the number of Y generation employees (70%) and in anticipation of the Z generation's entry into the job market in the near future, Human Resources now focuses on digital transformation and optimization on both the employee and candidate side, as well as the enhancement of job experience at Deniz.



TRAINING

In 2017, students from various Turkish universities participated in online internship programs under the Pearls of Deniz and Overseas.

Deniz Academy

Deniz Academy structures the individual and Professional development of all DFSG employees in a planned way. The training needs of all employees are analyzed in line with the importance of training in career improvement. Deniz Academy prepares training maps for field employees according to their level, and structures their development throughout their career with compulsory and elective courses, thus allowing them to enjoy a faster moving and more satisfying career path. Head Office employees are offered boutique courses following the annual training needs analyses and six-monthly curriculum of elective courses.

Deniz Academy sees transforming beginners rapidly into sailor and the training of managers as a mission guiding the corporate culture, and develops training projects spread over a period of time by utilizing different teaching methods to make learning by practice more stimulating. Deniz Academy has the capacity to provide training to 1,500 people simultaneously, and organizes seminars, hobby workshops and many other activities in addition to employee training, while also playing host to many of DFSG's events.

In 2017, via Deniz Academy, DFSG increased and improved its investment in human resources - its most important asset. Throughout the year, Deniz Academy reached every employee and became one of the top institutions in the sector by organizing an average of 10.6 days of training per employee and 1 million hours in total.

The Basic Development Program for employees who have just started their banking career has been redesigned as an 18-day, three-module program composed of mixed training model applications, pre and post-training workshops, and competitive activities between groups.

Employees who have completed the Basic Development Program and are now entitled to receive their certificates continue their learning trajectory through training roadmaps specially customized according to their business lines.

In 2017, new learning trajectories have been designed, aligned with the strategic goals of all business lines such as Retail, Private, SME, Agriculture, Commercial and Corporate Banking. These designs shifted to a new model, where exams are organized to measure the employees' individual competence, and then new training programs are created in line with the level of their competence. These programs focus on case studies and simulations, ensuring a more intensive learning experience.

The Development Center continued to identify the strengths and any improvable areas in the role of vice presidents during the year. Vice presidents who attended this program furthered their personal development by participation in the Vice President Development Program. The program, which consists of six days divided into three modules, branches out into two separate sub-programs designed for branch managers and departmental managers. The program called "New Captains Club" (YKK) consists of three modules, namely "I am a leader", "We are a team" and "The customer is our priority". This program, designed to help managers improve their banking know-how and managerial skills lasts a total of 13 days for branch managers and nine days for department managers.

In 2017, foreign language education has been initiated at Deniz Academy. Employees thus get to hone their practical skills in speaking, reading and writing in English and Russian.

In addition to classroom training programs, DenizBank added virtual instruction to its alternative learning portfolio, including practical screen simulations and reinforcement, e-learning, mobile learning and Deniz TV. Deniz Academy has thus implemented a multifaceted training model and provides an average of 28 hours of training per employee. In 2017, a wide

range of training materials were offered for use by all employees include personal development, professional, technical and management training programs, as well as book summaries and various digital library options. Deniz Academy's mobile apps provide support before, during and after training. In 2017, the Management, Sales and Operations staff were offered an important experience through five simulations prior to training, to ensure that they are prepared for the training program. After the training, 130 different training groups underwent enhancement exams in order to ensure that the training is fully internalized. On the other hand, enhancement and sales games were organized to offer employees a fun and exciting learning experience. The development follow-up system (Assignment Module) has ensured that people participate in training programs with prior preparation.

The training programs, projects and activities at the Deniz Academy are shared over Facebook, Twitter, Instagram and the website www.denizakademi.com. As a public platform, the Deniz Academy website allows university students to hone their skills. In 2017, students from various Turkish universities participated in online internship programs under the Pearls of Deniz and Overseas.

With the "20 Years at Deniz: Captains Training Sailors" Training Program organized in 2017, all DenizBank employees shared in the enthusiasm of the Bank's 20th anniversary. The content and messages of the captains' meeting have been transformed into an e-training program, and shared by the captains with all DFSG employees as an on-the-job training program. This program has allowed DFSG employees to learn about DenizBank's 20-year history, and embrace its corporate culture.

Deniz Academy was awarded the 2017 Training and Development Award at the EDUCORP Corporate Training and Development Awards organized by Bahçeşehir University's Continuous Education Center (BAUSEM), in recognition of the aforementioned efforts in 2017. At the same award ceremony, the Deniz Academy also received a Successful Practice Award for its Teller Sales Officer (GSS) program, thus obtaining a total of two awards on behalf of DenizBank.

SUPPORT SERVICES

SUPPORT SERVICES PROVIDERS	BUSINESS LINE
MTM HOLOGRAFİ GÜVENLİKLİ BASIM VE BİLİŞİM TEKNOLOJİLERİ SAN. VE TİC. A.Ş.	OPERATIONAL SERVICES
IRON MOUNTAIN ARŞİVLEME HİZMETLERİ A.Ş.	ARCHIVE
TEMPO ÇAĞRI MERKEZİ VE İŞ SÜREÇLERİ DIŞ KAYNAK HİZM. TİC. A.Ş.	CALL CENTER / MARKETING
ACTİVE BİLGİSAYAR HİZ. VE TİC. LTD ŞTİ.	IT SYSTEMS
KURYE-NET MOTORLU KURYEÇİLİK VE DAĞITIM HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
E-KART ELEKTRONİK KART SİSTEMLERİ SAN. VE TİC. A.Ş.	OPERATIONAL SERVICES
PLASTİK KART AKILLI KART İLETİŞİM SİS. SAN. TİC. A.Ş.	OPERATIONAL SERVICES
AUSTRIA CARD TURKEY KART OPERASYONLARI A.Ş.	OPERATIONAL SERVICES
INTERTECH BİLGİ İŞLEM VE PAZARLAMA TİCARET A.Ş.	IT SYSTEMS
ZETA İNSAN KAYNAKLARI VE KURUMSAL ÇÖZÜMLER LTD. ŞTİ.	OPERATIONAL SERVICES
ZETA İNSAN KAYNAKLARI VE KURUMSAL ÇÖZÜMLER LTD. ŞTİ.	MARKETING
ETİSAN PROJE BİLGİ VE YAZILIM TEKNOLOJİLERİ SAN. TİC. A.Ş.	OPERATIONAL SERVICES
COLLECTÜRK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	CALL CENTER
COLLECTÜRK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	COLLECTION MANAGEMENT
BANTAŞ NAKİT VE KIYMETLİ MAL TAŞIMA VE GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
İSTANBUL ALTIN RAFİNERİSİ A.Ş.	OPERATIONAL SERVICES
GLOBAL BİLGİ PAZARLAMA DANIŞMA VE ÇAĞRI SERVİSİ HİZMETLERİ A.Ş.	CALL CENTER
BBS DANIŞMANLIK GAYRİMENKUL VE EĞİTİM A.Ş.	OPERATIONAL SERVICES
FU GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
TAGAR TAPU GARANTİ HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
AVİ GAYRİMENKUL YATIRIM DEĞERLEME VE DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
İPOTEKA GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
SİSTEM KURYE HİZMETLERİ TAŞIMACILIK TİC. LTD. ŞTİ.	OPERATIONAL SERVICES
ETTS ELEKTRONİK TİC. TAH. SİS. SAN. VE TİC. LTD. ŞTİ.	MARKETING
V.R.P. VERİ RAPORLAMA PROGRAMLAMA BİLİŞİM YAZILIM VE DANIŞMANLIK HİZMETLERİ TİC. A.Ş.	IT SYSTEMS
MAPIKART TANITIM HİZMETLERİ VE DIŞ TİC. LTD. ŞTİ.	OPERATIONAL SERVICES
KONFİDES BİLGİ TEKNOLOJİLERİ TİC.A.Ş.	OPERATIONAL SERVICES
POSTA VE TELGRAF TEŞKİLATI A.Ş.	MARKETING
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER
ATP TİCARİ BİLGİSAYAR AĞI VE ELEKTRİK GÜÇ KAYNAKLARI ÜRETİM PAZ. VE TİC. A.Ş.	IT SYSTEMS
CANKURT İŞ SAĞLIĞI VE GÜVENLİĞİ HİZMETLERİ ORTAK SAĞLIK VE GÜVENLİK TİCARET LTD. ŞTİ.	OPERATIONAL SERVICES
ETCBASE YAZILIM VE BİLİŞİM TEKNOLOJİLERİ A.Ş.	IT SYSTEMS
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ TİC. A.Ş.	IT SYSTEMS
VERİFONE ELEKTRONİK VE DANIŞMANLIK LTD. ŞTİ.	IT SYSTEMS
BİLİN YAZILIM VE BİLİŞİM DANIŞMANLIĞI LTD. ŞTİ.	IT SYSTEMS
ODC İŞ ÇÖZÜMLERİ DANIŞMANLIK TİC. A.Ş.	IT SYSTEMS
SUPERONLINE İLETİŞİM HİZMETLERİ A.Ş.	IT SYSTEMS
İNGENİCO ÖDEME SİS. ÇÖZÜMLERİ A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
KARBİL YAZILIM VE BİLİŞİM TEKN.TİC.A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
MT BİLGİ TEKNOLOJİLERİ VE DIŞ TİC.A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
HUGİN YAZILIM TEKNOLOJİLERİ A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
R2 SERVİS ELEKTRİK ELEKTRONİK VE BİLGİSAYAR TEKNOLOJİLERİ SAN.VE TİC.A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
QAPEL BİLİŞİM TEKNOLOJİLERİ A.Ş.	MARKETING
OĞUZKAAN EĞİTİM HİZMETLERİ VE TİC.A.Ş.	OPERATIONAL SERVICES
VİZYON KOLEJİ YAY.EĞT.HİZ. A.Ş. (MERKEZ - ESENYURT KAMPÜSÜ)	MARKETING
HAS ÖZEL EĞİTİM GIDA TURİZM YAYINCILIK SAN.TİC. LTD.ŞTİ.	MARKETING
TURKISH EXPRESS SİGORTA ARACILIK HİZMETLERİ A.Ş.	CALL CENTER
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	SECURITY
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER
CPP SİGORTA ARACILIK HİZMETLERİ A.Ş.	CALL CENTER
BRINK'S GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
DİRENÇ DEMİR VE İNŞAAT MALZEMELERİ TİC. VE SAN. A.Ş.	OPERATIONAL SERVICES
ENİS ALAGÖZ EĞİTİM HİZMETLERİ VE TİC. A.Ş. (FORMER NAME: SULTAN MURAT ŞAHİN EĞİTİM HİZMETLERİ TİC.LTD.ŞTİ.)	MARKETING
ARVATO TELEKOMÜNİKASYON HİZMETLERİ A.Ş.	CALL CENTER / MARKETING
KEKOVA ELEKTRİK ELEKTRONİK İLETİŞİM SİSTEMLERİ DIŞ. TİC. LTD. ŞTİ.	SECURITY
İNFİNA YAZILIM A.Ş.	IT SYSTEMS
BİLGİKENT BİLİŞİM TEKNOLOJİLERİ TİC. A.Ş.	IT SYSTEMS
MNG KARGO YURTDIŞI VE YURTDIŞI TAŞIMACILIK A.Ş.	OPERATIONAL SERVICES
OKYANUS EĞİTİM KURUMLARI A.Ş.	OPERATIONAL SERVICES
AVRUPA OKULLARI K12 EĞİTİM TİC.A.Ş.	MARKETING
HOBİM DİJİTAL ELEKTRONİK HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
INTERPOSTA DAĞITIM VE LOJİSTİK HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER / MARKETING
YAZICI DANIŞMANLIK HİZMETLERİ A.Ş.	COLLECTION MANAGEMENT
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER
134 TRACTOR DEALERS	OPERATIONAL SERVICES



DENİZBANK CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

PART II: SHAREHOLDERS

- 2.1 Investor Relations Department
- 2.2 Exercise of Shareholders' Right to Information
- 2.3 General Assembly Meetings
- 2.4 Voting Rights and Minority Rights
- 2.5 Dividend Rights
- 2.6 Transfer of Shares

PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

- 3.1 Corporate Website and Contents
- 3.2 Annual Report

PART IV: STAKEHOLDERS

- 4.1 Informing Stakeholders
- 4.2 Stakeholder Participation in Management
- 4.3 Human Resources Policy
- 4.4 Code of Ethics and Social Responsibility

PART V: BOARD OF DIRECTORS

- 5.1 Structure and Formation of the Board of Directors
- 5.2 Operating Principles of the Board of Directors
- 5.3 Number, Structure and Independence of Board Committees
- 5.4 Risk Management and Internal Control Mechanism
- 5.5 The Company's Strategic Objectives
- 5.6 Remuneration

PART I: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Prior to its IPO, DenizBank voluntarily conducted studies for compliance with the Capital Markets Board's (CMB) Corporate Governance Principles in line with international principles and sectorial practices; the "Corporate Governance Report" was published upon approval by the Board of Directors at its meeting dated September 16, 2004. DenizBank views Corporate Governance Principles as a dynamic field open to further improvement, and works to enhance its operations in this spirit.

DenizBank operates with a management approach built on the principles of transparency, equality, responsibility and accountability, and exercises maximum care to comply with the principles outlined in the annex to BRSA's Regulation on Corporate Governance Principles (Regulation) and expends maximum effort to comply with CMB's Corporate Governance Communiqué (Communiqué) no. II-17.1, Corporate Governance Principles as regards the management of relations with shareholders, as well as the determination of the duties, authorities and responsibilities of the Board of Directors and the management tiers that report to the Board. Differences between CMB Corporate Governance Principles and the Bank are outlined under the relevant sections of this report.

PART II: SHAREHOLDERS

2.1 Investor Relations Department

Established in 2004 with the aim of taking necessary measures to comply with the existing legislation, the Articles of Association, and other in-house regulations regarding the protection and exercising of shareholders' rights, and the right to obtain and review information in particular, the Department has been carrying out its activities with name of Investor Relations and Financial Communication Department within the structure of Financial Affairs Group, under the supervision of Financial Affairs Group-EVP, CFO. The tasks of Investor Relations Department within the 5th Clause of the 11th Article of the Communiqué are carried out in coordination with the Investor Relations and Financial Communication, Secretary General, Corporate Compliance, Group Reporting and ALM Management and Treasury and Financial Institutions departments. Names and contact info

regarding the staff members of the Department are given below. Due to the fact that the portion of shares in public float is 0.15%, the number of inquiries made by investors within the period was limited, and thus all inquiries were answered verbally or in writing.

*Yeliz Koraşlı Özdemir-Department Head-
Corporate Governance Rating License, Capital
Market Activities Level 3 License*
yeliz.korasliozdemir@denizbank.com
Tel: +90 212 348 59 95

Neslihan Aydoğdu – Specialist
neslihan.aydogdu@denizbank.com
Tel: + 90 212 348 59 84

Department Fax: +90 212 336 61 68 -
+90 212 336 30 80

Due to the fact that most of the tasks specified in the 11th Article of the Communiqué are carried out by our Bank's Investor Relations and Financial Communication Department the Department Manager Yeliz Koraşlı Özdemir was appointed as the "Director of Investor Relations Department" upon the Board of Directors decision dated June 20, 2014. Furthermore, within the scope of the 1st Clause of the 11th Article of the Communiqué she was appointed as a member to the Corporate Governance and Nomination Committee.

Activities during the Period

- › Material event disclosures,
- › Preparation of the annual reports, interim activity reports sections of financial reports, and press releases on financial data,
- › Updating relevant information on the Bank's website,
- › Examination of sector data and preparation of market share reports,
- › Responding to questions received by email and telephone,
- › Organization of Ordinary/Extraordinary General Assembly Meeting,
- › Communicating with credit rating agencies, reviewing and evaluating reports,
- › Preparation of documents within the scope of the issuance of bonds/bills, making necessary announcements and disclosures,
- › Coordinating the practices developed in the Bank within the scope of Corporate Governance Practices

The report regarding the activities carried out within the scope of the Communiqué was prepared in coordination for 2017 and was submitted to the Board of Directors in March 2018.

2.2 Exercise of Shareholders' Right to Information

The Investor Relations and Financial Communication Department treats all shareholders equally. All shareholder and other stakeholders' inquiries were first assessed to determine whether or not they concerned trade secrets, and then answered accordingly either in written form, or else verbally. Queries made to the Investor Relations and Financial Communication Department concerned the following topics:

- › The Bank's financial statements,
- › Activities in business lines,
- › General Assembly Meetings,
- › Dividend Distribution,
- › Share Price Info,
- › Main shareholder,
- › Bonds/bills issued,
- › Project finance.

DenizBank exercises maximum care to release information that may impact the exercising of shareholders' rights and the decisions of investors, in the most rapid and effective manner. Disclosures are considered within the scope of the CMB's Communiqué and Guide on Principles Regarding Public Disclosure of Material Events, announced via the Public Disclosure Platform and also published on the Bank's website. The Bank's website is itself used actively to provide shareholders, investors and other stakeholders' easy access to information. The information published on our website is explained in detail under "Part III/3.1 Company Website and Contents."

Request for the Appointment of a Special Auditor

Shareholders' right to request the appointment of a special auditor is stipulated as an individual right in Article 14 of the Articles of Association, as per the Turkish Commercial Code, Article 438 and onwards. During the period, no request from shareholders, that have such a right according to internal and legal regulations, for the appointment of a special auditor was received.

2.3 General Assembly Meetings Invitation to and Information about the General Assembly

DenizBank issues the invitation to the Annual General Assembly at least 3 (three) weeks before the meeting date, as stated in Articles 10 of the Articles of Association. The announcement/invitation on/to the General Assembly is published in the Trade Registry Gazette, on the Central Registry Agency's (MKK) Electronic General Meeting System (e-GEM), Public Disclosure Platform (PDP) as well as on the DenizBank website. Furthermore, the agenda items, proxy forms, Annual Report, Articles of Association, financial statements and their footnotes, old and new versions of the Articles of Association in case of any amendments, information stated on principles on Board Members and candidate Members in case the agenda items include the dismissal, replacement or election of Board Members, any requests from the shareholders to add items to the agenda, and Information Document including all other documents regarding the agenda and other documentation are submitted for shareholder scrutiny at the Bank's Head Office and on the Bank website as of the date of the announcement.

Documents regarding the agenda items are also published via MKK's portals including the e-GEM. Proxy voters do not have to be shareholders. It is no longer necessary to place voting shares under participator's blockage in the General Assembly Meeting. Shareholders can now participate in the meeting via the e-GEM, until 00:00 hours the day before the meeting. All shareholders whose names are included on the Shareholders List obtained from the e-GEM prior to the meeting can participate in person.

Although not stipulated in the Articles of Association, DenizBank's Board of Directors can decide to open General Assembly meetings to the wider public, including stakeholders and the press, although the latter do not have the right to take the floor. The meeting minutes of the General Assembly and the Attendance List are published on the e-GEM, Public Disclosure Platform (PDP) and the Bank's website. In 2017, DenizBank held an Ordinary General Assembly Meeting.



Date: 29.03.2017 General Assembly:
2016-Ordinary

Participants: Shareholders, Representatives of
Legal Authorities, Stakeholders

Participation Rate: 99.85%

Form of Invitation: Trade Registry Gazette, and
announcement on the e-GEM, PDP and the Bank
website.

Shareholders' Right to Add Items to the Agenda and Ask Questions

As indicated in Article 10 of the Articles of
Association, minority shareholders may add
items to the agenda and request the Board
of Directors to call an Extraordinary General
Assembly via justifiable written requests.

At the Ordinary General Meeting held on 29
March 2017, one of our shareholders proposed
new item for the agenda. This proposal was
reviewed by the Bank's Board of Directors and
decided not to be added on the agenda. The
reasons why the proposal not to be added on
the agenda announced to the public via the
Information Document by publishing on Public
Disclosure Platform and the corporate website of
the Bank.

As per Article 15 of the Articles of Association,
all shareholders have the right to express their
opinions and ask questions during General
Assemblies. Questions directed at the Board of
Directors shall be answered immediately and
verbally, if possible. Otherwise, these will be
answered in written form within 15 (fifteen)
days of the General Assembly. In line with recent
amendments to the Communiqué, questions
posed during General Assembly meetings and
their answers are published in 30 (thirty) days
on the Bank's website.

At the Ordinary General Meeting held on 29
March 2017, one of our shareholders asked
questions. The questions were not replied during
the meeting due to no relation with the agenda.
The questions were answered in 15 days in
written according to the Articles of Association
and the answers were published on the corporate
website of the Bank.

The Bank makes donations and gives aid in line
with the Donation Policy and relevant procedures
defined by the Social Responsibility Policy. The
sum of donations made during the period and the
benefactors of these donations are listed in the
Annual Report and presented to the shareholders
at the General Assembly as a separate agenda
item with the policy changes if existed.

2.4 Voting Rights and Minority Rights

DenizBank shares do not have any preferential
rights. As per Article 14 of the Articles of
Association, each share carries one vote.
Obstructions to the exercising of voting rights
are avoided. Shareholders can be represented at
the General Assembly by other shareholders, or
an external proxy.

The Bank does not have any cross-shareholding
relationships with any company. As stipulated
by the Article 29 of the Capital Market Law
No. 6362, minority rights shall be exercised by
shareholders representing at least one-twentieth
of the paid-in capital as per Article 411 of the
Turkish Commercial Code, and this condition is
met by Article 10 of the Articles of Association.

2.5 Dividend Rights

The Bank's dividend distribution policy
is outlined in Article 32 of the Articles of
Association and published on the website. Prior
to being presented by the Board of Directors to
the General Assembly, the dividend distribution
proposal is announced as a material event
disclosure to shareholders and published on
the Bank's website and e-GEM. The dividend
distribution policy and the dividend distribution
proposal for the relevant year are published
in the Annual Report. There are no privileges
concerning the distribution of dividends.
Pursuant to the decision of the General
Assembly held in March, no dividend is being
paid for the year 2016.

2.6 Transfer of Shares

There is no provision in the Bank's Articles of
Association restricting the transfer of shares.
According to Article 8 of the Articles of
Association, the transfer of shares is allowed
in accordance with Turkish Commercial Code,
Banking Law no.5411, Capital Market Law and
the Articles of Association.

PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Contents

In accordance with the public disclosure and
transparency principles of the Corporate
Governance Principles, DenizBank has
created an effective website which is updated
periodically to provide timely, accurate,
complete, comprehensible, easy to analyze,
low-cost and accessible information. The Bank's web
address is www.denizbank.com. The website,

available in Turkish and English, contains all
the information stipulated in CMB's Corporate
Governance Principles.

The following information is available on the
website:

- > Trade Registry and share information,
shareholding and management structure,
- > The latest version of the Bank's Articles of
Association, information about the changes,
- > Material event disclosures,
- > Press releases,
- > Annual reports and financial reports,
- > Documents concerning securities issued,
- > General Assembly forms,
- > Information on the internal control system
and risk management,
- > Curricula Vitae of the Board of Directors
and the Executive Management team,
- > Policies,
- > Corporate Governance Principles
Compliance Report,
- > List of social responsibility activities.

3.2 Annual Report

The Annual Report is published in sufficient
detail to provide complete and accurate
information about the Bank's operations, and
in accordance with BRSA and CMB regulations.
The Annual Report features all topics listed in
the relevant regulations. Following its release
on the Public Disclosure Platform, it is also
published on the Bank's website.

PART IV: STAKEHOLDERS

4.1 Informing Stakeholders

The rights earned through legislation and the
reciprocal contracts of DenizBank's stakeholders
(employees, clients, correspondent banks,
entities participating in syndication loans, public
agencies, borrowers, lenders, credit rating
agencies, suppliers, the social environment,
and other interest groups the Bank is in
contact with) are protected by DenizBank. If
these rights are violated, the injured party is
compensated. Relationships with all stakeholders
are maintained with respect to the Code of
Ethics. Employee rights have been determined
through the Bank's approach, and through its
human resources policy, remuneration policy,
employee, disciplinary, and other regulations.
Stakeholders are provided with information
related to the Bank within the framework of the
disclosure policy and other in-house regulations.
Stakeholders are regularly informed through

General Assembly minutes; material event disclosures; press releases; internal bulletins; in-house announcements; "Team Spirit" magazine; emails to clients; announcements via SMS, the call center, web platforms and social media channels; annual reports; financial reports; and all notifications made via the Bank website.

In addition, information is provided via meetings organized upon request and in written statements. Easy access to up-to-date information is facilitated by posting all the aforementioned information on the Bank's website.

Several mechanisms have been set up by which stakeholders can share complaints and suggestions regarding the Bank's activities and transactions with the management. While employees can use the suggestion system to share their wishes, requests, suggestions and complaints with the executive management, other stakeholders can share their requests and complaints with the Bank's management via the customer satisfaction system.

4.2 Stakeholder Participation in Management

To ensure optimum satisfaction while preserving the balance between customers, employees, shareholders and other stakeholders, the Bank strives to improve its product and service quality, and to fulfill the expectations of domestic and foreign customers. To this end, DenizBank acts in accordance with the "collective wisdom" concept and gears its systems towards continuous improvement.

Stakeholders can participate in the Bank's management by attending various committee meetings and the General Assembly, as well as by using the suggestion system and by exercising their right (as stated in Article 20 of the Articles of Association) to demand from the Chairman in writing the placing of an item on the agenda of the General Assembly meeting.

Furthermore, as per Article 11 of the Articles of Association, minority shareholders may request in written form that the Board of Directors add an item to the agenda of the General Assembly through justifiable written requests prior to the creation of said agenda. Moreover, shareholders may request the Board of Directors to call for an Extraordinary General Assembly through justifiable written requests and create the agenda for discussion. Below is a list of

systems that facilitate employee, customer and shareholder participation in management. The output of these systems is presented to the Executive Management after being analyzed by related departments.

Employees

- › Committees
- › Suggestion System

Customers

- › Customer Satisfaction System
- › Suggestion System

Shareholders

- › General Assembly
- › Board of Directors
- › Management Meetings

4.3 Human Resources Policy

General human resources policies designed for the Bank and its subsidiaries to perform their functions in the most effective fashion are based on the principles summarized below. These principles are posted as related procedures and processes on the Bank's website and intranet portal "DenizPortal" and are accessible by all members of staff.

Respect for Individuals: Recognizing that the first criterion for success is respect for the individual, and providing all employees, without discrimination, with the harmonious professional environment and physical means necessary for them to fully utilize and improve their abilities and skills.

Transparency in Management: Facilitating new ideas within the framework of mutual trust, understanding and communication; and problem solving through collective wisdom. Establishing and developing user-friendly technological systems that give employees the opportunity to communicate their demands, suggestions and opinions by further informing them on the applications that concern them.

Opportunity for Training and Development: Keeping in mind that the Bank's most valuable investment is the development of employees using every available training tool, as well as managing their careers in accordance with their accomplishments and competencies, and aiming to select the managers and directors of the future from among Bank employees.

Fair and Reliable Remuneration Management: Implementing a compensation management system that provides fair and reliable salaries and benefits that encourage and reward success and excellence in line with market and prevailing conditions.

Practices and attitudes related to matters such as hiring criteria, salaries, training and health, in accordance with the general approach adopted within the framework of the human resources policy, are documented through guidelines, procedures and policies, all of which are available to employees.

Announcements that are of interest to Bank employees are communicated over the intranet (DenizPortal), mobile application "Denizde" and by email. A Suggestion System was developed through which the employees can transmit all of their suggestions and opinions. Suggestions submitted through "I Have an Idea" on DenizPortal are evaluated and pre-assessed by the Organization Department. Suggestions deemed viable after the pre-assessment by the relevant group/department are submitted to the Suggestions Committee. Evaluation and rewarding of relevant suggestions are carried out by the Suggestions Committee. The recording and follow-up of the suggestions chosen for implementation are coordinated by the Organization Department. Furthermore, all employee concerns and problems regarding working practices are evaluated by their supervisors and brought to the attention of the Executive Management, where necessary.

There have been no complaints from employees regarding discrimination in the workplace.

We believe that development is the most important factor of our human resource policy, and we support the personal development and career path of every DenizBank Financial Services Group employee with a policy of equal opportunity. All related programs are carried out at Deniz Academy, with training needs analyzed. Modern training tools and methods like e-Deniz Academy, Deniz TV, mobile training and social media are used in training projects.

The Bank's employee remuneration policy was designed to establish the principles governing payroll and social benefits. The Remuneration Committee was established to audit and



monitor pay policies and practices on behalf of the Board of Directors. Salaries, factors significant in determining increase rates, the performance based pay system and criteria used in assessments have been identified within the scope of the policy. The policy has been made available to employees via the website and intranet portal.

4.4 Code of Ethics and Social Responsibility

DenizBank carries out its activities within the framework of the Banking Code of Ethics it has adapted and published on its corporate website. Taking and implementing management decisions necessary for compliance with “Ethical Principles Policy” published by The Banks Association of Turkey, constitute the basis of the activities. Furthermore, the Bank published the “DenizBank Compliance and Integrity Policy” in order to establish respect for laws and regulations, ensure trust among customers, employees and shareholders, and prevent misconduct and fraud.

In addition to contributing to the national economy through its financial activities, DenizBank supports projects designed to raise public awareness, mainly in the fields of education, culture and the arts and sports, in line with its social responsibility approach. DenizBank Financial Services Group’s Corporate Social Responsibility has also been published on the website.

As part of its social responsibility activities, the Bank makes donations, supports projects, organizes cultural events and publishes works via DenizKültür.

The list of activities conducted to this end is presented on the Bank’s website.

PART V: BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

The Annual Report includes the names and short biographies of the Bank’s executive, non-executive and independent Board Members. The formation, duties, and responsibilities of the Bank’s Board of Directors, as well as its meeting format, are described in detail in Articles 16, 17, 18, 19, and 20 of the Articles of Association. The Board of Directors consists of 12 members, four independent members of which three are also the Members of the

Audit Committee (as per Articles 6-(3) of the CMB Communiqué on Corporate Governance) 9 are non-executive and three are executive members. In line with Article 17 of the Articles of Association, the duties of Chairman and CEO are performed by different individuals. The term of office for all members of the Board of Directors is defined within the scope of Article 18 of the Articles of Association as three years. A member whose term of office expires can be re-elected. There are no quantitative limits as to the Board Members’ taking office in the Bank’s subsidiaries. In order to ensure efficient management, in principle, Board Members are asked not to take up more than three duties beyond the Bank’s subsidiaries. A “Statement of Independence” has been received from the independent members pursuant to Articles 4.3.6 of the CMB’s Corporate Governance Principles to fulfill the criteria of independence.

Investigating the independence of the independent Board Members and identifying any conflicts of interests are among the duties and responsibilities of the Corporate Governance and Nomination Committee. Within the framework of the principles in force during the period of activity, there were no circumstances which could compromise the independence of the Board Members. In line with the revision of Communiqué criteria, the statements from independent Board Members were renewed in 2017 according to CMB principles.

One of the Bank’s 12 Board members are female. According to the objective set by CMB’s Corporate Governance Principles, Article 4.3.9, at least 25% of the members need to be female, which corresponds to four women in DenizBank’s case. Women account for 34% of the Bank’s managers; the Bank is keen on attaining this objective concerning the Board of Directors.

5.2 Operating Principles of the Board of Directors

Principles and quorum for Board of Directors meetings have been established in Article 20 of the Articles of Association. Although the Articles of Association state that the Board of Directors should meet at least four times per year, the Board meets as frequently as required to fulfill its duties effectively. The Board of Directors is convened by the Chairman of the Board or by the Vice Chairman if the Chairman is not present. The agenda of the Board of Directors

meetings consists of items arising from the duties and responsibilities of Board Members as stipulated in Article 19 of the Articles of Association, as well as members’ requests, matters discussed at the weekly Executive Committee meetings and Committee resolutions. In line with shareholder rights, minority and majority shareholders and stakeholders may demand that a certain subject be addressed at the Board of Directors meeting through a written request to the Chairman, and have it added to the agenda.

In the year 2017, the Board of Directors made 112 decisions.

It is essential that Board Members attend the meetings in person, although attendance is also permitted via any means of remote conferencing. Each Board Member has one vote, all votes are equal and no member or Chairman has the privileged or weighted power to vote or veto.

Corporate Governance Principles are applied on related party transactions.

The Chairman of the Board does his utmost to enable the participation of non-executive members at the meetings. The Chairman is responsible for ensuring that Board meeting invitations and discussions are conducted in accordance with procedures, and that decisions are recorded in the meeting minutes.

During the Board of Directors meetings, members who cast dissenting votes are required to sign the minutes along with a statement explaining the reason for their votes. Minutes of the meetings and documents related to the meetings are duly included into the resolution book, archived and kept under the supervision of the Chairman. The manner in which the Board of Directors meetings are held is determined by in-house regulations. Information and documents related to the items on the agenda of the Board of Directors meetings are presented to Board Members for scrutiny by the Board Secretariat prior to the meeting in order to establish equal information flow. The compliance of the Bank’s meeting minutes with legislation is ensured by the Board Secretariat, and a report is presented to authorized parties upon request. The duties of the Board Secretariat have been passed onto the Secretary General upon resolution of the

Board of Directors. Decisions of the Board of Directors that are significant to stakeholders are made public via material event disclosures.

5.3 Number, Structure and Independence of Board Committees

The Board of Directors shall form the committees, by virtue of law and/or at its discretion, in order to execute its duties and responsibilities professionally, effectively, efficiently, and being informed in the best possible way. The Committees (excepting the Credit Committee) are composed of at least two committee members. The Audit Committee and the Corporate Governance and Nomination Committee were established in 2004 within the scope of CMB Corporate Governance Principles. In addition, in 2011, the Board of Directors established the Remuneration Committee to monitor and inspect remuneration practices on behalf of the Board of Directors in accordance with the "Regulation on the Banks' Corporate Governance Principles" of the Banking Regulation and Supervision Agency. The duties and operating principles of committees are posted on the Bank's website. Information about the committees reporting to the Board of Directors and on the executive committees providing information flow to the management is presented below.

Committees Reporting to the Board of Directors

Corporate Governance and Nomination Committee

The Committee determine application of the corporate governance principles and detect the reasons and negative consequences of failure to apply them comprehensively, as well as suggest the measures for improvement; form a transparent system of selection, determination, evaluation, and traineeship of the candidates for top management; and investigate the matters of independence and conflicts of interests. The Committee is composed of four members. Due to the fact that most of the tasks specified in the 11th Article of the Communiqué are carried out by our Bank's Investor Relations and Financial Communication Department; the Department Manager was appointed as the "Director of Investor Relations Department" and as a member to the Corporate Governance and Nomination Committee upon the Board of Directors decision dated June 20, 2014.

The qualifications of committee members are presented in the "Management" section of the report.

The Corporate Governance and Nomination Committee convene at least three times a year. It also convenes whenever else required in the performance of its duties. The procedures related to the structure, duties, authorities and responsibilities of the Corporate Governance and Nomination Committee have been determined, and its main activities are posted on the Bank's website. In 2017, Corporate Governance and Nomination Committee made 16 decisions to recommend candidates to the Board of Directors as regards the appointment of executives. The nominated executives were appointed in line with the recommendations presented to the Board of Directors. The Committee has reviewed its operating principles during the meetings and made an effort to improve these through suggestions to the Board.

Audit Committee

The Audit Committee is in charge of the supervision of the Bank's accounting system, public disclosure of the financial information, independent auditing, the operation and efficiency of internal control, internal audit and risk management systems. The Committee consists of three members. The qualifications of committee members are presented in the "Management" section of the report. The

Audit Committee convenes at least once every three months - at least four times a year. In addition, the Committee meets with the independent auditors of the Bank, separate from the executive units, at least four times a year to discuss issues regarding internal control, financial statements, internal audit and other important items that need to be discussed. The procedures regarding the structure, duties, authorities and responsibilities of the Audit Committee have been defined and its main activities are posted on the Bank's website. The Audit Committee's activities during the year 2017 can be found in the section entitled "Assessments of the Audit Committee" in the Annual Report.

Remuneration Committee

A Remuneration Committee was established on December 7, 2011, to monitor and inspect remuneration practices on behalf of the Board of Directors in accordance with the

Regulation on the Banks' Corporate Governance Principles issued by the Banking Regulation and Supervision Agency.

The Committee evaluates remuneration policies and practices within the framework of risk management and reports its recommendations annually to the Board of Directors. The qualifications of the members of the Committee are presented in the section of "Management" of the report.

Credit Committee

The Credit Committee is authorized to decide on credits and loans, which are under consideration to be granted to the individuals or corporations in accordance with the Banking Law, the regulations of the BRSA, and the internal rules of the Bank. The Committee convenes every week, assesses these proposals or applications, and approves, or rejects those within its limits of authority. The Committee submits those proposals or applications beyond its authority to the Board of Directors. The Committee consists of three full and two alternate members. The qualifications of the members of the Committee presented in the "Management" section of the report.

Other Committees

Management Board

The DFSG Management Board is a committee operating under the authority of the CEO with powers delegated by the Board of Directors. The Management Board meets once a week under the chairmanship of the CEO. Secretariat General and Sberbank Coordination Group EVP is a natural member of the Management Board without voting rights. The Management Board was established to prepare and provide information to the Board of Directors, and to evaluate, conclude and exchange ideas regarding certain strategic decisions. Upon accepting recommendations regarding subjects within the authorization limits of the CEO, the CEO along with the EVP of the relevant unit, or the GM of the relevant subsidiary proceeds to enact the change. Recommendations related to subjects within the authorization limits of the Board of Directors are presented to the Board of Directors by the CEO, and the decisions made are executed under the responsibility of the Board of Directors.



Committee Members

Hakan Ateş (CEO), Wouter Van Roste (Board Member in charge of Internal Systems), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Derya Kumru (Board Member), Ali Murat Dizdar (Chief Legal Advisor), Ayşenur Hıçkırın (Payment Systems and Non-Branch Channel Group EVP), Bora Böcügöz (Treasury and Financial Institutions Group EVP), Dilek Duman (Information Technology and Support Operations Group EVP), Murat Çelik^(*) (Digital Generation Banking Group EVP), Mustafa Saruhan Özel (Economic Research, Strategy and Program Management Office Group EVP), Ruslan Abil (Financial Affairs Group EVP), Tanju Kaya (Administrative Services and Investment Group EVP), Hayri Cansever (Secretariat General and Sberbank Coordination Group EVP)

Executive Committee

DFSG Executive Committee is a consultation body that operates within the framework of the responsibilities delegated to the CEO by the Board of Directors. The Executive Committee, in principle, meets at least once a month under the chairmanship of the CEO. The Executive Committee aims to make timely and reliable decisions in accordance with the “collective wisdom” principle.

Committee Members

Hakan Ateş (CEO), Wouter Van Roste (Board Member in charge of Internal Systems), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Derya Kumru (Board Member), Bank's EVPs, Ahmet Mesut Ersoy (DenizBank AG GM), Oğuz Yalçın (DenizBank Moscow GM), Kahraman Günaydın (DenizLeasing GM), Alper Tunça Emecan (DenizFaktoring GM), Fatih Arabacıoğlu (DenizPortfolio Management GM), Hüseyin Melih Akosman (DenizInvest Securities GM and Board Member), Mehmet Çitil (Deniz Real Estate Investment Trust GM)

Assets and Liabilities Committee

The Assets and Liabilities Committee meets every week under the chairmanship of the CEO and with the participation of the Bank's Chief Economist and the managers of groups which conduct activities that can impact the balance sheet. The meeting agenda consists of the balance sheet of the Bank, activities of the business lines, general economic data and evaluation of current political and economic developments, along with the determination of the weekly assets and liabilities strategy.

Committee Members

Hakan Ateş (CEO), Saruhan Özel (Economic Research, Strategy and Program Management Office Group EVP), EVPs and SVPs involved in activities affecting balance sheet

Executive Credit Risk Committee is responsible for reviewing the market and economic conditions and evaluating the issues that might cause negative effect on the credit portfolio of the Bank and subsidiaries, monitoring the economic developments that might lead to deterioration of the credit worthiness of customers and changes in other conditions, monitoring our Bank's legal follow up collections, evaluating the credit provision budget and convenes on a quarterly basis.

Committee Members

Hakan Ateş (CEO), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Wouter Van Roste (Board Member in charge of Internal Systems), Derya Kumru (Board Member), Ruslan Abil (Financial Affairs Group EVP), Ali Murat Dizdar (Chief Legal Advisor), İbrahim Şen (Credits Follow-up and Risk Monitoring Group EVP), Selim Efe Teoman (Corporate and Commercial Credits Group EVP), Hakan Turan Pala (Corporate, Commercial and Medium Enterprises Credits Administrative Follow up Group EVP), Edip Kürşad Başer (Credit Policies and Retail, SME, Agricultural Banking Credit Allocation Group EVP)

Disciplinary Committee

The Disciplinary Committee identifies operations and behavior punishable under the Bank's regulations and disciplinary code, as well as the perpetrators, their degrees of fault, and the potential damages. The meetings are chaired by the EVP in charge of Administration Services and Investment Group. The Disciplinary Committee meets at least six times a year and whenever required, depending on the meeting call and creates its own agenda.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Tanju Kaya (Administrative Services and Investment Group EVP), Ramazan Işık (Head of Internal Audit), Cem Demirağ (Head of Internal Control and Compliance), Ali Murat Dizdar (Chief Legal Advisor), Mustafa Özel (Branches and Central Operations Group EVP) Yavuz Elkin (Human Resources and Deniz

Academy Group EVP), Internal Audit SVP, EVP or Company GM to whom the head office/ subsidiary employee reports to HR recruitment, career and remuneration management SVP

Compliance Committee

Compliance Committee gives advice related with the Bank's in-house compliance regulations. Committee convenes 4 times a year under the chairmanship of the Board Member responsible for the internal systems.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Cem Demirağ (Head of Internal Control and Compliance), Tanju Kaya (Administrative Services and Investment Group EVP), Mustafa Özel (Branches and Central Operations Group EVP), Ali Murat Dizdar (Chief Legal Advisor), Ramazan Işık (Head of Internal Audit), Yavuz Elkin (Human Resources and Deniz Academy Group EVP)

Operational and Information Risk Committee

To discuss operational losses arising from inadequate and erroneous IT processes and corresponding actions. The committee convenes at least six times per year under the chairmanship of Board Member in charge of Internal Systems.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Dilek Duman (Information Technology and Support Operations Group EVP), Ömer Uyar (Intertech GM), Ramazan Işık (Head of Internal Audit), Cem Demirağ (Head of Internal Control and Compliance), Murat ÇITAK (IT Security and Digital-Card. Payment Operations Group EVP), Intertech Infrastructure and Systems Management Assistant GM, Intertech PMO, Test, Document and Quality Management Assistant GM, Head office control units SVP, IT Audit SVP, IT Audit Department Head, Control Assessment and IT Control Department Head, Operational Risk Manager, Intertech IT Governance and KEP Management Architectural Consultant

^(*)As of 31.01.2018, resigned from his duties.

Rating Committee

The Committee convenes every three months under the chairmanship of the Board Member in charge of Credits: To give final decision about ratings of companies that are carried to the Committee, To follow up the functioning of rating processes.

Committee Members

Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Selim Efe Teoman (Corporate and Commercial Credits Group EVP), Wouter Van Roste (Board Member in Charge of Internal Systems), Sinan Yılmaz (Head of Risk Management Center), Credit policies and risk monitoring SVP, Corporate and Commercial Allocation SVPs, Risk Reporting and Credit Risk Control and Risk modelling validation

Reputation Risk Committee

The Committee is established to manage the reputation risk management centrally. It manages the processes of identification, assessment, monitoring and reporting process of reputation risk taking into account all activities under the DFHD framework. Ensures preparation and implementation of internal documents on reputation risk and evaluates their efficiency. Approves internal documents accordingly. Manages reputation risk crises.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Tanju Kaya (Administrative Services and Investment Group EVP), Cem Demirağ (Head of Internal Control and Compliance) and Ali Murat Dizdar (Chief Legal Advisor)

5.4 Risk Management and Internal Control Mechanism

The Board of Directors has established the risk management and internal control systems designed to minimize the risks that could affect shareholders and stakeholders; and the Annual Report includes detailed information on the functioning, management, authority, responsibilities and efficiency of the system. The Bank's Internal Control mechanism is managed by the Internal Control Center and Compliance Department, and by the Internal Audit Department. The Board of Directors monitors the efficiency of risk management and internal control systems via quarterly analyses and reports prepared by the Audit Committee. The Annual Report's section on the assessment of the Audit Committee provides further information on this issue.

5.5 The Company's Strategic Objectives

The Board of Directors administers and represents the Company by making strategic decisions that prioritize the long term interests of the Company, through a rational and prudent risk management approach designed to strike the optimum balance between the Bank's risk, growth and returns. To this end, the Board of Directors sets the Bank's strategic objectives, identifies the human and financial resources it will necessitate, monitors the planning of the organization and operations geared towards this goal, and audits the management's performance in line with defined targets. During the implementation of the strategy, the Board oversees the compliance of the Bank's operations with legislation, the Articles of Association, in-house regulations and policies.

The Company's Strategic Objectives have been approved by the Board of Directors. The strategic objectives and the actual degree of completion of the business plans and budgets designed to meet these objectives are periodically monitored and reported through a robust infrastructural system.

5.6 Remuneration

DenizBank publishes on the corporate website its Remuneration Policy, approved by the Board of Directors and established to set the principles of payroll and social benefits. Principles regarding the performance-based evaluation and remuneration of members of the Board of Directors, executive managers, the second-level managers of DenizBank, and second-level managers of subsidiaries are defined in the Remuneration Policy. Members of the Management Board (Executive Members of the Board of Directors and Vice Presidents) receive bonuses based on performance. The Chairman, Vice Chairman, and Board Members are paid an attendance fee determined by the General Assembly. Board members residing in Turkey were paid a gross monthly sum of TL 10,000 in 2017. As part of managers' bonus payments GM Premiums and the PUPA Premium system, performance based premium payment of approximately 2.71 monthly salaries were made to DFSG personnel in 2017.



INTERNAL AUDIT, INTERNAL CONTROL, COMPLIANCE AND RISK MANAGEMENT SYSTEMS

DenizBank, the activities, duties, and responsibilities of the internal audit, internal control, compliance and risk management functions have separated. The Internal Audit Department, Internal Control Center and Compliance Department, and Risk Management Group perform these respective activities under the supervision of a member of the Board of Directors, who is also a member of the Audit Committee, pursuant to internationally accepted audit standards, domestic laws, rules and regulations, as well as the needs of the Bank and the Group.

Internal Control Center and Compliance Department

Reporting directly to the Board of Directors and Audit Committee, the Internal Control Center and Compliance Department is charged with making sure that the Group's activities are carried out efficiently and productively in compliance with national laws and in-house regulations; reducing operational and other risks; and ensuring the reliability and integration of accounting, financial reporting and IT systems.

The internal control and compliance efforts consist of control and reporting related activities performed independently at specified intervals by internal control and compliance employees at the Head Office and/or at branches, in order to assess the compliance, adequacy and efficiency of the Bank's operations.

The units are also responsible for ensuring coordination with domestic and foreign subsidiaries regarding internal control and compliance and routine report flow.

The Internal Control Center and Compliance Department has two SVPs who report to the Head of the Department, and 90 strong workforce dispersed across 10 units as of end-2017, pursuant to national laws, rules, regulations, communiqués, as well as in-house bylaws. Once every three months, the Audit Committee is informed about the activities, agenda and organization of the Internal Control Center and Compliance Department.

Internal Control Activities

The Financial and Official Control Department carries out the analysis and control of activities that have an impact on the Bank's balance-sheet and profits/losses, within the scope of legal regulations, accounting, transaction and

customer. Additionally, the Department controls the reports prepared by various departments to be sent to public agencies such as the Banking Regulation and Supervision Agency, the Central Bank of Turkey and the Savings Deposit Insurance Fund.

The Branches Internal Control Department produces six-monthly control plans and carries out control efforts across the branches. Via both branch visits and from the center, the Branches Internal Control Department controls the compliance of transactions with applicable laws, procedures and in-house regulations, searches for any deficiencies in the internal control function, shares its findings with the relevant branches and business lines, and follows up future developments.

The Basic Controls and Support Department organizes the processes of reporting and coordination inside the Internal Control Center and Compliance Department, and executes the performance of administrative and organizational duties, the management of the Bank's support services processes and the assistance of the Consumer Affairs Coordinating Officer. The controls of subsidiaries are executed by the Basic Controls and Support Department and the Branches Internal Control Department II.

The Central Controls Department conducts regular centralized controls on the basis of scenarios created over the ACL.

The Fund Management Internal Control Department is charged with controlling transactions conducted by Fund Management and relevant operational departments, in financial and operational terms.

The Control Assessment and IT Control Department carries out information technology controls over IT activities that support the Bank's operations, communication channels, IT systems, and IT security policies. The Department also oversees the harmony between IT security policies, standards and guides in line with the COBIT framework.

Finally, the Loans and Credit Cards Control Department performs periodic controls to ensure that the loan and credit card payment transactions undertaken by the Bank are in compliance with applicable laws, rules, regulations and the Bank's internal procedures.

Compliance Activities

In 2016, the Compliance Group fulfilled its duties via the following departments:

- › Corporate Compliance Department and
- › Anti-Money Laundering Department.

The Corporate Compliance Department is responsible for setting basic compliance rules; overseeing the coordination of compliance risk management; ensuring compliance with the Group standards and local rules and regulations; organizing compliance-related information flow and reporting procedures among the subsidiaries.

Within the scope of Law No. 5549 on the Prevention of the Laundering Proceeds of Crime and Law No. 6415 and related regulations on the Prevention of the Financing of Terrorism, the Anti-Money Laundering Department's duties include formulating and updating the Bank's policies and procedures; evaluating the Bank's risks and taking the necessary measures; providing continuous information to the senior management; monitoring and controlling risk-bearing customer transactions; giving opinion on or approval for transactions concerning risk-bearing customers, sectors and countries; controlling correspondent banks; identifying and monitoring suspicious transactions; reporting suspicious transactions to the public authorities; and organizing classroom, e-learning and Deniz TV seminars among Bank personnel on the Prevention of Laundering Proceeds of Crime and Financing of Terrorism. Annual training plans are drawn up and followed up, and visits are made to branches and regions. Control points are established to adapt to changes in legislation, and to identify any new money laundering methods. Measures and upgrades are designed to monitor, control and mitigate risks.

Internal Audit Department

The auditors of the Internal Audit Department inspect the level of compliance of the Bank's operations with legal requirements, the Articles of Association, in-house regulations and banking principles. The promotion of auditors is based on examination results and job performance. Recruited after a very rigorous selection process followed by an intensive training program, internal auditors conduct their work in an impartial, independent and meticulous fashion, in line with their professional code of ethics. Additionally, the Internal Audit Department also actively informs and trains Bank personnel.

In 2017, the Internal Audit Department staff administered 625 hours of training to 3.407 employees. As of year-end 2017, Internal Audit Department operates with 116 staff members. The Internal Audit Department performs its functions under the following five organizational categories;

1- Audits of Head Office Processes and Subsidiaries

The Department audits the processes of Head Office units, and the processes and activities of domestic and foreign subsidiaries in accordance with applicable laws, rules and regulations. Additionally, the Department monitors its findings in line with an action plan, and analyzes relevant processes. 37 such audits were performed in 2017.

2- Branch Audits

The Department conducts risk assessments of the branches, prepares annual branch audit plans, audits branch activities, and shares the findings with relevant branches and Head Office departments. In 2017, 380 branches and two regional offices were audited in accordance with the audit plan.

3- Investigations and Inquiries

The Department makes investigations and inquiries in accordance with Internal Audit regulations, prospectus, the Bank's internal rules and legal requirements; prepares reports; and monitors the cases. Additionally, the Department provides training for employees in the early detection and prevention of misconduct. In 2017, 791 Bank employees received 139 hours of training in this area.

4- Audit of Information Systems Processes

The Department conducts audits to ensure that DFSG's IT systems processes are structured to support the Bank's policies, and are managed in compliance with applicable laws and regulations. In 2017, the Department conducted 14 audits of this type.

5- Audit Management Office

The Department's activities include making necessary plans and arrangements regarding all of DFSG's internal audit activities; contributing to the identification of the best audit tools and methods; generating relevant reports; preparing operational procedures; and updating existing procedures under the supervision of the Head of Internal Audit.

Risk Management Group

The Risk Management Group carries out comprehensive risk management efforts which play a critical role in the formulation of DenizBank's operational strategies. The Group is responsible for creating, auditing and reporting necessary policies and procedures to identify, measure, analyze and monitor risks, which are primarily real or potential risks including the risk/return ratio of cash flows. These policies and procedures follow the principles set by the Bank's executive management and the Risk Management Group and are approved by the Board of Directors.

Depending on the type of process involved, the Risk Management Group works in collaboration with the Audit Committee, Assets and Liabilities Committee, Credit Committee, Risk Committee, as well as the Internal Control Center and Compliance Department, and the Internal Audit Department regarding both policies and practices;

- › The Risk Management Group periodically reports risk analyses to the Audit Committee and the Assets and Liabilities Committee to provide guidance in setting and monitoring risk limits and developing risk management strategies.
- › Credit risk management is performed through a holistic approach that incorporates modeling, validation, analysis, evaluation and monitoring processes. Credit risk-related processes are managed with the participation of the Corporate and Commercial Loans Group, Credit Policies, and Retail, SME, Agricultural Loan Allocation Group, Credit Follow-Up and Risk Monitoring Group, Risk Management, Credit Committee, and Executive Credit Risk Committee.
- › While each business unit is responsible for managing its own operational risk, the Risk Management Group sets policies and monitors and reports activities in coordination with the Internal Control Center and Compliance Department, and the Internal Audit Department. Assessments are performed by the Risk Committee and the Audit Committee.



Risk management policies consist of risk identification measurement and management processes. DenizBank conducts its banking activities by strictly adhering to risk management policies that aim to analyze risks and manage them within acceptable limits. Adopting this approach as a core operating principle throughout the organization, the Bank also develops systems that comply with Basel Banking Supervision Committee regulations, and other guiding international risk management principles.

Risk Management policies are based on the following types of risk:

- › Market Risk,
- › Basel II/Credit Risk,
- › Liquidity Risk,
- › Operational Risk, and
- › Structural Interest Rate Risk.

The Bank sets its risk metrics and limits according to different risk types. The Bank's Risk Appetite Statement document contains a comprehensive list of risk limits, action plans to be implemented in case these limits are exceeded, and information on the decision-making departments and individuals. The actualizations for the metrics listed in the Risk Appetite Statement are monitored and reported on a monthly basis. The Risk Appetite Statement is reviewed at least once a year and comes into force upon the approval of the Board of Directors.

Market Risk

The Bank conducts activities in the money and capital markets in accordance with its risk policies and limits. DenizBank measures market risk using the internationally accepted Value at Risk (VaR) method, which is known for its dynamic structure that adapts easily to changing market conditions. VaR quantifies the loss of value that the portfolio of the Bank and its financial subsidiaries might sustain at a given time and confidence interval as a result of fluctuations in risk factors. VaR analyses are supported by scenario analyses and stress tests. This method allows for adaptation to changing market conditions when the risk level is determined. The reliability of the model used in calculating VaR is periodically tested through back testing.

Basel II/Credit Risk

In line with BRSB's regulations on Basel II, the Risk Management Group oversees the calculation of legal credit risk weighted assets in Pillar I in coordination with the Financial Affairs Group. With regard to Pillar II, the Bank calculates the annual general stress test in accordance with its plans and scenarios; meanwhile, the Internal Capital Assessment Process Report is prepared by Bank management in coordination with other departments. In order to ensure compliance with Basel II credit risk internal assessment methods, the Group participates in the development of the necessary credit risk models and coordinates efforts to integrate these with the data systems infrastructure. The Group is also charged with the validation, control and reporting of the credit levels yielded by the internal credit assessment models.

Liquidity Risk

Liquidity adequacy is monitored within the limits defined by the Board of Directors to ensure that the Bank has sufficient liquidity and reserves under any condition. The adequacy of existing liquidity and reserve opportunities are tested against worst-case scenarios. While analyzing liquidity adequacy, any negative developments that may arise as a result of a change in market conditions or customer behavior are taken into account. The measures to be taken and procedure to be followed under stress conditions in order to preserve liquidity were put down in writing.

Operational Risk

All events that bear operational risk for the Bank and its subsidiaries are recorded in a manner that captures the causes and impacts of the events, collections and measures taken to prevent their repeat occurrence. Events that are frequent or significant are discussed by the Internal Control Center, the Internal Audit Department and the relevant department, with corrective/preventive measures put into practice. Potential operational risk is assessed by means of Risk and Control Self-Assessment. The adequacy of current measures is reviewed during this study and new measures are implemented when deemed necessary. Additionally, the coordination of the Business Continuity Program is kept up to date and testing of same is undertaken to ensure its effectiveness.

Structural Interest Rate Risk

DenizBank monitors the structural interest rate risk exposure due to the Bank's balance sheet structure by using advanced models, and controls assumed risks through the limits defined by Board of Directors. The Bank conducts interest sensitivity analyses to measure the impact of the Bank's maturity mismatch on net present value and income. The structural interest rate risk exposure due to the Bank's balance sheet structure is monitored by using advanced models, and assumed risks are controlled through defined limits.

ASSESSMENT OF THE AUDIT COMMITTEE

Reporting to the Board of Directors, the Bank's Audit Committee functions in accordance with Banking Law No. 5411 and the Bank's regulation on Internal Systems and Internal Capital Adequacy Evaluation Process. The Audit Committee meets periodically on behalf of the Board of Directors and sets the Bank's audit policies.

The Audit Committee is in charge of and responsible for,

- › making sure that the internal audit, internal control and risk management systems of the Bank are efficient and sufficient, and that these systems and the accounting and reporting systems run within the framework of the Law and relevant regulations, and that the produced data remains integral,
- › carrying out primary assessment for the Board of Directors to choose independent audit agencies and rating, valuation and support service providers,
- › regularly monitoring the activities of the abovementioned agencies and service providers chosen and contracted by the Board of Directors,
- › ensuring coordination, and making sure the internal audit activities of the partners subject to consolidation are carried out in a consolidated manner,
- › making sure the audit and control process is created in order to provide the necessary assurance regarding the adequacy and accuracy of İSEDES (Internal Capital Adequacy Assessment Process),
- › making sure the activities of the Bank are carried out in a complete and reliable manner and in compliance with the relevant Law and regulations as well as the internal procedures.

The Audit Committee receives quarterly reports from the control units (i.e. internal audit, internal control and compliance, risk management) in order to evaluate the adequacy of the methods for the identification, control and monitoring of risks that the Bank is exposed to, and to report its findings to the Board of Directors. Furthermore, the Audit Committee submits its opinions and recommendations on significant matters to the Board of Directors.

In line with the four meetings it held in 2017 and the activities it conducted as part of its responsibilities, the Audit Committee took the following actions:

The Audit Committee audited the Bank's financial statements and notes for year-end 2016 and the first, second and third quarters of 2017 for compliance with the Bank's accounting principles and international accounting standards, as well as to confirm the accuracy of the information used. The results were reported to the Board of Directors along with the Audit Committee's own assessments. The Committee reviewed the Internal Audit Plan for 2017 and submitted it to the Board of Directors for approval. The Committee also assessed and approved the quarterly reports which include important issues, findings and legislative amendments related to the period of the quarters and were received from the Internal Audit, Internal Control and Compliance, and Risk Management units.

In addition, the Committee inspected the performance and objectivity of the independent external auditors and monitored their work at all stages.

The Committee also performed a risk assessment related to the support services to be received by the Bank, and submitted its assessments and the risk management program in a report to the Board of Directors, complete with a list of these service providers.

The 2017 activities of the groups that report to the Audit Committee were as follow below.

Internal Audit Department

Reporting directly to the Board of Directors, the Internal Audit Department is charged with ensuring that internal audit activities are in line with applicable laws, rules and regulations and the Bank's strategies, policies, principles and targets. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems, and makes a risk assessment of the operations of the Bank and its subsidiaries. Efforts to efficiently manage operational risk account for a large portion of the audit activity. In 2017, the Internal Audit Department also successfully audited the financial and IT systems of the Bank's entire domestic and overseas business lines and subsidiaries, both from the Head Office and on-site.

Operating with a 116 strong workforce, DenizBank's Internal Audit Department fulfills its responsibilities in an impartial and independent manner, and reports its findings to the Audit Committee. Aiming to establish a proactive audit structure, the Internal Audit Department runs its audit operations largely based on the results of risk assessments. The Department completed all activities listed in the 2017 Annual Audit Plan as scheduled. In addition to such pre-planned audit activities, in 2017 the Department also carried out investigations and inquiries, participated in various projects and provided a range of consultancy services requested by the Bank's executive management, when deemed necessary.

**NİHAT SEVİNÇ***Board Member and Audit Committee Member***WOUTER VAN ROSTE***Board Member and Audit Committee Member***PAVEL BARCHUGOV***Board Member and Audit Committee Member*

Internal Control Center and Compliance Department

Reporting directly to the Audit Committee, the Internal Control Center and Compliance Department carried out its 2017 activities with a staff of 90 employees. The Internal Control Center and the Board of Compliance performed central and on-site controls of the branches, Head Office units and subsidiaries through the Bank's own internal control and reporting software. Subsequently, the Center shared the findings of these controls with the relevant business lines and managers, and monitored the actions taken. Classroom and web-based training seminars (including examination) were held for all employees of the Bank and its subsidiaries on the prevention of money laundering and the financing of terrorism, ethical principles, fight against corruption, prevention of conflicts of interest, the reinforcement of the compliance culture and IT security.

Via the Bank's internal tracking software, the Department performed controls pertaining to the laundering proceeds of crime and financing of terrorism, monitored relevant national and international legislation, and took measures necessary for compliance.

In line with relevant BRSA regulations, the Department monitored, updated and tested processes related to the Management Declaration.

There was work on the examination of projects by the Bank and its affiliates as project stakeholder, and opinions and approvals were provided on scope documents as regards new products and processes.

Risk Management Group

The Risk Management Group is responsible for creating and measuring risks and defining and implementing risk policies and procedures, as well as analyzing, monitoring, reporting, investigating, confirming and auditing risks, in line with the principles set jointly by the Bank's executive management and the Risk Management Group, and approved by the Board of Directors.

The Risk Management Group had 18 employees as of December 31, 2017. The Risk Management Group's Market and Interest Rate Risk Department measures market risk, interest risk and liquidity risk continually upgrades the analyses and methods utilized, oversees compliance with risk tolerance as defined by the Board of Directors, and reports to the relevant units, executive management and the Audit Committee.

While analyzing the possible effects of market fluctuations on the Bank's balance sheet and income statement, and setting in-house risk policies, the Risk Management Group takes into account legal limitations and regulations, best practices, and the Bank's own requirements. Each year, the Board of Directors reviews the risk limits determined for the risk types in question.

The Credit Risk Control and Risk Models Validation Department coordinates the Bank's Basel II compliance processes and generates the internal risk reports. Basel II compliance efforts include the development and maintaining the legal reporting data structure and reporting processes within the scope of Pillar I and stress testing and preparation of ICAAP report within the scope of Pillar II. The Department also undertakes the process of validation and control of internal rating based models.

Operational risk events are regularly recorded by the Operational Risk Management Department. Relatively high impact events are defined and related measures are followed. The Operational Risk Department coordinates the business continuity plan developed against any business interruption risk of the Bank. Business Continuity Plans are regularly updated, tested and preventive measures are taken. Certain regulations and policies are developed at DenizBank in accordance with Sberbank Group standards: operational risk policy, internal regulation on data loss recovery, scenario analysis and self-assessment regulations. The Bank's Business Continuity Program is coordinated to cover potentially significant operational risks.

INDEPENDENT AUDITOR REPORT ON THE ANNUAL REPORT



Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere
Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Telex: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

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

To the General Assembly of Denizbank A.Ş.

1) Opinion

We have audited the annual report of Denizbank A.Ş. ("the Bank") and its subsidiaries ("the Group") for the period of 1/1/2017-31/12/2017.

In our opinion, the consolidated and unconsolidated 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 Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (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 Group 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 Consolidated and Unconsolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 7 February 2018 on the full set consolidated and unconsolidated financial statements for the period of 1/1/2017-31/12/2017.

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 communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group 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 Group 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 consolidated and unconsolidated financial statements. The development of the Group 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.



c) 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 Group,
- 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 prescribed in the communique 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

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.

5) 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 Communique 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 , "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 (TAS) for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

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

The name of the engagement partner who supervised and concluded this audit is Fatma Ebru Yücel.

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



Fatma Ebru Yücel, SMMM
Partner

15 February 2018
İstanbul, Türkiye

FIVE-YEAR SUMMARY

FINANCIAL HIGHLIGHTS

Summary Consolidated Financial Highlights (TL million)

Balance Sheet	2017	2016	2015	2014	2013
Securities ⁽¹⁾	12,464	12,760	13,381	11,664	7,601
Net Loans ⁽²⁾	114,829	95,023	77,705	64,564	56,466
Banks	10,658	18,588	15,634	12,853	10,132
Total Assets	160,423	135,554	112,886	94,403	79,668
Customer Deposits ⁽³⁾	107,429	90,621	71,204	61,831	49,702
Time	84,539	71,734	56,949	50,462	39,091
Demand	22,890	18,887	14,255	11,369	10,611
Borrowings ⁽⁴⁾	14,680	11,259	11,257	7,889	10,018
Securities Issued ⁽⁴⁾	3,673	3,491	3,086	3,393	2,587
Sub-ordinated Loans	5,262	5,484	4,846	3,923	2,354
Shareholders' Equity	12,853	10,590	8,294	7,161	6,088
Paid-in Capital	3,316	3,316	1,816	716	716
Non-cash Loans	28,371	28,782	24,444	20,452	18,416
Income Statements	2017	2016	2015	2014	2013
Interest Income	12,824	10,120	8,387	7,080	5,454
Interest Expense	-6,543	-4,985	-4,311	-3,453	-2,443
Net Interest Income after Provisions	4,337	3,299	2,715	2,675	1,983
Non-interest Income	1,885	1,865	1,439	1,276	1,612
Non-interest Expense	-3,730	-3,339	-3,013	-2,736	-2,327
Net Income	1,902	1,401	859	939	1,011
Other Highlights	2017	2016	2015	2014	2013
Number of Branches ⁽⁵⁾	740	737	735	758	713
Number of Employees	14,136	14,832	14,853	14,979	14,413
Number of ATMs	5,612	4,756	4,355	3,989	3,749
Number of POS Terminals	171,117	200,756	200,020	191,148	185,980
Number of Credit Cards	3,999,068	3,572,969	3,284,266	3,098,579	2,717,839

All financial figures presented in this table are extracts from the audited consolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No,26333, Turkish Accounting Standards and Turkish Financial Reporting Standards,

⁽¹⁾ It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

⁽²⁾ Includes factoring and leasing receivables.

⁽³⁾ Excludes bank deposits.

⁽⁴⁾ Securities issued by Special Purpose Entity DFS Funding Corp. are reported under Securities Issued.

⁽⁵⁾ Includes subsidiaries' branches.



Summary Unconsolidated Financial Highlights (TL million)

Balance Sheet	2017	2016	2015	2014	2013
Securities ⁽¹⁾	11,999	11,561	11,790	9,822	6,135
Net Loans	76,105	61,820	51,349	43,096	38,637
Banks	10,658	18,579	15,630	12,848	10,127
Total Assets	121,048	103,159	84,221	70,931	60,555
Customer Deposits ⁽²⁾	69,163	59,525	45,117	41,552	34,328
Time	56,661	47,716	36,751	34,188	26,939
Demand	12,502	11,809	8,366	7,364	7,389
Borrowings	13,884	10,751	10,699	7,508	9,123
Securities Issued	1,465	1,153	1,259	1,622	1,371
Sub-ordinated Loans	5,262	5,484	4,846	3,923	2,354
Shareholders' Equity	12,813	10,562	8,269	7,139	6,043
Paid-in Capital	3,316	3,316	1,816	716	716
Non-cash Loans	27,778	28,522	24,275	20,422	18,326
Income Statements	2017	2016	2015	2014	2013
Interest Income	10,592	8,338	6,805	5,744	4,515
Interest Expense	-5,733	-4,285	-3,651	-2,838	-2,007
Net Interest Income after Provisions	2,972	2,308	1,936	2,019	1,540
Non-interest Income	1,646	1,640	1,122	1,072	1,092
Non-interest Expense	-3,343	-3,000	-2,715	-2,509	-2,069
Profit from Investments Accounted under Equity Method	952	699	528	550	353
Net Income	1,880	1,409	763	989	790
Other Highlights	2017	2016	2015	2014	2013
Number of Branches	697	694	692	716	689
Number of Employees	12,257	12,938	12,923	13,187	12,822
Number of ATMs	5,612	4,756	4,355	3,989	3,749
Number of POS Terminals	171,117	200,756	200,020	191,148	185,980
Number of Credit Cards	3,999,068	3,572,969	3,284,266	3,098,579	2,717,839

All financial figures presented in this table are extracts from the audited unconsolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

⁽¹⁾ It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

⁽²⁾ Excludes bank deposits.

ASSESSMENT OF FINANCIAL POSITION

Shareholders' Equity and Capital Adequacy (TL million)						
	Consolidated			Unconsolidated		
	2017	2016	2015	2017	2016	2015
Capital Adequacy Ratio (%)	15.30	14.17	12.93	19.50	17.52	16.07
Shareholders' Equity	12,853	10,590	8,294	12,813	10,562	8,269
Return on Average Equity (%)	16.2	14.8	11.1	16.1	15.0	9.9
Non-performing Loans/Total Cash Loans Ratio (%)	3.4	3.7	4.0	4.6	5.1	5.0
Free Capital ⁽¹⁾	10,081	8,115	6,164	3,089	3,196	2,587
Free Capital Ratio (%) ⁽²⁾	6.3	6.0	5.5	2.6	3.1	3.1

⁽¹⁾ Free Capital = Shareholders' Equity - Net Non-performing Loans - Subsidiaries - Deferred Tax Assets - Tangible and Intangible Fixed Assets - Prepaid Expenses - Fixed Assets to be disposed of

⁽²⁾ Free Capital Ratio = Free Capital / Total Assets

Asset Quality						
	Consolidated			Unconsolidated		
	2017	2016	2015	2017	2016	2015
Non-performing Loans/Total Cash Loans Ratio (%)	3.4	3.7	4.0	4.6	5.1	5.0
Non-performing Loans Provision Ratio (%)	123.4	113.8	103.1	128.2	116.1	109.9
Loan Loss Provisions/Total Cash Loans Ratio (%)	4.2	4.3	4.1	5.9	6.0	5.5
Cost of Risk (%)	1.4	1.6	1.4	2.1	2.4	1.9



CAPITAL MARKET INSTRUMENTS ISSUED BY DENİZBANK

Funding	Amount- TL	Maturity	Issue Date	Maturity Date
Bill	170,000,000	91 days	20.Jan.2017	21.Apr.2017
Bill	30,000,000	168 days	20.Jan.2017	7.Jul.2017
Bill	80,000,000	95 days	6.Feb.2017	12.May.17
Bill	30,000,000	151 days	6.Feb.2017	7.Jul.2017
Bill	75,000,000	91 days	10.Feb.2017	12.May.17
Bill	80,000,000	147 days	10.Feb.2017	7.Jul.2017
Bill	85,000,000	84 days	17.Feb.2017	12.May.17
Bill	5,000,000	175 days	17.Feb.2017	11.Aug.2017
Bill	2,000,000	105 days	24.Mar.2017	7.Jul.2017
Bill	21,000,000	168 days	24.Mar.2017	8.Sep.2017
Bill	77,000,000	259 days	24.Mar.2017	8.Dec.2017
Bill	50,000,000	151 days	10.Apr.2017	8.Sep.2017
Bill	207,000,000	112 days	21.Apr.2017	11.Aug.2017
Bill	203,000,000	175 days	21.Apr.2017	13.Oct.2017
Bill	90,000,000	105 days	28.Apr.2017	11.Aug.2017
Bill	125,000,000	91 days	12.May.2017	11.Aug.2017
Bill	100,000,000	154 days	12.May.2017	13.Oct.2017
Bill	70,000,000	98 days	2.Jun.2017	8.Sep.2017
Bill	5,000,000	91 days	23.Jun.2017	22.Sep.2017
Bill	35,000,000	168 days	23.Jun.2017	8.Dec.2017
Bill	10,000,000	105 days	7.Jul.2017	20.Oct.2017
Bill	60,000,000	154 days	7.Jul.2017	8.Dec.2017
Bill	5,000,000	364 days	7.Jul.2017	6.Jul.2018
Bill	57,000,000	91 days	21.Jul.2017	20.Oct.2017
Bill	75,000,000	84 days	28.Jul.2017	20.Oct.2017
Bill	58,000,000	84 days	28.Jul.2017	20.Oct.2017
Bill	182,000,000	105 days	11.Aug.2017	24.Nov.2017
Bill	95,000,000	175 days	11.Aug.2017	2.Feb.2018
Bill	50,000,000	301 days	11.Aug.2017	8.Jun.2018
Bill	175,000,000	91 days	8.Sep.2017	8.Dec.2017
Bill	15,000,000	175 days	8.Sep.2017	02.Mar.18
Bill	42,000,000	133 days	22.Sep.2017	2.Feb.2018
Bill	75,000,000	105 days	6.Oct.2017	19.Jan.2018
Bill	282,000,000	140 days	13.Oct.2017	02.Mar.18
Bill	18,000,000	182 days	13.Oct.2017	13.Apr.2018
Bill	180,000,000	91 days	20.Oct.2017	19.Jan.2018
Bill	5,000,000	175 days	20.Oct.2017	13.Apr.2018
Bill	21,000,000	81 days	6.Nov.2017	26.Jan.2018
Bill	28,000,000	85 days	9.Nov.2017	2.Feb.2018
Bill	145,000,000	84 days	24.Nov.2017	16.Feb.2018
Bill	5,000,000	175 days	24.Nov.2017	18.May.18
Bill	130,000,000	70 days	8.Dec.2017	16.Feb.2018
Bill	225,000,000	126 days	8.Dec.2017	13.Apr.2018
TOTAL-Bills-Bonds	3,478,000,000			

DENİZBANK RATINGS BY INTERNATIONAL RATING AGENCIES

Moody's*	
Outlook	Negative
Long Term Foreign Currency Deposits	Ba2
Short Term Foreign Currency Deposits	Not Prime
Long Term Local Currency Deposits	Ba2
Short Term Local Currency Deposits	Not Prime
Baseline Credit Assessment (BCA)	ba3

*As of 20.03.2017.

Fitch Ratings**	
Outlook	Positive
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Long Term Local Currency	BB+
Short Term Local Currency	B
Viability	bb
Support	3
National	AA (tur)

**As of 05.10.2017.

(Convenience Translation of the Independent Auditor's Report
Originally Prepared and Issued in Turkish See Note 3.I.c)

DENİZBANK ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

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



- I. INDEPENDENT AUDITOR'S REPORT**
- II. PUBLICLY DISCLOSED UNCONSOLIDATED FINANCIAL REPORT**



Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No. 27
Maslak, Sarıyer 34398
İstanbul-Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No : 479920-427502

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Denizbank Anonim Şirketi:

Audit of Unconsolidated Financial Statements

Opinion

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

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

Basis for Opinion

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



Key Audit Matters

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

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



Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 unconsolidated 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSB Accounting and Financial 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



Fatma Ebru Yücel SMMM
Partner

7 February 2018
İstanbul, Türkiye



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

Address of the Bank's Headquarters

Büyükdere Caddesi No:141
34394 –ESENTEPE/İSTANBUL

Telephone and Fax Numbers

Tel : 0 212 348 20 00
Fax: 0 212 336 61 86

Website of the Bank

www.denizbank.com

E-mail address of the Bank

yatirimciliskileri@denizbank.com

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

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

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

7 February 2018

HAKAN ELVERDİ
Senior Vice President
Financial Reporting
And Accounting

RUSLAN ABİL
Executive Vice President
Financial Affairs

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

HERMAN GREF
Chairman of Board of
Directors

PAVEL BARCHUGOV
Member of Board of Directors
and Audit Committee

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

NİHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:

Name/Title: İmge İhtiyar / Department Head, International Reporting and Consolidation Department

TelNo:0 212 348 5997

Fax No:0 212 336 6186

	PAGE
SECTION ONE	
General Information	
I. The Bank's date of establishment, beginning statute, its history including changes in its statute	118
II. Capital structure, shareholders controlling the management and supervision of the Bank directly or indirectly, and if exists, changes on these issues and the Group that the Bank belongs to	119
III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and shares of the Bank they possess and their areas of responsibility	119
IV. Explanations regarding the real person and corporate qualified shareholders at the Bank	120
V. Type of services provided and the areas of operations of the Bank	120
VI. Existing or potential, actual or legal obstacles to immediate transfer of capital between Bank and its subsidiaries and repayment of debts	120
SECTION TWO	
Unconsolidated Financial Statements	
I. Unconsolidated statements of financial position (Balance sheets)	122
II. Unconsolidated statements of off-balance sheet items	124
III. Unconsolidated statements of income	125
IV. Unconsolidated statements of income and expenses recognized under shareholders' equity	126
V. Unconsolidated statements of changes in shareholders' equity	127
VI. Unconsolidated statements of cash flows	128
VII. Unconsolidated profit distribution tables	129
SECTION THREE	
Accounting Policies	
I. Basis of presentation	130
II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies	132
III. Explanations on investments in associates, subsidiaries, joint ventures	133
IV. Explanations on forward transactions, options and derivative instruments	133
V. Explanations on interest income and expenses	134
VI. Explanations on fees and commissions	134
VII. Explanations on financial assets	134
VIII. Explanations on impairment of financial assets	136
IX. Explanations on offsetting financial instruments	136
X. Explanations on sale and repurchase agreements and transactions related to the lending of securities	136
XI. Explanations on assets held for sale and discontinued operations	136
XII. Explanations on goodwill and other intangible assets	137
XIII. Explanations on tangible assets	137
XIV. Explanations on investment properties	137
XV. Explanations on leasing activities	138
XVI. Explanations on provisions and contingent liabilities	138
XVII. Explanations on obligations for employee benefits	138
XVIII. Explanations on taxation	139
XIX. Additional explanations on borrowings	140
XX. Explanations on issuance of share certificates	140
XXI. Explanations on acceptances	140
XXII. Explanations on government grants	140
XXIII. Explanations on segment reporting	140
XXIV. Explanations on other matters	140
SECTION FOUR	
Financial Position And Risk Management	
I. Explanations related to the shareholders' equity	141
II. Explanations related to the credit risk and risk management	145
III. Explanations related to the foreign currency exchange rate risk	155
IV. Explanations related to the interest rate risk	157
V. Position risk of equity shares on banking book	160
VI. Explanations related to the liquidity risk	160
VII. Explanations related to leverage ratio	164
VIII. Explanations on Risk Management	164
IX. Presentation of financial assets and liabilities at their fair value	183
X. Transactions carried out on behalf and account of other parties and fiduciary transactions	184
XI. Explanations related to hedging transactions	185
XII. Explanations related to the segment reporting	185
SECTION FIVE	
Disclosures and Footnotes on Unconsolidated Financial Statements	
I. Explanations and disclosures related to assets	187
II. Explanations and disclosures related to liabilities	200
III. Explanations and disclosures related to off-balance sheet items	206
IV. Explanations and disclosures related to statement of income	209
V. Explanations and disclosures related to statement of changes in shareholders' equity	213
VI. Explanations and disclosures related to cash flow statement	215
VII. Explanations and disclosures related to the Bank's risk group	216
VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Bank	217
SECTION SIX	
Other Disclosures and Footnotes	
I. Other explanations related to The Bank's operations	218
SECTION SEVEN	
Independent Auditor's Report	
I. Information on the independent auditor's report	219
II. Disclosures and footnotes prepared by independent auditor	219



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION ONE GENERAL INFORMATION

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

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

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

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

^(*)Amounts are reflected as full TL.

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

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

Paid-in capital of the Bank was increased by a total amount of TL 1.500.000; TL39 from share premiums, TL113.097 from gains on sale of subsidiaries and associates and real estate, TL 636.864 from extraordinary reserves and TL 750.000 in cash, on 28 June 2016.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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

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

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

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

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

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

In accordance with the Banking Law and regulations;

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

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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



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

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

ASSETS	Footnotes	CURRENT PERIOD			PRIOR PERIOD		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.a)	3.066.781	13.799.762	16.866.543	2.281.715	12.479.223	14.760.938
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.b)	546.654	328.495	875.149	1.043.122	482.825	1.525.947
2.1 Financial Assets Held For Trading		546.654	328.495	875.149	1.043.122	482.825	1.525.947
2.1.1 Public Sector Debt Securities		68.435	4.479	72.914	84.720	3.697	88.417
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Positive Value of Trading Purpose Derivatives		477.479	324.016	801.495	948.815	479.128	1.427.943
2.1.4 Other Securities		740	-	740	9.587	-	9.587
2.2 Financial Assets Designated at Fair Value		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Securities		-	-	-	-	-	-
III. BANKS	(5.1.c)	214.756	3.791.373	4.006.129	16.278	2.950.687	2.966.965
IV. DUE FROM MONEY MARKETS		750.786	-	750.786	3.001.396	-	3.001.396
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	-	-	-	-	-
4.3 Reverse Repurchase Agreements		750.786	-	750.786	3.001.396	-	3.001.396
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.d)	5.760.627	952.083	6.712.710	5.421.996	1.139.562	6.561.558
5.1 Share Certificates		3.956	59.159	63.115	3.930	37.779	41.709
5.2 Public Sector Debt Securities		5.756.671	657.574	6.414.245	5.418.066	885.253	6.303.319
5.3 Other Securities		-	235.350	235.350	-	216.530	216.530
VI. LOANS AND RECEIVABLES	(5.1.e)	60.817.690	15.287.608	76.105.298	49.038.709	12.781.675	61.820.384
6.1 Loans and Receivables		60.004.033	15.287.608	75.291.641	48,094.511	12,781.675	60,876.186
6.1.1 Loans Utilized to the Bank's Risk Group		879.555	127.060	1,006.615	95.449	118.443	213.892
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		59,124.478	15,160.548	74,285.026	47,999.062	12,663.232	60,662.294
6.2 Loans under Follow-Up		3,625.484	-	3,625.484	3,292.211	-	3,292.211
6.3 Specific Provisions (-)		2,811.827	-	2,811.827	2,348.013	-	2,348.013
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENT HELD TO MATURITY (Net)	(5.1.f)	3.555.857	1.656.779	5.212.636	3.339.895	1.561.104	4.900.999
8.1 Public Sector Debt Securities		3,555.857	1,656.779	5,212.636	3,339.895	1,561.104	4,900.999
8.2 Other Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.g)	9.340	-	9.340	8.654	-	8.654
9.1 Associates accounted for Under Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		9.340	-	9.340	8.654	-	8.654
9.2.1 Financial Associates		15	-	15	15	-	15
9.2.2 Non-Financial Associates		9.325	-	9.325	8.639	-	8.639
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.h)	953.436	6.505.866	7.459.302	786.042	4.506.890	5.292.932
10.1 Unconsolidated Financial Subsidiaries		937.011	6,505.866	7,442.877	769.617	4,506.890	5,276.507
10.2 Unconsolidated Non-Financial Subsidiaries		16.425	-	16.425	16.425	-	16.425
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.i)	2.800	-	2.800	2.800	-	2.800
11.1 Joint Ventures accounted for Under Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		2.800	-	2.800	2.800	-	2.800
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		2.800	-	2.800	2.800	-	2.800
XII. LEASE RECEIVABLES (Net)	(5.1.j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING PURPOSE DERIVATIVES	(5.1.k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.l)	440.538	21	440.559	430.281	4	430.285
XV. INTANGIBLE ASSETS (Net)	(5.1.m)	168.711	-	168.711	188.762	-	188.762
15.1 Goodwill		869	-	869	869	-	869
15.2 Others		167.842	-	167.842	187.893	-	187.893
XVI. INVESTMENT PROPERTIES (Net)	(5.1.n)	-	-	-	-	-	-
XVII. TAX ASSETS	(5.1.o)	171.853	-	171.853	150.194	-	150.194
17.1 Current Tax Assets		-	-	-	67.090	-	67.090
17.2 Deferred Tax Assets		171.853	-	171.853	83.104	-	83.104
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.p)	-	-	-	-	-	-
18.1 Held For Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.q)	1.276.787	989.681	2.266.468	1.048.686	498.327	1.547.013
TOTAL ASSETS		77.736.616	43.311.668	121.048.284	66.758.530	36.400.297	103.158.827

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)

AS OF 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD			PRIOR PERIOD		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.II.a)	41.973.199	33.272.606	75.245.805	35.124.709	28.066.219	63.190.928
1.1 Deposits of the Bank's Risk Group		173.162	3.679.865	3.853.027	278.399	2.951.661	3.230.060
1.2 Others		41.800.037	29.592.741	71.392.778	34.846.310	25.114.558	59.960.868
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.b)	680.734	696.403	1.377.137	553.627	387.561	941.188
III. FUNDS BORROWED	(5.II.c)	792.557	13.091.488	13.884.045	844.231	9.906.366	10.750.597
IV. DUE TO MONEY MARKETS		3.586.064	391.047	3.977.111	5.397.576	-	5.397.576
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	-	-	-	-	-
4.3 Repurchase Agreements		3.586.064	391.047	3.977.111	5.397.576	-	5.397.576
V. SECURITIES ISSUED (Net)	(5.II.d)	1.464.617	-	1,464.617	1,152.633	-	1,152.633
5.1 Bills		1,216.074	-	1,216.074	737.553	-	737.553
5.2 Asset Backed Securities		248.543	-	248.543	415.080	-	415.080
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrowers Funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS		1,652.822	253.006	1,905.828	1,390.447	460.976	1,851.423
VIII. OTHER EXTERNAL RESOURCES	(5.II.e)	1,081.146	1,580.444	2,661.590	1,057.281	887.790	1,945.071
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.II.f)	9.561	-	9.561	18.493	-	18.493
10.1 Financial Lease Payables		10.228	-	10.228	20.923	-	20.923
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses (-)		667	-	667	2.430	-	2.430
XI. HEDGING PURPOSE DERIVATIVES	(5.II.g)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XII. PROVISIONS	(5.II.h)	2,175.311	13.880	2,189.191	1,682.263	12.010	1,694.273
12.1 General Provisions		1,476.199	-	1,476.199	1,277.781	-	1,277.781
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		124.938	-	124.938	105.342	-	105.342
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		574.174	13.880	588.054	299.140	12.010	311.150
XIII. TAX LIABILITIES	(5.II.i)	258.971	-	258.971	171.472	-	171.472
13.1 Current Tax Liability		258.971	-	258.971	171.472	-	171.472
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
14.1 Held For Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(5.II.k)	-	5,261.523	5,261.523	-	5,483.501	5,483.501
XVI. SHAREHOLDERS' EQUITY	(5.II.l)	12,836.190	(23.285)	12,812.905	10,671.309	(109.637)	10,561.672
16.1 Paid-In Capital		3,316.100	-	3,316.100	3,316.100	-	3,316.100
16.2 Supplementary Capital		(1,569.407)	(23.285)	(1,592.692)	(934.554)	(109.637)	(1,044.191)
16.2.1 Share Premium		15	-	15	15	-	15
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve		(424.114)	(23.285)	(447.399)	(445.696)	(109.637)	(555.333)
16.2.4 Revaluation Fund on Tangible Assets	(5.II.l)	127.181	-	127.181	38.273	-	38.273
16.2.5 Revaluation Fund on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation Fund on Investment Properties		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		778	-	778	81	-	81
16.2.8 Hedging Funds (Effective Portion)		(1,277.553)	-	(1,277.553)	(542.082)	-	(542.082)
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Supplementary Capital		4,286	-	4,286	14,855	-	14,855
16.3 Profit Reserves		7,653.013	-	7,653.013	5,323.790	-	5,323.790
16.3.1 Legal Reserves		251.816	-	251.816	181.352	-	181.352
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		5,628.510	-	5,628.510	4,356.547	-	4,356.547
16.3.4 Other Profit Reserves		1,772.687	-	1,772.687	785.891	-	785.891
16.4 Profit or Loss		3,436.484	-	3,436.484	2,965.973	-	2,965.973
16.4.1 Prior Periods' Profits / Losses		1,556.692	-	1,556.692	1,556.692	-	1,556.692
16.4.2 Current Period Profit / Loss		1,879.792	-	1,879.792	1,409.281	-	1,409.281
16.5 Minority Shares	(5.II.l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		66,511.172	54,537.112	121,048.284	58,064.041	45,094.786	103,158.827

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



DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		76.542.953	86.758.810	163.301.763	56.951.168	81.317.679	138.268.847
I. GUARANTEES	(5.III.a)	11.193.835	16.584.504	27.778.339	10.087.461	18.434.569	28.522.030
1.1. Letters of Guarantee		11.178.261	11.248.307	22.426.568	10.075.754	11.560.516	21.636.270
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		79.021	82.929	161.950	79.021	90.776	169.797
1.1.3. Other Letters of Guarantee		11.099.240	11.165.378	22.264.618	9.996.733	11.469.740	21.466.473
1.2. Bank Acceptances		4.773	199.768	204.541	5.498	251.332	256.830
1.2.1. Import Letter of Acceptance		4.773	199.768	204.541	5.498	251.332	256.830
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	2.644.460	2.644.460	42	2.312.534	2.312.576
1.3.1. Documentary Letters of Credit		-	1.894.664	1.894.664	42	1.625.364	1.625.406
1.3.2. Other Letters of Credit		-	749.796	749.796	-	687.170	687.170
1.4. Prefinancing Given As Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Related Guarantees		-	-	-	-	-	-
1.8. Other Collaterals		10.801	2.491.969	2.502.770	6.167	4.310.187	4.316.354
1.9. Other Sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.III.a)	31.054.695	3.490.790	34.545.485	28.323.856	4.655.442	32.979.298
2.1. Irrevocable Commitments		28.369.992	3.490.790	31.860.782	25.004.358	4.655.442	29.659.800
2.1.1. Asset Purchase and Sale Commitments		530.844	1.425.282	1.956.126	405.787	2.967.707	3.373.494
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		11.104.113	-	11.104.113	9.475.667	-	9.475.667
2.1.5. Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		2.375.880	-	2.375.880	2.111.130	-	2.111.130
2.1.8. Tax and Fund Obligations from Export Commitments		1.451	-	1.451	-	-	2.415
2.1.9. Commitments for Credit Card Limits		14.216.415	-	14.216.415	12.764.645	-	12.764.645
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services		2.856	-	2.856	1.416	-	1.416
2.1.11. Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12. Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		138.433	2.065.508	2.203.941	243.298	1.687.735	1.931.033
2.2. Revocable Commitments		2.684.703	-	2.684.703	3.319.498	-	3.319.498
2.2.1. Revocable Loan Granting Commitments		2.684.144	-	2.684.144	3.318.939	-	3.318.939
2.2.2. Other Revocable Commitments		559	-	559	559	-	559
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.b)	34.294.423	66.683.516	100.977.939	18.539.851	58.227.668	76.767.519
3.1. Hedging Purpose Derivatives		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2. Trading Purpose Derivatives		34.294.423	66.683.516	100.977.939	18.539.851	58.227.668	76.767.519
3.2.1. Forward Foreign Currency Purchases/Sales		2.494.623	5.509.202	8.003.825	1.713.300	5.529.056	7.242.356
3.2.1.1. Forward Foreign Currency Purchases		1.262.919	2.750.766	4.013.685	879.079	2.740.754	3.619.833
3.2.1.2. Forward Foreign Currency Sales		1.231.704	2.758.436	3.990.140	834.221	2.788.302	3.622.523
3.2.2. Currency and Interest Rate Swaps		23.728.165	52.250.662	75.978.827	13.002.971	45.306.219	58.309.190
3.2.2.1. Currency Swaps-Purchases		3.354.265	18.224.701	21.578.966	2.927.550	13.589.466	16.517.016
3.2.2.2. Currency Swaps-Sales		11.973.900	8.621.245	20.595.145	8.455.421	6.053.631	14.509.052
3.2.2.3. Interest Rate Swaps-Purchases		4.200.000	12.702.358	16.902.358	810.000	12.831.561	13.641.561
3.2.2.4. Interest Rate Swaps-Sales		4.200.000	12.702.358	16.902.358	810.000	12.831.561	13.641.561
3.2.3. Currency, Interest Rate and Security Options		8.071.635	6.658.244	14.729.879	3.823.580	5.299.658	9.123.238
3.2.3.1. Currency Options-Purchases		2.776.904	3.662.687	6.439.591	1.947.257	2.529.225	4.476.482
3.2.3.2. Currency Options-Sales		3.694.731	2.880.717	6.575.448	1.876.323	2.643.805	4.520.128
3.2.3.3. Interest Rate Options-Purchases		800.000	57.420	857.420	-	63.314	63.314
3.2.3.4. Interest Rate Options-Sales		800.000	57.420	857.420	-	63.314	63.314
3.2.3.5. Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6. Securities Options-Sales		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sales		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6. Others		-	2.265.408	2.265.408	-	2.092.735	2.092.735
B. CUSTODY AND PLEDGED ITEMS (IV-V+VI)	475.432.585	114.565.293	589.997.878	399.449.855	93.781.365	493.231.220	-
IV. ITEMS HELD IN CUSTODY		88.975.224	2.357.319	91.332.543	90.113.164	1.945.577	92.058.741
4.1. Customers' Securities and Portfolios Held		-	-	-	-	-	-
4.2. Securities Held in Custody		87.459.529	1.511.039	88.970.568	89.040.303	1.006.875	90.047.178
4.3. Checks Received for Collection		439.065	656.708	1.095.773	254.257	600.368	854.625
4.4. Commercial Notes Received for Collection		1.076.630	92.216	1.168.846	818.604	254.541	1.073.145
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items under Custody		-	97.356	97.356	-	83.793	83.793
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		386.183.787	110.955.604	497.139.391	308.952.187	91.001.085	399.953.272
5.1. Securities		3.079.543	12.259	3.091.802	3.071.806	616	3.072.422
5.2. Guarantee Notes		271.955.458	45.280.793	317.236.251	215.341.042	38.740.795	253.881.837
5.3. Commodities		16.002.073	5.554.934	21.557.007	13.702.267	3.683.797	17.386.064
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		76.377.535	39.355.607	115.733.142	68.699.488	33.499.122	102.198.610
5.6. Other Pledged Items		18.769.178	20.752.011	39.521.189	8.337.584	15.055.000	23.392.584
5.7. Pledged Items-Depository		-	-	-	21.755	-	21.755
VI. ACCEPTED GUARANTEES AND WARRANTIES		273.574	1.252.370	1.525.944	384.504	834.703	1.219.207
TOTAL OFF BALANCE SHEET ITEMS (A+B)		551.975.538	201.324.103	753.299.641	456.401.023	175.099.044	631.500.067

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

DENİZBANK ANONİM ŞİRKETİ

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

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

INCOME AND EXPENSE ITEMS		Footnotes	CURRENT PERIOD (01/01-31/12/2017)	PRIOR PERIOD (01/01-31/12/2016)
I.	INTEREST INCOME	(5.IV.a)	10.591.583	8.304.669
1.1	Interest from Loans		9.148.814	7.213.918
1.2	Interest from Reserve Deposits		101.420	56.689
1.3	Interest from Banks		141.688	8.059
1.4	Interest from Money Market Transactions		18.278	10.377
1.5	Interest from Securities Portfolio		1.089.486	952.939
1.5.1	Trading Securities		16.785	3.582
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available for Sale Securities		566.523	632.681
1.5.4	Held to Maturity Securities		506.178	316.676
1.6	Interest from Financial Leases		-	-
1.7	Other Interest Income		91.897	62.687
II.	INTEREST EXPENSE	(5.IV.b)	5.733.161	4.285.033
2.1	Interest on Deposits		4.562.911	3.212.722
2.2	Interest on Funds Borrowed		727.509	578.286
2.3	Interest on Money Market Transactions		186.018	346.122
2.4	Interest on Securities Issued		156.250	111.063
2.5	Other Interest Expense		100.473	36.840
III.	NET INTEREST INCOME (I - II)		4.858.422	4.019.636
IV.	NET FEES AND COMMISSION INCOME /EXPENSE		1.507.989	1.188.964
4.1	Fees and Commissions Received		2.007.952	1.589.481
4.1.1	Non-Cash Loans		221.762	174.386
4.1.2	Other	(5.IV.l)	1.786.190	1.415.095
4.2	Fees and Commissions Paid		499.963	400.517
4.2.1	Non-Cash Loans		712	757
4.2.2	Other	(5.IV.l)	499.251	399.760
V.	DIVIDEND INCOME	(5.IV.c)	1.084	58
VI.	TRADING INCOME/LOSS (Net)	(5.IV.d)	(874.629)	(515.969)
6.1	Profit / Loss on Securities Trading		(42.088)	(6.061)
6.2	Profit / Loss on Derivative Financial Transactions		(738.090)	302.541
6.3	Foreign Exchange Gains / Losses		(94.451)	(812.449)
VII.	OTHER OPERATING INCOME	(5.IV.e)	511.142	566.302
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		6.004.008	5.258.991
IX.	PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.886.159	1.711.644
X.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	2.843.203	2.599.065
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1.274.646	948.282
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		952.410	699.372
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.h)	2.227.056	1.647.654
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	(347.264)	(238.373)
16.1	Current Tax		(221.047)	(98.535)
16.2	Deferred Tax		(126.217)	(139.838)
XVII.	NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.j)	1.879.792	1.409.281
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS		-	-
18.1	Assets Held for Sale		-	-
18.2	Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other		-	-
XX.	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-	-
21.1	Current Tax		-	-
21.2	Deferred Tax		-	-
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.879.792	1.409.281
23.1	Group's Profit / Loss		1.879.792	1.409.281
23.2	Minority Shares		-	-
	Earnings / Losses per Share (Per thousand share)		0,57	0,50

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



DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

STATEMENT OF INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY	CURRENT PERIOD	PRIOR PERIOD
	(01/01-31/12/2017)	(01/01-31/12/2016)
I. ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	120.648	(90.439)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	31.445	30.371
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	986.796	610.418
V. PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	616	2.949
VI. PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	(961.055)	(533.388)
VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(13.703)	(8.388)
IX. DEFERRED TAXES OF VALUATION DIFFERENCES	205.997	121.534
X. NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	370.744	133.057
XI. CURRENT PERIOD PROFIT/LOSS	1.879.792	1.409.281
1.1 Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(48.436)	74.680
1.2 Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(300)	(2.752)
1.3 Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
1.4 Other	1.928.528	1.337.353
XII. TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.250.536	1.542.338

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

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

CHANGES IN SHAREHOLDERS' EQUITY	Paid-In Capital	Adjustments to Paid-In Capital	Share Cancellation	Share Premium	Share Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Securities Revaluation Fund / Reserve	Revaluation of Tangible Intangible Assets	Bonus Shares Obtained from Intangible Assets	Hedging Reserves	Val.Diff. Related to Assets Held for Sale/ Disc.Opr.	Total Equity to Equity Holders of Parent	Total Equity to Minority Shareholders of Parent
PRIOR PERIOD 01/01-31/12/2016																		
I. Balances at the Beginning of Period	1.816.100	-	39	-	143.220	-	4.278.319	197.038	197.038	762.645	1.556.692	(479.788)	113.097	81	(118.124)	-	8.269.319	8.269.319
II. Increase / Decrease Related to Mergers	(5.VI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation Differences of Securities	(5.VI.g)	-	-	-	-	-	-	-	-	-	-	(123.812)	-	-	-	-	(123.812)	(123.812)
IV. Hedging Transactions (Effective Portion)	(5.VI.h)	-	-	-	-	-	-	-	-	-	-	(423.958)	-	-	-	-	(423.958)	(423.958)
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	2.752	-	-	-	-	2.752	2.752
4.2 Hedging of a Net Investment in Foreign Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(426.710)	-	-	-	-	(426.710)	(426.710)
V. Revaluation Fund of Intangible Assets	(5.VI)	-	-	-	-	-	-	-	-	-	-	-	28.852	-	-	-	28.852	28.852
VI. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign Exchange Differences	(5.VI)	-	-	-	-	-	-	610.418	-	-	-	-	-	-	-	-	610.418	610.418
VIII. Changes Related to Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes Related to Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equities of Associates	-	-	-	-	-	-	-	(636.864)	-	-	-	48.267	-	-	-	-	48.267	48.267
XII. The Effect of Capital Increase	(5.Va)	1.500.000	(39)	-	-	-	-	-	-	-	-	(113.097)	-	-	-	-	750.000	750.000
12.1 Cash	-	750.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750.000	750.000
12.2 Internal Resources	-	750.000	(39)	-	-	-	-	(636.864)	-	-	-	(113.097)	-	-	-	-	15	15
XIII. Issuance of Capital Stock	-	-	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital	-	-	-	-	-	-	-	-	(6.710)	-	-	-	-	-	-	-	(6.710)	(6.710)
XVI. Other	-	-	-	-	-	-	-	-	-	1.409.281	-	-	-	-	-	-	1.409.281	1.409.281
XVII. Current Period Net Profit / Loss	(5.Ve)	-	-	-	38.132	-	715.092	-	-	(762.645)	-	9.421	-	-	-	-	-	-
XVIII. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1 Dividends Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfer to Reserves	(5.Vk)	-	-	-	38.132	-	715.092	-	-	(762.645)	-	9.421	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the End of Period (I-II-III-IV-V-VI-VII-VIII-IX-X-XI-XII-XIII-XIV-XV-XVI-XVII-XVIII)	3.316.100	-	15	-	181.352	-	4.356.547	800.746	1.409.281	1.556.692	(555.333)	38.273	81	(542.082)	-	-	10.561.672	10.561.672
CURRENT PERIOD 01/01-31/12/2017																		
I. Balances at the Beginning of Period	3.316.100	-	15	-	181.352	-	4.356.547	800.746	1.409.281	1.556.692	(555.333)	38.273	81	(542.082)	-	-	10.561.672	10.561.672
II. Increase / Decrease Related to Mergers	(5.VI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation Differences of Securities	(5.VI.g)	-	-	-	-	-	-	-	-	-	-	102.920	-	-	-	-	102.920	102.920
IV. Hedging Transactions (Effective Portion)	(5.VI.h)	-	-	-	-	-	-	-	-	-	-	(735.471)	-	-	-	-	(735.471)	(735.471)
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	616	-	-	-	-	616	616
4.2 Hedging of a Net Investment in Foreign Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(736.087)	-	-	-	-	(736.087)	(736.087)
V. Revaluation Fund of Intangible Assets	(5.VI)	-	-	-	-	-	-	-	-	-	-	-	22.054	-	-	-	22.054	22.054
VI. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign Exchange Differences	(5.VI)	-	-	-	-	-	-	-	986.796	-	-	-	-	-	-	-	986.796	986.796
VIII. Changes Related to Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes Related to Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equities of Associates	-	-	-	-	-	-	-	-	-	-	-	5.014	-	-	-	-	5.014	5.014
XII. The Effect of Capital Increase	(5.Va)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	(10.569)	-	-	-	-	-	-	-	-	(10.569)	(10.569)
XVII. Current Period Net Profit / Loss	(5.Ve)	-	-	-	70.464	-	1.271.963	-	-	(1.409.281)	-	66.854	-	-	-	-	1.879.792	1.879.792
XVIII. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1 Dividend Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfer to Reserves	(5.Vk)	-	-	-	70.464	-	1.271.963	-	-	(1.409.281)	-	66.854	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the End of Period (I-II-III-IV-V-VI-VII-VIII-IX-X-XI-XII-XIII-XIV-XV-XVI-XVII-XVIII)	3.316.100	-	15	-	251.816	-	5.628.510	1.776.973	1.879.792	1.556.692	(447.399)	127.181	778	(1.277.553)	-	-	12.812.905	12.812.905

*) The amount stated in the column "Paid-In Capital Inflation Adjustment Difference" and the amount stated in the column "Other Reserves" amounting to TL (15.372) relating to the "actual loss/profit" calculated as per TAS 19 "Employee Benefits" and its proportion at an amount of TL 19,657 related to "equity method" as a result of amendments in TAS 27 "Individual Financial Tables". Communication are stated under "Other Capital Reserves" in financial statements.

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



DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED

31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	CURRENT PERIOD	PRIOR PERIOD
Footnotes	(01/01-31/12/2017)	(01/01-31/12/2016)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit before Changes in Operating Assets and Liabilities (+)	2.697.721	653.785
1.1.1 Interest Received (+)	9.815.134	7.682.394
1.1.2 Interest Paid (-)	5.447.722	4.170.230
1.1.3 Dividend Received (+)	1.084	58
1.1.4 Fees And Commissions Received (+)	1.914.876	1.568.990
1.1.5 Other Income (+)	434.048	535.539
1.1.6 Collections from Previously Written-Off Loans and Other Receivables (+)	917.432	791.761
1.1.7 Payments to Personnel and Service Suppliers (-)	1.280.988	1.137.617
1.1.8 Taxes Paid (-)	237.413	308.542
1.1.9 Other (+/-)	(5.VI.c) (3.418.730)	(4.308.568)
1.2 Changes in Operating Assets and Liabilities	(4.949.851)	2.772.013
1.2.1 Net (Increase) Decrease in Trading Securities (+/-)	14.684	(64.670)
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV (+/-)	-	-
1.2.3 Net (Increase) Decrease in Banks (+/-)	(75.980)	30.887
1.2.4 Net (Increase) Decrease in Loans (+/-)	(15.146.666)	(10.327.529)
1.2.5 Net (Increase) Decrease in Other Assets (+/-)	(3.460.853)	(2.033.627)
1.2.6 Net Increase (Decrease) in Bank Deposits (+/-)	2.408.743	2.195.225
1.2.7 Net Increase (Decrease) in Other Deposits (+/-)	9.484.753	14.338.622
1.2.8 Net Increase (Decrease) in Funds Borrowed (+/-)	2.329.320	36.517
1.2.9 Net Increase (Decrease) in Due Payables (+/-)	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.c) (503.852)	(1.403.412)
I. Net Cash (Used in)/Provided from Banking Operations (+/-)	(2.252.130)	3.425.798
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from / (Used in) Investing Activities (+/-)	(182.613)	989.444
2.1 Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)	209.094	-
2.2 Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)	-	-
2.3 Fixed Assets Purchases (-)	199.146	185.264
2.4 Fixed Assets Sales (+)	130.676	53.739
2.5 Cash Paid for Purchase of Investments Available for Sale (-)	816.142	1.967.276
2.6 Cash Obtained From Sale of Investments Available for Sale (+)	863.132	3.088.245
2.7 Cash Paid for Purchase of Investment Securities (-)	-	-
2.8 Cash Obtained from Sale of Investment Securities (+)	-	-
2.9 Other (+/-)	47.961	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from / (Used in) Financing Activities (+/-)	(398.204)	318.693
3.1 Cash Obtained from Funds Borrowed and Securities Issued (+)	9.297.224	5.692.112
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued (-)	9.684.736	6.111.668
3.3 Capital Increase (+)	-	750.000
3.4 Dividends Paid (-)	-	-
3.5 Payments for Finance Leases (-)	10.692	11.751
3.6 Other (+/-)	-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	(5.VI.c) 982.577	858.680
V. Net Increase / (Decrease) in Cash and Cash Equivalents	(1.850.370)	5.592.615
VI. Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.a) 11.983.748	6.391.133
VII. Cash and Cash Equivalents at the End of Period	(5.VI.a) 10.133.378	11.983.748

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

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED PROFIT DISTRIBUTION TABLES

FOR THE PERIODS ENDED

31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	CURRENT PERIOD ⁽³⁾ (01/01-31/12/2017)	PRIOR PERIOD ⁽³⁾ (01/01-31/12/2016)
I. DISTRIBUTION OF CURRENT YEAR INCOME⁽¹⁾		
1.1 CURRENT YEAR INCOME	2.227.056	1.647.654
1.2 TAXES AND DUTIES PAYABLE (-)	(347.264)	(238.373)
1.2.1 Corporate Tax (Income tax)	(221.047)	(98.535)
1.2.2 Income withholding tax	--	--
1.2.3 Other taxes and duties ⁽²⁾	(126.217)	(139.838)
A. NET INCOME FOR THE YEAR (1.1-1.2)	1.879.792	1.409.281
1.3 PRIOR YEARS LOSSES (-)	--	--
1.4 FIRST LEGAL RESERVES (-)	--	70.464
1.5 OTHER STATUTORY RESERVES (-)	--	66.854
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1.879.792	1.271.963
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 (-)	--	--
1.12 GENERAL RESERVES	--	1.271.963
1.13 OTHER RESERVES	--	--
1.14 SPECIAL FUNDS	--	--
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	--	--
2.2 SECOND LEGAL RESERVES (-)	--	--
2.3 DIVIDENDS TO SHAREHOLDERS (-)	--	--
2.3.1 To owners of ordinary shares	--	--
2.3.2 To owners of 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	0,006	0,004
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,6	0,4
3.3 TO OWNERS OF PRIVILEGED SHARES	--	--
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	--	--
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	--	--
4.2 TO OWNERS OF ORDINARY SHARES (%)	--	--
4.3 TO OWNERS OF PRIVILEGED SHARES	--	--
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	--	--

⁽¹⁾ Distribution of dividend has not been decided yet since the General Assembly meeting of the Bank has not been held as of the date on which the financial statements are published.

⁽²⁾ BRSA scrutinize that income amounts related to deferred tax assets cannot be considered as cash or internal source and therefore cannot be included in distribution of net period profit. The Bank has a deferred tax expense of TL 126.217 as of 31 December 2017 (31 December 2016: TL 139.838 deferred tax expenses).

⁽³⁾ It includes impacts of TAS 27 standard.

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

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

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

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

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

The accounting policies followed and revaluation principles used in the preparation of unconsolidated financial statements have been determined and implemented in accordance with the regulations, communiqués, explanations and circulars published by BRSA with respect to accounting and financial reporting principles and principles covered by TAS/TFRS in cases where there were no specific regulations made by BRSA except the change in accounting policy as described under "Accounting policies and valuation principles used "in the preparation of the financial statements" below and they are consistent with accounting policies implemented in annual unconsolidated financial statements prepared for the year ending on 31 December 2016.

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

Disclosures of TFRS 9 Financial Instruments Standard

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

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Classification and measurement of financial assets

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

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

Impairment of financial assets

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

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

Stage 1

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

Stage 2

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

Stage 3

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

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

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

Communique on “TAS 27 Separate Financial Statements” standard, which is in force in order to be applied for accounting periods after 31 December 2012 via Public Oversight Accounting and Auditing Standards Authority (POA) website and published in Official Gazette dated 28 October 2011 and numbered 28098, has entered into force with “Communique on amending the Communique on TAS27 Separate Financial Statements” (Communique) published in Official Gazette dated 9 April 2015 and numbered 29321 to be applied for accounting periods after 1 January 2016.

Entities have the opportunity to recognize their investments in associates, subsidiaries and joint ventures with equity method in their separate financial statements in line with the amendment while it is stated for entities preparing separate financial statements before the amendment in communique to recognize their investments in associates, subsidiaries and joint ventures in accordance with cost value or TAS39 Financial Instruments standard.

The Bank recognized its subsidiaries, in which it has direct or indirect shares, according to equity method in accordance with the Communique having a permission to be applied earlier while preparing its non-consolidated financial tables with the 2nd quarter of 2015 in conjunction with the approval letter of Banking Regulation and Supervision Authority (BRSA) dated 20 July 2015 and realized the implementation retrospectively in the framework of TAS 8 Accounting Policies, amendments and errors in Accounting Estimates Standard.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Deniz Yatırım Menkul Kıymetler A.Ş. (Deniz Yatırım), Eurodeniz International Banking Unit Ltd. (Eurodeniz), Deniz Portföy Yönetimi A.Ş. (Deniz Portföy), Denizbank AG, JSC Denizbank, Deniz Finansal Kiralama A.Ş. (Deniz Leasing), Deniz Faktoring A.Ş. (Deniz Faktoring), Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz GYO) and CR Erdberg Eins GmbH & Co KG (CR Erdberg), in which the Bank has direct or indirect shares, are associates which are recognized according to equity method in separate financial statements and included in scope of full consolidation in financial statements in accordance with the Communiqué.

On the other hand, Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ("Intertech") and Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Deniz Kültür"), which are associates of the Bank, and Deniz Kartlı Ödeme Sistemleri A.Ş. and Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş., which are associates of Intertech, and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş"), which is jointly controlled entity of Bank, and Deniz Immobilien Service GmbH ("Deniz Immobilien"), which is an associate of Denizbank AG are not included in consolidation and are recognized with cost value according to TAS 27 since they are non-financial associates.

c. Additional paragraph for convenience translation:

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

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

a. Strategy for the use of financial instruments

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Transactions denominated in foreign currencies

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

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

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

Foreign exchange gains and losses included in the income statement

Net foreign exchange loss included in the income statement amounts to TL 94.451 as of 31 December 2017 (1 January – 31 December 2016: net foreign exchange loss of TL 812.449).

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

TL 46.163 (31 December 2016: TL 36.673), consisting of conversion of Bahrain Branch’s financial statements into TL in accordance with TAS 21, and TL 1.726.524, (31 December 2016: TL 749.218) sourcing from recognizing Denizbank AG, JSC Denizbank and Eurodeniz, which are foreign currency associates of the Bank, with equity method, are recorded under “other reserves” account.

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.220 million and US Dollar 7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder’s equity.

III. Explanations on investments in associates, subsidiaries, joint ventures

Associates, jointly controlled entities and non-financial associates, included in non-consolidated financial tables, are recognized according to cost value in accordance with the “TAS 27 Separate Financial Statements”.

Subsidiaries, which are treated in an active market, are reflected to financial statements with their fair values through taking their recorded prices in the aforementioned market. Subsidiaries and joint controlled entities, which are not treated in an active market, are monitored over their acquisition costs and shown in financial statements with their cost values after deducting impairment charges, if available.

Financial associates are recognized in accordance with equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Joint Ventures with respect to amendment in TAS 27 Communique on Separate Financial Statements in non-consolidated financial statements.

Equity method is the accounting treatment which prescribes to increase or decrease the book value of share included in associate as quota per participant from change amount occurring in period in the shareholder’s equity of the participated partnership and to deduct/set off dividends received from participated associate from the amended value of the associate.

IV. Explanations on forward transactions, options and derivative instruments

The Bank’s derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

V. Explanations on interest income and expenses

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

VI. Explanations on fees and commissions

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

VII. Explanations on financial assets

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

a. Financial assets at fair value through profit or loss

Financial assets held for trading

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

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

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

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

Financial assets at fair value through profit or loss

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Investment securities available-for-sale

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

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

c. Investment securities held-to-maturity

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

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

Interest income obtained from held to maturity financial assets are presented in the line of “interest received from securities portfolio – investment securities held-to-maturity” in the unconsolidated statement of income.

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

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

d. Loans and specific provisions

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VIII. Explanations on impairment of financial assets

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

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

IX. Explanations on offsetting financial instruments

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

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

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

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

XI. Explanations on assets held for sale and discontinued operations

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XII. Explanations on goodwill and other intangible assets

a. Goodwill

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

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

b. Other intangible assets

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

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

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

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

XIII. Explanations on tangible assets

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

	Estimated Economic Life (Year)	Depreciation Rate
Movables		
- Office machinery	4 YEARS	10 % - 50 %
- Furniture and fixtures	5 YEARS	10 %- 50 %
- Motor vehicles	5 YEARS	20 %- 50 %
- Other equipment	10 YEARS	2,50 %- 50 %
Real estate	50 YEARS	2 %- 3.03 %

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

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

XIV. Explanations on investment properties

None.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XV. Explanations on leasing activities

The maximum period of the lease contracts is mostly 4 years. Fixed assets acquired through financial leasing are recognized in tangible assets and depreciated in line with fixed assets group they relate to. The obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement.

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

The Bank does not have finance lease transactions as "lessor".

XVI. Explanations on provisions and contingent liabilities

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

Based on the representations of the Bank's attorneys, there are 5.529 lawsuits against The Bank with total risks amounting to TL 162.753, US Dollar 3.063.070 and Euro 764.523 as of 31 December 2017. There are also 13.650 follow-up cases amounting to TL 533.655, US Dollar 2.441.671 and Euro 96.700 in total that are filed by The Bank and are at courts. The Bank booked a provision amounting to TL 23.429 for the continuing lawsuits (31 December 2016: TL 14.025).

XVII. Explanations on obligations for employee benefits

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XVIII. Explanations on taxation

a. Current taxes

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

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

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

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

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

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

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

b. Deferred taxes

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

Deferred tax assets and liabilities of the Bank have been offset in the balance sheet. As a result of offsetting, as of 31 December 2017 deferred tax assets of TL 171.853(31 December 2016: TL 83.104) have been recognized in the accompanying financial statements.

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

c. Transfer pricing

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

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

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

XIX. Additional explanations on borrowings

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

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

XX. Explanations on issuance of share certificates

Transactions related to issuance of share certificates are explained in Note II-I-8 of Section Five. No dividends have been declared subsequent to the balance sheet date.

XXI. Explanations on acceptances

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

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

XXII. Explanations on government grants

As of the balance sheet date, The Bank does not have any government grants.

XXIII. Explanations on segment reporting

Segment reporting is presented in Note XII of Section Four.

XXIV. Explanations on other matters

None (31 December 2016: None).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION FOUR

FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations related to the consolidated shareholders' equity

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

The current period equity of the Bank is TL 17.925.043 (31 December 2016 : TL 15.425.649), while its capital adequacy standard ratio is 19,50% (31 December 2016 : 17,52%) as of 31 December 2017.

a. Components of unconsolidated capital

Current Period 31 December 2017	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014	Amounts subject to treatment before 1/1/2014
Common Equity Tier I capital				
Directly issued qualifying common share capital plus related stock surplus	3.316.100		3.316.100	
Share premium	15		15	
Legal reserves	5.880.326		4.537.899	
Projected gains to shareholders' equity of the accounting standards in Turkey	1.964.631		904.300	
Profit	3.436.484		2.965.973	
Net current period profit	1.879.792		1.409.281	
Prior period profit	1.556.692		1.556.692	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	778		81	
Common Equity Tier I capital before regulatory adjustments	14.598.334		11.724.368	
Common Equity Tier I capital: regulatory adjustments				
Prudential valuation adjustments	--		--	
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	1.785.429		1.162.080	
Development cost of operating lease	108.823		89.732	
Goodwill (net of related tax liability)	523	869	522	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	134.446	167.842	112.735	187.893
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	--		--	
Cash-flow hedge reserve	--		--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--		--	
Gains from securitisation transactions	--		--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--		--	
Defined-benefit pension fund net assets	--		--	
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	--		--	
Reciprocal cross-holdings in common equity	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	--		--	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	--		--	
Mortgage servicing rights (amount above 10% threshold)	--		--	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	--		--	
Amount exceeding the 15% threshold	--		--	
of which: significant investments in the common stock of financials	--		--	
of which: mortgage servicing rights	--		--	
of which: deferred tax assets arising from temporary differences	--		--	
National specific regulatory adjustments	--		--	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	--		--	
Total regulatory adjustments to Common equity Tier 1	2.029.221		1.365.069	
Common Equity Tier I capital (CET1)	12.569.113		10.359.299	



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014	Amounts subject to treatment before 1/1/2014
Additional Tier 1 capital: instruments				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	--		--	
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	--		--	
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	--		--	
Additional Tier 1 capital before regulatory adjustments				
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	--		--	
Reciprocal cross-holdings in Additional Tier 1 instruments	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	--		--	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--		--	
National specific regulatory adjustments	--		--	
The process of transition will continue to reduce from Tier 1 Capital				
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	33.742		75.505	
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 (-)	--		--	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	--		--	
Total regulatory adjustments to Additional Tier 1 capital	33.742		75.505	
Additional Tier 1 capital (AT1)	(33.742)		(75.505)	
Tier 1 capital (T1 = CET1 + AT1)	12.535.371		10.283.794	
Tier 2 capital: instruments and provisions				
Directly issued qualifying Tier 2 instruments plus related stock surplus	4.479.778		4.262.567	
Directly issued qualifying Tier 2 instruments plus related stock surplus	--		140.768	
Provisions	1.048.960		1.016.387	
Tier 2 capital before regulatory adjustments	5.528.738		5.278.954	
Tier 2 capital: regulatory adjustments				
Investments in own Tier 2 instruments (-)	--		--	
Reciprocal cross-holdings in Tier 2 instruments	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--		--	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--		--	
National specific regulatory adjustments (-)	123.339		115.081	
Total regulatory adjustments to Tier 2 capital	123.339		115.081	
Tier 2 capital (T2)	5.405.399		5.163.873	
Total capital (TC = T1 + T2)	17.940.770		15.447.667	
Total risk weighted assets				
Loans extended being non compliant with articles 50 and 51 of the Law	--		--	
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	--		9.826	
National specific regulatory adjustments	15.727		12.192	
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital				
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	--		--	
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--		--	
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--		--	
Capital				
Total capital	17.925.043		15.425.649	
Total risk weighted items	91.940.335		88.069.544	
CAPITAL ADEQUACY RATIOS				
Core Capital Adequacy Ratio (%)	13,67		11,76	
Tier 1 Capital Adequacy Ratio (%)	13,63		11,68	
Capital Adequacy Standard Ratio (%)	19,50		17,52	

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014	Amounts subject to treatment before 1/1/2014
BUFFERS				
Institution specific buffer requirement	1,368		0,669	
Capital conservation buffer requirement (%)	1,250		0,625	
Bank specific countercyclical buffer requirement (%)	0,118		0,044	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	--		--	
Amounts below the thresholds for deduction (before risk weighting)	0,048		0,048	
Non-significant investments in the capital of other financials				
Significant investments in the common stock of financials	--		--	
Mortgage servicing rights (net of related tax liability)	--		--	
Deferred tax assets arising from temporary differences (net of related tax liability)	--		--	
Applicable caps on the inclusion of provisions in Tier 2	--		--	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)				
Cap on inclusion of provisions in Tier 2 under standardised approach	1.476.199		1.277.781	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	1.048.960		1.016.387	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	--		--	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	--		--	
Upper limit for Additional Tier I Capital subjected to temporary Article 4				
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	--		--	
Upper limit for Additional Tier II Capital subjected to temporary Article 4				
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--		--	

⁽¹⁾ There are no credits included in Tier 2 capital related to "Temporary Article 4".

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

c. Main differences between “Equity” amount mentioned in the prior tables’ equity statements and “Equity” amount in the unconsolidated balance sheet arise from general provisions and subordinated loans. The portion of main amount to credit risk of general provision up to 1,25% and subordinated credits are considered as supplementary capital in the calculation of “Equity” amount included in equity statement as result of deductions mentioned in scope of Regulation on Equity of Banks. Additionally, Losses reflected to equity are determined through excluding losses sourcing from cash flow hedge reflected in equity in accordance with TAS which are subjects of discount from Core Capital. On the other hand, leasehold improvement costs monitored under Plant, Property and Equipment in balance sheet, intangible assets and deferred tax liabilities related to intangible assets, net carrying value of properties acquired in return for receivables and kept for over 5 years and certain other accounts determined by the Board are taken into consideration in the calculation as assets deducted from capital.

II. Explanations related to the credit risk and risk management

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

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

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

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

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

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

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Methods and approaches regarding valuation adjustments and provisions

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

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

Risk Classification	Current Period ^(*)	Average ^(**)	Prior Period ^(*)	Average ^(**)
1 Receivables from central governments and Central Banks	26.840.819	25.674.212	24.479.544	22.571.655
2 Receivables from regional or local governments	361.094	404.941	490.682	599.819
3 Receivables from administrative bodies and non-commercial enterprises	--	--	--	1
4 Receivables from multilateral development banks	--	--	--	--
5 Receivables from international organizations	--	--	--	--
6 Receivables from banks and brokerage houses	7.697.286	6.422.154	5.863.312	3.941.564
7 Receivables from corporate portfolio	37.235.871	35.282.701	33.850.795	32.970.460
8 Receivables from retail portfolio	44.290.157	41.915.667	34.127.937	27.554.783
9 Receivables secured by residential mortgages	4.489.819	4.842.066	5.068.023	4.778.779
10 Receivables secured by commercial mortgages	7.898.190	7.754.481	7.428.560	6.298.227
11 Past due receivables	852.622	926.464	1.019.509	820.098
12 Receivables defined in high risk category by BRSA	--	--	--	789.084
13 Securities collateralized by mortgages	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--
15 Investments similar to collective investment funds	219	193	2.255	1.995
16 Other receivables	3.802.591	3.814.082	3.627.025	7.621.347
17 Equity investments	7.637.911	6.569.953	5.308.316	442.360
18 Total	141.106.579	133.606.914	121.265.958	108.390.172

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

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

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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

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

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

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

f. The Bank's

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

The share of the top 100 and 200 cash loan customers comprises 16% and 19% of the total cash loans portfolio (31 December 2016: 20%, 24%).

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

The share of the top 100 and 200 non-cash loan customers comprises 43% and 54% of the total non-cash loans portfolio (31 December 2016: 46%, 58%).

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

The share of the total cash and non-cash loans from its top 100 and 200 loan customers comprise 13% and 17% of the total assets and off-balance sheet items (31 December 2016: 20%, 20%).

g. The Bank's general loan provision for its loans

As at 31 December 2017, The Bank's general loan provision amounts to TL 1.476.199 (31 December 2016: TL 1.277.781).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

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

h. Profile of significant exposures in major regions

Current Period	Risk Classifications ^(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	26,750,867	351,010	--	--	--	1,123,096	21,655,231	41,131,657	4,195,786	7,068,476	803,334	--	--	--	--	3,802,461	166,469	107,048,387
European Union Countries	--	--	--	--	--	3,542,703	282,550	60,714	34,032	3,616	7,688	--	--	--	--	--	--	3,931,303
OECD Countries	--	--	--	--	--	21,702	--	3,289	2,899	--	611	--	--	--	--	--	--	28,501
Off-Shore Banking Regions	--	--	--	--	--	36,521	--	3,120	966	1,458	--	--	--	--	--	--	--	42,336
USA, Canada	--	--	--	--	--	307,399	--	2,657	1,530	115	37	--	--	--	--	--	--	311,738
Other Countries	--	--	--	--	--	444,855	221,562	32,977	56,162	4,605	2,046	--	--	--	--	130	--	762,337
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7,471,442
Unallocated Assets/Liabilities	89,952	10,084	--	--	--	2,257,260	15,040,007	3,055,743	198,444	819,920	38,906	--	--	--	219	--	--	21,510,535
Total	26,840,819	361,094	--	--	--	7,697,286	37,235,871	44,290,157	4,489,819	7,898,190	852,622	--	--	--	219	3,802,591	7,637,911	141,106,579

Prior Period	Risk Classifications ^(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	24,300,514	481,440	--	--	--	807,587	16,414,054	31,408,716	4,807,121	6,635,122	936,760	--	--	--	1,187	3,624,335	3,930	89,420,766
European Union Countries	--	--	--	--	--	2,465,810	288,678	61,991	37,472	1,182	23,034	--	--	--	--	2,641	--	2,880,808
OECD Countries	--	--	--	--	--	20,076	25	4,510	2,774	--	13	--	--	--	--	--	--	27,398
Off-Shore Banking Regions	--	--	--	--	--	8,037	--	3,264	2,307	466	--	--	--	--	--	--	--	14,198
USA, Canada	--	--	--	--	--	124,066	--	2,934	1,524	115	39	--	--	--	--	--	--	128,678
Other Countries	--	--	--	--	--	395,426	449,952	44,253	50,026	9,966	1,555	--	--	--	--	49	--	951,227
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5,304,386
Unallocated Assets/Liabilities	179,030	9,242	--	--	--	2,050,223	16,690,049	2,602,269	166,799	781,709	58,108	--	--	--	1,068	--	--	22,538,497
Total	24,479,544	490,682	--	--	--	5,863,312	33,850,795	34,127,937	5,068,023	7,428,560	1,019,509	--	--	--	2,255	3,627,025	5,308,316	121,265,958

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

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

i. Risk Profile by Sectors or Counterparties

Current Period: 31 December 2017	Risk Classifications ⁽¹⁾⁽²⁾																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	--	--	--	--	--	612.534	10.132.370	158.540	1.474.130	68.633	--	--	--	--	--	1	--	12.142.015	304.193	12.446.208
Farming and Cattle	--	--	--	--	--	610.488	10.121.974	158.405	1.472.877	63.655	--	--	--	--	--	1	--	12.126.621	300.779	12.427.400
Forestry	--	--	--	--	--	--	5.517	123	991	29	--	--	--	--	--	--	--	5.577	1.083	6.660
Fishing	--	--	--	--	--	2.046	4.879	12	262	4.949	--	--	--	--	--	--	--	9.817	2.331	12.148
Manufacturing	77.970	--	--	--	--	12.389.511	2.273.122	174.432	918.101	117.070	--	--	--	--	--	4	--	4.959.637	10.990.573	15.950.210
Mining	--	--	--	--	--	2.936.824	156.559	8.876	43.405	15.757	--	--	--	--	--	--	--	389.990	2.771.411	3.161.401
Production	77.970	--	--	--	--	7.311.030	2.102.655	158.705	841.105	51.570	--	--	--	--	--	3	--	3.997.751	6.545.287	10.543.038
Electric, Gas, Water	--	--	--	--	--	2.141.657	13.928	6.851	33.591	49.743	--	--	--	--	--	1	--	571.896	1.673.875	2.245.771
Construction	--	5.429	--	--	--	6.368.060	1.457.617	325.794	882.762	98.566	--	--	--	--	--	--	2.800	5.383.260	3.752.339	9.135.599
Wholesale and Retail Trade	15.063.594	--	--	--	--	7.573.346	13.110.474	8.243.719	694.578	3.613.780	376.137	--	--	--	44	128	7.413.259	22.083.463	34.011.025	56.094.488
Hotel and Restaurant Services	--	--	--	--	--	3.606.779	6.432.727	453.234	1.352.929	198.253	--	--	--	--	--	125	--	9.628.315	2.415.732	12.044.047
Transportation and telecommunication	--	--	--	--	--	3.051.917	271.374	85.461	1.586.597	97.802	--	--	--	--	--	--	--	1.932.603	3.160.548	5.093.151
Financial institution	15.063.594	8	--	--	--	3.125.648	1.114.860	92.139	305.715	60.408	--	--	--	--	--	1	--	2.329.487	2.369.284	4.698.771
Real estate and letting services	--	810	--	--	--	7.573.346	1.369.230	77.163	9.729	36.145	5.232	--	--	44	2	7.413.259	5.986.463	25.561.289	31.547.752	
Self-employment services	--	--	--	--	--	202.082	115.467	21.968	18.891	2.412	--	--	--	--	--	--	--	275.069	86.561	361.630
Education services	--	4.611	--	--	--	--	837.492	109.155	16.423	188.647	1.762	--	--	--	--	--	--	1.119.686	36.404	1.158.090
Health and social services	--	--	--	--	--	917.326	122.973	15.624	124.856	10.268	--	--	--	--	--	--	--	811.840	379.207	1.191.047
Other	11.699.255	355.665	--	--	--	123.940	4.755.292	22.183.329	3.136.475	1.009.417	192.216	--	--	--	175	3.802.458	221.852	41.111.098	6.368.976	47.480.074
Total	26.840.819	361.094	--	--	--	7.697.286	37.235.871	44.290.157	4.489.819	7.898.190	852.622	--	--	--	219	3.802.591	7.637.911	85.679.473	55.427.106	141.106.579

⁽¹⁾ Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

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

⁽²⁾ Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

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

Prior Period:31 December 2016	Risk Classifications ^(*)																	Total			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		TL	FC	
Agricultural	--	--	--	--	--	--	407.586	7.456.918	137.079	887.862	56.651	--	--	--	--	1	--	8.786.790	159.307	8.946.097	
Farming and Cattle	--	--	--	--	--	--	403.854	7.443.546	136.788	886.572	56.422	--	--	--	--	1	--	8.771.527	149.656	8.927.183	
Forestry	--	--	--	--	--	--	--	3.042	241	779	74	--	--	--	--	--	--	3.368	768	41.136	
Fishing	--	--	--	--	--	--	3732	10.330	50	511	155	--	--	--	--	--	--	5.895	8.883	14.778	
Manufacturing	83.163	3	--	--	--	--	12.447.042	1.803.601	222.729	917.139	139.743	--	--	--	--	13	--	4.667.825	10.945.608	15.613.433	
Mining	--	3	--	--	--	--	2.645.653	116.518	13.790	61.662	8.373	--	--	--	--	--	--	483.510	2.362.489	2.845.999	
Production	83.163	--	--	--	--	--	7.929.378	1.677.275	202.617	832.084	68.317	--	--	--	--	11	--	3.596.016	7.196.829	10.792.845	
Electric, Gas, Water	--	--	--	--	--	--	1.872.011	9.808	6.322	23.393	63.053	--	--	--	--	2	--	588.299	1.386.290	1.974.589	
Construction	--	2.721	--	--	--	--	6.089.200	1.041.897	368.464	861.351	79.832	--	--	--	--	10	--	4.748.685	3.697.790	8.446.475	
Services	13.006.739	7.132	--	--	--	--	5.863.312	9.890.876	6.637.616	821.010	3.732.792	374.807	--	--	--	2.793	5.294.747	18.597.322	27.034.502	45.631.824	
Wholesale and Retail Trade	--	--	--	--	--	--	--	3.730.288	5.071.729	507.563	1.263.405	265.583	--	--	--	132	--	8.285.760	2.552.940	10.838.700	
Hotel and Restaurant Services	--	--	--	--	--	--	--	1.294.682	238.997	112.243	1.644.190	26.814	--	--	--	--	--	1.414.654	1.902.272	3.316.926	
Transportation and telecommunication	--	--	--	--	--	--	--	2.920.621	965.449	133.726	376.244	61.183	--	--	--	3	2.800	2.345.997	2.114.029	4.460.026	
Financial institution	13.006.739	26	--	--	--	--	5.863.312	563.976	65.080	9.535	139.742	5.096	--	--	--	2.654	5.291.947	4.857.386	20.090.721	24.948.107	
Real estate and letting services	--	1.512	--	--	--	--	85.748	107.899	23.923	13.651	3.428	--	--	--	--	1	--	205.406	30.756	236.162	
Self-employment services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Education services	--	5.594	--	--	--	--	533.181	69.146	19.940	153.922	3.976	--	--	--	--	--	--	741.375	44.384	785.759	
Health and social services	--	--	--	--	--	--	762.380	119.316	14.080	141.638	8.727	--	--	--	--	3	--	746.744	299.400	1.046.144	
Other	11.389.642	480.826	--	--	--	--	5.016.091	17.187.905	3.518.741	1.026.416	368.476	--	--	--	2.255	3.624.208	13.569.350	76.165	7.551.964	42.628.129	
Total	24.479.544	490.682	--	--	--	--	5.863.312	33.850.795	34.127.937	5.068.023	7.428.560	1.019.509	--	--	--	2.255	3.627.025	5.308.316	71.876.787	49.389.171	121.265.958

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period							
Risk classifications	Undistributed ⁽¹⁾	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year	
1 Receivables from central governments and Central Banks	2.568.859	12.566.417	137.785	385.815	270.566	10.911.377	
2 Receivables from regional or local governments	--	1.578	621	2.615	52.334	303.946	
3 Receivables from administrative bodies and non-commercial Enterprises	--	--	--	--	--	--	
4 Receivables from multilateral development banks	--	--	--	--	--	--	
5 Receivables from international organizations	--	--	--	--	--	--	
6 Receivables from banks and brokerage houses	1.041.128	4.850.357	86.104	416.683	163.483	1.139.531	
7 Receivables from corporate portfolio	59.159	4.535.212	2.934.688	2.184.609	4.950.411	22.571.792	
8 Receivables from retail portfolios	--	8.079.842	1.593.661	2.523.077	6.470.564	25.623.013	
9 Receivables secured by residential mortgages	--	146.478	166.378	195.338	245.899	3.735.726	
10 Receivables secured by commercial mortgages	--	349.007	344.800	349.799	859.722	5.994.862	
11 Past due receivables	849.500	148	6	--	--	2.968	
12 Receivables defined in high risk category by BRSA	--	--	--	--	--	--	
13 Securities collateralized by mortgages	--	--	--	--	--	--	
14 Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--	
15 Investments similar to collective investment funds	--	174	45	--	--	--	
16 Other receivables	3.802.591	--	--	--	--	--	
17 Equity investments	7.637.911	--	--	--	--	--	
18 Total	15.959.148	30.529.213	5.264.088	6.057.936	13.012.979	70.283.215	

⁽¹⁾ Amounts without determined maturities are included.

Prior Period							
Risk classifications	Undistributed ⁽¹⁾	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year	
1 Receivables from central governments and Central Banks	2.885.359	10.300.402	50.590	--	--	11.243.193	
2 Receivables from regional or local governments	--	255	3.256	9.197	21.830	456.144	
3 Receivables from administrative bodies and non-commercial Enterprises	--	--	--	--	--	--	
4 Receivables from multilateral development banks	--	--	--	--	--	--	
5 Receivables from international organizations	--	--	--	--	--	--	
6 Receivables from banks and brokerage houses	899.487	3.045.312	193.916	311.456	100.460	1.312.681	
7 Receivables from corporate portfolio	62.590	5.190.022	2.180.309	2.277.529	4.857.209	19.283.136	
8 Receivables from retail portfolios	1.777	6.579.422	1.482.913	2.236.471	5.957.525	17.869.829	
9 Receivables secured by residential mortgages	--	207.093	143.312	200.917	296.865	4.219.836	
10 Receivables secured by commercial mortgages	--	530.735	457.224	422.521	594.706	5.423.374	
11 Past due receivables	1.002.325	3.900	2	3	6	13.273	
12 Receivables defined in high risk category by BRSA	--	--	--	--	--	--	
13 Securities collateralized by mortgages	--	--	--	--	--	--	
14 Short-term receivables from banks, brokerage houses and corporate portfolio	--	--	--	--	--	--	
15 Investments similar to collective investment funds	--	2.089	--	--	166	--	
16 Other receivables	3.627.025	--	--	--	--	--	
17 Equity investments	5.308.316	--	--	--	--	--	
18 Total	13.786.879	25.859.230	4.511.522	5.458.094	11.828.767	59.821.466	

⁽¹⁾ Amounts without determined maturities are included.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

k. Risk Classifications

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

I. Exposures by risk weights

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Equity Deduction
Exposures before												
Credit Risk Mitigation	26.278.108	--	4.743.826	--	2.153.022	50.078.968	57.564.835	115.967	--	171.853	--	2.202.029
Exposures after Credit Risk Mitigation	35.244.788	--	4.247.053	4.283.543	7.902.329	39.089.782	47.227.992	--	--	171.853	--	2.202.029

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Equity Deduction
Exposures before												
Credit Risk Mitigation	12.192.857	--	3.303.775	--	17.584.405	39.971.681	47.948.103	182.033	--	83.104	--	1.577.673
Exposures after Credit Risk Mitigation	12.995.350	--	3.303.741	5.026.738	23.973.289	32.845.562	41.132.507	179.037	--	83.104	--	1.577.673

m. Information by major sectors and type of counterparties

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

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

Current Period: 31 December 2017

Important Sectors/Counterparties	Loans			
	Impaired	Past Due	Value Adjustments ^(*)	Provisions ^(**)
Agricultural	202.865	771.314	14.314	134.533
Farming and Cattle	195.366	770.123	14.295	131.989
Forestry	157	98	2	130
Fishing	7.342	1.093	17	2.414
Manufacturing	338.921	167.318	28.288	225.901
Mining	45.069	32.326	424	29.602
Production	211.801	120.427	27.649	162.542
Electric, Gas, Water	82.051	14.565	215	33.757
Constuction	209.742	238.013	4.493	134.378
Services	1.313.814	1.786.881	334.212	946.151
Wholesale and Retail Trade	799.743	496.790	7.131	608.230
Hotel and Restaurant Services	147.199	503.807	204.590	49.810
Transportation & telecommunication	255.576	729.418	121.802	196.125
Financial institution	9.640	5.178	64	4.455
Real estate and letting services	10.761	12.123	190	8.491
Self-employment services	--	--	--	--
Education services	18.449	21.836	253	16.741
Health and social services	72.446	17.729	182	62.299
Other	1.560.142	2.506.963	66.274	1.370.864
Total	3.625.484	5.470.489	447.581	2.811.827

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

(**) Representing specific provision amounts.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period: 31 December 2016

Important Sectors/Counterparties	Loans			
	Impaired	Past Due	Value Adjustments ⁽¹⁾	Provisions ⁽²⁾
Agricultural	176.447	602.684	10.174	121.770
Farming and Cattle	173.778	601.564	10.109	119.306
Forestry	242	144	6	175
Fishing	2.427	976	59	2.289
Manufacturing	299.439	310.924	20.567	170.503
Mining	30.620	24.608	1.578	22.678
Production	186.677	243.298	18.288	127.285
Electric, Gas, Water	82.142	43.018	701	20.540
Construction	197.016	144.616	7.232	136.937
Services	1.082.879	1.291.457	89.677	730.039
Wholesale and Retail Trade	721.972	474.126	18.493	473.365
Hotel and Restaurant Services	37.850	230.435	46.353	14.111
Transportation and telecommunication	208.386	543.229	12.212	148.123
Financial institution	9.353	6.687	7.991	4.362
Real estate and letting services	9.431	7.776	217	6.109
Self-employment services	--	--	--	--
Education services	19.645	2.461	89	15.784
Health and social services	76.242	26.743	4.322	68.185
Other	1.536.430	2.389.469	132.695	1.188.764
Total	3.292.211	4.739.150	260.345	2.348.013

⁽¹⁾ Representing the general and free provision of past due loans.

⁽²⁾ Representing specific provision amounts.

Movements in valuation adjustments and provisions

Current Period: 31 December 2017	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ⁽¹⁾	Ending Balance
Specific Provisions	2.348.013	1.381.465	(243.797)	(673.854)	2.811.827
General Provisions	1.277.781	198.418	--	--	1.476.199

⁽¹⁾ Representing sales from the non-performing loans portfolio.

Prior Period: 31 December 2016	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ⁽¹⁾	Ending Balance
Specific Provisions	1.953.381	1.183.916	(236.382)	(552.902)	2.348.013
General Provisions	984.209	293.572	--	--	1.277.781

⁽¹⁾ Representing sales from the non-performing loans portfolio.

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

Current Period

Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	
			Total
Turkey	70.251.432	740	70.252.172
Austria	6.335.647	--	6.335.647
Malta	326.744	--	326.744
The United Arab Emirates	186.425	--	186.425
Other	754.956	--	754.956

Prior Period

Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	
			Total
Turkey	66.359.794	8.399	66.368.193
Austria	4.371.443	--	4.371.443
Malta	302.051	--	302.051
Cyprus	298.203	--	298.203
Other	839.382	--	839.382

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

o. Distribution of credit risk according to the operational segments

Current Period: 31 December 2017	Commercial Loans ⁽¹⁾	Consumer Loans	Credit Cards	Total
Standard Loans	44.571.381	14.998.261	5.830.718	65.400.360
Closely Monitored Loans	8.152.330	1.347.718	391.233	9.891.281
Non-performing Loans	2.459.136	728.343	438.005	3.625.484
Specific Provisions(-)	1.679.540	694.574	437.713	2.811.827
Total	53.503.307	16.379.748	6.222.243	76.105.298

⁽¹⁾ Commercial loans include commercial, corporate and SME loans.

Prior Period: 31 December 2016	Commercial Loans ⁽¹⁾	Consumer Loans	Credit Cards	Total
Standard Loans	37.737.654	12.083.662	4.801.357	54.622.673
Closely Monitored Loans	4.777.672	1.190.519	285.322	6.253.513
Non-performing Loans	1.978.571	842.254	471.386	3.292.211
Specific Provisions(-)	1.306.918	648.231	392.864	2.348.013
Total	43.186.979	13.468.204	5.165.201	61.820.384

⁽¹⁾ Commercial loans include commercial, corporate and SME loans.

The loans of The Bank amounting to TL 47.194.817 (31 December 2016: TL 38.309.143) are collateralized by cash, mortgage, cheques and notes obtained from customers.

III. Explanations related to the foreign exchange rate risk

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

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

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

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

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

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.220 million and US Dollar 7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity.

c. Foreign currency risk management strategy

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

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

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

Date	US Dollar	Euro
25 December 2017	3,8087	4,5205
26 December 2017	3,8029	4,5116
27 December 2017	3,8197	4,5385
28 December 2017	3,8104	4,5478
29 December 2017	3,7719	4,5155



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

f. Information on currency risk

Current Period	EUR	USD	Other FC ⁽⁴⁾	Total
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	2.423.311	8.166.365	3.210.086	13.799.762
Due from Banks and Other Financial Institutions	2.978.594	685.628	127.151	3.791.373
Financial Assets at Fair Value Through Profit or Loss ⁽¹⁾	161.714	57.596	1	219.311
Interbank Money Market Placements	--	--	--	--
Investment Securities Available-for-Sale	258.644	693.439	--	952.083
Loans ⁽²⁾	7.730.617	10.312.387	798.750	18.841.754
Investments in Subsidiaries and Associates	6.329.913	175.953	--	6.505.866
Investment Securities Held-to-Maturity	--	1.656.779	--	1.656.779
Hedging Purpose Financial Derivatives	--	--	--	--
Tangible Assets	--	21	--	21
Intangible Assets	--	--	--	--
Other Assets ⁽³⁾	571.956	297.356	88.218	957.530
Total Assets	20.454.749	22.045.524	4.224.206	46.724.479
Liabilities				
Bank Deposits	3.079.714	1.783.234	931.907	5.794.855
Foreign Currency Deposits	8.561.442	17.785.655	1.130.654	27.477.751
Interbank Money Markets	--	391.047	--	391.047
Funds Borrowed from Other Financial Institutions	4.038.951	13.343.441	970.619	18.353.011
Marketable Securities Issued	--	--	--	--
Miscellaneous Payables	175.717	55.583	21.706	253.006
Hedging Purpose Financial Derivatives	--	--	--	--
Other Liabilities ⁽⁵⁾	390.470	1.409.912	55	1.800.437
Total Liabilities	16.246.294	34.768.872	3.054.941	54.070.107
Net "On Balance Sheet Position"	4.208.455	(12.723.348)	1.169.265	(7.345.628)
Net "Off-Balance Sheet Position" ⁽⁶⁾	(3.980.505)	14.009.831	(1.173.254)	8.856.072
Financial Derivatives (Assets)	8.863.601	28.755.242	863.592	38.482.435
Financial Derivatives (Liabilities)	(12.844.106)	(14.745.411)	(2.036.846)	(29.626.363)
Net Position	227.950	1.286.483	(3.989)	1.510.444
Non-Cash Loans	7.801.338	8.400.226	382.940	16.584.504
Prior Period				
Total Assets	16.488.399	20.398.034	2.941.604	39.828.037
Total Liabilities	17.806.949	25.683.776	1.539.026	45.029.751
Net "On Balance Sheet Position"	(1.318.550)	(5.285.742)	1.402.578	(5.201.714)
Net "Off-Balance Sheet Position"	1.779.276	5.419.879	(1.401.528)	5.797.627
Financial Derivatives (Assets)	11.405.186	21.147.643	943.672	33.496.501
Financial Derivatives (Liabilities)	(9.625.910)	(15.727.764)	(2.345.200)	(27.698.874)
Net Position	460.726	134.137	1.050	595.913
Non-Cash Loans	6.928.290	11.115.471	390.808	18.434.569

(1) : Foreign currency differences of derivative assets amounting to TL 109.184 are excluded.

(2) : Foreign currency indexed loans amounting to TL 3.554.146 are included.

(3) : Prepaid expenses amounting to TL 32.151 are excluded.

(4) : There are gold amounts in total assets amounting to TL 3.951.408 and in total liabilities amounting to TL 2.512.480

(5) : Not including the exchange rate difference of TL 490.290 pertaining to derivative financial loans and the FX equity of TL (23.285).

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

g. Informations on currency risk exposure

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

	Current Period		Prior Period	
	Period Profit Loss	Equity	Period Profit Loss	Equity
USD Dollar	47.217	42.189	9.188	(1.375)
Euro	17.915	18.713	47.701	47.268
Total (Net)	65.132	60.902	56.889	45.893

IV. Explanations related to the interest rate risk

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

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

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

The Bank relies on sensitivity in determining limits against negative market conditions and monitors the risk within this context. Sensitivity calculations are made and limits are monitored on a weekly basis. Market interest rates are monitored daily and interest rates are revised where necessary.

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

The Bank uses sensitivity analysis, historical stress-testing and value at risk methods to analyze and take precautions against interest rate risk faced during current period. Interest sensitivity limits have been defined and limits are being monitored on a weekly basis. "Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)":

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	4.572.370	--	--	--	--	12.294.173	16.866.543
Due from Banks and Other Fin. Inst.	3.552.622	--	182.759	--	--	270.748	4.006.129
Financial Assets at Fair Value Through Profit or Loss	98.564	76.661	311.902	203.599	183.682	741	875.149
Interbank Money Market Placements	750.786	--	--	--	--	--	750.786
Investment Securities Av.-for-Sale	299.270	550.779	1.810.059	2.421.950	1.567.537	63.115	6.712.710
Loans	12.626.323	5.967.707	8.907.948	36.365.529	11.424.134	813.657	76.105.298
Investment Securities Held-to-Mat.	1.800.713	387.207	638.299	910.721	1.475.696	--	5.212.636
Other Assets (*)	--	--	--	--	--	10.519.033	10.519.033
Total Assets	23.700.648	6.982.354	11.850.967	39.901.799	14.651.049	23.961.467	121.048.284
Liabilities							
Bank Deposits	4.318.061	267.678	1.457.261	--	--	39.694	6.082.694
Other Deposits	43.212.717	9.555.804	3.860.367	32.137	--	12.502.086	69.163.111
Interbank Money Market Placements	3.977.111	--	--	--	--	--	3.977.111
Miscellaneous Payables	--	--	--	--	--	1.905.828	1.905.828
Marketable Securities Issued	256.970	667.494	540.153	--	--	--	1.464.617
Funds Borrowed from Other Fin. Inst.	3.072.276	6.472.316	4.742.092	340.717	4.518.167	--	19.145.568
Other Liabilities (**)	341.593	120.870	216.323	520.411	187.501	17.922.657	19.309.355
Total Liabilities	55.178.728	17.084.162	10.816.196	893.265	4.705.668	32.370.265	121.048.284
On Balance Sheet Long Position	--	--	1.034.771	39.008.534	9.945.381	--	49.988.686
On Balance Sheet Short Position	(31.478.080)	(10.101.808)	--	--	--	(8.408.798)	(49.988.686)
Off-Balance Sheet Long Position	4.873.004	2.678.134	6.258.237	3.176.076	3.664.803	--	20.650.254
Off-Balance Sheet Short Position	(2.904.585)	(5.622.927)	(3.350.892)	(4.217.443)	(4.649.295)	--	(20.745.142)
Total Interest Sensitivity Gap	(29.509.661)	(13.046.601)	3.942.116	37.967.167	8.960.889	(8.408.798)	(94.888)

(*)Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investments in Associates, Tax Assets, Investments in Subsidiaries, Joint Ventures, Assets to be sold and other assets with balances of TL 440.559, TL 168.711, TL 9.340, TL 171.853, TL 7.459.302, TL 2.800, TL 129.707 and TL 2.136.761 respectively.

(**)Other liabilities/non-interest bearings include; Shareholders' Equity, Other External Resources, Provisions, Tax Liabilities with balances of TL 12.812.905, TL 2.661.590, TL 2.189.191, and TL 258.971 respectively.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	3.690.408	--	--	--	--	11.070.530	14.760.938
Due from Banks and Other Fin. Inst.	2.517.135	--	130.405	--	--	319.425	2.966.965
Financial Assets at Fair Value Through Profit or Loss	455.140	202.715	270.278	379.738	208.489	9.587	1.525.947
Interbank Money Market Placements	3.001.396	--	--	--	--	--	3.001.396
Investment Securities Av.-for-Sale	155.210	572.961	1.177.057	1.845.210	2.769.411	41.709	6.561.558
Loans	11.460.439	4.571.198	9.121.418	24.635.474	11.087.657	944.198	61.820.384
Investment Securities Held-to-Mat.	1.612.284	290.784	329.400	443.349	2.225.182	--	4.900.999
Other Assets ^(*)	--	--	--	--	--	7.620.640	7.620.640
Total Assets	22.892.012	5.637.658	11.028.558	27.303.771	16.290.739	20.006.089	103.158.827
Liabilities							
Bank Deposits	2.425.918	795.851	365.707	--	--	78.813	3.666.289
Other Deposits	34.996.980	8.524.166	4.159.941	34.603	--	11.808.949	59.524.639
Interbank Money Market Placements	5.397.576	--	--	--	--	--	5.397.576
Miscellaneous Payables	--	--	--	--	--	1.851.423	1.851.423
Marketable Securities Issued	111.342	403.964	374.035	263.292	--	--	1.152.633
Funds Borrowed from Other Fin. Inst.	2.511.540	4.901.146	2.923.570	1.554.736	4.343.106	--	16.234.098
Other Liabilities ^(**)	131.045	67.201	92.070	479.037	190.328	14.372.488	15.332.169
Total Liabilities	45.574.401	14.692.328	7.915.323	2.331.668	4.533.434	28.111.673	103.158.827
On Balance Sheet Long Position	--	--	3.113.235	24.972.103	11.757.305	--	39.842.643
On Balance Sheet Short Position	(22.682.389)	(9.054.670)	--	--	--	(8.105.584)	(39.842.643)
Off-Balance Sheet Long Position	3.281.977	3.160.110	2.450.357	4.068.624	4.273.732	--	17.234.800
Off-Balance Sheet Short Position	(2.591.356)	(5.676.746)	(3.397.900)	(2.165.234)	(2.910.824)	--	(16.742.060)
Total Interest Sensitivity Gap	(21.991.768)	(11.571.306)	2.165.692	26.875.493	13.120.213	(8.105.584)	492.740

^(*) Other assets/non-interest bearings include: Tangible Assets, Intangible Assets, Investments in Associates, Deferred Tax Assets, Investments in Subsidiaries, Joint Ventures, Assets to be sold and other assets with balances of TL 430.285, TL 188.762, TL 8.654, TL 150.194, TL 5.292.932, TL 2.800, TL 121.513 and TL 1.425.500 respectively.

^(**) Other liabilities/non-interest bearings include: Shareholders' Equity, Other External Resources, Provisions, Tax Liabilities with balances of TL 10.561.672, TL 1.945.071, TL 1.694.273, and TL 171.472 respectively.

d. Average interest rates applied to monetary financial instruments

Current Period: 31 December 2017	EUR %	USD %	JPY %	TL %
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	1,29	--	4,00
Due from Banks and Other Financial Institutions	0,46	1,25	--	12,77
Financial Assets at Fair Value Through Profit or Loss	2,17	4,85	--	14,50
Interbank Money Market Placements	--	--	--	12,75
Investment Securities Available-for-Sale	2,89	4,46	--	9,35
Loans	5,29	6,25	5,52	17,27
Investment Securities Held-to-Maturity	--	5,05	--	12,52
Liabilities				
Bank Deposits	0,54	2,24	--	13,60
Other Deposits	1,67	3,48	0,85	13,95
Interbank Money Market Placements	--	3,14	--	10,76
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	--	--	--	13,10
Funds Borrowed from Other Financial Institutions	1,05	3,29	--	10,00

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period: 31 December 2016	EUR %	USD %	JPY %	TL %
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,49	--	5,00
Due from Banks and Other Financial Institutions	0,06	0,63	--	9,38
Financial Assets at Fair Value Through Profit or Loss	1,33	4,95	--	11,22
Interbank Money Market Placements	--	--	--	8,49
Investment Securities Available-for-Sale	2,92	4,46	--	9,06
Loans	5,17	5,90	5,39	16,40
Investment Securities Held-to-Maturity	--	4,68	--	9,52
Liabilities				
Bank Deposits	0,50	1,70	--	11,11
Other Deposits	1,66	2,82	0,30	10,74
Interbank Money Market Placements	--	--	--	8,47
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	--	--	--	9,89
Funds Borrowed from Other Financial Institutions	0,54	2,59	--	9,74

e. Interest rate risk on banking book

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

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

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

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Current Period: 31 December 2017			
Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity -Losses/Equity
1 TL	(+) 500 baz puan	(2.016.683)	(11,25%)
2 TL	(-) 400 baz puan	1.852.464	10,33%
3 Euro	(+) 200 baz puan	(250.642)	(1,40%)
4 Euro	(-) 200 baz puan	350.365	1,95%
5 US Dollar	(+) 200 baz puan	(6.354)	(0,04%)
6 US Dollar	(-) 200 baz puan	24.672	0,14%
Total (of positive shocks)		(2.273.679)	(12,69%)
Total (of negative shocks)		2.227.501	12,42%
Prior Period: 31 December 2016			
Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity -Losses/Equity
1 TL	(+) 500 bps	(2.092.692)	(13,57%)
2 TL	(-) 400 bps	2.052.408	13,31%
3 Euro	(+) 200 bps	(83.094)	(0,54%)
4 Euro	(-) 200 bps	136.536	0,89%
5 US Dollar	(+) 200 bps	(74.706)	(0,48%)
6 US Dollar	(-) 200 bps	106.189	0,69%
Total (of positive shocks)		(2.250.492)	(14,59%)
Total (of negative shocks)		2.295.133	14,89%

V. Position risk of equity shares on banking book

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

The Bank does not have associates and subsidiaries traded at BIST markets and presented at fair value in unconsolidated financial statements as of 31 December 2017 (31 December 2016: None).

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

None (31 December 2016: None).

VI. Explanations related to the liquidity risk

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Unconsolidated foreign currency rate calculated for the last three months is at the lowest level in the week of 8 December 195,80 and at the highest level in the week of 10 November 298,85 while the liquidity coverage rate is at the lowest level in the week of 8 December 107,62 and at the highest level in the week of 27 October 125,41.

a. Liquidity coverage ratio

Current Period	Total unweighted value ⁽¹⁾		Total weighted value ⁽¹⁾		
	TL+FC	FC	TL+FC	FC	
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	Total High Quality Liquid Assets		24.105.694	14.814.661	
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which	47.782.878	16.144.691	4.212.610	1.614.469
3	Stable deposits	11.313.555	--	565.678	--
4	Less stable deposits	36.469.323	16.144.691	3.646.932	1.614.469
5	Unsecured wholesale funding, of which	24.796.299	14.657.775	14.376.140	8.835.528
6	Operational deposits	4.240.201	2.262.947	1.060.050	565.737
7	Non-operational deposits	16.873.349	10.808.144	9.637.346	6.685.874
8	Unsecured debt	3.682.749	1.586.684	3.678.744	1.583.917
9	Secured wholesale funding			174.122	168.363
10	Additional requirements of which	5.782.640	10.198.065	2.671.797	7.343.946
	Outflows related to derivative exposures and other collateral requirements	1.156.352	5.955.490	1.156.352	5.955.490
12	Outflows related to loss of funding on debt products	--	--	--	--
13	Credit and liquidity facilities	4.626.288	4.242.575	1.515.445	1.388.456
14	Other contractual funding obligations	1.263.086	975.577	1.262.554	975.577
15	Other contingent funding obligations	56.502.535	13.990.132	4.245.491	1.365.472
16	TOTAL CASH OUTFLOWS			26.942.714	20.303.355
CASH INFLOWS					
17	Secured lending	29.027	--	--	--
18	Inflows from fully performing exposures	8.101.076	3.929.152	6.073.460	3.458.911
19	Other cash inflows	299.503	10.992.303	299.503	10.992.303
20	TOTAL CASH INFLOWS	8.429.606	14.921.455	6.372.963	14.451.214
			Total adjusted value		
21	TOTAL HQLA			24.105.694	14.814.661
22	TOTAL NET CASH OUTFLOWS			20.569.751	5.852.141
23	LIQUIDITY COVERAGE RATIO (%)			117,3	252,8

⁽¹⁾ Average of liquidity coverage rate which is calculated by means of weekly simple arithmetic average for the last three months.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	Total unweighted value ^(*)		Total weighted value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1	Total High Quality Liquid Assets		16.356.991	8.958.244
CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which		33.632.490	11.372.473
3	Stable deposits	4.797.613	--	239.881
4	Less stable deposits	28.834.877	11.372.473	2.883.488
5	Unsecured wholesale funding, of which	21.003.971	9.079.953	10.991.923
6	Operational deposits	4.932.393	2.269.416	1.233.098
7	Non-operational deposits	13.242.375	5.538.354	6.929.622
8	Unsecured debt	2.829.203	1.272.183	2.829.203
9	Secured wholesale funding			57.850
10	Additional requirements of which	4.883.559	6.700.421	2.216.773
11	Outflows related to derivative exposures and other collateral requirements	971.069	3.214.091	971.069
12	Outflows related to loss of funding on debt products	--	--	--
13	Credit and liquidity facilities	3.912.490	3.486.330	1.245.704
14	Other contractual funding obligations	3.929.139	929.917	1.475.065
15	Other contingent funding obligations	49.980.388	14.229.419	4.166.822
16	TOTAL CASH OUTFLOWS		22.031.802	12.856.940
CASH INFLOWS				
17	Secured lending	303.922	--	--
18	Inflows from fully performing exposures	7.536.059	4.009.737	5.645.237
19	Other cash inflows	382.256	5.109.177	382.256
20	TOTAL CASH INFLOWS	8.222.237	9.118.914	6.027.493
			Total adjusted value	
21	TOTAL HQLA		16.356.991	8.958.244
22	TOTAL NET CASH OUTFLOWS		16.004.309	4.006.340
23	LIQUIDITY COVERAGE RATIO (%)		102,7	209,8

^(*) Average of liquidity coverage rate which is calculated by means of weekly simple arithmetic average for the last three months.

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Assets								
Cash and Balances with the Central Bank of the Republic of Turkey	5,444.021	11,422.522	--	--	--	--	--	16,866.543
Due from Banks and Other Fin.Inst.	270.748	3,552.622	--	182.759	--	--	--	4,006.129
Financial Assets at Fair Value Through Profit or Loss	741	84.852	49.238	295.212	261.424	183.682	--	875.149
Interbank Money Market Placements	--	750.786	--	--	--	--	--	750.786
Investment Securities Av.-for-Sale	63.115	9.626	3.688	374.499	4,299.485	1,962.297	--	6,712.710
Loans	--	10,578.876	3,586.932	13,161.477	36,537.233	11,427.123	813.657	76,105.298
Investment Securities Held-to-Maturity	--	--	117.538	270.566	3,348.836	1,475.696	--	5,212.636
Other Assets	2,072.787	--	--	--	--	--	8,446.246	10,519.033
Total Assets	7,851.412	26,399.284	3,757.396	14,284.513	44,446.978	15,048.798	9,259.903	121,048.284
Liabilities								
Bank Deposits	39.695	4,318.060	267.678	1,457.261	--	--	--	6,082.694
Other Deposits	12,502.086	43,154.244	9,549.287	3,906.139	51.355	--	--	69,163.111
Funds Borrowed from Other Fin.Inst. and Subordinated Loans	--	1,772.282	4,228.837	6,916.918	1,327.283	4,900.248	--	19,145.568
Interbank Money Market Placements	--	3,977.111	--	--	--	--	--	3,977.111
Marketable Securities Issued	--	256.970	667.494	540.153	--	--	--	1,464.617
Miscellaneous Payables	1,905.828	--	--	--	--	--	--	1,905.828
Other Liabilities	1,259.640	550.502	186.400	1,553.971	518.391	187.502	15,052.949	19,309.355
Total Liabilities	15,707.249	54,029.169	14,899.696	14,374.442	1,897.029	5,087.750	15,052.949	121,048.284
Net Liquidity Gap	(7,855.837)	(27,629.885)	(11,142.300)	(89.929)	42,549.949	9,961.048	(5,793.046)	--
Net "Off-Balance Sheet Position"	--	(251.852)	(906.082)	830.607	(241.256)	--	--	(568.583)
Financial Derivatives (assets)	--	17,963.929	5,693.226	10,527.937	8,076.068	7,943.518	--	50,204.678
Financial Derivatives (liabilities)	--	(18,215.781)	(6,599.308)	(9,697.330)	(8,317.324)	(7,943.518)	--	(50,773.261)
Non-Cash Loans	--	3,012.991	2,493.628	7,211.795	4,178.324	10,881.601	--	27,778.339
Prior Period								
Total Assets	6,269.034	25,696.344	2,968.736	12,959.706	30,667.372	17,291.553	7,306.082	103,158.827
Total Liabilities	14,927.653	44,090.929	12,185.274	10,513.474	4,157.465	5,028.088	12,255.944	103,158.827
Net Liquidity Gap	(8,658.619)	(18,394.585)	(9,216.538)	2,446.232	26,509.907	12,263.465	(4,949.862)	--
Net "Off-Balance Sheet Position"	--	329.771	148.954	118.244	(174.798)	--	--	422.171
Financial Derivatives (assets)	--	13,796.602	6,108.878	4,465.281	7,042.618	7,181.466	--	38,594.845
Financial Derivatives (liabilities)	--	(13,466.831)	(5,959.924)	(4,347.037)	(7,217.416)	(7,181.466)	--	(38,172.674)
Non-Cash Loans	--	1,774.649	2,598.212	7,163.301	4,219.993	12,765.875	--	28,522.030

⁽¹⁾ Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non-performing loans (net) and prepaid expenses are included in this column.

c. Financial liabilities according to contractual maturities

The table below represents the Bank's maturity distribution of the financial liabilities other than derivatives according to their contractual maturities. Accrued interest payable are distributed based on the related instruments' maturities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	60,599.954	9,965.189	5,506.735	54.457	--	76,126.335
Funds borrowed	1,814.902	4,462.444	7,392.055	2,534.128	4,859.423	21,062.952
Interbank Money markets	3,978.297	--	--	--	--	3,978.297
Securities issued	258.855	689.302	552.049	--	--	1,500.206
Total	66,652.008	15,116.935	13,450.839	2,588.585	4,859.423	102,667.790
Prior Period						
Liabilities						
Deposits	49,370.740	9,410.046	4,648.169	61.512	--	63,490.467
Funds borrowed	715.712	2,382.364	5,864.633	4,815.582	4,815.683	18,593.974
Interbank Money markets	5,398.898	--	--	--	--	5,398.898
Securities issued	111.783	423.263	415.827	256.403	--	1,207.276
Total	55,597.133	12,215.673	10,928.629	5,133.497	4,815.683	88,690.615



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VII. Explanations related to leverage ratio

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

Leverage ratio of Bank is 6,76% as of 31 December 2017 (31 December 2016: 6,61%). This ratio is over minimum ratio. Difference between leverage ratios of current and previous period mainly sources from increase in risk amounts regarding assets on balance sheet.

Leverage ratio common disclosure template:

	Current Period ^(*)	Prior Period ^(*)
On-balance sheet exposures		
1 On-balance sheet items (exclude derivatives and SFTs; include collateral)	118.607.930	95.669.014
2 (Assets deducted in determining Basel III Tier 1 capital)	(261.045)	(266.427)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	118.346.885	95.402.587
Derivative exposures		
4 Replacement cost	1.024.352	1.342.291
5 Add-on amount	423.202	447.238
6 Total derivative exposures (sum of 4 and 5 lines)	1.447.554	1.789.529
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	220.745	207.857
8 Agent transaction exposures		
9 Total securities financing transaction exposures (sum of 7 and 8 lines)	220.745	207.857
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	62.783.636	57.826.184
11 Adjustment amount off-balance sheet exposures with credit conversion factor	(503)	(503)
12 Total off-balance sheet exposures (sum of 10 and 11 lines)	62.783.133	57.825.681
Capital and total exposures		
13 Tier 1 capital	12.347.692	10.261.981
14 Total exposures (sum of 3,6,9 and 12 lines)	182.798.317	155.225.654
Leverage ratio		
15 Leverage ratio	6,76	6,61

^(*) Average amounts over the quarter.

VIII. Explanations on Risk Management

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

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

a. Risk management and overview of risk weighted assets

1. Disclosures related to the risk management approach

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

Main components of risk measurement systems and its scope

Identification of risks:

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

Measurement of risks:

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

Controlling, reporting and management of risks:

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

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

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

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

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

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

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

Disclosures on Stress Test

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	82.518.951	79.535.237	6.601.516
2 Standardised approach (SA)	82.518.951	79.535.237	6.601.516
3 Internal rating-based (IRB) approach	--	--	--
4 Counterparty credit risk	1.396.867	1.765.074	111.749
5 Standardised approach for counterparty credit risk (SA-CCR)	1.396.867	1.765.074	111.749
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	959	10.654	77
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	767.063	725.975	61.365
17 Standardised approach (SA)	767.063	725.975	61.365
18 Internal model approaches (IMM)	--	--	--
19 Operational Risk	7.256.495	6.032.604	580.520
20 Basic Indicator Approach	7.256.495	6.032.604	580.520
21 Standart 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)	91.940.335	88.069.544	7.355.227

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Linkages between financial statements and exposures

1. Amounts valued in accordance with TAS in financial statements and matching

	a	c	d	e	f	g
	Carrying values of items under scope of TAS					
	Carrying values as reported in published financial statements	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Current Period						
Assets						
Cash and balances at central bank	16.866.543	16.866.543	--	--	--	--
Financial assets held for trading	875.149	--	801.495	--	73.654	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--
Banks	4.006.129	4.006.129	--	--	--	--
Receivables from money markets	750.786	--	750.786	--	--	--
Available for sale financial assets (net)	6.712.710	6.712.710	--	--	--	--
Loans and receivables	76.105.298	76.105.298	--	--	--	139.066
Factoring receivables	--	--	--	--	--	--
Held to maturity investments (net)	5.212.636	5.212.636	--	--	--	--
Investments in associates (net)	9.340	9.340	--	--	--	--
Investments in subsidiaries (net)	7.459.302	7.459.302	--	--	--	--
Investments in joint ventures (net)	2.800	2.800	--	--	--	--
Leasing receivables	--	--	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--
Tangible assets (net)	440.559	440.559	--	--	--	108.823
Intangible assets (net)	168.711	168.711	--	--	--	168.711
Investment properties (net)	--	--	--	--	--	--
Tax assets	171.853	171.853	--	--	--	--
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--
Other assets	2.266.468	2.266.468	--	--	--	--
Total assets	121.048.284	119.422.349	1.552.281	--	73.654	416.600
Liabilities						
Deposits	75.245.805	--	--	--	--	75.245.805
Derivative financial liabilities held for trading	1.377.137	--	--	--	--	1.377.137
Loans	13.884.045	--	--	--	--	13.884.045
Debt to money markets	3.977.111	--	3.977.111	--	--	3.977.111
Debt securities in issue	1.464.617	--	--	--	--	1.464.617
Funds	--	--	--	--	--	--
Various debts	1.905.828	--	--	--	--	1.905.828
Other liabilities	2.661.590	--	--	--	--	2.661.590
Factoring debts	--	--	--	--	--	--
Debts from leasing transactions	9.561	--	--	--	--	9.561
Derivative financial liabilities held for hedges	--	--	--	--	--	--
Provisions	2.189.191	--	--	--	--	2.189.191
Tax liability	258.971	--	--	--	--	258.971
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--
Subordinated debts	5.261.523	--	--	--	--	5.261.523
Equity	12.812.905	--	--	--	--	12.812.905
Total liabilities	121.048.284	--	3.977.111	--	--	121.048.284



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	a	c	d	e	f	g
	Carrying values of items under scope of TAS					
	Carrying values as reported in published financial statements	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Prior Period						
Assets						
Cash and balances at central bank	14.760.938	14.760.938	--	--	--	--
Financial assets held for trading	1.525.947	--	1.427.943	--	98.004	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--
Banks	2.966.965	2.966.965	--	--	--	--
Receivables from money markets	3.001.396	--	3.001.396	--	--	--
Available for sale financial assets (net)	6.561.558	6.561.558	--	--	--	--
Loans and receivables	61.820.384	61.820.384	--	--	--	127.273
Factoring receivables	--	--	--	--	--	--
Held to maturity investments (net)	4.900.999	4.900.999	--	--	--	--
Investments in associates (net)	8.654	8.654	--	--	--	--
Investments in subsidiaries (net)	5.292.932	5.292.932	--	--	--	--
Investments in joint ventures (net)	2.800	2.800	--	--	--	--
Leasing receivables	--	--	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--
Tangible assets (net)	430.285	430.285	--	--	--	89.732
Intangible assets (net)	188.762	188.762	--	--	--	188.762
Investment properties (net)	--	--	--	--	--	--
Tax assets	150.194	150.194	--	--	--	--
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--
Other assets	1.547.013	1.547.013	--	--	--	9.826
Total assets	103.158.827	98.631.484	4.429.339	--	98.004	415.593
Liabilities						
Deposits	63.190.928	--	--	--	--	63.190.928
Derivative financial liabilities held for trading	941.188	--	--	--	--	941.188
Loans	10.750.597	--	--	--	--	10.750.597
Debt to money markets	5.397.576	--	5.397.576	--	--	5.397.576
Debt securities in issue	1.152.633	--	--	--	--	1.152.633
Funds	--	--	--	--	--	--
Various debts	1.851.423	--	--	--	--	1.851.423
Other liabilities	1.945.071	--	--	--	--	1.945.071
Factoring debts	--	--	--	--	--	--
Debts from leasing transactions	18.493	--	--	--	--	18.493
Derivative financial liabilities held for hedges	--	--	--	--	--	--
Provisions	1.694.273	--	--	--	--	1.694.273
Tax liability	171.472	--	--	--	--	171.472
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--
Subordinated debts	5.483.501	--	--	--	--	5.483.501
Equity	10.561.672	--	--	--	--	10.561.672
Total liabilities	103.158.827	--	5.397.576	--	--	103.158.827

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

	a	b	c	d	E
	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework ⁽¹⁾
Current Period					
1 Asset carrying value amount under scope of TAS	121.048.284	119.422.349	--	1.552.281	73.654
2 Liabilities carrying value amount under TAS	--	--	--	3.977.111	--
3 Total net amount	121.048.284	119.422.349	--	5.529.392	73.654
4 Off-balance sheet amounts ^(*)	60.374.355	20.134.248	--	--	--
5 Differences in valuations	--	--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2	--	--	--	--	--
7 Differences due to consideration of provisions	--	--	--	--	--
8 Differences due to prudential filters	--	--	--	--	693.409
9 Differences resulted from considering of the financial guarantees	--	(2.939.240)	--	--	--
10 Risk exposures	181.422.639	136.617.357	--	5.529.392	767.063

⁽¹⁾ Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	a	b	c	d	E
Prior Period	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework ^(*)
1 Asset carrying value amount under scope of TAS	103.158.827	98.631.484	--	4.429.339	98.004
2 Liabilities carrying value amount under TAS		--	--	5.397.576	--
3 Total net amount	103.158.827	98.631.484	--	9.826.915	98.004
4 Off-balance sheet amounts ^(**)	58.145.630	20.909.526	--	--	--
5 Differences in valuations		--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7 Differences due to consideration of provisions		--	--	--	--
8 Differences due to prudential filters		--	--	--	627.971
9 Differences resulted from considering of the financial guarantees		(1.726.630)	--	--	--
10 Risk exposures	161.304.457	117.814.380	--	9.826.915	725.975

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

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

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

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

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

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

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

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

c. Credit Risk

1. General qualitative information about credit risk

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

Structure and organization of credit risk management and control function

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

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

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

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

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

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

2. Credit quality of assets

	A	b	c	d
	Gross carrying values of (according to TAS)			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1	3.625.484	75.291.641	4.514.405	74.402.720
2	--	11.862.229	1.160	11.861.069
3	183.626	57.499.369	204.037	57.478.958
4 Total	3.809.110	144.653.239	4.719.602	143.742.747

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	A		b	c	d
	Gross carrying values of (according to TAS)				
	Defaulted Exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)	
1 Loans	3.292.211	60.876.186	3.690.886	60.477.511	
2 Debt Securities	--	11.420.850	1.159	11.419.691	
3 Off-balance sheet exposures (*)	252.392	54.555.944	189.253	54.619.083	
4 Total	3.544.603	126.852.980	3.881.298	126.516.285	

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

3. Changes in stock of impaired loans and debt securities

	Current Period	Prior Period
	a (*)	a (*)
1 Impaired loans and debt securities at end of the previous reporting period	3.292.211	2.682.048
2 Loans and debt securities that have impaired since the last reporting period	1.874.797	1.901.506
3 Receivables that returned to non-impaired status	59.000	43.516
4 Amounts written off (**)	673.764	552.902
5 Other changes	(808.760)	(694.925)
6 Impaired loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	3.625.484	3.292.211

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

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

4. Additional disclosure related to the credit quality of assets

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

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

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

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

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

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

(iv) Definitions of restructured receivables.

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

(v) Breakdown of receivables by geographical area

Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ⁽¹⁾
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.551.947	74.423.137	--	11.862.229	183.614	54.595.509	2.748.672	673.764
2 EU Countries	70.074	497.788	--	--	12	353.492	62.386	--
3 OECD Countries	657	6.187	--	--	--	765.545	46	--
4 Off Shore Zones	--	42.065	--	--	--	11.116	--	--
5 USA, Canada	72	4.302	--	--	--	17.644	35	--
6 Other Countries	2.734	318.162	--	--	--	1.756.063	688	--
7 Total	3.625.484	75.291.641	--	11.862.229	183.626	57.499.369	2.811.827	673.764

⁽¹⁾ It indicates sales made from non-performing loans portfolio

Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ⁽¹⁾
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.203.443	59.794.432	--	11.420.850	252.390	42.973.552	2.283.850	551.279
2 EU Countries	86.547	498.470	--	--	2	466.498	63.548	--
3 OECD Countries	33	7.309	--	--	--	791.318	19	--
4 Off Shore Zones	--	14.074	--	--	--	3.220	--	1.623
5 USA, Canada	52	4.572	--	--	--	111.186	13	--
6 Other Countries	2.136	557.329	--	--	--	10.210.170	583	--
7 Total	3.292.211	60.876.186	--	11.420.850	252.392	54.555.944	2.348.013	552.902

⁽¹⁾ It indicates sales made from non-performing loans portfolio

(vi) Breakdown of receivables by sectors

Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ⁽¹⁾
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	202.865	11.977.499	--	--	2.534	2.991.635	134.533	3.623
Farming and Cattle	195.366	11.966.982	--	--	2.398	2.976.848	131.989	3.436
Forestry	157	4.108	--	--	15	8.046	130	98
Fishing	7.342	6.409	--	--	121	6.741	2.414	89
Manufacturing	338.921	8.433.401	--	--	20.755	11.022.137	225.901	26.437
Mining	45.069	2.924.873	--	--	1.809	474.012	29.602	2.889
Production	211.801	4.019.202	--	--	13.308	9.699.068	162.542	23.495
Electric, Gas, Water	82.051	1.489.326	--	--	5.638	849.057	33.757	53
Construction	209.742	4.888.561	--	--	78.246	8.030.703	134.378	10.957
Services	1.313.814	20.828.771	--	235.350	68.045	16.187.822	946.151	183.083
Wholesale and Retail Trade	799.743	9.042.706	--	--	57.835	10.425.323	608.230	152.889
Hotel and Restaurant Services	147.199	4.468.895	--	--	2.366	932.277	49.810	4.802
Transportation and telecommunication	255.576	3.667.914	--	--	5.383	2.201.617	196.125	21.838
Financial institution	9.640	1.437.928	--	235.350	170	1.857.600	4.455	829
Real estate and letting services	10.761	329.797	--	--	654	139.610	8.491	1.556
Self-employment services	--	--	--	--	--	--	--	--
Education services	18.449	1.033.387	--	--	975	279.819	16.741	547
Health and social services	72.446	848.144	--	--	662	351.576	62.299	622
Other	1.560.142	29.163.409	--	11.626.879	14.046	19.267.072	1.370.864	449.664
Total	3.625.484	75.291.641	--	11.862.229	183.626	57.499.369	2.811.827	673.764

⁽¹⁾ It indicates sales made from non-performing loans portfolio.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ^{o)}
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	176.447	8.669.251	--	--	3.714	1.837.547	121.770	4.117
Farming and Cattle	173.778	8.652.957	--	--	3.635	1.829.868	119.306	4.057
Forestry	242	2.843	--	--	17	3.672	175	32
Fishing	2.427	13.451	--	--	62	4.007	2.289	28
Manufacturing	299.439	7.456.296	--	--	30.760	11.662.772	170.503	11.324
Mining	30.620	2.541.541	--	--	1.765	704.850	22.678	2.221
Production	186.677	3.780.552	--	--	23.348	10.020.335	127.285	9.088
Electric, Gas, Water	82.142	1.134.203	--	--	5.647	937.587	20.540	15
Construction Services	197.016	3.706.469	--	--	75.177	9.505.455	136.937	17.386
Wholesale and Retail Trade	1.082.879	16.405.101	--	212.546	106.752	12.412.588	730.039	84.493
Hotel and Restaurant Services	721.972	7.766.959	--	--	94.767	7.853.848	473.365	72.003
Transportation and telecommunication	37.850	2.817.847	--	--	3.719	789.735	14.111	2.353
Financial institution	208.386	3.512.547	--	--	5.627	1.903.596	148.123	8.205
Real estate and letting services	9.353	657.107	--	212.546	141	1.250.300	4.362	569
Self-employment services	9.431	216.382	--	--	555	78.642	6.109	614
Education services	--	--	--	--	--	--	--	--
Health and social services	19.645	748.185	--	--	884	85.607	15.784	221
Other	76.242	686.074	--	--	1.059	450.860	68.185	528
Total	1.536.430	24.639.069	--	11.208.304	35.989	19.137.582	1.188.764	435.582
	3.292.211	60.876.186	--	11.420.850	252.392	54.555.944	2.348.013	552.902

^{o)} It indicates sales made from non-performing loans portfolio.

(vii) Breakdown of receivables by outstanding maturity

Current Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	1 year and more	Total
Non-defaulted receivables	--	37.667.715	6.706.408	7.140.596	15.708.408	77.430.112	144.653.239
1 Credits	--	10.189.437	3.596.631	3.875.756	9.363.573	48.266.244	75.291.641
2 Debt Instruments	--	--	--	--	--	11.862.229	11.862.229
3 Off-balance sheet receivables	--	27.478.278	3.109.777	3.264.840	6.344.835	17.301.639	57.499.369
Defaulted receivables	3.809.110	--	--	--	--	--	3.809.110
1 Credits	3.625.484	--	--	--	--	--	3.625.484
2 Debt Instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	183.626	--	--	--	--	--	183.626
Specific Provisions	2.811.827	--	--	--	--	--	2.811.827
Total	997.283	37.667.715	6.706.408	7.140.596	15.708.408	77.430.112	145.650.522

Prior Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	1 year and more	Total
Non-defaulted receivables	26.250	22.582.103	5.879.234	7.221.398	24.946.561	66.197.434	126.852.980
1 Credits	--	9.552.149	2.735.488	3.739.295	8.906.736	35.942.518	60.876.186
2 Debt Instruments	2	--	50.590	--	--	11.370.258	11.420.850
3 Off-balance sheet receivables	26.248	13.029.954	3.093.156	3.482.103	16.039.825	18.884.658	54.555.944
Defaulted receivables	3.544.603	--	--	--	--	--	3.544.603
1 Credits	3.292.211	--	--	--	--	--	3.292.211
2 Debt Instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	252.392	--	--	--	--	--	252.392
Specific Provisions	2.348.013	--	--	--	--	--	2.348.013
Total	1.222.840	22.582.103	5.879.234	7.221.398	24.946.561	66.197.434	128.049.570

(viii) Aging analysis of overdue receivables

Current Period	1-30 days	31-60 days	61-90 days	Total
Credits	3.226.448	1.047.860	1.196.181	5.470.489
Debt Instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

Prior Period	1-30 days	31-60 days	61-90 days	Total
Credits	2.832.957	1.011.064	895.489	4.739.150
Debt Instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

	31 December 2017	31 December 2016
Loans having standard nature and restructured from other receivables	1.630.960	1.376.210
Loans in close follow-up and restructured from other receivables	4.577.399	2.914.008
Restructured from non-performing assets	298.597	150.334

5. Credit risk mitigation techniques

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

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

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

6. Credit risk mitigation techniques – overview

	a	b	c	d	e	f	g
Current Period	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	48.385.093	17.269.198	12.135.026	8.748.429	7.448.899	--	--
2 Debt Securities	11.861.069	--	--	--	--	--	--
3 Total	60.246.162	17.269.198	12.135.026	8.748.429	7.448.899	--	--
4 Of which defaulted ^(*)	3.252.870	556.240	211.635	--	--	--	--

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

	a	b	c	d	e	f	g
Prior Period	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	47.004.104	13.473.407	11.917.730	--	--	--	--
2 Debt Securities	11.419.691	--	--	--	--	--	--
3 Total	58.423.795	13.473.407	11.917.730	--	--	--	--
4 Of which defaulted ^(*)	3.278.524	266.079	191.763	--	--	--	--

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period	a		b		c		d		e		f
	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density						
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density					
1 Exposures to central governments or central banks	26.750.868	383.437	34.199.768	1.607.731	2.452.716	6,85%					
2 Exposures to regional governments or local authorities	351.010	21.036	349.410	8.617	179.013	50,00%					
3 Exposures to public sector entities	--	--	--	--	--	0,00%					
4 Exposures to multilateral development banks	--	--	--	--	--	0,00%					
5 Exposures to international organisations	--	--	--	--	--	0,00%					
6 Exposures to institutions	5.440.025	2.565.498	4.943.252	2.255.653	3.023.698	42,00%					
7 Exposures to corporates	22.195.863	27.363.517	18.898.141	13.178.789	32.076.930	100,00%					
8 Retail exposures	41.234.414	29.716.747	36.820.041	2.641.974	29.689.580	75,24%					
9 Exposures secured by residential property	4.291.375	393.033	4.099.862	183.681	1.499.240	35,00%					
10 Exposures secured by commercial real estate	7.078.271	1.148.270	5.982.836	705.663	3.789.813	56,66%					
11 Past-due loans	813.657	98.068	813.251	37.950	819.906	96,32%					
12 Higher-risk categories by the Agency Board	--	--	--	--	--	0,00%					
13 Exposures in the form of covered bonds	--	--	--	--	--	0,00%					
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	0,00%					
15 Exposures in the form of units or shares in collective											
16 Other assets	3.802.591	--	3.802.591	--	1.905.349	50,11%					
17 Investments in equities	7.637.911	--	7.637.911	--	7.895.691	103,38%					
18 Total	119.595.985	61.689.825	117.547.063	20.620.277	83.332.155	60,31%					

Prior Period	a		b		c		d		e		F
	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density						
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density					
1 Exposures to central governments or central banks	24.300.514	688.695	25.083.273	198.759	7.110.087	28,12%					
2 Exposures to regional governments or local authorities	481.439	19.368	481.317	8.671	244.994	50,00%					
3 Exposures to public sector entities	--	--	--	--	--	0,00%					
4 Exposures to multilateral development banks	--	--	--	--	--	0,00%					
5 Exposures to international organisations	--	--	--	--	--	0,00%					
6 Exposures to institutions	3.813.088	2.372.780	3.813.055	2.048.296	1.971.679	33,64%					
7 Exposures to corporates	17.160.467	29.572.870	16.242.539	16.103.902	32.346.439	100,00%					
8 Retail exposures	31.525.444	25.647.719	30.746.238	2.429.463	24.964.339	75,25%					
9 Exposures secured by residential property	4.901.223	332.318	4.863.692	163.046	1.759.358	35,00%					
10 Exposures secured by commercial real estate	6.646.851	1.160.079	6.622.264	780.811	4.190.626	56,61%					
11 Past-due loans	961.382	188.172	959.586	56.821	939.462	92,43%					
12 Higher-risk categories by the Agency Board	--	--	--	--	--	0,00%					
13 Exposures in the form of covered bonds	--	--	--	--	--	0,00%					
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	0,00%					
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	1.187	1.068	1.187	1.068	2.255	100,00%					
16 Other assets	3.627.024	--	3.627.024	--	1.812.194	49,96%					
17 Investments in equities	5.308.315	--	5.308.315	--	5.308.315	100,00%					
18 Total	98.726.934	59.983.069	97.748.490	21.790.837	80.649.748	67,47%					



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period	A	b	c	k	d	l	e	f	g	h	i	J
				35% Secured with property mortgage	50% Secured with property mortgage.							Total risk exposure (after CCF ve CRM)
Risk Classifications/Risk Weight	0%	10%	20%			50%	75%	100%	150%	200%	Others	
1 Exposures to central governments or central banks	33.354.783	--	--	--	--	--	--	2.452.716	--	--	--	35.807.499
2 Exposures to regional governments or local authorities	--	--	--	--	--	358.027	--	--	--	--	--	358.027
3 Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4 Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5 Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6 Exposures to institutions	--	--	4.238.022	--	--	1.569.579	--	1.391.304	--	--	--	7.198.905
7 Exposures to corporates	--	--	--	--	--	--	--	32.076.930	--	--	--	32.076.930
8 Retail exposures	--	--	--	--	--	--	39.089.740	372.275	--	--	--	39.462.015
9 Exposures secured by residential property	--	--	--	4.283.543	--	--	--	--	--	--	--	4.283.543
10 Exposures secured by commercial real estate	--	--	--	--	--	5.797.372	--	891.127	--	--	--	6.688.499
11 Past-due loans	--	--	--	--	--	177.351	--	673.850	--	--	--	851.201
12 Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13 Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	219	--	--	--	219
16 Investments in equities	--	--	--	--	--	--	--	7.466.058	--	--	171.853	7.637.911
17 Other assets	1.890.005	--	9.031	--	--	--	42	1.903.513	--	--	--	3.802.591
18 Total	35.244.788	--	4.247.053	4.283.543	--	7.902.329	39.089.782	47.227.992	--	--	171.853	138.167.340

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	A	b	c	k	d	l	e	f	g	h	i	j
Risk Classifications/Risk Weight	0%	10%	20%	35% Secured property mortgage	50% Secured with property mortgage.	50%	75%	100%	150%	200%	Others	Total risk exposure (after CCF ve CRM)
1 Exposures to central governments or central banks	11.061.862	--	--	--	--	14.220.170	--	--	--	--	--	25.282.032
2 Exposures to regional governments or local authorities	--	--	--	--	--	489.988	--	--	--	--	--	489.988
3 Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4 Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5 Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6 Exposures to institutions	--	--	3.296.301	--	--	2.505.263	--	59.787	--	--	--	5.861.351
7 Exposures to corporates	--	--	--	--	--	--	--	32.346.441	--	--	--	32.346.441
8 Retail exposures	--	--	--	--	--	--	32.845.382	330.319	--	--	--	33.175.701
9 Exposures secured by residential property	--	--	--	5.026.738	--	--	--	--	--	--	--	5.026.738
10 Exposures secured by commercial real estate	--	--	--	--	6.424.900	--	--	978.175	--	--	--	7.403.075
11 Past-due loans	--	--	--	--	332.965	--	--	504.405	179.037	--	--	1.016.407
12 Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13 Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	2.255	--	--	--	2.255
16 Investments in equities	--	--	--	--	--	--	--	5.308.315	--	--	--	5.308.315
17 Other assets	1.933.488	--	7.440	--	3	--	180	1.602.809	--	--	83.104	3.627.024
18 Total	12.995.350	--	3.303.741	5.026.738	6.757.868	17.215.421	32.845.562	41.132.506	179.037	--	83.104	119.539.327

d. Counterparty Credit Risk

1. Counterparty credit risk (CCR) explanations

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	a	b	c	d	E	F
Prior Period	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default)	Exposure at default post CRM	RWA
1 Standardised Approach (for derivatives) ^(*) Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	1.427.941	505.353		--	1.853.391	1.008.071
2 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			--	--	--	--
3 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					--	--
4 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					392.667	95.785
5					--	--
6 Total						1.103.856

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

3. Credit valuation adjustment (CVA) capital charge

Current Period	a	B
	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
1 Value at Risk (VaR) component (including the 3×multiplier)	--	--
2 Stressed VaR component (including the 3×multiplier)	--	--
3 All portfolios subject to the Standardised CVA capital charge	1.383.536	584.622
4 Total subject to the CVA capital charge	1.383.536	584.622
Prior Period	a	B
	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
1 Value at Risk (VaR) component (including the 3×multiplier)	--	--
2 Stressed VaR component (including the 3×multiplier)	--	--
3 All portfolios subject to the Standardised CVA capital charge	1.853.391	661.218
4 Total subject to the CVA capital charge	1.853.391	661.218



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period	a	b	c	d	e	f	g	h	i
Risk Weights / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Diğer	Total credit exposure ^(*)
Claims from central governments and central banks	5.560	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	756.028	735.971	--	--	--	--	519.191
Corporates	--	--	--	--	--	289.947	--	--	289.947
Retail portfolios	--	--	--	--	3.850	--	--	--	2.888
Claims on landed real estate	--	--	--	--	--	--	--	--	--
Past due loans	--	--	--	--	--	--	--	--	--
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--
Mortgage securities	--	--	--	--	--	--	--	--	--
Securitization positions	--	--	--	--	--	--	--	--	--
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--
Investments which are qualified as collective investment institutions	--	--	--	--	--	219	--	--	219
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets ^(**)	--	--	--	--	--	--	--	--	--
Total	5.560	--	756.028	735.971	3.850	290.166	--	--	812.245

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

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

Prior Period	a	b	c	d	e	f	g	h	i
Risk Weights / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Diğer	Total credit exposure ^(*)
Claims from central governments and central banks	--	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	663.200	1.220.357	--	--	--	--	742.819
Corporates	--	--	--	--	--	355.581	--	--	355.581
Retail portfolios	--	--	--	--	5.851	--	--	--	4.388
Claims on landed real estate	--	--	--	--	--	--	--	--	--
Past due loans	--	--	--	--	--	--	--	--	--
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--
Mortgage securities	--	--	--	--	--	--	--	--	--
Securitization positions	--	--	--	--	--	--	--	--	--
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--
Investments which are qualified as collective investment institutions	--	--	--	--	--	1.068	--	--	1.068
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets ^(**)	--	--	--	--	--	--	--	--	--
Total	--	--	663.200	1.220.357	5.851	356.649	--	--	1.103.856

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

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

5. Collaterals used for counterparty credit risk

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

6. Credit derivatives

None.

7. Exposures to central counterparties (CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

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

None.

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

None.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

f. Market risk

1. Explanations on market risk

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

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

2. Standardised approach

	Current Period RMT	Prior Period RMT
Outright products		
1 Interest rate risk (general and specific)	36.738	26.813
2 Equity risk (general and specific)	--	--
3 Foreign exchange risk	655.262	620.437
4 Commodity risk	71.563	50.287
Options		
5 Simplified approach	--	--
6 Delta-plus method	3.500	28.438
7 Scenario approach	--	--
8 Securitisation	--	--
9 Total	767.063	725.975

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

	Current Period: 31 December 2017			Prior Period: 31 December 2016		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	2.937	5.693	1.700	1.658	2.802	1.078
Stock Risk	--	--	--	--	--	--
Currency Risk	41.325	60.786	17.516	39.738	53.414	10.748
Emtia Risk	4.093	6.336	2.509	1.105	4.023	257
Settlement Risk	--	--	--	--	--	--
Option Risk	1.223	4.569	87	2.177	3.642	956
Counterparty Risk	--	--	--	--	--	--
Total Risk Exposure Value	619.724	864.000	299.150	558.467	744.938	200.238

g. Explanations related to the operational risk

1. Disclosures on operational risk calculation

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Standard method

	31.12.2014	31.12.2015	31.12.2016	Total/Positive GI year number	Ratio(%)	Total
Gross Income	3.248.811	3.513.707	4.847.874	3.870.131	15	580.520
Amount Subject to Operational Risk						7.256.495

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

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

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

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

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

The expected fair value of fixed rate loans and receivables are determined by calculating the discounted cash flows using the current market interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value. Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	92.787.559	79.251.302	91.564.985	78.491.087
Interbank Money Market Placements	750.786	3.001.396	750.786	3.001.396
Banks	4.006.129	2.966.965	4.004.297	2.966.814
Investment Securities Available-For-Sale	6.712.710	6.561.558	6.712.710	6.561.558
Investment Securities Held-To-Maturity	5.212.636	4.900.999	5.176.799	4.801.372
Loans and Other Receivables	76.105.298	61.820.384	74.920.393	61.159.947
Financial Liabilities	101.738.929	87.826.658	101.540.914	87.383.563
Bank Deposits	6.082.694	3.666.289	6.073.726	3.665.126
Other Deposits	69.163.111	59.524.639	69.160.587	59.535.364
Interbank Money market borrowings	3.977.111	5.397.576	3.977.111	5.397.576
Funds Borrowed From Other Financial Institutions	13.884.045	10.750.597	13.729.414	10.668.529
Subordinated Loans	5.261.523	5.483.501	5.225.391	5.104.666
Securities Issued	1.464.617	1.152.633	1.468.857	1.160.879
Miscellaneous Payables	1.905.828	1.851.423	1.905.828	1.851.423



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Classification of fair value

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	73.654	801.495	--	875.149
Public Sector Debt Securities	72.914	--	--	72.914
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	801.495	--	801.495
Other Securities	740	--	--	740
Financial Assets Available for Sale ⁽¹⁾	6.414.245	235.350	--	6.649.595
Public Sector Debt Securities	6.414.245	--	--	6.414.245
Other Securities	--	235.350	--	235.350
Hedging Purpose Derivatives	--	--	--	--
Total Assets	6.487.899	1.036.845	--	7.524.744
Derivative Financial Liabilities Held for Trading	--	1.377.137	--	1.377.137
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	1.377.137	--	1.377.137
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	98.004	1.427.943	--	1.525.947
Public Sector Debt Securities	88.417	--	--	88.417
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	1.427.943	--	1.427.943
Other Securities	9.587	--	--	9.587
Financial Assets Available for Sale ⁽¹⁾	6.303.319	216.530	--	6.519.849
Public Sector Debt Securities	6.303.319	--	--	6.303.319
Other Securities	--	216.530	--	216.530
Hedging Purpose Derivatives	--	--	--	--
Total Assets	6.401.323	1.644.473	--	8.045.796
Derivative Financial Liabilities Held for Trading	--	941.188	--	941.188
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	941.188	--	941.188

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

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

Level 3: Unobservable inputs

⁽¹⁾ Share certificates amounting TL 3.956 (31 December 2016: TL 3.930) classified in financial assets available for sale that do not have quoted market prices in an active market or whose fair value cannot be measured, are carried at cost in the framework of TAS 39.

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

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

The Bank performs sales, purchase, management, consultancy and custody services on behalf and account of others.

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

None.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XI. Explanations related to hedging transactions

a. Net Investment Risk

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.220 million and US Dollar 7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity. Total net investment hedging funds recognized under equity after deferred tax is amounting to TL (1.277.553) as of 31 December 2017.(31 December 2016: TL (541.466)).

b. Cash Flow Hedge

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

XII. Explanations related to the segment reporting

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period (01.01.2017-31.12.2017)					
	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	653.983	1.676.638	1.109.844	1.417.957	4.858.422
Net fees and commission income	196.684	719.239	661.898	(69.832)	1.507.989
Other income/loss, net	190.797	201.451	234.578	(989.229)	(362.403)
Total segment income	1.041.464	2.597.328	2.006.320	358.896	6.004.008
Other operational expenses	(453.290)	(1.065.819)	(1.250.908)	(73.186)	(2.843.203)
Impairment of loans and other rec.	(523.310)	(688.079)	(571.806)	(102.964)	(1.886.159)
Taxation					(347.264)
Income / Loss from Investments					952.410
Under Equity Accounting					952.410
Net profit from continuing operations	64.864	843.430	183.606	182.746	1.879.792
Net profit from discontinued operations	--	--	--	--	--
Net profit for the period	64.864	843.430	183.606	182.746	1.879.792
Current Period (31.12.2017)					
Segment assets	22.077.959	34.047.886	19.979.453	34.423.953	110.529.251
Subsidiaries and associates					7.471.442
Undistributed assets					3.047.591
Total assets					121.048.284
Segment liabilities	20.996.683	35.476.474	15.620.200	31.315.633	103.408.990
Undistributed liabilities					4.826.389
Equity					12.812.905
Total liabilities and shareholders' equity					121.048.284
Prior Period (01.01.2016-31.12.2016)					
	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	657.355	1.410.145	1.024.712	927.424	4.019.636
Net fees and commission income	181.986	590.391	466.312	(49.725)	1.188.964
Other income/loss, net	195.619	226.094	308.894	(680.216)	50.391
Total segment income	1.034.960	2.226.630	1.799.918	197.483	5.258.991
Other operational expenses	(433.535)	(979.602)	(1.097.966)	(87.962)	(2.599.065)
Impairment of loans and other rec.	(575.350)	(653.180)	(479.717)	(3.397)	(1.711.644)
Taxation					(238.373)
Income / Loss from Investments					699.372
Under Equity Accounting					699.372
Net profit from continuing operations	26.075	593.848	222.235	106.124	1.409.281
Net profit from discontinued operations	--	--	--	--	--
Net profit for the period	26.075	593.848	222.235	106.124	1.409.281
Prior Period (31.12.2016)					
Segment assets	19.352.186	26.079.055	16.389.143	33.717.803	95.538.187
Subsidiaries and associates					5.304.386
Undistributed assets					2.316.254
Total assets					103.158.827
Segment liabilities	22.164.823	12.873.685	26.179.002	27.411.679	88.629.189
Undistributed liabilities					3.967.966
Equity					10.561.672
Total liabilities and shareholders' equity					103.158.827

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION FIVE

DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	1.100.460	702.489	876.184	877.995
Central Bank of the Republic of Turkey	1.966.321	13.097.273	1.405.531	11.601.208
Other [¶]	--	--	--	20
Total	3.066.781	13.799.762	2.281.715	12.479.223

[¶]Includes TL 20 of cheques purchased (31 December 2016: TL 20).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	894.109	1.706.639	1.405.531	1.501.383
Unrestricted Time Deposits	1.072.212	--	--	--
Restricted Time Deposits	--	11.390.634	--	10.099.825
Total	1.966.321	13.097.273	1.405.531	11.601.208

3. Information on reserve requirements

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

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

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

1. Information on trading securities given as collateral or blocked

None (31 December 2016: None).

2. Trading securities subject to repurchase agreements

None (31 December 2016: None).

3. Positive value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	26.614	23.498	1.549	59.520
Swap Transactions	445.748	246.519	946.743	351.614
Futures Transactions	--	--	--	--
Options	5.117	53.999	523	67.994
Other	--	--	--	--
Total	477.479	324.016	948.815	479.128



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

c. Information on banks

1. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	202.501	381.016	6.234	212.415
Foreign	12.255	3.410.357	10.044	2.738.272
Foreign head offices and branches	--	--	--	--
Total	214.756	3.791.373	16.278	2.950.687

2. Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	677.859	149.902	1.986.820	2.058.995
USA, Canada	307.399	124.066	--	--
OECD Countries ^(*)	5.941	20.420	--	--
Off shore zones	271	124	--	--
Other	444.322	394.809	--	--
Total	1.435.792	689.321	1.986.820	2.058.995

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

d. Information on investment securities available-for-sale

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

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

2. Investment securities available-for-sale given as collateral

Available-for-sale financial assets which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and İstanbul Takas ve Saklama Bankası A.Ş. (Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL754.234 (31 December 2017: TL 849.495).

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

5. Information on available-for-sale securities

	Current Period	Prior Period
Debt instruments	6.649.595	6.519.849
Quoted on Stock Exchange	6.649.595	6.519.849
Unquoted on Stock Exchange	--	--
Share certificates	63.115	41.709
Quoted on Stock Exchange	59.159	37.779
Unquoted on Stock Exchange	3.956	3.930
Impairment provision (-)	--	--
Total	6.712.710	6.561.558

e. Information related to loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans Granted to Shareholders	--	4.655	--	7.721
Loans Granted to Employees	58.782	--	60.339	4
Total	58.782	4.655	60.339	7.725

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

	Performing Loans and Other Receivables ⁽¹⁾			Loans and Other Receivables Under Close Monitoring		
	Agreement conditions modified			Agreement conditions modified		
	Loans and Other Receivables (Total)	Extension of Payment Plan	Other	Loans and Other Receivables (Total)	Extension of Payment Plan	Other
Non-specialized Loans	55.361.289	1.611.637	--	8.567.786	3.956.841	--
Working Capital Loans	1.464.028	404.316	--	1.208.814	587.392	--
Export Loans	1.200.764	11.277	--	28.064	617	--
Import Loans	--	--	--	--	--	--
Loans Given to Financial Sector	1.148.506	--	--	168.531	168.531	--
Consumer Loans	14.998.261	200.190	--	1.347.718	326.834	--
Credit Cards	5.830.718	6.838	--	391.233	101.519	--
Other	30.719.012	989.016	--	5.423.426	2.771.948	--
Specialization Loans	10.039.070	19.323	--	1.323.496	620.558	--
Other Receivables	--	--	--	--	--	--
Total	65.400.359	1.630.960	--	9.891.282	4.577.399	--

⁽¹⁾ The Bank has a cash loan exposure amounting to EUR 19 million and USD 93 million related with the acquisition finance of a telecommunication company within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral (31 December 2016: EUR 19 million and USD 93 million). Discussions among shareholders of the entity, creditor banks and related public institutions regarding restructuring of current main partner including change of shareholder have been commenced and it is expected that aforementioned discussions shall result in a positive development. Respective loan is classified under "Loan and Other Receivables Under Close Monitoring" as of 31 December 2017.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	1.438.000	4.045.435
Extended by 3,4 or 5 times	192.895	519.558
Extended by more than 5 times	65	12.406
Total	1.630.960	4.577.399
	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended payment period of time		
0-6 Months	7.091	200.731
6-12 Months	3.923	102.016
1-2 Years	17.420	200.526
2-5 Years	476.722	1.549.297
5 Year and Over	1.125.804	2.524.829
Total	1.630.960	4.577.399

3. Information on loans according to maturity structure concentration

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other Receivables	Restructured or Rescheduled	Loans and other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	17.922.787	7.567	1.729.484	144.472
Non-Specialized Loans	16.049.924	5.439	1.622.063	97.706
Specialized Loans	1.872.863	2.128	107.421	46.766
Other Receivables	--	--	--	--
Medium and Long-Term Loans and Other Receivables	47.477.572	1.623.393	8.161.797	4.432.927
Non-Specialized Loans	39.311.365	1.606.198	6.945.722	3.859.135
Specialized Loans	8.166.207	17.195	1.216.075	573.792
Other Receivables	--	--	--	--
Total	65.400.359	1.630.960	9.891.281	4.577.399

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	356.301	15.159.685	15.515.986
Real estate Loans	4.650	4.216.772	4.221.422
Vehicle Loans	467	234.148	234.615
General Purpose Loans	351.184	10.708.765	11.059.949
Other	--	--	--
Consumer Loans-Indexed to FC	--	23.910	23.910
Real estate Loans	--	23.528	23.528
Vehicle Loans	--	--	--
General Purpose Loans	--	382	382
Other	--	--	--
Consumer Loans-FC	--	2.428	2.428
Real estate Loans	--	2.233	2.233
Vehicle Loans	--	--	--
General Purpose Loans	--	195	195
Other	--	--	--
Individual Credit Cards-TL	5.283.424	306.469	5.589.893
Installment	2.527.450	306.469	2.833.919
Non installment	2.755.974	--	2.755.974
Individual Credit Cards-FC	1.697	--	1.697
Installment	--	--	--
Non installment	1.697	--	1.697
Loans Given to Employees-TL	3.513	27.874	31.387
Real estate Loans	--	1.380	1.380
Vehicle Loans	--	61	61
General Purpose Loans	3.513	26.433	29.946
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Personnel Credit Cards - TL	25.529	170	25.699
Installment	12.408	170	12.578
Non installment	13.121	--	13.121
Personnel Credit Cards - FC	40	--	40
Installment	--	--	--
Non installment	40	--	40
Overdraft Loans-TL (Real Persons) ⁽¹⁾	772.268	--	772.268
Overdraft Loans-FC (Real Persons)	--	--	--
Total	6.442.772	15.520.536	21.963.308

⁽¹⁾ Overdrafts used by the personnel of the Bank are TL 1.657 (31 December 2016: TL 1.489).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

5. Information on installment commercial loans and corporate credit cards

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

6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	409.375	565.794
Private	74.882.266	60.310.392
Total	75.291.641	60.876.186

7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	74.415.867	59.787.720
Foreign Loans	875.774	1.088.466
Total	75.291.641	60.876.186

8. Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	1.006.560	213.836
Indirect loans granted to subsidiaries and associates	--	--
Total	1.006.560	213.836

9. Specific provisions for loans

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	186.239	117.558
Loans and Receivables with Doubtful Collectability	414.551	308.596
Uncollectible Loans and Receivables	2.211.037	1.921.859
Total	2.811.827	2.348.013

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

10. Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period	64.319	25.290	208.988
(Gross Amounts Before Specific Reserves)			
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	64.319	25.290	208.988
Prior Period	12.405	22.935	107.038
(Gross Amounts Before Specific Reserves)			
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	12.405	22.935	107.038

(ii) Movement of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Balances at Beginning of Period	500.201	683.961	2.108.049
Additions (+)	1.661.479	71.635	141.683
Transfers from Other Categories of Non-Performing Loans (+)	--	1.464.494	1.449.481
Transfers from Other Categories of Non-Performing Loans (-)	1.464.494	1.449.481	--
Collections (-)	260.740	187.615	419.405
Write-offs (-)	--	--	673.764
Corporate and Commercial Loans	--	--	48.690
Retail Loans	--	--	246.807
Credit Cards	--	--	175.985
Other	--	--	202.282
Balances at End of the Period	436.446	582.994	2.606.044
Specific Provisions (-)	186.239	414.551	2.211.037
Net Balance on Balance Sheet	250.207	168.443	395.007

⁽¹⁾ On 31 March 2017, 18 May 2017 and 8 December 2017, the Bank has sold its retail loan portfolio amounting to TL 418.883 for a consideration of TL 37.700; its SME loan portfolio amounting to TL 209.746 for a consideration of TL 12.100; and its corporate-commercial portfolio amounting to 31.441 for a consideration of TL 500, booked under non-performing loans, to asset management companies.

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

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

Foreign currency loans, reverted/lapsed to illiquid claims accounts, are tracked as Turkish Lira.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period (Net): 31 December 2017	250.207	168.443	395.007
Loans Granted to Real Persons and Legal Entities (Gross)	436.446	582.994	2.606.044
Specific provisions (-)	186.239	414.551	2.211.037
Loans Granted to Real Persons and Legal Entities (Net)	250.207	168.443	395.007
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net): 31 December 2016	382.643	375.365	186.190
Loans Granted to Real Persons and Legal Entities (Gross)	500.201	683.961	2.108.049
Specific provisions (-)	117.558	308.596	1.921.859
Loans Granted to Real Persons and Legal Entities (Net)	382.643	375.365	186.190
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--

II. Liquidation policy for uncollectible loans and receivables

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

12. Information on write-off from assets policy

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

f. Information on investment securities held-to-maturity

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

(i) Information on securities subject to repurchase agreement

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

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

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

2. Information on government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	5.212.636	4.900.999
Treasury Bills	--	--
Other Government Debt Securities	--	--
Total	5.212.636	4.900.999

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

3. Information on investment securities held-to-maturity

	Current Period	Prior Period
Debt Securities	5.212.636	4.900.999
Quoted on Stock Exchange	5.212.636	4.900.999
Unquoted on Stock Exchange	--	--
Impairment (-)	--	--
Total	5.212.636	4.900.999

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

	Current Period	Prior Period
Balance at the beginning of the period	4.900.999	3.241.778
Foreign exchange differences ^(*)	359.598	239.713
Purchases during the year ^(**)	--	1.419.508
Disposals/Redemptions	(47.961)	--
Impairment losses (-)	--	--
Total	5.212.636	4.900.999

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

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

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

g. Investments in associates

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

	Total Assets	Shareholders'		Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
		Equity	Total Fixed Assets					
1	259.153	175.797	172.993	4.049	--	36.919	10.180	--
2	314.961	304.494	6.585	18.431	--	5.530	5.483	--
3	10.819	10.496	7.996	152	--	(600)	(465)	--

^(*) Information on the financial statements is presented as of the period ended 30 June 2017.

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

h. Investments in subsidiaries

1. Information on capital adequacies of major subsidiaries

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

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

2. Information on subsidiaries

Title	Address (City/Country)	The Bank's share percentage (%)	The Parent Bank's risk group share percentage (%) ⁽⁴⁾
1 İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ⁽¹⁾	Istanbul/Turkey	100	--
2 Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ⁽¹⁾	Istanbul/Turkey	100	--
3 Denizbank AG	Vienna/Austria	100	--
4 Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--
5 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--
6 Ekspres Bilgi İşlem ve Ticaret A.Ş. ⁽¹⁾⁽³⁾	Istanbul/Turkey	71	29
7 JSC Denizbank Moskova	Moscow / Russia	49	51
8 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100
9 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51
10 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--
11 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽²⁾	Istanbul/Turkey	--	91
12 CR Erdberg Eins GmbH & Co KG. ⁽²⁾	Istanbul/Turkey	--	100

⁽¹⁾ It is not included in TAS 27 equity method implementation mentioned in Note I of Section Three.

⁽²⁾ They are included in TAS 27 "equity method" mentioned in Note I of Section Three although which are not the Bank's direct subsidiaries.

⁽³⁾ The main activity area of Ekspres Menkul Değerler A.Ş. has been changed on 10 August 2016 and its title has become Ekspres Bilgi İşlem ve Ticaret A.Ş.

⁽⁴⁾ Presenting risk group of Bank's share percentage.

	Total Assets	Shareholders'		Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Total Assets
		Equity	Total Fixed Assets						
1	155.806	(2.320)	61.099	3.419	--	872	(9.055)	--	--
2	1.246	1.241	--	--	--	(76)	44	--	--
3	47.710.312	6.276.247	53.444	1.743.058	6.098	698.310	547.337	--	--
4	652.967	26.596	68	22.313	--	297	684	--	--
5	297.999	233.038	2.265	13.660	449	35.893	14.026	--	--
6	18.112	16.762	2.301	1.484	--	1.018	1.285	--	--
7	1.127.372	318.616	3.200	60.345	13.283	39.150	27.440	--	--
8	19.606	18.247	13	2.070	118	5.984	3.656	--	--
9	3.550.102	720.426	163.095	293.772	--	89.228	76.485	--	--
10	1.926.010	252.386	2.035	267.112	--	61.641	16.015	--	--
11	249.833	212.937	117	1.345	--	15.788	12.327	--	--
12	129.539	112.471	104.760	2	--	2.844	2.111	--	--

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

(i) Movement of subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	5.292.932	3.939.731
Movements during the Period	2.166.370	1.353.201
Purchases (**)	209.094	--
Bonus Shares Received	--	--
Dividends from Current Year Profit (*)	952.410	699.372
Sales	--	--
Revaluation Increase, Effect of Inflation and F/X Difference (**)	1.004.866	653.829
Allowance for impairment	--	--
Balance at the End of the Period	7.459.302	5.292.932
Capital Commitments	--	--
Share Percentage at the end of Period (%)	--	--

(*) As of 31 December 2017, there isn't dividend income as a consequence of equity method implementation in accordance with TAS 27 mentioned in Note I of Section Three (31 December 2016: None).

(**) It consists of other reserves amounting to TL 977.306 as of 31 December 2017 (31 December 2016: TL 605.562) and valuation differences of securities amounting to TL 5.014 as of 31 December 2017 (31 December 2016: TL 48.267) as a consequence of equity method implementation in accordance with TAS 27 mentioned in Note I of Section Three.

(***) On 26 September 2017, the Bank has increased Denizbank AG's capital by Euro 50 million.

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

	Current Period	Prior Period
Banks	6.505.867	4.506.890
Insurance Companies	--	--
Factoring Companies	259.482	190.745
Leasing Companies	352.158	309.287
Finance Companies	--	--
Other Subsidiaries	341.795	286.010
Total	7.459.302	5.292.932

(iii) Quoted subsidiaries: None.

(iv) Subsidiaries disposed during the current period: None.

(v) Subsidiaries acquired during the current period: None.

i. Entities Under Common Control (Joint Ventures)

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

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

j. Information on receivables from leasing activities

None (31 December 2016: None).

k. Explanation on hedging purpose derivatives

None (31 December 2016: None).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

l. Information on tangible assets

	Real Estate	Tangible Fixed Assets Retained With Leasing	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	63.150	212.233	1.293	850.294	1.126.970
Accumulated Depreciation	--	(169.706)	(1.084)	(525.895)	(696.685)
Net Book Value	63.150	42.527	209	324.399	430.285
Current Period					
Net Book Value at the Beginning of the Period	63.150	42.527	209	324.399	430.285
Changes In the Period (Net)	3.621	1	(11)	111.257	114.868
Depreciation Cost	(671)	(13.766)	(172)	(89.985)	(104.594)
Provision For Decrease In Value	--	--	--	--	--
FX Differences (Net)	--	--	--	--	--
Cost At the End of the Period	66.100	208.928	1.247	942.627	1.218.902
Accumulated Depreciation At the End of the Period	--	(180.166)	(1.221)	(596.956)	(778.343)
Net Book Value At The End Of The Period	66.100	28.762	26	345.671	440.559

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

Revaluation difference amounting to TL 32.645 (31 December 2016: 30.370 TL) is recognized under equity as a result of revaluation process and impairment provision made in previous period for related properties amounting to TL (3.719) is cancelled and an impairment provision amounting to TL (2.981) is booked for related properties.

m. Information on intangible assets

	Other	Goodwill	Total
Prior Period			
Cost	595.362	869	596.231
Accumulated Depreciation	(407.469)	--	(407.469)
Net Book Value	187.893	869	188.762
Current Period			
Net Book Value at the Beginning of the Period	187.893	869	188.762
Differences During the Period (Net)	80.117	--	80.117
Depreciation Cost	(100.181)	--	(100.181)
Provision For Decrease In Value	--	--	--
FX Differences (Net)	--	--	--
Cost At the End of the Period	675.509	869	676.378
Accumulated Depreciation At the End of the Period	(507.667)	--	(507.667)
Net Book Value At The End Of The Period	167.842	869	168.711

n. Explanation on investment property

None (31 December 2016: None).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

o. Information on deferred tax asset

Deferred tax asset is calculated on the basis of related regulation and these balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

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

	Current Period	Prior Period
Miscellaneous Provisions	86.039	43.948
Unearned Revenue	65.900	56.753
Valuation Differences of Derivatives	54.234	--
Provision for Employee Benefits	27.502	18.696
Valuation Differences of Financial Assets	--	21.068
Deferred Tax Assets	233.675	140.465
		--
Valuation Differences of Tangible Fixed Assets	(19.571)	(13.640)
Valuation Differences of Financial Assets		
Valuation Differences of Derivatives	(3.364)	--
	--	(25.616)
Others	(38.887)	(18.105)
Deferred Tax Liabilities	(61.822)	(57.361)
Net Deferred Tax Assets	171.853	83.104

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

None (31 December 2016: None).

q. Information on other assets

1. Information on prepaid expense, taxes and similar items

The Bank's total prepaid expenses are TL 527.810 (31 December 2016: TL 293.306).

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

II. Explanations and disclosures related to liabilities

a. Information on deposits

1. Information on maturity structure of deposits

Current period: 31 December
2017:

	Demand	7 Days Notice	Up to 1		3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit	
			Month	1-3 Months				Accounts	Total
Saving Deposits	2.729.341	--	2.158.790	21.443.416	1.013.313	419.983	381.550	18.953	28.165.346
Foreign Currency Deposits ^(*)	5.738.090	--	3.534.780	13.392.639	1.158.109	1.434.479	1.565.203	1.485	26.824.785
Residents in Turkey	5.318.472	--	3.117.368	12.405.653	1.024.188	1.351.726	1.168.938	1.310	24.387.655
Residents Abroad	419.618	--	417.412	986.986	133.921	82.753	396.265	175	2.437.130
Public Sector Deposits	515.330	--	60.012	73.405	13.340	70	4.297	--	666.454
Commercial Deposits	3.122.118	--	2.146.718	4.916.420	161.091	235.217	130.708	--	10.712.272
Other Ins. Deposits	121.224	--	245.123	1.120.697	498.612	135.924	19.708	--	2.141.288
Precious Metal Deposits	275.983	--	41.758	270.412	24.620	25.990	8.470	5.733	652.966
Bank Deposits	39.695	--	3.916.790	602.970	99.986	1.119.193	304.060	--	6.082.694
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	3.283	--	1.617.825	77.332	6.132	--	--	--	1.704.572
Foreign Banks	35.650	--	2.298.965	525.638	93.854	1.119.193	304.060	--	4.377.360
Special Finan. Inst.	762	--	--	--	--	--	--	--	762
Other	--	--	--	--	--	--	--	--	--
Total	12.541.781	--	12.103.971	41.819.959	2.969.071	3.370.856	2.413.996	26.171	75.245.805

^(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 14.427.793 and Commercial Deposit customers at the amount of TL 12.396.992.

Prior period: 31 December 2016:

	Demand	7 Days Notice	Up to 1		3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit	
			Month	1-3 Months				Accounts	Total
Saving Deposits	2.317.105	--	2.352.764	15.059.997	699.472	152.910	252.209	26.694	20.861.151
Foreign Currency Deposits ^(*)	5.814.353	--	2.749.788	11.554.311	1.005.906	1.813.221	1.324.601	1.325	24.263.505
Residents in Turkey	5.525.624	--	2.706.647	10.688.813	931.789	1.647.850	929.316	1.165	22.431.204
Residents Abroad	288.729	--	43.141	865.498	74.117	165.371	395.285	160	1.832.301
Public Sector Deposits	486.443	--	38.636	51.363	3.669	349	10.808	--	591.268
Commercial Deposits	2.823.452	--	2.188.047	5.212.021	706.498	152.886	154.242	--	11.237.146
Other Ins. Deposits	102.245	--	103.356	1.515.642	128.363	9.358	178.377	--	2.037.341
Precious Metal Deposits	265.351	--	29.656	151.809	41.997	28.783	12.364	4.268	534.228
Bank Deposits	78.812	--	2.215.792	1.003.351	260.680	1.767	105.887	--	3.666.289
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	2.712	--	111.297	27.378	--	1.767	--	--	143.154
Foreign Banks	51.543	--	2.104.495	975.973	260.680	--	105.887	--	3.498.578
Special Finan. Inst.	24.557	--	--	--	--	--	--	--	24.557
Other	--	--	--	--	--	--	--	--	--
Total	11.887.761	--	9.678.039	34.548.494	2.846.585	2.159.274	2.038.488	32.287	63.190.928

^(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 11.500.075 and Commercial Deposit customers at the amount of TL 12.763.430.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Information on deposit insurance

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

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

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

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	90.381	162.530
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	55.016	41.124
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--	--
Deposits belong to Off-Shore Banks who are established in Turkey	--	--
Total	145.397	203.654

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

b. Information on trading purpose derivatives

1. Negative value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	9.969	36.628	40.372	21.537
Swap Transactions	657.683	576.035	513.248	279.494
Futures Transactions	--	--	--	--
Options	13.082	83.740	7	86.530
Other	--	--	--	--
Total	680.734	696.403	553.627	387.561

c. Information on funds borrowed

1. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank Loans	--	--	--	--
Domestic Banks and Institutions	207.039	564.908	223.985	466.629
Foreign Banks, Institutions and Funds	585.518	12.526.580	620.246	9.439.737
Total	792.557	13.091.488	844.231	9.906.366

2. Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	203.454	5.969.374	317.028	3.547.375
Medium and Long-Term	589.103	7.122.114	527.203	6.358.991
Total	792.557	13.091.488	844.231	9.906.366



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

As at 31 December 2017, the Bank's liabilities comprise; 62% deposits, 20% loans received, debts to money markets, issued securities and subordinated loans (31 December 2016: 61%, 22%, respectively).

d. Information on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	--	--	--	--
Bills	1.216.074	--	737.553	--
Asset Backed Securities	248.543	--	415.080	--
Total	1.464.617	--	1.152.633	--

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

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

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

f. Information on lease payables (net)

Maturity of the leasing agreements are usually 4 years. Interest rate and the Bank's cash flow are the criteria, taken into consideration, on the lease contracts. There are no judgements which, exposed to significant liabilities to the Bank, on the lease contracts.

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	9.622	8.984	10.696	8.932
Between 1-4 years	606	577	10.227	9.561
More than 4 years	--	--	--	--
Total	10.228	9.561	20.923	18.493

1. Changes in agreements and further commitments arising

None (31 December 2016: None).

2. Obligations under finance leases

None (31 December 2016: None).

3. Explanations on operational leases

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

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

None (31 December 2016: None).

g. Information on liabilities arising from hedging purpose derivatives

None (31 December 2016: None).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

h. Explanation on provisions

1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.070.884	915.660
Additional Provision for Loans with Extended Maturities	29.113	71.838
Provisions for Loans and Receivables in Group II	299.763	258.866
Additional Provision for Loans with Extended Maturities	158.654	160.565
Provisions for Non Cash Loans	105.552	103.255
Other	--	--
Total	1.476.199	1.277.781

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

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

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

3. Liabilities on provision for employee benefits

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

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

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

As of 31 December 2017, TL 95.413 of provision for employee termination benefits (31 December 2016: TL 77.610) and TL 29.525 of unused vacation accruals (31 December 2016: TL 27.732) were reflected to the financial statements.

Movement of the provision during the period:

	Current Period	Prior Period
Balance at the Beginning of the Period	77.610	64.150
Changes in the period	28.065	18.202
Actuarial loss/gain	13.704	8.388
Paid in the period	(23.966)	(13.130)
Balance at the End of the Period	95.413	77.610

4. Information on other provisions

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

TL 358.203 of other provisions is provided for possible future losses related to certain loans in the loan portfolio (31 December 2016: TL 197.829), TL 98.485 (31 December 2016: TL 85.998) specific provisions for non-cash loans, TL 65.000 provision for possible developments in the overall economic and market conditions, TL 28.619 (31 December 2016: TL 19.125) for provisions for the litigations against the Bank and provisions for operational risk and TL 37.747 includes other provisions (31 December 2016: TL 8.198).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2017, the amount of the corporate tax provision of the Bank is TL 221.047 (31 December 2016: TL 98.535), and the prepaid tax amount is TL 170.192 (31 December 2016: TL 165.625).

As of 31 December 2017, the Bank's total tax and premium liabilities is TL 258.971 (31 December 2016: TL 171.472).

(ii) Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	50.855	--
Taxation on securities	71.103	52.753
Capital gains taxes on property	2.093	1.992
Banking Insurance Transaction Tax (BITT)	59.972	48.973
Taxes on foreign exchange transactions	--	--
Value added taxes payable	2.980	2.851
Other	50.563	46.688
Total	237.566	153.257

(iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	9.131	7.804
Social security premiums- employer share	10.366	8.785
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	--	--
Pension fund membership fees and provisions- employer share	--	--
Unemployment insurance- employee share	636	542
Unemployment insurance- employer share	1.272	1.084
Other	--	--
Total	21.405	18.215

2. Information on deferred tax liabilities

The Bank has no deferred tax liability calculated on the basis of related regulation. Information on deferred taxes is disclosed in Note "o" of "explanations and disclosures related to assets".

j. Information on payables related to assets held for sale

None (31 December 2016: None).

k. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Other Domestic Institutions	--	--	--	--
Foreign Banks	--	5.261.523	--	5.483.501
Other Foreign Institutions	--	--	--	--
Total	--	5.261.523	--	5.483.501

Information related to subordinated loans is given in Note I-b of Section Four.

l. Information on shareholders' equity

1. Paid-in capital

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Registered paid-in capital system is not applied.

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

None.

4. Information on share capital increases from revaluation funds

None.

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

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

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

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

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

The Bank does not have any preferred stocks.

8. Common stock issue premiums, shares and equity instruments

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

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

(**) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008.

Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015.

A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

9. Securities Revaluation Reserve

	Current Period		Prior Period	
	TP	YP	TP	YP
Associates, Subsidiaries and JVs	--	--	--	--
Valuation Difference	(424.114)	(23.285)	(445.696)	(109.637)
Total	(424.114)	(23.285)	(445.696)	(109.637)

10. Information on hedging funds

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

11. Information on minority shares

None (31 December 2016: None).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

12. Information on revaluation differences of tangible assets

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

The account also includes TL 76.275 gain on sale of real estate, associates, subsidiaries and equity securities classified as available-for-sale and recorded in equity (31 December 2016: TL 9.421).

13. Explanation of profit distribution

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

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

a. Information related to off-balance sheet commitments

1. Type and amount of irrevocable commitments

All of the Bank's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2017, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 27.778.339, TL 14.216.415 and TL 2.375.880, respectively (31 December 2016: TL 28.522.030, TL 12.764.645 and TL 2.111.130, respectively). These items are detailed in the off-balance sheet accounts.

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

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

As of 31 December 2017, The Bank has letters of guarantee amounting to TL 22.426.568, bills of exchange and acceptances amounting to TL 204.541, guarantees and sureties on letters of credit amounting to TL 2.644.460 and other guarantees and sureties amounting to TL 2.502.770.

As of 31 December 2016, The Bank has letters of guarantee amounting to TL 21.636.270, bills of exchange and acceptances amounting to TL 256.830, guarantees and sureties on letters of credit amounting to TL 2.312.576 and other guarantees and sureties amounting to TL 4.316.354.

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

	Current Period	Prior Period
Provisional Letters of Guarantee	803.218	912.008
Final Letters of Guarantee	14.178.871	14.268.946
Letters of Guarantee for Advances	2.402.152	2.874.152
Letters of Guarantee given to Customs Offices	161.951	169.797
Other Letters of Guarantee	4.880.376	3.411.367
Total	22.426.568	21.636.270

3. Information on non-cash loans

(i) Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	7.382.910	7.727.341
With Original Maturity of 1 Year or Less	7.381.967	7.726.461
With Original Maturity of More Than 1 Year	943	880
Other Non-Cash Loans	20.395.429	20.794.689
Total	27.778.339	28.522.030

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

(ii) Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	139.420	1,25	193.480	1,17	125.897	1,25	115.147	0,62
Farming and Cattle	136.563	1,22	192.397	1,16	124.881	1,24	113.637	0,62
Forestry	1.775	0,02	1.083	0,01	584	0,01	768	--
Fishing	1.082	0,01	--	--	432	--	742	--
Manufacturing	1.882.658	16,82	7.595.457	45,80	2.217.779	21,99	8.384.204	45,48
Mining	161.110	1,44	218.858	1,32	325.222	3,22	277.022	1,50
Production	1.561.839	13,95	6.689.022	40,33	1.558.544	15,46	7.502.762	40,70
Electric, Gas, Water	159.709	1,43	687.577	4,15	334.013	3,31	604.420	3,28
Constuction	3.430.640	30,65	3.997.709	24,11	2.982.079	29,56	5.163.150	28,01
Services	3.762.914	33,61	3.408.538	20,56	3.350.033	33,21	3.244.097	17,60
Wholesale and Retail Trade	2.220.924	19,84	1.840.758	11,10	1.963.421	19,47	1.645.071	8,92
Hotel and Restaurant Services	244.290	2,18	377.787	2,28	250.429	2,48	345.654	1,88
Transportation and telecommunication	526.167	4,70	783.043	4,72	489.354	4,85	813.601	4,41
Financial institutions	324.788	2,90	345.839	2,09	341.805	3,39	354.679	1,92
Real estate and letting services	47.336	0,42	4.878	0,03	21.577	0,21	3.998	0,02
Self-employment services	--	--	--	--	--	--	--	--
Education services	216.080	1,93	13.086	0,08	38.997	0,39	11.688	0,06
Health and social services	183.329	1,64	43.147	0,26	244.450	2,42	69.406	0,39
Other	1.978.203	17,67	1.389.320	8,36	1.411.673	13,99	1.527.971	8,29
Total	11.193.835	100,00	16.584.504	100,00	10.087.461	100,00	18.434.569	100,00

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

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	10.833.329	11.010.055	344.932	238.252
Bank Acceptances	4.773	199.768	--	--
Letters of Credit	--	2.644.460	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	10.801	2.491.969	--	--
Total	10.848.903	16.346.252	344.932	238.252

b. Information related to derivative financial instruments

Current Period	Up to 1 moth	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	33.385.698	10.904.179	13.399.370	5.503.728	--	63.192.975
Forward FC Call Transactions	1.905.948	1.084.914	949.090	73.733	--	4.013.685
Forward FC Pull Transactions	1.896.337	1.095.765	925.131	72.907	--	3.990.140
Swap FC Call Transactions	13.872.354	2.463.695	2.692.436	2.550.481	--	21.578.966
Swap FC Pull Transactions	12.723.161	2.476.084	2.603.491	2.792.409	--	20.595.145
Options FC Call Transactions	1.479.656	1.879.799	3.073.114	7.022	--	6.439.591
Options FC Pull Transactions	1.508.242	1.903.922	3.156.108	7.176	--	6.575.448
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	1.100.000	1.129.708	6.513.150	10.889.662	15.887.036	35.519.556
Swap Interest Call Transactions	550.000	164.854	2.856.575	5.444.831	7.886.098	16.902.358
Swap Interest Pull Transactions	550.000	164.854	2.856.575	5.444.831	7.886.098	16.902.358
Options Interest Call Transactions	--	--	800.000	--	57.420	857.420
Options Interest Pull Transactions	--	800.000	--	--	57.420	857.420
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.694.012	258.648	312.748	--	--	2.265.408
B. Total Types of Trading Transactions (I + II + III)	36.179.710	12.292.535	20.225.268	16.393.390	15.887.036	100.977.939
Total Derivatives Transactions (A+B)	36.179.710	12.292.535	20.225.268	16.393.390	15.887.036	100.977.939



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	Up to 1 moth	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions						
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)						
Forward FC Call Transactions	25.686.276	10.960.506	6.107.028	4.511.224	--	47.265.034
Forward FC Pull Transactions	2.015.918	916.013	687.902	--	--	3.619.833
Swap FC Call Transactions	2.005.424	927.659	689.440	--	--	3.622.523
Swap FC Pull Transactions	9.517.821	3.813.556	1.015.051	2.170.588	--	16.517.016
Options FC Call Transactions	7.630.313	3.696.601	841.502	2.340.636	--	14.509.052
Options FC Pull Transactions	2.241.091	825.161	1.410.230	--	--	4.476.482
Futures FC Call Transactions	2.275.709	781.516	1.462.903	--	--	4.520.128
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	21.114	1.073.356	2.535.872	9.416.476	14.362.932	27.409.750
Swap Interest Call Transactions	10.557	536.678	1.267.936	4.708.238	7.118.152	13.641.561
Swap Interest Pull Transactions	10.557	536.678	1.267.936	4.708.238	7.118.152	13.641.561
Options Interest Call Transactions	--	--	--	--	63.314	63.314
Options Interest Pull Transactions	--	--	--	--	63.314	63.314
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.556.043	34.940	169.418	332.334	--	2.092.735
B. Total Types of Trading Transactions (I + II + III)	27.263.433	12.068.802	8.812.318	14.260.034	14.362.932	76.767.519
Total Derivatives Transactions (A+B)	27.263.433	12.068.802	8.812.318	14.260.034	14.362.932	76.767.519

c. Credit derivatives and risk exposures on credit derivatives

None.

d. Contingent assets and liabilities

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

In addition to the matters explained in detail above, the Bank has provided a provision amounting to TL 23.429 (31 December 2016: TL 14.025) for the lawsuits against the Bank in accordance with the precautionary principle. These provisions are classified among "Other provisions". Except for those provisioned, other ongoing lawsuits are unlikely to result in a negative conclusion and cash outflow is not foreseen for them.

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

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

IV. Explanations and disclosures related to statement of income

a. Interest income

1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term Loans	2.406.312	95.554	2.384.305	79.303
Medium and Long Term Loans	5.802.039	782.606	4.164.666	541.188
Loans Under Follow-Up	62.303	--	44.456	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
Total	8.270.654	878.160	6.593.427	620.491

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

2. Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	113.514	576	2	602
Domestic Banks	13.522	3.467	1511	2504
Foreign Banks	3.238	7.371	59	3.381
Foreign Head Offices and Branches	--	--	0	0
Total	130.274	11.414	1.572	6.487

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

3. Information on interest income received from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	10.063	6.722	3.293	291
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Investment Securities Available-for-Sale	527.387	39.136	573.634	59.046
Investment Securities Held-to-Maturity	428.610	77.568	288.851	27.824
Total	966.060	123.426	865.778	87.161

4. Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	34.960	28.618



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	76.319	651.190	49.545	528.741
Central Bank of the Republic of Turkey	61	--	52	--
Domestic Banks	14.623	13.311	13.392	6.951
Foreign Banks	61.635	637.879	36.101	521.790
Foreign Head Offices and Branches	--	--	--	--
Other Institutions	--	--	--	--
Total	76.319	651.190	49.545	528.741

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

2. Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	37.187	24.725

3. Information on interest expense paid to securities issued

	Current Period	Prior Period
Interest Paid to Securities Issued	156.250	111.063

4. Maturity structure of the interest expense on deposits

Account Name	Demand Deposits	Time Deposit				More than 1 Year	Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year			
TL								
Bank Deposits	14	63.665	--	--	--	--	--	63.679
Saving Deposits	32	243.530	2.164.484	96.871	31.920	34.646	1.761	2.573.244
Public Sector Deposits	--	3.179	14.958	789	34	958	--	19.918
Commercial Deposits	1	270.561	624.797	23.398	24.835	17.023	--	960.615
Other Deposits	--	11.938	148.175	54.767	30.638	8.853	--	254.371
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Total	47	592.873	2.952.414	175.825	87.427	61.480	1.761	3.871.827
FC								
Foreign Currency Deposits	6	76.336	430.870	53.259	34.823	37.447	6	632.747
Bank Deposits	1.719	40.062	--	--	--	--	--	41.781
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	4	10.914	3.151	568	1.584	244	91	16.556
Total	1.729	127.312	434.021	53.827	36.407	37.691	97	691.084
Grand Total	1.776	720.185	3.386.435	229.652	123.834	99.171	1.858	4.562.911

c. Dividend income

	Current Period	Prior Period
Trading Securities	--	--
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-For-Sale	262	--
Other ⁽¹⁾	822	58
Total	1.084	58

⁽¹⁾ Presents dividend income from unconsolidated subsidiaries and associates.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

d. Information on trading income / loss

	Current Period	Prior Period
Income	308.557.519	228.225.865
Capital Market Transactions	16.752	41.851
Derivative Financial Instruments	6.429.883	5.426.408
Foreign Exchange Gains	302.110.884	222.757.606
Loss (-)	309.432.148	228.741.834
Capital Market Transactions	58.840	47.912
Derivative Financial Instruments	7.167.973	5.123.867
Foreign Exchange Losses	302.205.335	223.570.055
Net Trading Income / Loss	(874.629)	(515.969)

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

e. Information on other operating income

	Current Period	Prior Period
Reversal of prior periods' provisions	305.330	296.356
Gain on sale of properties	30.954	13.262
Communication income	10.568	10.957
Cheque book fees	3.676	3.743
Other	160.614	241.984
Total	511.142	566.302

f. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	1.381.465	1.183.916
<i>Loans and Receivables in Group III</i>	<i>187.039</i>	<i>65.053</i>
<i>Loans and Receivables in Group IV</i>	<i>423.308</i>	<i>313.688</i>
<i>Loans and Receivables in Group V</i>	<i>771.118</i>	<i>805.175</i>
Non-performing Commissions and Other Receivables	--	--
General Loan Loss Provisions	198.418	293.572
Free Provision for Probable Risks	160.373	189.829
Impairment Losses on Securities	--	--
<i>Financial Assets at Fair Value Through Profit or Loss</i>	<i>--</i>	<i>--</i>
<i>Investment Securities Available-for-Sale</i>	<i>--</i>	<i>--</i>
Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities Held to Maturity	--	--
<i>Associates</i>	<i>--</i>	<i>--</i>
<i>Subsidiaries</i>	<i>--</i>	<i>--</i>
<i>Joint Ventures</i>	<i>--</i>	<i>--</i>
<i>Investment Securities Held-to-Maturity</i>	<i>--</i>	<i>--</i>
Other	145.903	44.327
Total	1.886.159	1.711.644



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

g. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	1.262.617	1.185.090
Reserve for Employee Termination Benefits	4.098	5.072
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	3.719
Depreciation Charges of Tangible Assets	104.594	103.093
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	100.181	87.802
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	1.503	2.576
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	1.034.636	899.719
Operational Lease Expenses	299.259	234.755
Repair and Maintenance Expenses	71.168	59.774
Advertisement Expenses	73.180	78.255
Other Expenses ^(*)	591.029	526.935
Losses on Sale of Assets	4.644	4.364
Other	330.930	307.630
Total	2.843.203	2.599.065

(*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationary, heating and lighting, credit card service fee, transportation and others amounting to TL 62.626, TL 77.776, TL 25.272, TL 26.407, TL 189.754, TL 25.778 and TL 183.416, respectively (1 January – 31 December 2016: TL 73.719, TL 62.570, TL 20.323, TL 23.934, TL 113.765, TL 22.013 and TL 202.970, respectively).

h. Information on profit / loss before tax from continuing operations

As 1 January-31 December 2017, The Bank has a profit before tax from continuing operations amounting to TL 2.227.056 (1 January-31 December 2016: TL 1.647.654).

As 1 January - 31 December 2017, The Bank has no profit from discontinued operations (1 January-31 December 2016: None).

i. Information on tax provision for continued and discontinued operations

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

As 1 January-31 December 2017 the current period taxation charge on continuing operations is TL 221.047 (1 January–31 December 2016: 98.535) while deferred tax charge is TL 126.217 (1 January-31 December 2016: TL 139.838 deferred tax charge).

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

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

Deferred tax benefit/charge arising from temporary differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	131.491	82.905
Arising from Reversal of Deductible Temporary Differences (-)	(250.465)	(195.483)
Arising from Origination of Taxable Temporary Differences (-)	(28.543)	(27.883)
Arising from Reversal of Taxable Temporary Differences (+)	21.300	623
Total	(126.217)	(139.838)

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(118.974)	(42.864)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(7.243)	(27.260)
Arising from Origination (+)/ Reversal (-) of Tax Losses	--	(69.714)
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	(126.217)	(139.838)

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

The Bank has a net profit is amounting to TL 1.879.792 (31 December 2016: TL 1.409.281).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

k. Information on net profit and loss

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

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

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

3. The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with TAS27 "Separate Financial Statements", having a permission to be applied earlier, while preparing its non-consolidated financial tables dated 31 December 2017.

4. The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.220 million and US Dollar 7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity.

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

Other Fees and Commissions Received	Current Period	Prior Period
Credit card clearing and other commissions	750.674	608.493
Contracted merchant / POS commissions	288.249	258.470
Insurance services	261.305	155.450
Filing fees	200.797	142.490
Account management fees	57.254	56.528
Remittance commissions	38.432	32.398
Intermediary services	20.116	17.393
Expertise fees	18.795	16.767
Other	150.568	127.106
Total	1.786.190	1.415.095

Other Fees and Commissions Paid	Current Period	Prior Period
Credit card / POS commissions	401.789	305.524
EFT fees and commissions	11.954	10.163
Other	85.508	84.073
Total	499.251	399.760

V. Explanations and disclosures related to statement of changes in shareholders' equity

a. Information on capital increase

The Bank has increased its paid-in capital at a total amount of TL 1.500.000 consisting of share premiums amount of TL 39, sales profits from shares of subsidiaries and associates and properties amounting to TL 113.097, extraordinary reserves amounting to TL 636.864 and in cash amounting to TL 750.000 on 28 June 2016.

b. Information on issuance of shares

Share premium, at an amount of TL 39, has been added to paid-in capital with the capital increase made by the Bank on 28 June 2016.

A premium of issued shares amounting to TL 15 was formed as a result of capital increase of TL 1.500.000 made on 28 June 2016.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

c. Adjustments made in accordance with TAS 8

Communique on “TAS 27 Separate Financial Statements” standard, which is in force in order to be applied for accounting periods after 31 December 2012 via Public Oversight Accounting and Auditing Standards Authority (POA) website and published in Official Gazette dated 28 October 2011 and numbered 28098, has entered into force through making amendments to be applied for accounting periods after 1 January 2016 with “Communique on amending the Communique on TAS27 Separate Financial Statements” (Communique) published in Official Gazette dated 9 April 2015 and numbered 29321.

The Bank adjusted its comparative financial statements of 31 December 2013 and 2014 through making rearrangements with respect to amendments in TAS 27 Separate Financial Statements Standard.

d. Effects of changes in Subsidiary Equity on Bank’s Equity

Financial associates are recognized according to equity method in the framework of TAS28 Communique on Investments in Subsidiaries and Associates with respect to TAS 27 Separate Financial Statements Communique in non-consolidated financial statements.

Equity method is the recognition treatment which prescribes to increase or decrease the book value of share included in associate from the change amount occurring in the period in the equity of participated partnership as the share falling to participant and deduction of dividends and associate amounts from the value which is changed in the aforementioned manner.

In this scope, the parts falling to Bank’s share from equity of participated associates, gain or loss and other comprehensive income are recognized under equity of the Bank, income statement of the Bank and other comprehensive income statement of the Bank respectively.

e. Information on distribution of profit

General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

f. Information on increase/decrease amounts resulting from merger

None.

g. Information on investments available-for-sale

“Unrealised gain/loss” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the “Marketable securities valuation differences” account under equity, until the financial assets are derecognised, sold, disposed or impaired.

h. Hedging transactions

Explained in Information on hedging transactions in Note XI of Section Four.

i. Revaluation difference on tangible assets

Revaluation differences on tangible assets includes gains on sales of subsidiaries and gains on sales of real estates and explained in detail in Note II-l-12 of Section Five.

j. Information on foreign exchange differences

TL 46.163 (31 December 2016: TL 36.673), consisting of conversion of Bahrain Branch’s financial statements into TL in accordance with TAS 21, and TL 1.726.524, (31 December 2016: TL 749.218) sourcing from recognizing Denizbank AG, JSC Denizbank and Eurodeniz, which are foreign currency associates of the Bank, with equity method, are recorded under “other reserves” account.

Detailed explanations are provided in “Information on foreign exchange difference in Note II-b of Section Three”.

k. Amounts transferred to reserves

The Bank transferred TL 1.271.963 (31 December 2016: TL 715.091) to extraordinary reserves from prior period profits in 2017. TL 70.464 is transferred to legal reserves in 2017 (31 December 2016: TL 38.132).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VI. Explanations and disclosures related to cash flow statement

a. Information on cash and cash equivalents

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

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

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

	Current Period	Prior Period
	01.01.2017	01.01.2016
Cash	2.073.608	2.066.403
Cash in Vault, foreign currencies and other	1.754.183	1.352.186
Banks demand deposits	319.425	714.217
Cash and Cash Equivalent	9.910.140	4.324.730
Interbank Money market placements	3.001.396	1.200.353
Banks time deposits	6.812.558	2.809.634
Securities	96.186	314.743
Total Cash and Cash Equivalents	11.983.748	6.391.133

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

	Current Period	Prior Period
	31.12.2017	31.12.2016
Cash	2.073.688	2.073.608
Cash in Vault, foreign currencies and other	1.802.940	1.754.183
Banks demand deposits	270.748	319.425
Cash and Cash Equivalent	8.059.690	9.910.140
Interbank Money market placements	750.000	3.001.396
Banks time deposits	7.191.206	6.812.558
Securities	118.484	96.186
Total Cash and Cash Equivalents	10.133.378	11.983.748

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

The Bank made a total provision for required reserves on CB of Turkey in amount of TL 15.063.594(31 December 2016: TL 13.006.739). Additionally, there is TL 1.986.820(31 December 2016: TL 2.058.995) limited amount in foreign banks account.

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

“Other” item amounting to TL (3.418.730)(31 December 2016: TL (4.308.568)) before “changes in operating assets and liabilities” comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 11.983.748 (31 December 2016: TL 6.391.133) to TL 10.133.378 in 2017 (31 December 2016: TL 11.983.748).

“Other liabilities” item included in “change in assets and liabilities arising from banking activities”, amounting to TL (503.851)(31 December 2016: TL 1.403.412) comprise changes in payables to money market, sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 982.577 as of 31 December 2017 (31 December 2016: TL 858.680).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VII. Explanations and disclosures related to the Bank's risk group

a. Information on loans and other receivables to the Bank's risk group

Current Period	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
DFS Group's Risk Group ⁽¹⁾						
Loans and Other Receivables						
Balance at the Beginning of the Period	2.661.889	188.357	5.448	7.721	56	4
Balance at the End of the Period	3.904.644	197.694	9.439	4.655	54	--
Interest and Commission Income Received	66.635	776	484	5	2.561	--

⁽¹⁾As described in the Article 49 of Banking Law no.5411.

Prior Period	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
DFS Group's Risk Group ⁽¹⁾						
Loans and Other Receivables						
Balance at the Beginning of the Period	250.214	252.052	2.299	19.970	58.047	701
Balance at the End of the Period	2.661.889	188.357	5.448	7.721	56	4
Interest and Commission Income Received	50.467	629	212	8	5.046	8

⁽¹⁾ As described in the Article 49 of Banking Law no.5411.

b. Information on deposits held by and funds borrowed from the Bank's risk group

DFS Group's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	2.580.369	466.304	6.607.506	6.257.056	9.448	8.962
Balance at the End of the Period	3.058.719	2.580.369	8.811.959	6.607.506	19.167	9.448
Interest and Commission Income Received	56.662	29.621	410.154	324.071	749	4.067

⁽¹⁾As described in the Article 49 of Banking Law no.5411.

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

c. Information on forward and option agreements and similar agreements made with the Bank's risk group

DFS Group's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	9.209.555	14.029.161	--	--	--	6.368
Balance at the End of the Period	2.598.429	9.209.555	51.000	--	--	--
Total Income/(Loss)	(181.836)	(62.528)	8.264	(5.989)	--	(388)
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

⁽¹⁾ As described in the Article 49 of Banking Law no.5411.

d. Information on benefit provided to top management

The Bank made payment amounting to TL 76.869 (31 December 2016: TL 71.893) to its top management in 2017.

e. Information on transactions with the Bank's risk group

As of 31 December 2017, cash loans and other receivables of the risk group represent 4,9% of the Bank's total cash loans and bank deposits granted, the deposits and borrowings represent 12,6% of the Bank's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,7% of the total balance.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

The Bank has finance lease contracts with Deniz Leasing. As of 31 December 2017, The Bank's contractual finance lease payables are TL 9.561 (31 December 2016: TL 18.493). Also, the Bank gives brokerage services through its branches for Deniz Yatırım.

VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Bank

a. Information relating to the Bank's domestic and foreign branch and representatives

	Number	Number of Employees	Country of Incorporations	Total Assets	Statutory Share Capital
Domestic branch	696	12.251			
Foreign representation	-	-	-		
Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	8.492.506	-

b. Explanations on the Bank's branch and agency openings or closings

The Bank opened 28 new branches and closed 25 branches in 2017.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. Other explanations related to the Bank's operations

a. Explanations related to the Bank's operations

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies

Moody's ^(*)	
Outlook	Negative
Long Term Foreign Currency Deposits	Ba2
Short Term Foreign Currency Deposits	Not Prime
Long Term Local Currency Deposits	Ba2
Short Term Local Currency Deposits	Not Prime
Bank Financial Strength Rating (BCA)	ba3

^(*)As of 20.03.2017

Fitch Ratings ^(**)	
Outlook	Positive
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
Long Term Local Currency	BB+
Short Term Local Currency	B
Viability	bb
Support	3
National	AA (tur)

^(**)As of 05.10.2017

c. Subsequent events

Sberbank of Russia (Sberbank), commenced initial strategic discussions with Emirates NBD Bank PJSC (Emirates NBD) regarding Denizbank A.Ş. (Denizbank), including the possibility of Emirates NBD acquiring Sberbank's existing shareholding in Denizbank. Discussions are at a very preliminary stage and there is no certainty that any transaction will be entered into.

Sberbank also stated that it routinely evaluates potential opportunities in different markets and a further announcement will only be made if there is a significant development.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Unconsolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Matters to be disclosed related to Independent Audit Report

Unconsolidated financial statements and notes of the Bank are subject to independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and audit report dated 7 February 2018 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditor

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of the Bank.

(Convenience Translation of the Independent Auditor's Report
Originally Prepared and Issued in Turkish See Note 3.I.c)

DENİZBANK ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

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



I. INDEPENDENT AUDITOR'S REPORT
**II. PUBLICLY DISCLOSED CONSOLIDATED
FINANCIAL REPORT**



Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No. 27
Maslak, Sarıyer 34398
İstanbul-Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No : 479920-427502

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Denizbank Anonim Şirketi:

Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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



Key Audit Matters

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

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



Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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



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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Additional paragraph for convenience translation to English

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

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



Fatma Ebru Yücel SMMM
Partner

7 February 2018
İstanbul, Türkiye



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

Address of the Bank's Headquarters

Büyükdere Caddesi No:141
34394 –ESETEPE/İSTANBUL

Telephone and Fax Numbers

Tel : 0 212 348 20 00
Fax: 0 212 336 61 86

Website of the Bank

www.denizbank.com

E-mail address of the Bank

yatirimciiliskileri@denizbank.com

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

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

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

Subsidiaries

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

Structured Entity

- 1 DFS Funding Corp.

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

7 February 2018

HAKAN ELVERDİ
Senior Vice President
Financial Reporting
And Accounting

RUSLAN ABİL
Executive Vice President
Financial Affairs

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

HERMAN GREF
Chairman of Board of
Directors

PAVEL BARCHUGOV
Member of Board of Directors
and Audit Committee

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

NİHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:

Name/Title: İmge İhtiyar / Department Head, International Reporting and Consolidation Department

Tel No: 0 212 348 5997

Fax No: 0 212 336 6186

	PAGE
SECTION ONE	
General Information	
I. Parent Bank's date of establishment, beginning statute, its history including changes in its statute	230
II. Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and, if exists, changes on these issues and the Group that the Parent Bank belongs to	230
III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and shares of the Parent Bank they possess and their areas of responsibility	231
IV. Explanations regarding the real person and corporate qualified shareholders at the Parent Bank	232
V. Type of services provided and the areas of operations of the Parent Bank	232
VI. A short explanation on the differences between the communique on consolidated financial statement reporting and the consolidation procedures required by Turkish Accounting Standards and about institutions that are subject to full consolidation, proportional consolidation, by way of deduction from capital or those that are subject to none	232
VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Parent Bank and its subsidiaries and repayment of debts	232
SECTION TWO	
Consolidated Financial Statements	
I. Consolidated statements of financial position (Balance sheets)	234
II. Consolidated statements of off-balance sheet items	236
III. Consolidated statements of income	237
IV. Consolidated statements of income and expenses under shareholders' equity	238
V. Consolidated statements of changes in shareholders' equity	239
VI. Consolidated statements of cash flows	240
VII. Consolidated profit distribution tables	241
SECTION THREE	
Accounting Policies	
I. Basis of presentation	242
II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies	244
III. Information regarding the consolidated subsidiaries	245
IV. Explanations on forward transactions, options and derivative instruments	246
V. Explanations on interest income and expenses	246
VI. Explanations on fees and commissions	246
VII. Explanations on financial assets	246
VIII. Explanations on impairment of financial assets	248
IX. Explanations on offsetting financial instruments	248
X. Explanations on sale and repurchase agreements and transactions related to the lending of securities	248
XI. Explanations on assets held for sale and discontinued operations	248
XII. Explanations on goodwill and other intangible assets	249
XIII. Explanations on tangible assets	249
XIV. Explanations on investment properties	250
XV. Explanations on leasing activities	250
XVI. Explanations on provisions and contingent liabilities	250
XVII. Explanations on obligations for employee benefits	250
XVIII. Explanations on taxation	251
XIX. Additional explanations on borrowings	252
XX. Explanations on issuance of share certificates	252
XXI. Explanations on acceptances	252
XXII. Explanations on government grants	252
XXIII. Explanations on segment reporting	252
XXIV. Explanations on other matters	252
SECTION FOUR	
Consolidated Financial Position and Risk Management	
I. Explanations related to the consolidated shareholders' equity	253
II. Explanations related to the consolidated credit risk and risk management	257
III. Explanations related to the consolidated foreign currency exchange rate risk	267
IV. Explanations related to the consolidated interest rate risk	269
V. Position risk of equity shares on banking book	272
VI. Explanations related to the consolidated liquidity risk	272
VII. Explanations related to leverage ratio	276
VIII. Explanations related on risk management	277
IX. Presentation of financial assets and liabilities at their fair value	294
X. Transactions carried out on behalf and account of other parties and fiduciary transactions	295
XI. Explanations related to hedging transactions	295
XII. Explanations related to the consolidated segment reporting	296
SECTION FIVE	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Explanations and disclosures related to consolidated assets	298
II. Explanations and disclosures related to consolidated liabilities	312
III. Explanations and disclosures related to consolidated off-balance sheet items	318
IV. Explanations and disclosures related to consolidated statement of income	322
V. Explanations and disclosures related to consolidated statement of changes in shareholders' equity	325
VI. Explanations and disclosures related to consolidated cash flow statement	326
VII. Explanations and disclosures related to DFS Group's risk group	327
VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Parent Bank	328
SECTION SIX	
Other Disclosures and Footnotes	
I. Other explanations related DFS Group's operations	330
SECTION SEVEN	
Independent Auditor's Report	
I. Matters to be disclosed related to Independent Audit Report	331
II. Explanations and notes prepared by Independent Auditor	331



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION ONE GENERAL INFORMATION

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

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

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

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

^(*) Amounts are reflected as full TL.

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

⁽³⁾ Suavi Demircioğlu, who has been serving as the Executive Vice President responsible for the Financial Affairs at the Bank, retired from the Bank as of 31 March 2017.

As of 3 April 2017 he was replaced by Ruslan Abil who has been serving as Executive Vice President responsible for the Group Reporting and Asset- Liability Management Group by the decision of Board of Directors.

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

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

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

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

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

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

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

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

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

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

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

In accordance with the Banking Law and regulations;

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

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

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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



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

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)

AS OF 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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



DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Footnotes	CURRENT PERIOD (31/12/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-III)		75.180.832	92.264.597	167.445.429	54.889.084	89.829.528	144.718.612
I. GUARANTEES	(5.III.a)	11.155.239	17.216.027	28.371.266	10.041.664	18.740.351	28.782.015
1.1. Letters of Guarantee		11.139.665	11.391.546	22.531.211	10.029.957	11.752.258	21.782.215
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		79.021	82.929	161.950	79.021	90.776	169.797
1.1.3. Other Letters of Guarantee		11.060.644	11.308.617	22.369.261	9.950.936	11.661.482	21.612.418
1.2. Bank Acceptances		4.773	199.768	204.541	5.498	251.332	256.830
1.2.1. Import Letter of Acceptance		4.773	199.768	204.541	5.498	251.332	256.830
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	3.132.744	3.132.744	42	2.426.574	2.426.616
1.3.1. Documentary Letters of Credit		-	1.881.082	1.881.082	42	1.611.093	1.611.135
1.3.2. Other Letters of Credit		-	1.251.662	1.251.662	-	815.481	815.481
1.4. Prefinancing Given As Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7. Factoring Related Guarantees		-	-	-	-	-	-
1.8. Other Collaterals		10.801	2.491.969	2.502.770	6.167	4.310.187	4.316.354
1.9. Other Sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.III.a)	31.054.695	2.890.154	33.944.849	28.323.856	4.027.727	32.351.583
2.1. Irrevocable Commitments		28.369.992	2.890.154	31.260.146	25.004.358	4.027.727	29.032.085
2.1.1. Asset Purchase and Sale Commitments		530.844	1.425.284	1.956.128	405.787	2.956.586	3.362.373
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		11.104.113	57.533	11.161.646	9.475.667	24.982	9.500.649
2.1.5. Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		2.375.880	-	2.375.880	2.111.130	-	2.111.130
2.1.8. Tax and Fund Obligations from Export Commitments		1.451	-	1.451	2.415	-	2.415
2.1.9. Commitments for Credit Card Limits		14.216.415	-	14.216.415	12.764.645	-	12.764.645
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services		2.856	-	2.856	1.416	-	1.416
2.1.11. Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12. Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		138.433	1.407.337	1.545.770	243.298	1.046.159	1.289.457
2.2. Revocable Commitments		2.684.703	-	2.684.703	3.319.498	-	3.319.498
2.2.1. Revocable Loan Granting Commitments		2.684.144	-	2.684.144	3.318.939	-	3.318.939
2.2.2. Other Revocable Commitments		559	-	559	559	-	559
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.b)	32.970.898	72.158.416	105.129.314	16.523.564	67.061.450	83.585.014
3.1. Hedging Purpose Derivatives		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2. Trading Purpose Derivatives		32.970.898	72.158.416	105.129.314	16.523.564	67.061.450	83.585.014
3.2.1. Forward Foreign Currency Purchases/Sales		2.496.842	5.539.818	8.036.660	1.711.451	2.321.703	4.033.154
3.2.1.1. Forward Foreign Currency Purchases		1.265.138	2.764.943	4.030.081	879.079	1.148.288	2.027.367
3.2.1.2. Forward Foreign Currency Sales		1.231.704	2.774.875	4.006.579	832.372	1.173.415	2.005.787
3.2.2. Currency and Interest Rate Swaps		22.402.421	57.694.946	80.097.367	10.988.532	57.347.352	68.335.884
3.2.2.1. Currency Swaps-Purchases		3.547.926	24.602.208	28.150.134	2.846.554	22.168.613	25.015.167
3.2.2.2. Currency Swaps-Sales		10.854.495	16.104.300	26.958.795	6.920.574	16.486.099	23.406.673
3.2.2.3. Interest Rate Swaps-Purchases		4.000.000	8.494.219	12.494.219	610.000	9.347.248	9.957.248
3.2.2.4. Interest Rate Swaps-Sales		4.000.000	8.494.219	12.494.219	611.404	9.345.392	9.956.796
3.2.3. Currency, Interest Rate and Security Options		8.071.635	6.658.244	14.729.879	3.823.581	5.299.660	9.123.241
3.2.3.1. Currency Options-Purchases		2.776.904	3.662.687	6.439.591	5.497.258	2.529.227	4.476.485
3.2.3.2. Currency Options-Sales		3.694.731	2.880.717	6.575.448	1.876.323	2.643.805	4.520.128
3.2.3.3. Interest Rate Options-Purchases		800.000	57.420	857.420	-	63.314	63.314
3.2.3.4. Interest Rate Options-Sales		800.000	57.420	857.420	-	63.314	63.314
3.2.3.5. Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6. Securities Options-Sales		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sales		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6. Others		-	2.265.408	2.265.408	-	2.092.735	2.092.735
B. CUSTODY AND PLEDGED ITEMS (IV-V-VI)		479.731.903	115.201.810	594.933.713	406.703.917	104.773.998	511.477.915
IV. ITEMS HELD IN CUSTODY		93.039.880	2.886.737	95.926.617	93.768.668	2.468.962	96.237.630
4.1. Customers' Securities and Portfolios Held		137.901	-	137.901	137.718	-	137.718
4.2. Securities Held in Custody		89.855.087	1.511.039	91.366.126	91.541.375	1.006.875	92.548.250
4.3. Checks Received for Collection		1.454.634	988.911	2.443.545	1.116.594	962.251	2.078.845
4.4. Commercial Notes Received for Collection		1.592.258	289.431	1.881.689	971.623	415.353	1.386.976
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public OfferiYHB	ng	-	-	-	-	-	-
4.7. Other Items under Custody		-	97.356	97.356	-	83.793	83.793
4.8. Custodians		-	-	-	1.358	690	2.048
V. PLEDGED ITEMS		386.418.449	111.062.703	497.481.152	312.550.745	101.470.333	414.021.078
5.1. Securities		3.141.980	39.804	3.181.784	3.134.244	25.768	3.160.012
5.2. Guarantee Notes		271.955.458	45.280.793	317.236.251	217.463.456	45.384.701	262.848.157
5.3. Commodities		16.002.073	5.554.934	21.557.007	13.702.267	3.683.797	17.386.064
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		76.549.760	39.435.161	115.984.921	69.421.586	35.399.926	104.821.512
5.6. Other Pledged Items		18.769.178	20.752.011	39.521.189	8.829.192	16.976.141	25.805.333
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		273.574	1.252.370	1.525.944	384.504	834.703	1.219.207
TOTAL OFF BALANCE SHEET ITEMS (A-B)		554.912.735	207.466.407	762.379.142	461.593.001	194.603.526	656.196.527

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME

FOR THE PERIOD ENDED

31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

INCOME AND EXPENSE ITEMS	Footnotes	CURRENT PERIOD (01/01-31/12/2017)	PRIOR PERIOD (01/01-31/12/2016)
I. INTEREST INCOME	(5.IV.a)	12.824.198	10.087.282
1.1 Interest from Loans		11.047.206	8.723.432
1.2 Interest from Reserve Deposits		101.420	56.689
1.3 Interest from Banks		220.226	14.610
1.4 Interest from Money Market Transactions		22.355	20.337
1.5 Interest from Securities Portfolio		1.107.426	996.694
1.5.1 Trading Securities		16.906	3.626
1.5.2 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3 Available for Sale Securities		582.069	673.740
1.5.4 Held to Maturity Securities		508.451	319.328
1.6 Interest from Financial Leases		229.782	211.070
1.7 Other Interest Income		95.783	64.450
II. INTEREST EXPENSE	(5.IV.b)	6.543.040	4.985.151
2.1 Interest on Deposits		5.043.299	3.677.436
2.2 Interest on Funds Borrowed		878.431	699.936
2.3 Interest on Money Market Transactions		186.091	347.363
2.4 Interest on Securities Issued		336.432	226.336
2.5 Other Interest Expense		98.787	34.080
III. NET INTEREST INCOME (I - II)		6.281.158	5.102.131
IV. NET FEES AND COMMISSION INCOME /EXPENSE		1.604.985	1.253.758
4.1 Fees and Commissions Received		2.119.558	1.666.196
4.1.1 Non-Cash Loans		234.108	180.765
4.1.2 Other	(5.IV.l)	1.885.450	1.485.431
4.2 Fees and Commissions Paid		514.573	412.438
4.2.1 Non-Cash Loans		2.710	1.258
4.2.2 Other	(5.IV.l)	511.863	411.180
V. DIVIDEND INCOME	(5.IV.c)	1.230	205
VI. TRADING INCOME/LOSS (Net)	(5.IV.d)	(977.861)	(570.120)
6.1 Profit / Loss on Securities Trading		(40.082)	(28.440)
6.2 Profit / Loss on Derivative Financial Transactions		(975.940)	57.944
6.3 Foreign Exchange Gains / Losses		38.161	(599.624)
VII. OTHER OPERATING INCOME	(5.IV.e)	741.580	768.662
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		7.651.092	6.554.636
IX. PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.943.927	1.803.409
X. OTHER OPERATING EXPENSES (-)	(5.IV.g)	3.215.527	2.926.170
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		2.491.638	1.825.057
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.h)	2.491.638	1.825.057
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	(589.506)	(424.683)
16.1 Current Tax		(425.560)	(301.748)
16.2 Deferred Tax		(163.946)	(122.935)
XVII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.j)	1.902.132	1.400.374
XVIII. PROFIT FROM DISCONTINUED OPERATIONS		-	983
18.1 Assets Held for Sale		-	-
18.2 Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other		-	983
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	258
19.1 Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	258
19.3 Other		-	-
XX. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	725
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-	-
21.1 Current Tax		-	-
21.2 Deferred Tax		-	-
XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	725
XXIII. NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.902.132	1.401.099
23.1 Group's Profit / Loss		1.900.758	1.400.027
23.2 Minority Shares		1.374	1.072
Earnings / Losses per Share (Per thousand share)		0,57	0,48

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



DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

DENİZBANK ANONİM ŞİRKETİ

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

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

(Currency: Thousands of TL- Turkish Lira)

CHANGES IN SHAREHOLDERS' EQUITY	Paid-In Capital	Inflation Adjustments to Paid-In Capital (C)	Share Premium	Share Cancellation	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Securities Revaluation Reserve	Revaluation Fund of Tangible Intangible Assets	Bonus Shares Obtained from Associates	Val.Diff. Related to Assets Held for Sale, Disc. Oper.	Total Equity Attributable to Holders of the Parent	Minority Shareholders' Interest	Total Equity
Balances at the Beginning of Period	1.816.100	-	39	-	140.561	-	4.299.045	556.164	858.403	1.544.232	(479.788)	126.494	11	(583.262)	8.286.999	7.198	8.294.197
Changes in the Period																	
I. Increase / Decrease Related to Mergers																	
II. Valuation Differences of Securities	(5.V.e)									(75.507)					(75.507)		(75.507)
III. Hedging Transactions (Effective Portion)	(5.V.f)									(423.938)					(423.938)		(423.938)
IV. Cash Flow Hedge										2.752					2.752		2.752
4.1 Hedging of a Net Investment in Foreign Subsidiaries										(426.710)					(426.710)		(426.710)
4.2 Hedging of a Net Investment in Foreign Subsidiaries	(5.V.g)									40.495					40.495		40.495
V. Revaluation Fund of Tangible Assets																	
VI. Revaluation Fund of Intangible Assets																	
VII. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures																	
VIII. Foreign Exchange Differences	(5.V.h)							610.467							610.467		610.467
IX. Changes Related to Sale of Assets																	
X. Changes Related to Reclassification of Assets																	
XI. Effects of Changes in Equities of Associates			(39)														
XII. The Effect of Capital Increase	(5.V.a)	1.500.000					(636.864)					(113.097)			750.000		750.000
12.1 Cash		750.000													750.000		750.000
12.2 Internal Resources		750.000					(636.864)					(113.097)			15		15
XIII. Issuance of Capital Stock			(39)														
XIV. Share Cancellation Profits			15														
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital																	
XVI. Other								(6.710)							(6.710)		(6.710)
XVII. Current Period Net Profit / Loss									1.400.027						1.400.027	1.072	1.401.099
XVIII. Profit Distribution	(5.V.c)				37.813		118.525		(858.403)	702.065							
18.1 Dividend Distributed																	
18.2 Transfer to Reserves	(5.V.f)				37.813		118.525		(858.403)	702.065							
18.3 Other																	
Balances at the End of Period	3.316.100		15	-	187.374	-	3.780.706	1.159.921	1.400.027	2.246.297	(555.295)	53.892	11(1.007.220)	-	10.581.828	8.270	10.590.098
(I-III-III ₁ -...-XVI-XVII-XVIII)																	
CURRENT PERIOD 01.01-31/12/2017																	
Balances at the Beginning of Period	3.316.100		15	-	187.374	-	3.780.706	1.159.921	1.400.027	2.246.297	(555.295)	53.892	11(1.007.220)	-	10.581.828	8.270	10.590.098
Changes in the Period																	
I. Increase / Decrease Related to Mergers	(5.V.e)																
II. Valuation Differences of Securities	(5.V.f)																
III. Hedging Transactions (Effective Portion)																	
IV. Cash Flow Hedge																	
4.1 Hedging of a Net Investment in Foreign Subsidiaries																	
4.2 Hedging of a Net Investment in Foreign Subsidiaries	(5.V.g)																
V. Revaluation Fund of Tangible Assets																	
VI. Revaluation Fund of Intangible Assets																	
VII. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures																	
VIII. Foreign Exchange Differences	(5.V.h)							986.823							986.823		986.823
IX. Changes Related to Sale of Assets																	
X. Changes Related to Reclassification of Assets																	
XI. Effects of Changes in Equities of Associates																	
XII. The Effect of Capital Increase	(5.V.a)																
12.1 Cash																	
12.2 Internal Resources																	
XIII. Issuance of Capital Stock																	
XIV. Share Cancellation Profits																	
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital								(10.569)							(10.569)		(10.569)
XVI. Other																	
XVII. Current Period Net Profit / Loss									1.900.758						1.900.758	1.374	1.902.132
XVIII. Profit Distribution	(5.V.c)				70.464		145.881		(1.400.027)	1.116.828		66.854					
18.1 Dividend Distributed																	
18.2 Transfer to Reserves	(5.V.f)				70.464		145.881		(1.400.027)	1.116.828		66.854					
18.3 Other																	
Balances at the End of Period	3.316.100		15	-	257.838	-	3.926.587	2.136.175	1.900.758	3.363.125	(447.299)	131.157	708	(1.741.301)	12.843.763	9.644	12.853.407
(I-III-III ₁ -...-XVI-XVII-XVIII)																	

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

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



DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED

31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED PROFIT DISTRIBUTION TABLES

FOR THE PERIODS ENDED

31 DECEMBER 2017 AND 2016

(Currency: Thousands of TL- Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

(¹) According to Turkish Commercial Code, profit distribution is prepared based on unconsolidated financial statements and not on consolidated financial statements.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

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

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

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

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

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

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

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

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

Disclosures of TFRS 9 Financial Instruments Standard

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

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Classification and measurement of financial assets

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

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

Impairment of financial assets

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

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

Stage 1

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

Stage 2

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

Stage 3

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

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

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

None (31 December 2016: None).

c. Additional paragraph for convenience translation:

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

a. Strategy for the use of financial instruments

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

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

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

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

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

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

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

b. Transactions denominated in foreign currencies

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

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

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

Foreign exchange gains and losses included in the income statement

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

III. Information regarding the consolidated subsidiaries

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

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

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

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

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

Important changes on consolidated subsidiaries in reporting period

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

Consolidation principles for subsidiaries

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

IV. Explanations on forward transactions, options and derivative instruments

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

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

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

V. Explanations on interest income and expenses

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

VI. Explanations on fees and commissions

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

VII. Explanations on financial assets

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

a. Financial assets at fair value through profit or loss

Financial assets held for trading

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Financial assets at fair value through profit or loss

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

b. Investment securities available-for-sale

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

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

c. Investment securities held-to-maturity

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

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

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

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

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

d. Loans and specific provisions

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VIII. Explanations on impairment of financial assets

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

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

IX. Explanations on offsetting financial instruments

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

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

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

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

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XII. Explanations on goodwill and other intangible assets

a. Goodwill

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

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

b. Other intangible assets

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

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

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

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

XIII. Explanations on tangible assets

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XIV. Explanations on investment properties

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

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

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

XV. Explanations on leasing activities

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

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

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

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

XVI. Explanations on provisions and contingent liabilities

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

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

XVII. Explanations on obligations for employee benefits

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

XVIII. Explanations on taxation

a. Current taxes

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

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

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

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

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

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

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

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

b. Deferred taxes

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

c. Transfer pricing

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

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

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

XIX. Additional explanations on borrowings

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

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

XX. Explanations on issuance of share certificates

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

XXI. Explanations on acceptances

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

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

XXII. Explanations on government grants

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

XXIII. Explanations on segment reporting

Segment reporting is presented in Note IX of Section Four.

XXIV. Explanations on other matters

None (31 December 2016: None).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION FOUR

CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations related to the consolidated shareholders' equity

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

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

a. Components of consolidated capital

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Current Period 31 December 2017	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014
Additional Tier 1 capital: instruments				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	--		--	
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	--		--	
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	--		--	
The additional Tier 1 capital shares of third parties	--		--	
The additional Tier 1 capital shares of third parties (Geçici Madde 3 kapsamında olanlar)	--		--	
Additional Tier 1 capital before regulatory adjustments	--		--	
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	--		--	
Reciprocal cross-holdings in Additional Tier 1 instruments	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--		--	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--		--	
National specific regulatory adjustments	--		--	
The process of transition will continue to reduce from Tier 1 Capital	--		--	
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	37.752		81.927	
Net deferred tax asset (liability) which is not deducted from Common Equity Tier 1 capital for the purposes of the sub paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)	289		252	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	--		--	
Total regulatory adjustments to Additional Tier 1 capital	38.041		82.179	
Additional Tier 1 capital (AT1)	(38.041)		(82.179)	
Tier 1 capital (T1 = CET1 + AT1)	12.553.037		10.293.532	
Tier 2 capital: instruments and provisions				
Directly issued qualifying Tier 2 instruments plus related stock surplus	4.479.778		4.262.567	
Directly issued qualifying Tier 2 instruments plus related stock surplus	--		140.768	
The additional Tier 1 capital shares of third parties	--		--	
The additional Tier 1 capital shares of third parties ((Covered by Temporary Article 3)	--		--	
Provisions	1.376.307		1.269.354	
Tier 2 capital before regulatory adjustments	5.856.085		5.531.921	
Tier 2 capital: regulatory adjustments				
Investments in own Tier 2 instruments (-)	--		--	
Reciprocal cross-holdings in Tier 2 instruments	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am	--		--	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--		--	
National specific regulatory adjustments (-)	--		--	
Total regulatory adjustments to Tier 2 capital	--		--	
Tier 2 capital (T2)	5.856.085		5.531.921	
Total capital (TC = T1 + T2)	18.409.122		15.825.453	
Total risk weighted assets				
Loans extended being non compliant with articles 50 and 51 of the Law	--		--	
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired in Exchange of Loans and Receivables According to the Article 57 of the Banking Law and have not been Disposed yet After 5 Years After Foreclosure	--		9.825	
National specific regulatory adjustments	15.725		12.191	
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital				
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	--		--	
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--		--	
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--		--	
Capital				
Total capital	18.393.397		15.803.437	
Total risk weighted items	120.211.594		111.503.228	
CAPITAL ADEQUACY RATIOS				
Consolidated Core Capital Adequacy Ratio (%)	10,47		9,31	
Consolidated Tier 1 Capital Adequacy Ratio (%)	10,44		9,23	
Consolidated Capital Adequacy Standard Ratio (%)	15,30		14,17	

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Current Period 31 December 2017	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014
BUFFERS				
Institution specific buffer requirement	1,302		0,647	
Capital conservation buffer requirement (%)	1,250		0,625	
Bank specific coguntercyclical buffer requirement (%)	0,052		0,022	
Systemically important Bank buffer (%)	--		--	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)			0,013	
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financials	--		--	
Significant investments in the common stock of financials	--		--	
Mortgage servicing rights (net of related tax liability)	--		--	
Deferred tax assets arising from temporary differences (net of related tax liability)	--		--	
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1.440.765		1.269.354	
Cap on inclusion of provisions in Tier 2 under standardised approach	1.376.307		1.269.354	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	--		--	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	--		--	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)				
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	--		--	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--		--	
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds ⁽¹⁾	--		--	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	--		--	

⁽¹⁾ There are no credits included in Tier 2 capital related to "Temporary Article 4".

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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

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

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

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

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

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Methods and approaches regarding valuation adjustments and provisions

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

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

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

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

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

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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

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

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

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

f. DFS Group's

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

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

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

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

h. Profile of significant exposures in major regions

Current Period	Risk Classifications ^(*)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	27,386.734	351.455	..	..	..	1,888.000	43,527.589	42,073.804	4,786.023	7,608.770	943,267	..	..	..	4,280.766	211,091	133,057,499
European Union Countries	7,727.039	54,363	..	..	..	1,789.619	8,627.181	65,602	53,317	8,572	7,862	..	..	..	203,738	..	18,537,293
OECD Countries	..	..	..	..	..	35,432	648,088	3,289	2,899	..	611	..	..	..	..	..	690,319
Off-Shore Banking Regions	..	..	..	..	..	45,462	505,913	3,120	966	1,458	..	..	..	..	..	..	556,919
USA, Canada	..	..	..	..	..	346,616	249,443	6,949	1,530	115	1,149	..	..	..	..	..	605,802
Other Countries	..	..	..	..	..	471,926	2,893,042	58,392	77,515	1,850,380	11,624	..	..	..	55,339	..	5,418,218
Subsidiaries, Associates and jointly controlled companies	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	55,334
Unallocated Assets/Liabilities	89,952	10,084	..	..	..	1,704,921	15,437,052	3,114,179	200,449	819,920	38,906	..	..	..	219	..	21,415,682
Total	35,203,725	415,902	..	..	..	6,281,976	71,888,308	45,325,335	5,122,659	10,289,215	1,003,419	..	..	..	219	4,539,843	180,337,066

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

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

i. Risk Profile by Sectors or Counterparties

Current Period: 31 December 2017	Risk Classifications (%)																	Total			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		TL	FC	
Agricultural							981.772	10.186.650	158.779	1.484.945	77.270					1		12.197.265	692.152	12.889.417	
Farming and Cattle							979.726	10.174.991	158.644	1.483.692	72.292					1		12.180.673	688.673	12.869.346	
Forestry								6.099	123	991	29							6.161	1.081	7.242	
Fishing							2.046	5.560	12	262	4.949							10.431	2.398	12.829	
Manufacturing	77.970						17.961.262	2.509.844	176.976	1.129.412	153.418					4		5.258.401	16.750.485	22.008.886	
Mining							3.350.480	177.669	8.926	43.431	21.473							40.170	3.190.269	3.601.979	
Production	77.970						9.936.668	2.309.660	160.062	1.033.535	82.133					3		4.270.807	9.329.224	13.600.031	
Electric, Gas, Water							4.674.114	22.515	7.988	52.446	49.812					1		575.884	4.230.992	4.806.876	
Construction							11.990.622	1.722.642	378.068	995.418	136.723						2.800	5.694.909	9.531.364	15.226.273	
Services	22.721.994	5.430					6.158.036	27.309.225	1.230.131	5.632.713	411.734					44	212.530	21.844.783.50	486.409	72.331.192	
Wholesale and Retail Trade		1					8.245.122	6.636.686	595.446	1.453.556	207.701					125		9.966.651	7.171.986	17.138.637	
Hotel and Restaurant Services							8.193.224	293.156	454.348	3.320.829	101.941						30.947	1.991.689	10.402.756	12.394.445	
Transportation and telecommunication							5.270.992	1.176.603	108.357	325.628	64.887						24	2.444.313	4.502.178	6.946.491	
Financial institution	22.721.994						6.158.036	723.604	9.754	36.145	7.918						212.381	4.926.545	25.079.086	30.005.631	
Real estate and letting services							295.547	117.578	30.137	18.891	2.440							276.457	1.889.946	465.403	
Self-employment services																					
Education services							1.255.114	118.263	16.454	337.226	2.551							1.346.999	387.220	1.734.219	
Health and social services							3.325.622	140.375	15.635	140.438	24.296							892.129	2.754.237	3.646.366	
Other	12.403.761	410.472					123.940	13.645.427	22.345.414	3.178.745	1.046.727	224.274				175	4.327.308	42.446.696	15.434.602	57.881.298	
Total	35.203.725	415.902					6.281.976	71.888.308	45.325.335	5.122.699	10.289.215	1.003.419				219	4.539.843	266.425	87.442.054	92.895.012	180.337.066

(¹) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

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

(²) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

⁽¹⁾ Amounts without determined maturities are included.

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

⁽¹⁾ Amounts without determined maturities are included.

k. Risk Classifications

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Current Period

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

Prior Period

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

I. Exposures by risk weights

Current Period

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period

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

m. Information by major sectors and type of counterparties

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

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

Current Period: 31 December 2017

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

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

(**) Representing specific provision amounts.

Prior Period: 31 December 2016

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

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

(**) Representing specific provision amounts.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Movements in valuation adjustments and provisions

Current Period: 31 December 2017	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ⁽¹⁾	Ending Balance
Specific Provisions	2.647.955	1.449.404	(273.546)	(695.290)	3.128.523
General Provisions	1.269.354	171.411	--	--	1.440.765

⁽¹⁾ It includes sales made from non-performing loans and exchange differences amount of TL 1.032.

Prior Period: 31 December 2016	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ⁽¹⁾	Ending Balance
Specific Provisions	2.278.183	1.241.892	(269.966)	(602.154)	2.647.955
General Provisions	975.339	294.015	--	--	1.269.354

⁽¹⁾ It includes sales made from non-performing loans and exchange differences amount of TL 2.383.

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

Current Period

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

Prior Period

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

o. Distribution of credit risk according to the operational segments

Current Period: 31 December 2017	Commercial Loans ⁽¹⁾	Consumer Loans	Credit Cards	Other	Total
Standard Loans	82.743.479	15.051.910	5.830.718	65.824	103.691.931
Closely Monitored Loans	8.502.419	1.347.718	391.233	--	10.241.370
Non-performing Loans	2.851.434	735.175	438.005	--	4.024.614
Specific Provisions(-)	1.989.404	701.406	437.713	--	3.128.523
Total	92.107.928	16.433.397	6.222.243	65.824	114.829.392

⁽¹⁾ Informations on the table include receivables of Deniz Leasing and Deniz Factoring.

⁽²⁾ Commercial loans include commercial, corporate and SME loans.

Prior Period: 31 December 2016	Commercial Loans ⁽¹⁾	Consumer Loans	Credit Cards	Other	Total
Standard Loans	70.296.983	12.204.822	4.801.357	26.643	87.329.805
Closely Monitored Loans	5.213.186	1.190.519	285.322	--	6.689.027
Non-performing Loans	2.331.997	848.256	471.386	--	3.651.639
Specific Provisions(-)	1.600.858	654.233	392.864	--	2.647.955
Total	76.241.308	13.589.364	5.165.201	26.643	95.022.516

⁽¹⁾ Informations on the table include receivables of Deniz Leasing and Deniz Factoring.

⁽²⁾ Commercial loans include commercial, corporate and SME loans.

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

III. Explanations related to the consolidated foreign exchange rate risk

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

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

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

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

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

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

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

c. Foreign currency risk management strategy

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

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

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

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

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

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



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

f. Information on currency risk

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

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

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

g. Informations on currency risk exposure

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

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

IV. Explanations related to the consolidated interest rate risk

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

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

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

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

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

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

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

"Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)":

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	4,572.371	--	--	--	--	12,396.441	16,968.812
Due from Banks and Other Fin. Inst.	1,887.910	484.599	199.314	--	--	8,085.805	10,657.628
Financial Assets at Fair Value Through Profit or Loss	167.337	118.981	383.807	209.660	176.733	1,245	1,057.763
Interbank Money Market Placements	785.672	--	--	--	--	--	785.672
Investment Securities Av.-for-Sale	299.270	689.903	2,004.235	2,421.950	1,567.537	63.138	7,046.033
Loans	18,421.600	10,989.095	19,665.866	42,427.944	17,980.710	896.091	110,381.306
Investment Securities Held-to-Mat.	1,855.077	455.846	638.299	910.721	1,475.696	--	5,335.639
Other Assets ⁽¹⁾	774.512	367.881	475.626	1,642.184	1,187.985	3,742.089	8,190.277
Total Assets	28,763.749	13,106.305	23,367.147	47,612.459	22,388.661	25,184.809	160,423.130
Liabilities							
Bank Deposits	2,508.919	48.222	917.119	322.762	--	184.537	3,981.559
Other Deposits	45,740.406	12,807.163	13,344.675	11,880.997	765.612	22,890.052	107,428.905
Interbank Money Market Placements	4,007.166	--	--	--	--	--	4,007.166
Miscellaneous Payables	--	--	1,231	--	--	1,948.176	1,949.407
Marketable Securities Issued	529.353	2,097.591	1,045.814	--	--	--	3,672.758
Funds Borrowed from Other Fin. Inst.	4,227.682	5,394.969	5,237.482	518.292	4,563.340	--	19,941.765
Other Liabilities ⁽²⁾	338.733	101.451	166.547	497.786	187.721	18,149.332	19,441.570
Total Liabilities	57,352.259	20,449.396	20,712.868	13,219.837	5,516.673	43,172.097	160,423.130
On Balance Sheet Long Position	--	--	2,654.279	34,392.622	16,871.988	--	53,918.889
On Balance Sheet Short Position	(28,588.510)	(7,343.091)	--	--	--	(17,987.288)	(53,918.889)
Off-Balance Sheet Long Position	4,873.004	2,678.134	6,258.237	3,176.076	3,664.803	--	20,650.254
Off-Balance Sheet Short Position	(2,904.585)	(5,622.927)	(3,350.892)	(4,217.443)	(4,649.295)	--	(20,745.142)
Total Interest Sensitivity Gap	(26,620.091)	(10,287.884)	5,561.624	33,351.255	15,887.496	(17,987.288)	(94.888)

⁽¹⁾ Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investment Properties, Investments in Associates and Joint Ventures, Tax Assets, Investments in Subsidiaries, Assets to be sold and other assets with balances of TL 749.514, TL 188.751, TL 171.467, TL 1.3.633, TL 223.175, TL 41.701, TL 132.302 and TL 2.221.546 respectively.

⁽²⁾ Other liabilities/non-interest bearings include; Shareholders' Equity, Tax Liabilities, Provisions, and Other Liabilities with balances of TL ; 12.853.407, TL 347.734, TL 2.227.812 and TL 2.720.379 respectively.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

d. Average interest rates applied to monetary financial instruments

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

e. Interest rate risk on banking book

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

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

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

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

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

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

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

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

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

Current Period: 31 December 2017		Shocks Applied	Gains/Losses	Gains/Equity -
Type of Currency		(+/- x basis points)		Losses/Equity
1	TL	(+) 500 bps	(2.089.734)	(%11,36)
2	TL	(-) 400 bps	1.920.936	%10,44
3	Euro	(+) 200 bps	(324.235)	(%1,76)
4	Euro	(-) 200 bps	802.248	%4,36
5	US Dollar	(+) 200 bps	(38.422)	(%0,21)
6	US Dollar	(-) 200 bps	65.988	%0,36
Total (of positive shocks)			(2.452.391)	(%13,33)
Total (of negative shocks)			2.789.172	%15,16
Prior Period: 31 December 2016		Shocks Applied	Gains/Losses	Gains/Equity -
Type of Currency		(+/- x basis points)		Losses/Equity
1	TL	(+) 500 bps	(2.141.923)	(%13,55)
2	TL	(-) 400 bps	2.099.329	%13,28
3	Euro	(+) 200 bps	(243.636)	(%1,54)
4	Euro	(-) 200 bps	504.133	%3,19
5	US Dollar	(+) 200 bps	(131.925)	(%0,83)
6	US Dollar	(-) 200 bps	159.574	%1,01
Total (of positive shocks)			(2.517.484)	(%15,92)
Total (of negative shocks)			2.763.036	%17,48



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

V. Position risk of equity shares on banking book

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

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

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

None (31 December 2016: None).

VI. Explanations related to the consolidated liquidity risk

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

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

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

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

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

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

a. Liquidity coverage ratio

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

⁽¹⁾ Simple arithmetic average of last three months' month-end values for the last three months



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

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

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

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

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Assets								
Cash and Balances with the Central Bank of the Republic of Turkey	5.537.211	11.431.601	--	--	--	--	--	16.968.812
Due from Banks and Other Fin.Inst.	8.085.805	1.541.247	559.915	350.149	120.512	--	--	10.657.628
Financial Assets at Fair Value Through Profit or Loss	1.245	153.625	91.558	367.117	267.485	176.733	--	1.057.763
Interbank Money Market Placements	--	785.672	--	--	--	--	--	785.672
Investment Securities Av.-for-Sale	63.138	9.626	17.149	394.278	4.431.910	2.129.932	--	7.046.033
Loans	--	10.487.632	5.227.765	17.070.100	46.239.371	30.460.347	896.091	110.381.306
Investment Securities Held-to-Maturity	--	--	117.539	270.566	3.471.838	1.475.696	--	5.335.639
Other Assets	2.105.858	773.719	342.274	465.054	1.671.626	1.195.515	1.636.231	8.190.277
Total Assets	15.793.257	25.183.122	6.356.200	18.917.264	56.202.742	35.438.223	2.532.322	160.423.130
Liabilities								
Bank Deposits	184.537	2.508.687	48.222	917.119	322.994	--	--	3.981.559
Other Deposits	22.890.052	45.665.013	12.800.646	13.400.388	11.906.886	765.920	--	107.428.905
Funds Borrowed from Other Fin.Inst. and Subordinated Loans	--	2.911.079	4.241.443	7.317.733	908.198	4.563.312	--	19.941.765
Interbank Money Market Placements	--	4.007.166	--	--	--	--	--	4.007.166
Marketable Securities Issued	--	529.354	970.063	1.083.089	708.171	382.081	--	3.672.758
Miscellaneous Payables	1.948.176	--	--	1.231	--	--	--	1.949.407
Other Liabilities	1.220.046	546.822	165.369	1.504.581	497.746	187.722	15.319.284	19.441.570
Total Liabilities	26.242.811	56.168.121	18.225.743	24.224.141	14.343.995	5.899.035	15.319.284	160.423.130
Net Liquidity Gap	(10.449.554)	(30.984.999)	(11.869.543)	(5.306.877)	41.858.747	29.539.188	(12.786.962)	--
Net "Off-Balance Sheet Position"	--	(197.415)	(854.628)	931.492	(240.567)	--	--	(361.118)
Financial Derivatives (assets)	--	21.015.000	7.846.563	9.836.542	7.215.896	6.470.097	--	52.384.098
Financial Derivatives (liabilities)	--	(21.212.415)	(8.701.191)	(8.905.050)	(7.456.463)	(6.470.097)	--	(52.745.216)
Non-Cash Loans	--	3.152.762	2.504.401	7.590.951	4.219.580	10.903.572	--	28.371.266
Prior Period								
Total Assets	10.401.399	24.219.299	4.511.490	16.990.685	42.006.901	34.756.277	2.667.947	135.553.998
Total Liabilities	22.056.804	45.740.749	15.195.757	20.372.752	14.141.045	5.593.895	12.452.996	135.553.998
Net Liquidity Gap	(11.655.405)	(21.521.450)	(10.684.267)	(3.382.067)	27.865.856	29.162.382	(9.785.049)	--
Net "Off-Balance Sheet Position"	--	874.059	(769.459)	117.624	(174.800)	--	--	47.424
Financial Derivatives (assets)	--	18.331.884	8.603.342	4.365.116	4.293.056	6.222.821	--	41.816.219
Financial Derivatives (liabilities)	--	(17.457.825)	(9.372.801)	(4.247.492)	(4.467.856)	(6.222.821)	--	(41.768.795)
Non-Cash Loans	--	1.775.889	2.589.671	7.421.090	4.259.244	12.736.121	--	28.782.015

⁽¹⁾ Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non-performing loans (net) and prepaid expenses are included in this column.

c. Financial liabilities according to contractual maturities

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	72.226.707	13.007.275	15.448.784	12.346.795	922.245	113.951.806
Funds borrowed	3.441.829	4.871.957	8.365.951	2.420.258	4.841.561	23.941.556
Interbank Money markets	4.008.352	--	--	--	--	4.008.352
Securities issued	531.238	1.117.633	1.389.034	681.720	34.896	3.754.521
Total	80.208.126	18.996.865	25.203.769	15.448.773	5.798.702	145.656.235
Prior Period						
Liabilities						
Deposits	56.058.504	11.542.912	14.205.029	10.365.503	641.343	92.813.291
Funds borrowed	2.107.932	2.390.916	5.716.728	4.192.219	4.886.238	19.294.033
Interbank Money markets	5.398.898	--	--	--	--	5.398.898
Securities issued	551.356	1.020.781	832.168	1.121.541	86.548	3.612.394
Total	64.116.690	14.954.609	20.753.925	15.679.263	5.614.129	121.118.616



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VII. Explanations related to leverage ratio

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

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

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

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

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

^(**) Quarterly average amounts.

Leverage ratio common disclosure template:

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

^(*) Quarterly average amounts.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VIII. Explanations on Risk Management

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

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

a. Risk management and overview of risk weighted assets

1. Disclosures related to the risk management approach

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

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

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

Rating process executed by Credit Analysis department and reviews of Credit Allocation department are periodically audited by Credit Risk Control in line with determined rules and the related outputs are presented to the Rating Committee.

Informative contents are presented in order to extend risk culture within the body of the Bank and questionnaires towards reviewing of risk perception are performed. Risk sensitivity developments of employees are monitored in line with outputs of aforementioned questionnaires and required actions are taken through identifying weaker aspects. Training plans are established in this scope and it is aimed to provide contribution to developments of employees in determined matters.

Main components of risk measurement systems and its scope

Identification of Risks

The Bank, including its subsidiaries, has a comprehensive risk identification process. The process aims to determine significant risks specific to the Bank based on a broad list including inherent risks of banking and it is performed on an annual basis. Opinions and reviews of expert individuals within the body of the Bank during the determination of materiality level of risks. Review outputs are used in reports and form a basis to internal capital adequacy assessment processes of the Bank.

Measurement of Risks

The purpose of the studies made in the scope of measurement of risks includes measuring of financial risks exposed by the Bank and its subsidiaries in order to prepare internal and legal reports and form a relation between carried risks and estimated profitability and evaluation of validity of parameters and assumptions used in risk measurement.

Controlling, reporting and management of Risks

It determines which type of reports shall be prepared as consolidated and unconsolidated. It ensures to establish an effective internal audit system which shall prevent to take risk exceeding targeted risk level and limits determined by regulatory authority. Risk limits, approved by Board of Directors for each type of risk types, are taken into account while controlling and reporting of risks.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Disclosures on risk reporting processes provided to Board of Directors and senior management, especially the scope and main content of the reporting

Risk Management Group performs reporting to Senior Management and Board of Directors through Audit Committee, ALCO and Rating Committees. Audit Committee holds quarterly meetings in ordinary situations. Activities performed by the Risk Management Group and risk indicators are presented to the Committee.

ALCO holds weekly meetings. Risk-limit follow-up and detailed analysis related to indicators such as interest and liquidity risk, capital adequacy are presented.

Rating Committee: Rating Committee holds meetings on a quarterly basis. It is the Committee to which the Risk Management presents its evaluation, analysis and findings regarding Internal Rating processes

Model Risk Management and Validation Committee: It is the committee that the Risk model validation results, prepared within the frame of annual plan, are presented to and approved.

Disclosures on Stress Test

The Bank performs stress test studies evaluating its capital adequacy in scope of ICAAP. The stress tests, using the scenarios determined by regulatory authority and bank and based on budget plan of the Bank for the next three years projection, helps to identify additional capital need and buffer.

Risk management, hedging and mitigation strategies of the Bank sourcing from business model and monitoring process with respect to continuing effectiveness of hedging and mitigating components

Limits, which are defined for risks considered to be significant, are monitored on a monthly basis and actions included in risk appetite statement are taken, if required.

In addition, emergency plan related to capital adequacy in order to meet its strategic aims considering stress conditions of the Bank.

2. Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	108.600.182	101.521.984	8.688.015
2 Standardised approach (SA)	108.600.182	101.521.984	8.688.015
3 Internal rating-based (IRB) approach	--	--	--
4 Counterparty credit risk	1.502.732	1.670.008	120.219
5 Standardised approach for counterparty credit risk (SA-CCR)	1.502.732	1.670.008	120.219
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 (*)	1.369	9.843	110
10 Investments made in collective investment companies - %1250 weighted risk approach	--	--	--
11 Settlement risk	--	--	--
12 Securitization positions in banking accounts	--	--	--
13 IRB ratings-based approach (RBA)	--	--	--
14 IRB Supervisory Formula Approach (SFA)	--	--	--
15 SA/simplified supervisory formula approach (SSFA)	--	--	--
16 Market risk	772.600	399.825	61.808
17 Standardised approach (SA)	772.600	399.825	61.808
18 Internal model approaches (IMM)	--	--	--
19 Operational Risk	9.334.711	7.901.568	746.777
20 Basic Indicator Approach	9.334.711	7.901.568	746.777
21 Standart 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)	120.211.594	111.503.228	9.616.929

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Linkages between financial statements and exposures

1. Mapping and differences between accounting and regulatory scopes of consolidation

Regulatory consolidation refers to the consolidation that includes the consolidation of subsidiaries which are credit institutions or financial institutions in accordance with Article 5 paragraph 1 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks published in the Official Gazette dated 8 November 2006 and numbered 26340. Accounting consolidation refers to the consolidation in which all of the subsidiaries are included in the scope of consolidation in accordance with the Article 5 paragraph 6 of the same communiqué, irrespective of whether these subsidiaries are credit institutions or financial institutions, or not.

	a	b	c				f	g
			Carrying values of items under scope of TAS					
	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
Current Period								
Assets								
Cash and balances at central bank	16.968.813	16.968.812	16.968.812	--	--	--	--	
Financial assets held for trading	1.058.069	1.057.763	--	975.808	--	81.860	--	
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--	--	
Banks	10.658.164	10.657.628	10.657.628	--	--	--	--	
Receivables from money markets	785.672	785.672	34.886	750.786	--	--	--	
Available for sale financial assets (net)	7.046.032	7.046.033	7.046.033	--	--	--	--	
Loans and receivables	110.367.723	110.381.306	110.381.306	--	--	--	15.725	
Factoring receivables	1.846.145	1.846.145	1.846.145	--	--	--	--	
Held to maturity investments (net)	5.335.638	5.335.639	5.335.639	--	--	--	--	
Investments in associates (net)	10.833	10.833	10.833	--	--	--	--	
Investments in subsidiaries (net)	29.441	41.701	41.701	--	--	--	--	
Investments in joint ventures (net)	12.996	2.800	2.800	--	--	--	--	
Leasing receivables	2.601.941	2.601.941	2.601.941	--	--	--	--	
Derivative financial assets held for hedges	--	--	--	--	--	--	--	
Tangible assets (net)	812.914	749.514	749.514	--	--	--	110.176	
Intangible assets (net)	206.226	188.751	188.751	--	--	--	188.751	
Investment properties (net)	171.467	171.467	171.467	--	--	--	--	
Tax assets	227.687	223.175	223.175	--	--	--	1.443	
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--	--	
Other assets	2.389.065	2.353.950	2.353.950	--	--	--	--	
Total assets	160.528.826	160.423.130	158.614.581	1.726.594	--	81.860	316.095	
Liabilities								
Deposits	111.357.200	111.410.464	--	--	--	--	111.410.464	
Derivative financial liabilities held for trading	1.285.465	1.285.465	--	--	--	--	1.285.465	
Loans	14.709.322	14.680.242	--	--	--	--	14.680.242	
Debt to money markets	4.007.167	4.007.166	--	3.977.111	--	--	4.007.166	
Debt securities in issue	3.672.757	3.672.758	--	--	--	--	3.672.758	
Funds	--	--	--	--	--	--	--	
Various debts	2.035.715	1.949.407	--	--	--	--	1.949.407	
Other liabilities	2.729.683	2.727.152	--	--	--	--	2.727.152	
Factoring debts	--	--	--	--	--	--	--	
Debts from leasing transactions	--	--	--	--	--	--	--	
Derivative financial liabilities held for hedges	--	--	--	--	--	--	--	
Provisions	2.242.162	2.227.812	--	--	--	--	2.227.812	
Tax liability	360.878	347.734	--	--	--	--	347.734	
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--	--	
Subordinated debts	5.261.522	5.261.523	--	--	--	--	5.261.523	
Equity	12.866.955	12.853.407	--	--	--	--	12.853.407	
Total liabilities	160.528.826	160.423.130	--	3.977.111	--	--	160.423.130	



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	a	b	c	d		e	f	g
	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Carrying values of items under scope of TAS		Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
				Subject to counterparty credit risk framework	Subject to the securitisation framework			
Assets								
Cash and balances at central bank	14.839.361	14.839.361	14.839.361	--	--	--	--	--
Financial assets held for trading	1.448.214	1.447.859	--	1.341.025	--	106.834	--	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--	--	--
Banks	5.573.829	5.572.743	5.572.743	--	--	--	--	--
Receivables from money markets	3.001.570	3.001.571	175	3.001.396	--	--	--	--
Available for sale financial assets (net)	7.596.990	7.596.990	7.596.990	--	--	--	--	--
Loans and receivables	91.138.210	91.150.488	91.150.488	--	--	--	--	12.191
Factoring receivables	1.234.721	1.234.721	1.234.721	--	--	--	--	--
Held to maturity investments (net)	5.056.032	5.056.032	5.056.032	--	--	--	--	--
Investments in associates (net)	10.147	10.147	10.147	--	--	--	--	--
Investments in subsidiaries (net)	--	--	12.233	--	--	--	--	--
Investments in joint ventures (net)	9.735	2.800	2.800	--	--	--	--	--
Leasing receivables	2.637.307	2.637.307	2.637.307	--	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--	--	--
Tangible assets (net)	722.973	664.579	664.579	--	--	--	--	91.733
Intangible assets (net)	212.894	204.819	204.819	--	--	--	--	204.819
Investment properties (net)	164.527	164.527	164.527	--	--	--	--	--
Tax assets	258.362	254.864	254.864	--	--	--	--	630
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--	--	--
Other assets	1.740.559	1.702.957	1.702.957	--	--	--	--	9.825
Total assets	135.645.431	135.553.998	131.104.743	4.342.421	--	106.834	--	319.198
Liabilities								
Deposits	92.102.850	92.195.951	--	--	--	--	--	92.195.951
Derivative financial liabilities held for trading	1.248.386	1.248.386	--	--	--	--	--	1.248.386
Loans	11.292.338	11.258.691	--	--	--	--	--	11.258.691
Debt to money markets	5.397.576	5.397.576	--	5.397.576	--	--	--	5.397.576
Debt securities in issue	3.491.055	3.491.055	--	--	--	--	--	3.491.055
Funds	--	--	--	--	--	--	--	--
Various debts	2.082.030	1.962.214	--	--	--	--	--	1.962.214
Other liabilities	1.977.433	1.973.210	--	--	--	--	--	1.973.210
Factoring debts	--	--	--	--	--	--	--	--
Debts from leasing transactions	--	--	--	--	--	--	--	--
Derivative financial liabilities held for hedges	--	--	--	--	--	--	--	--
Provisions	1.757.572	1.748.151	--	--	--	--	--	1.748.151
Tax liability	214.266	205.165	--	--	--	--	--	205.165
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--	--	--
Subordinated debts	5.483.501	5.483.501	--	--	--	--	--	5.483.501
Equity	10.598.424	10.590.098	--	--	--	--	--	10.590.098
Total liabilities	135.645.431	135.553.998	--	5.397.576	--	--	--	135.553.998

2. Main sources of differences between risk exposures and valued amounts in accordance with TAS in financial statements

Prior Period	a	b	c	d	e
	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework ^(*)
1 Asset carrying value amount under scope of TAS	160.423.130	158.544.809	--	1.726.594	81.860
2 Liabilities carrying value amount under TAS	--	--	--	3.977.111	--
3 Total net amount under regulatory scope of consolidation	160.423.130	158.544.809	--	5.703.705	81.860
4 Off-balance sheet amounts ^(**)	60.366.644	19.820.274	--	--	--
5 Differences in valuations	--	--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2	--	--	--	--	--
7 Differences due to consideration of provisions	--	--	--	--	--
8 Differences due to prudential filters	--	--	--	--	690.740
9 Differences resulted from considering of the financial guarantees	--	(6.745.166)	--	--	--
10 Risk exposures	220.789.774	171.619.917	--	5.703.705	772.600

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

(**) It includes risk which are included in credit risk calculation.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	a	b	c	d	e	
	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework ⁽¹⁾	
1	Asset carrying value amount under scope of TAS	135.553.998	131.104.743	--	4.342.421	106.834
2	Liabilities carrying value amount under TAS		--	--	5.397.576	--
3	Total net amount under regulatory scope of consolidation	135.553.998	131.104.743	--	9.739.997	106.834
4	Off-balance sheet amounts ⁽²⁾	57.789.021	20.444.394	--	--	--
5	Differences in valuations		--	--	--	--
6	Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7	Differences due to consideration of provisions		--	--	--	--
8	Differences due to prudential filters		--	--	--	292.991
9	Differences resulted from considering of the financial guarantees		(6.153.306)	--	--	--
10	Risk exposures	193.343.019	145.395.831	--	9.739.997	399.825

⁽¹⁾ Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

⁽²⁾ It includes risk which are included in credit risk calculation.

3. Disclosures on differences between amounts valued in accordance with TAS and risk exposures

Differences between valued amounts in accordance with TAS and risk exposures:

It is obtained through addition of potential risk exposures according to type of transaction and maturity to risk exposure renewal costs in derivative transactions included in counterparty credit risk and through offsetting of cash amount subject to amount adjusted with volatility made to related security in repo and reverse repo transactions.

Amounts of items which are value in accordance with TAS and subject to market risk indicate fair value of financial instruments held for trade. Amounts in line of risk amount related to aforementioned transactions indicate principal amount subject to market risk sourcing from capital requirement calculated related to potential losses which can be caused by interest rate risk, share price risk, exchange rate risks in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy".

Disclosures on controls performed and systems used in order to ensure prudentiality and reliability of valuations estimates of the Bank in accordance with prudential valuation principles and procedures included in accompanying Annex-3 to Communique on Measurement and Evaluation of Bank's Capital Adequacy:

If the financial instruments recognized through fair value have an active and deep market, valuation is performed based on prices included in market in question. Reliability of market data used in valuations is examined periodically. The Bank does not operate in markets which do not have a depth. Discounted cash flow model is mainly used in the evaluation of derivative instruments and generally accepted valuation models are used for derivative transactions including optionality. Accuracy of market data and model outputs used in valuations are periodically controlled and differences between counterparty valuations and bank's evaluations are monitored regularly.

c. Credit risk

1. General qualitative information about credit risk

How does the business model of the Bank transform to components in its credit risk portfolio

Credit risk within the body of the Bank is managed in the framework of Credit Risk Management Policy approved by Board of Directors. Risk, related to credit, are defined, duties of departments are determined and main principles of credit risk management are brought in aforementioned policy document. Departments assigned in credit management and their authorization/responsibilities are defined in aforementioned document.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

In this direction, main limitations related to credit risk are determined in Risk Appetite Statement approved annually by Board of Directors and reported throughout the year by Risk Management Department. Concentration limits on the basis of sector, customer segment and risk groups are determined. Actions which shall be taken in case of a possible overflow are also determined in this document.

In this scope, credit portfolio of the Bank draws a dispersed view with respect to customer segments and sectors.

Criteria and approach used while determining credit risk policy and credit risk limits

Risk limits defined to all counterparties in monitoring of credit risks are tracked on the basis of products, customers and risk groups separately by systems and it is not permitted to take risks exceeding determined limits. Many factors such as ability to pay, features of the sector and possible impacts of geographical and economic conditions are taken into consideration while determining the credit limits of counterparty. If deemed appropriate, it is tried to reduce possible losses of the Bank to minimum through applying required risk mitigation techniques. All documents required by the related legislation should be taken into account during credit examinations. Credit worthiness of counterparty is periodically controlled for limits provided for multi-use and limits are revised considering changes and requirements in the credit worthiness of counterparty. Customers/transactions are classified based on their credit worthiness by credit allocation officers and respective classes are changed, if required.

Structure and organization of credit risk management and control function

Credit allocation and monitoring is performed in accordance with segregation of duties and therefore, the credit can be reviewed in an objective manner during its economic life. Risk models are used in order to measure credit risk of customers in both allocation and monitoring groups in an accurate and objective manner. Early Warning Systems are used for the monitoring of credit customers and signals received are regularly tracked by Monitoring groups and pre-determined action plans are taken with allocation groups if pre-determined triggers are detected.

Relation between credit risk management, risk control, legal compliance and internal audit functions

The newly developed credit risk models undergo validation process before its implementation, after the approval of The Bank's Model Risk Management and Validation Committee, they are used in the risk management processes. Validation of Credit risk models in use are repeated at least on an annual basis and the results are presented to the Model Risk Management and Validation Committee.

Credit Risk Control periodically presents analysis and results of execution of internal rating systems, evolution of credit rating grades, documentation of changes made in credit grade and compliance to internal limitations to Rating Committee. Compliance of Credit Risk Control activities to intra-bank arrangements and regulations and guides is periodically audited by internal audit departments of the Bank and issue requiring to be developed are monitored following their identification.

Scope and main content of reporting which shall be made to senior management and members of board of directors regarding credit risk management function and exposed credit risk

Board of Directors determines policy of the Group in credit management field and ensures establishment of required conditions to perform determined policies in an effective manner. In this scope, it defines sections related to measurement and management of credit quality and approves documents having primary importance related to credit risk such as Risk Appetite Statement.

2. Credit quality of assets

Current Period	a		b	c	d
	Gross carrying values of (according to TAS)				
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)	
1 Loans	4.024.614	113.933.301	4.851.915	113.106.000	
2 Debt Securities	--	12.318.534	1.162	12.317.372	
3 Off-balance sheet exposures ^(*)	183.626	57.491.658	197.518	57.477.766	
4 Total	4.208.240	183.743.493	5.050.595	182.901.138	

^(*) It doesn't include revocable commitments and Forward Asset Purchase –Sales Commitments.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	a		b	c	d
	Gross carrying values of (according to TAS)		Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures				
1 Loans	3.651.639	94.018.832		4.024.967	93.645.504
2 Debt Securities	--	12.611.296		1.159	12.610.137
3 Off-balance sheet exposures ^(*)	252.392	54.199.335		182.858	54.268.869
4 Total	3.904.031	160.829.463		4.208.984	160.524.510

^(*) It doesn't include revocable commitments and Forward Asset Purchase –Sales Commitments.

3. Changes in stock of impaired loans and debt securities

	Current Period a ^(*)	Prior Period a ^(*)
1 Impaired loans and debt securities at end of the previous reporting period	3.651.639	3.168.774
2 Loans and debt securities that have impaired since the last reporting period	1.962.958	1.975.518
3 Receivables that returned to non-impaired status	59.000	19.826
4 Amounts written off ^(**)	694.258	604.213
5 Other changes	(836.725)	(868.614)
6 Impaired loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	4.024.614	3.651.639

^(*) It doesn't include off-balance sheet receivables.

^(**) It indicates sales made from non-performing loans portfolio.

4. Additional disclosure related to the credit quality of assets

(i) Scope and definitions of “overdue” receivables and “provisioned” receivables used for purposes of accounting

The Parent Bank considers loans that have overdue principal and interest payments and are classified as second group according to the “Communiqué on “Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made” as “past due loans.” Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered as “impaired loans.”

(ii) Part of overdue receivables (over 90 days) which are not considered as “Provisioned” and reasons for the implementation in question.

Loans that have overdue principal and interest payments for more than 90 days after the maturity date are transferred to “Nonperforming loans” accounts and the Bank calculates “specific provisions” for such loans in compliance with the “Communiqué on “Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made”.

(iii) Definitions of methods used while determining amount of provision

Parent Bank calculates general credit provision for overdue credits and specific provision for impaired credits in scope of “Communiqué on “Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made”.

(iv) Definitions of restructured receivables

The Bank can restructure both of its first and second group credits and its nonperforming credit and receivables. Restructuring in first and second group of credits and in other receivables are made in order to improve repayment ability of the customer as well as including changes made in contract terms with the request of the customer independent from credit risk of the customer. Restructurings made in nonperforming claims and receivables are changes made in payment plan of the credit towards ensuring of collection of the receivable.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

(v) Breakdown of receivables by geographical area

Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ⁽¹⁾
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.936.269	98.990.173	--	12.022.936	183.614	54.872.811	3.053.788	694.258
2 EU Countries	77.104	8.754.666	--	136.463	12	671.115	69.242	--
3 OECD Countries	657	654.276	--	--	--	765.545	46	--
4 Off Shore Zones	--	511.456	--	--	--	11.116	--	--
5 USA, Canada	3.038	258.037	--	--	--	17.644	1.888	--
6 Other Countries	7.546	4.764.693	--	159.135	--	1.153.427	3.559	--
7 Total	4.024.614	113.933.301	--	12.318.534	183.626	57.491.658	3.128.523	694.258

⁽¹⁾ It indicates sales made from non-performing loans portfolio.

Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ⁽¹⁾
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.552.074	82.830.277	--	11.565.804	252.390	42.526.906	2.574.631	602.590
2 EU Countries	95.316	4.841.812	--	981.240	2	483.684	71.992	--
3 OECD Countries	33	195.576	--	--	--	791.318	19	--
4 Off Shore Zones	--	331.011	--	--	--	3.220	--	1.623
5 USA, Canada	52	236.664	--	--	--	111.186	13	--
6 Other Countries	4.164	5.583.492	--	64.252	--	10.283.021	1.300	--
7 Total	3.651.639	94.018.832	--	12.611.296	252.392	54.199.335	2.647.955	604.213

⁽¹⁾ It indicates sales made from non-performing loans portfolio.

(vi) Breakdown of receivables by sectors

Current Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	225.754	12.411.996	--	--	2.534	2.991.635	150.663	6.893
Farming and Cattle	217.958	12.400.214	--	--	2.398	2.976.848	147.822	6.601
Forestry	454	4.691	--	--	15	8.046	427	203
Fishing	7.342	7.091	--	--	121	6.741	2.414	89
Manufacturing	416.964	14.362.108	--	99.273	20.755	11.022.973	279.707	30.740
Mining	54.689	3.360.237	--	--	1.809	474.683	34.336	2.954
Production	280.046	6.993.235	--	57.750	13.308	9.699.233	211.461	27.632
Electric, Gas, Water	82.229	4.008.636	--	41.523	5.638	849.057	33.910	154
Construction	285.778	10.895.641	--	--	78.246	8.132.604	185.285	15.132
Services	1.472.510	37.406.447	--	457.820	68.045	15.983.988	1.087.060	188.382
Wholesale and Retail Trade	905.419	13.874.890	--	--	57.835	10.935.042	707.687	154.759
Hotel and Restaurant Services	154.223	11.731.807	--	--	2.366	939.952	53.238	5.632
Transportation and telecommunication	272.195	5.796.234	--	48.782	5.383	2.209.142	208.712	22.914
Financial institution	20.562	689.917	--	409.038	170	1.128.847	13.668	829
Real estate and letting services	11.044	433.544	--	--	654	139.610	8.769	1.723
Self-employment services	--	--	--	--	--	--	--	--
Education services	20.896	1.607.019	--	--	975	279.819	18.398	547
Health and social services	88.171	3.273.036	--	--	662	351.576	76.588	1.978
Other	1.623.608	38.857.109	--	11.761.441	14.046	19.360.458	1.425.808	453.111
Total	4.024.614	113.933.301	--	12.318.534	183.626	57.491.658	3.128.523	694.258

⁽¹⁾ It indicates sales made from non-performing loans portfolio.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	200.093	8.796.827	--	--	3.714	1.837.547	137.753	6.509
Farming and Cattle	197.139	8.778.483	--	--	3.635	1.829.868	135.004	6.074
Forestry	527	3.771	--	--	17	3.672	460	407
Fishing	2.427	14.573	--	--	62	4.007	2.289	28
Manufacturing	357.990	12.815.751	--	57.735	30.760	11.670.095	215.052	33.260
Mining	39.933	2.811.457	--	--	1.765	705.388	27.911	7.763
Production	235.915	6.906.034	--	51.717	23.348	10.027.120	166.601	25.399
Electric, Gas, Water	82.142	3.098.260	--	6.018	5.647	937.587	20.540	98
Construction	232.278	9.334.442	--	--	75.177	9.618.001	156.120	21.994
Services	1.157.129	33.603.669	--	412.929	106.752	12.546.879	787.920	92.011
Wholesale and Retail Trade	748.500	12.833.708	--	--	94.767	7,997,189	495,120	75,075
Hotel and Restaurant Services	41,453	9,269,785	--	--	3,719	795,942	16,764	3,774
Transportation and telecommunication	216,466	6,519,837	--	33,517	5,627	1,945,952	154,069	9,947
Financial institution	28,667	837,870	--	379,412	141	1,192,687	17,282	582
Real estate and letting services	9,604	319,263	--	--	555	78,642	6,209	1,433
Self-employment services	--	--	--	--	--	--	--	--
Education services	21,522	1,178,221	--	--	884	85,607	16,673	357
Health and social services	90,917	2,644,985	--	--	1,059	450,860	81,803	843
Other	1,704,149	29,468,143	--	12,140,632	35,989	18,526,813	1,351,110	450,439
Total	3.651.639	94.018.832	--	12.611.296	252.392	54.199.335	2.647.955	604.213

(vii) Breakdown of receivables by outstanding maturity

Current Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	--	37.131.297	10.362.113	8.499.691	19.436.083	108.314.708	183.743.492
1 Loans	10.104.229	10.104.229	7.106.873	4.651.711	12.633.207	79.437.281	113.933.301
2 Borrowings instruments	9.626	--	134.689	374.499	290.345	11.509.375	12.318.534
3 Off-balance sheet receivables	--	27.017.442	3.120.551	3.473.081	6.512.531	17.368.052	57.491.657
Defaulted receivables	4.208.240	--	--	--	--	--	4.208.240
1 Loans	4.024.614	--	--	--	--	--	4.024.614
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	183.626	--	--	--	--	--	183.626
Specific Provision	3.128.523	--	--	--	--	--	3.128.523
Total	1.079.717	37.121.671	10.240.887	8.124.792	19.174.723	109.081.419	184.823.209

Prior Period	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non-defaulted receivables	26.248	21.998.313	8.223.328	8.109.397	27.548.606	94.923.571	160.829.463
1 Loans	--	9.612.324	5.069.570	4.615.492	11.258.160	63.463.286	94.018.832
2 Borrowings instruments	--	--	69.142	4.634	--	12.537.520	12.611.296
3 Off-balance sheet receivables	26.248	12.385.989	3.084.616	3.489.271	16.290.446	18.922.765	54.199.335
Defaulted receivables	3.904.031	--	--	--	--	--	3.904.031
1 Loans	3.651.639	--	--	--	--	--	3.651.639
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	252.392	--	--	--	--	--	252.392
Specific Provision	2.647.955	--	--	--	--	--	2.647.955
Total	1.282.324	21.998.313	8.223.328	8.109.397	27.548.606	94.923.571	162.085.539

(viii) Ageing analysis of Parent Bank's overdue receivables

Current Period	1-30 days	31-60 days	61-90 days	Total
Loans	3.226.448	1.047.860	1.196.181	5.470.489
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

Prior Period	1-30 days	31-60 days	61-90 days	Total
Loans	2.832.957	1.011.064	895.489	4.739.150
Borrowing instruments	--	--	--	--
Off-balance sheet receivables	--	--	--	--

(ix) Breakdown of restructured receivables according to their provisioning status

	Current Period	Prior Period
Loans having standard nature and restructured from other receivables	1.694.451	1.437.793
Loans in close follow-up and restructured from other receivables	4.577.399	2.914.008
Restructured from non-performing assets	298.597	150.334



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

5. Credit risk mitigation techniques

The Bank can demand collateral in order to mitigate risk level of the credit. Each type of collaterals and collateral processes approved in credit risk calculations are defined with Bank procedures. Insurance and evaluation approach off properties or goods subject to collateral are regulated in internal documents of the Bank prepared in accordance with Turkish Banking Legislation.

The Bank performs credit risk mitigation according to comprehensive financial collateral method in accordance with "Communique on Credit Risk Mitigation Techniques". Exchange mismatch between receivable and collateral and cut-off rates based on type of collateral are considered through inspecting standard cut-off ratios mentioned in annex of the communique while maturity mismatch between receivable and collateral is taken into account in accordance with method mentioned in the Article 40.

Bank establishes compliant provisions to Turkish Banking Legislation and BRSA Regulations in order to cover expected loss resulting from occurrence of credit risk.

6. Credit risk mitigation techniques – overview

	a	b	c	d	e	f	g
	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Current Period							
1 Loans	76.898.222	26.589.943	18.662.426	9.617.835	8.007.536	--	--
2 Debt Securities	12.317.372	--	--	--	--	--	--
3 Total	89.215.594	26.589.943	18.662.426	9.617.835	8.007.536	--	--
4 Of which defaulted ^(*)	3.639.979	568.261	221.440	--	--	--	--

^(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

	a	b	c	d	e	f	g
	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Prior Period							
1 Loans	70.373.081	23.272.423	20.223.805	--	--	--	--
2 Debt Securities	12.610.137	--	--	--	--	--	--
3 Total	82.983.218	23.272.423	20.223.805	--	--	--	--
4 Of which defaulted ^(*)	3.635.260	268.771	193.941	--	--	--	--

^(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

7. Disclosures on rating grades used while calculating credit risk with standard approach

Ratings provided by international rating agency Fitch are used for the determination of risk weights which shall be applied in the calculation of capital adequacy. The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

8. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period	a		b		c		d		e		f	
	Exposures before credit conversion factor and CRM				Exposures post-credit conversion factor and CRM				RWA and RWA density			
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	RWA	RWA density
1	35.113.774	383.437	42.562.674	1.607.731	3.088.583	%6,99						
2	405.818	21.036	404.218	8.617	206.417	%50,00						
3	--	--	--	--	--	%0,00						
4	--	--	--	--	--	%0,00						
5	--	--	--	--	--	%0,00						
6	4.577.056	2.005.372	4.577.056	1.703.368	2.615.150	%41,64						
7	56.451.256	28.044.751	48.858.021	13.575.587	61.986.698	%99,28						
8	42.211.157	29.803.027	37.792.798	2.697.421	30.461.461	%75,23						
9	4.922.250	397.043	4.730.737	185.686	1.720.748	%35,00						
10	9.469.296	1.148.270	8.373.861	705.663	5.387.226	%59,33						
11	964.454	98.068	964.026	37.950	1.009.567	%100,76						
12	--	--	--	--	--	%0,00						
13	--	--	--	--	--	%0,00						
14	--	--	--	--	--	%0,00						
15	--	219	--	219	219	%100,00						
16	4.539.843	--	4.539.843	--	2.498.085	%55,03						
17	266.425	--	266.425	--	591.354	%221,96						
18 Total	158.921.329	61.901.223	153.069.659	20.522.242	109.565.508	%63,12						

Prior Period	a		b		c		d		e		f	
	Exposures before credit conversion factor and CRM				Exposures post-credit conversion factor and CRM				RWA and RWA density			
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	RWA	RWA density
1	29.027.608	688.695	29.810.368	198.759	7.373.518	%24,57						
2	537.203	19.368	537.081	8.671	272.876	%50,00						
3	--	--	--	--	--	%0,00						
4	--	--	--	--	--	%0,00						
5	--	--	--	--	--	%0,00						
6	3.084.054	2.258.890	3.084.054	1.941.779	2.110.608	%42,00						
7	44.491.134	29.227.490	39.153.945	15.661.886	54.815.830	%100,00						
8	32.529.013	25.701.748	31.743.829	2.462.775	25.737.950	%75,24						
9	5.216.261	332.318	5.178.729	163.046	1.869.621	%35,00						
10	10.897.617	1.160.079	10.873.030	780.811	6.605.552	%56,68						
11	1.097.821	188.177	1.096.044	56.822	1.125.693	%97,64						
12	--	--	--	--	--	%0,00						
13	--	--	--	--	--	%0,00						
14	--	--	--	--	--	%0,00						
15	1.187	1.068	1.187	1.068	2.255	%100,00						
16	4.435.249	--	4.435.250	--	2.681.236	%60,45						
17	29.109	--	29.109	--	28.979	%99,55						
18 Total	131.346.256	59.577.833	125.942.626	21.275.617	102.624.118	%69,71						



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

9. Standardised Approach – Exposures by asset classes and risk weights

Current Period	a	b	c	k	d	e	f	g	h	ı	j	
Risk Weight*/Classifications Risk	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF and CRM)
1 Exposures to central governments or central banks	41.081.822	--	--	--	--	--	--	3.088.583	--	--	--	44.170.405
2 Exposures to regional governments or local authorities	--	--	--	--	--	412.835	--	--	--	--	--	412.835
3 Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4 Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5 Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6 Exposures to institutions	--	--	3.438.390	--	--	1.829.124	--	1.012.910	--	--	--	6.280.424
7 Exposures to corporates	--	--	558.637	--	--	--	--	61.874.971	--	--	--	62.433.608
8 Retail exposures	--	--	--	--	--	--	40.115.034	375.185	--	--	--	40.490.219
9 Exposures secured by residential property	--	--	--	4.916.423	--	--	--	--	--	--	--	4.916.423
10 Exposures secured by commercial real estate	--	--	--	--	--	7.384.595	--	1.694.929	--	--	--	9.079.524
11 Past-due loans	--	--	--	--	--	189.464	--	812.512	--	--	--	1.001.976
12 Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13 Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	219	--	--	--	219
16 Investments in equities	--	--	--	--	--	--	--	49.806	--	--	216.619	266.425
17 Other assets	2.034.523	--	9.031	--	--	--	42	2.496.247	--	--	--	4.539.843
18 Total	43.116.345	--	4.006.058	4.916.423	--	9.816.018	40.115.076	71.405.362	--	--	216.619	173.591.901

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	a	b	c	k	d	e	f	g	h	i	j	
Risk Weight*/Classifications Risk	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF and CRM)
1 Exposures to central governments or central banks	15.262.094	--	--	--	--	14.747.033	--	--	--	--	--	30.009.127
2 Exposures to regional governments or local authorities	--	--	--	--	--	545.752	--	--	--	--	--	545.752
3 Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4 Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5 Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6 Exposures to institutions	--	--	1.862.899	--	--	2.849.812	--	313.122	--	--	--	5.025.833
7 Exposures to corporates	--	--	--	--	--	--	2	54.815.829	--	--	--	54.815.831
8 Retail exposures	--	--	--	--	--	--	33.874.612	331.992	--	--	--	34.206.604
9 Exposures secured by residential property	--	--	--	5.341.775	--	--	--	--	--	--	--	5.341.775
10 Exposures secured by commercial real estate	--	--	--	--	10.096.579	--	--	1.557.262	--	--	--	11.653.841
11 Past-due loans	--	--	--	--	338.529	--	--	530.154	284.183	--	--	1.152.866
12 Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13 Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	2.255	--	--	--	2.255
16 Investments in equities	130	--	--	--	--	--	--	28.979	--	--	--	29.109
17 Other assets	1.979.637	--	7.440	--	3	--	180	2.293.575	--	--	154.415	4.435.250
18 Total	17.241.861	--	1.870.339	5.341.775	10.435.111	18.142.597	33.874.794	59.873.168	284.183	--	154.415	147.218.243

d. Counterparty Credit Risk

1. Counterparty credit risk (CCR) explanations

Counterparty credit risk is determined according to type of counterparty and the transaction. Counterparties are divided into segments as financial institutions, corporate-commercial customers, SME-Micro-Gold-Agriculture customers and individual customers. Transaction types are grouped as derivative financial products and repo transactions.

Compliance test is applied in line with production information, financial position and transaction frequency of the customer in order to determine products and services provided to customers.

Credit worthiness of counterparty is analysed before the transactions causing counterparty credit risk and periodically reviewed. Reviewing frequency is increased if required.

Limits, in line with risk appetite, policy and strategies of the Bank are determined for the transactions in scope of CCR. Those limits are approved by Board of Directors for banks. Approval authorizations determined in scope of credit allocation process are applied for parties apart from banks. Limits are reviewed at least annually. If the market conditions get worse or credit qualities of certain counterparties decline, limits are reviewed and required changes are made. Approved limits are blocked with the approval of Credit Committee/Credit Allocation Department, if required.

Risk mitigation methods such as netting contracts, collateral and margin contracts are used in counterparty credit risk management related to financial institutions. Collateralization principles and procedures are applied in scope of credit policy and procedures currently applied within the Bank for counterparties apart from financial institutions.

Potential and current risk amounts of transactions are calculated/determined in order to determine counterparty credit risk. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Analysis of counterparty credit risk exposure by approach

	a	b	c	d	e	f
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default)	Exposure at default post CRM	RWA
Current Period						
1 Standardised Approach (for derivatives) ^(*)	969.154	667.393		-	1.605.874	882.276
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			--	--	--	--
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					--	--
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					408.040	81.681
5 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					--	--
6 Total						963.957

	a	b	c	d	e	f
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default)	Exposure at default post CRM	RWA
Current Period						
1 Standardised Approach (for derivatives) ^(*)	1.340.530	544.723		--	1.805.349	996.506
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			--	--	--	--
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					--	--
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					392.667	95.785
5 VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					--	--
6 Total						1.092.291

^(*) Counterparty credit risk for derivatives is calculated by the fair value method.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

3. Credit valuation adjustment (CVA) capital charge

	a		b	
	Exposure at default post-CRM		RWA	
Current Period				
Total portfolios subject to the Advanced CVA capital charge				
1 Value at Risk (VaR) component (including the 3×multiplier)		--		--
2 Stressed VaR component (including the 3×multiplier)		--		--
3 All portfolios subject to the Standardised CVA capital charge		1.605.874		538.775
4 Total subject to the CVA capital charge		1.605.874		538.775
Prior Period				
Total portfolios subject to the Advanced CVA capital charge				
1 Value at Risk (VaR) component (including the 3×multiplier)		--		--
2 Stressed VaR component (including the 3×multiplier)		--		--
3 All portfolios subject to the Standardised CVA capital charge		1.805.349		577.717
4 Total subject to the CVA capital charge		1.805.349		577.717

4. Standard approach – Counterparty credit risk with respect to risk classes and weights

Current Period	a								b	
	%0	%10	%20	%50	%75	%100	%150	Diger	Total credit Exposure (1)	
Claims from central governments and central banks	5.560	--	--	--	--	--	--	--	--	
Claims from regional and local governments	--	--	--	--	--	--	--	--	--	
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--	
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--	
Claims from international organizations	--	--	--	--	--	--	--	--	--	
Claims from institutions	--	--	779.556	825.101	--	--	--	--	568.462	
Corporates	--	--	--	--	--	370.674	--	--	370.674	
Retail portfolios	--	--	--	--	32.803	--	--	--	24.602	
Claims on landed real estate	--	--	--	--	--	--	--	--	--	
Past due loans	--	--	--	--	--	--	--	--	--	
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--	
Mortgage securities	--	--	--	--	--	--	--	--	--	
Securitization positions	--	--	--	--	--	--	--	--	--	
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--	
Investments which are qualified as collective investment institutions	--	--	--	--	--	219	--	--	219	
Stock investment	--	--	--	--	--	--	--	--	--	
Other claims	--	--	--	--	--	--	--	--	--	
Other assets (2)	--	--	--	--	--	--	--	--	--	
Total	5.560	--	779.556	825.101	32.803	370.893	--	--	963.957	

(1) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(2) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

Prior Period	a								b	
	%0	%10	%20	%50	%75	%100	%150	Diger	Total credit Exposure (1)	
Claims from central governments and central banks	--	--	--	--	--	--	--	--	--	
Claims from regional and local governments	--	--	--	--	--	--	--	--	--	
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--	
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--	
Claims from international organizations	--	--	--	--	--	--	--	--	--	
Claims from institutions	--	--	693.315	1.091.567	--	--	--	--	684.447	
Corporates	--	--	--	--	--	390.909	--	--	390.909	
Retail portfolios	--	--	--	--	21.156	--	--	--	15.867	
Claims on landed real estate	--	--	--	--	--	--	--	--	--	
Past due loans	--	--	--	--	--	--	--	--	--	
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--	
Mortgage securities	--	--	--	--	--	--	--	--	--	
Securitization positions	--	--	--	--	--	--	--	--	--	
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--	
Investments which are qualified as collective investment institutions	--	--	--	--	--	1.068	--	--	1.068	
Stock investment	--	--	--	--	--	--	--	--	--	
Other claims	--	--	--	--	--	--	--	--	--	
Other assets (2)	--	--	--	--	--	--	--	--	--	
Total	--	--	693.315	1.091.567	21.156	391.977	--	--	1.092.291	

(1) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(2) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

5. Collaterals used for counterparty credit risk

Current Period	a		b		c		d		e		f
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions						
	Received Guarantees		Given Guarantees		Received Guarantees		Given Guarantees				
	Appropriated	Unappropriated	Appropriated	Unappropriated	Received Guarantees	Given Guarantees	Received Guarantees	Given Guarantees			
Cash-Domestic Currency	--	--	--	--	--	--	750.891	--	--	3.922.038	--
Cash-Foreign Currency	30.673	--	--	--	--	--	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--	--	--	--	--	--
Stock	--	--	--	--	--	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--	--	--	--	--	--
Total	30.673	--	--	--	--	--	750.891	--	--	3.922.038	--

Prior Period	a		b		c		d		e		f
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions						
	Received Guarantees		Given Guarantees		Received Guarantees		Given Guarantees				
	Appropriated	Unappropriated	Appropriated	Unappropriated	Received Guarantees	Given Guarantees	Received Guarantees	Given Guarantees			
Cash-Domestic Currency	--	--	--	--	--	--	3.001.396	--	--	5.628.366	--
Cash-Foreign Currency	79.903	--	--	--	--	--	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--	--	--	--	--	--
Stock	--	--	--	--	--	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--	--	--	--	--	--
Total	79.903	--	--	--	--	--	3.001.396	--	--	5.628.366	--

6. Credit derivatives

None.

7. Exposures to central counterparties (CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

4. Securitization positions in banking positions and capital requirements related to those – whose sponsorship or founder is the bank

None.

5. Securitization positions in banking positions and capital requirements related to those – in which the Bank is an investor

None.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

f. Market Risk

1. Explanations on market risk

Within the scope of financial risk management, market risk management activities are defined in accordance with the "Regulation on the Banks' Internal Systems and Internal Capital Adequacy Assessment Process" and the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and necessary measures are taken in order to avoid excessive market risk.

Standard method and internal model are used for the measurement of market risk. The principals of standard method are defined by BRSA and calculation is performed monthly for the consolidated and non consolidated scope. Risk measurement with the internal model is performed on a daily basis and risk indicators such as value at risk, interest rate sensitivity and option sensitivities are monitored. The "Trading Book" classification defined by the regulation is used for market risk measurement. Limits based on risk indicators and stop-loss limits are set by the Board of Directors in order to control the market risk exposure.

2. Standardised approach

	Current Period RAT	Prior Period RAT
Outright products		
1 Interest rate risk (general and specific)	37.213	27.263
2 Equity risk (general and specific)	200	75
3 Foreign exchange risk	653.575	288.449
4 Commodity risk	78.112	55.600
Options		
5 Simplified approach	--	--
6 Delta-plus method	3.500	28.438
7 Scenario approach	--	--
8 Securitisation		
9 Total	772.600	399.825

3. Information on market risk calculated as of month-ends during the period

	Current Period: 31 December 2017			Prior Period: 31 December 2016		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	2.958	5.727	1.712	1.647	2.715	960
Stock Risk	18	74	--	34	84	2
Currency Riski	45.251	65.685	23.929	31.587	57.264	14.949
Emtia Risk	4.532	6.591	2.962	280	395	257
Settlement Risk	--	--	--	--	--	--
Option Risk	1.223	4.569	87	2.177	3.642	956
Counterparty Risk	--	--	--	--	--	--
Total Risk Exposure Value	674.777	992.363	384.988	458.641	780.438	239.725

g. Operational risk

1. Disclosures on operational risk calculation

Principal amount subject to operational risk is calculated through using year-end gross income of 2016, 2015 and 2014 of DFS Group belonging to last 3 years via "Basic Indicators Approach" dated in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" published on Official Gazette dated 23 October 2015 numbered 29511.

2. Standard method

	31.12.2013	31.12.2014	31.12.2015 GI	Total/Positive year number	Ratio(%)	Total
Gross Income	4.131.530	4.699.298	4.214.169	4.348.332	15	652.250
Amount Subject to Operational Risk						8.153.125



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

IX. Presentation of financial assets and liabilities at their fair value

a. Calculation of financial assets and liabilities at their fair value

The fair value of held-to-maturity assets are determined based on market prices, or when they are not available, based on market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits and floating rate placements represent their carrying value. The expected fair value of the fixed rate deposits are determined by calculating the discounted cash flows using the market interest rates of similar instruments.

Fair value of credits are calculated by discounting cash flow with current market interest rate.

Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

The following table summarizes the carrying value and fair value of financial assets and liabilities. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	138.654.364	130.664.979	137.548.472	129.555.876
Interbank Money Market Placements	785.672	1.032.639	785.672	1.032.639
Banks	10.657.628	8.852.274	10.655.679	8.852.162
Investment Securities Available-For-Sale	7.046.033	6.794.743	7.046.033	6.794.743
Investment Securities Held-To-Maturity	5.335.639	5.091.693	5.299.803	4.997.069
Loans and Other Receivables	114.829.392	108.893.630	113.761.285	107.879.263
Financial Liabilities	140.981.560	134.484.425	140.875.122	134.027.410
Bank Deposits	3.981.559	4.079.407	3.978.312	4.078.798
Other Deposits	107.428.905	104.738.677	107.509.723	104.727.952
Interbank Money market borrowings	4.007.166	2.771.987	4.007.166	2.771.987
Funds Borrowed From Other Financial Institutions	14.680.242	12.079.900	14.528.125	12.001.811
Subordinated Loans	5.261.523	4.948.031	5.225.391	4.569.196
Securities Issued	3.672.758	3.816.408	3.676.998	3.827.651
Miscellaneous Payables	1.949.407	2.050.015	1.949.407	2.050.015

b. Classification of fair value

TFRS 7 sets classification of valuation techniques according to the inputs used in valuation techniques based on fair value calculations which are whether observable or not.

Fair value levels of financial assets and liabilities that are carried at fair value in DFS Group's financial statements are given below:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	81.860	975.808	--	1.057.668
Public Sector Debt Securities	80.711	--	--	80.711
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	975.808	--	975.808
Other Securities	1.149	--	--	1.149
Financial Assets Available for Sale ⁽¹⁾	6.414.245	568.650	--	6.982.895
Public Sector Debt Securities	6.414.245	--	--	6.414.245
Other Securities	--	568.650	--	568.650
Hedging Purpose Derivatives	--	--	--	--
Total Assets	6.496.105	1.544.458	--	8.040.563
Derivative Financial Liabilities Held for Trading	--	1.285.465	--	1.285.465
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	1.285.465	--	1.285.465

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	106.834	1.341.025	--	1.447.859
Public Sector Debt Securities	96.887	--	--	96.887
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	1.341.025	--	1.341.025
Other Securities	9.947	--	--	9.947
Financial Assets Available for Sale ⁽¹⁾	7.125.839	429.423	--	7.555.262
Public Sector Debt Securities	7.125.839	--	--	7.125.839
Other Securities	--	429.423	--	429.423
Hedging Purpose Derivatives	--	--	--	--
Total Assets	7.232.673	1.770.448	--	9.003.121
Derivative Financial Liabilities Held for Trading	--	1.248.386	--	1.248.386
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	1.248.386	--	1.248.386

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Unobservable inputs

⁽¹⁾ Share certificates amounting TL 3.956 (31 December 2016: TL 3.930), classified in financial assets available for sale that do not have quoted market prices in an active market or whose fair value cannot be measured, are carried at cost in the framework of TAS 39.

Investment property and portion of tangible fixed assets that are recorded by their fair value are classified as Level 3.

X. Transactions carried out on behalf and account of other parties and fiduciary transactions

a. Information on whether the Group performs sales, purchase, management, consultancy and custody services on behalf and account of others, or not

DFS Group performs sales, purchase, management, consultancy and custody services on behalf and account of others.

b. Transactions directly realized with other financial institutions depending on fiduciary contracts and probability of material effect of such transactions on the financial position of the Bank.

None.

XI. Explanations related to hedging transactions

a. Net Investment Risk

DFS Group applies net investment hedge strategy to hedge against the currency risk arising on a consolidated basis from the net investments amounting to a total of Euro 1.220 million and US Dollar 7 million of subsidiaries Denizbank AG and Eurodeniz. The part consisting of the same amounts of its foreign currency deposit has been defined as "hedging instrument". The effective part of the change in value of the foreign currency deposit arising from exchange rate has been recognized as "hedging funds" under equity.

On the other hand, as of 1 April 2014, the Parent Bank stopped applying net investment hedge accounting due to its net investment to hedge against the currency risk on the subsidiary of JSC Denizbank, and the total hedging fund which is booked under equity for that subsidiary is amounting to TL (57.744).

Total net investment hedging funds recognized under equity is amounting to TL (1.741.301) as of 31 December 2017 (31 December 2016: TL (1.006.604)).

b. Cash Flow Hedge

The Parent Bank stopped applying cash flow hedge accounting arising from the fluctuations in the interest rate and in which the hedging instrument was interest rate swaps and the hedged item was deposit, on 31 May 2013. Consequently, derivatives financial instruments which were previously in "hedging purpose derivatives assets/liabilities" because of being risk hedging instruments are classified in "financial assets/liabilities held for trading" lines. Negative differences amounting to TL (18.657) which were cumulated until the transfer date in "hedging funds" account under equity will be transferred to statement of income until the maturities of related derivative instruments and there is no valuation difference in shareholders' equity as of 31 December 2017 (31 December 2016: (616)).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

XII. Explanations related to the consolidated segment reporting

DFS Group is active in four areas; namely, wholesale banking, SME and agricultural banking, retail banking, and treasury.

Wholesale banking offers financial and banking solutions to large-scale local and international corporate and commercial customers. In order to meet customer needs related to projects, investment and working capital, corporate banking offers short and long-term working capital loans, investment loans, financial and operational leasing and factoring services, non-cash loans, foreign exchange transactions, export finance, project finance, structured finance, corporate finance, and deposit products and cash management services.

The Bank offers loan products (consumer loans, mortgage, vehicle, agricultural and investment loans), distinctive credit cards, producer card, investment products (mutual funds, shares, government bonds/treasury bills, and repos), deposit products (time, demand, protected), insurance products, SME loans, agricultural loans, financial and operational leasing and factoring services to the customers classified under retail, SME and agricultural segments. Alternative distribution channels allow customers to meet their banking needs without the need to physically visit the branches. Among products that meet every day needs of customers are overdraft loans, automated bill payment, checkbooks and rental safes.

Within treasury; sales, prop-trading and private banking departments offer spot and forward TL and foreign exchange transactions, trading of treasury bills, bonds and other local and international securities and derivative products. Providing medium and long-term financing, diversification of funding and maintenance an international investor base are also the activities defined in this segment.

Segment information is prepared in line with the Parent Bank's Management Information Systems and the prior period figures are also revised accordingly.

Segment information of the Group is presented in the following table:

	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Current Period (01.01.2017-31.12.2017)					
Net interest income	1.524.243	1.737.520	1.298.518	1.720.877	6.281.158
Net fees and commission income	211.153	722.828	747.448	(76.444)	1.604.985
Other income/loss, net	440.911	304.920	248.886	(1.229.768)	(235.051)
Total segment income	2.176.307	2.765.268	2.294.852	414.665	7.651.092
Other operational expenses	(586.491)	(1.112.413)	(1.418.932)	(97.691)	(3.215.527)
Impairment of loans and other rec.	(533.146)	(735.994)	(571.823)	(102.964)	(1.943.927)
Taxation					(589.506)
Net profit from continuing operations	1.056.670	916.861	304.097	214.010	1.902.132
Net profit from discontinued operations	--	--	--	--	--
Net profit for the period	1.056.670	916.861	304.097	214.010	1.902.132
Current Period (31.12.2017)					
Segment assets	58.066.374	36.664.330	20.098.688	41.851.547	156.680.939
Subsidiaries and associates					55.334
Undistributed assets					3.686.857
Total assets					160.423.130
Segment liabilities	26.226.248	66.868.879	16.676.505	32.773.798	142.545.430
Undistributed liabilities					5.024.293
Equity					12.853.407
Total liabilities and shareholders' equity					160.423.130

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

Prior Period (01.01.2016-31.12.2016)	Wholesale Banking	SME & Agricultural Banking	Retail Banking	Treasury & Other	Total
Net interest income	1.471.456	1.480.410	1.133.206	1.017.059	5.102.131
Net fees and commission income	191.913	596.224	521.815	(56.194)	1.253.758
Other income/loss, net	436.256	310.982	329.987	(878.478)	198.747
Total segment income	2.099.625	2.387.616	1.985.008	82.387	6.554.636
Other operational expenses	(554.204)	(1.029.260)	(1.238.524)	(104.182)	(2.926.170)
Impairment of loans and other rec.	(616.645)	(703.621)	(479.747)	(3.396)	(1.803.409)
Taxation					(424.683)
Net profit from continuing operations	928.776	654.735	266.737	(25.191)	1.400.374
Net profit from discontinued operations	--	--	--	--	725
Net profit for the period	928.776	654.735	266.737	(25.191)	1.401.099
Current Period (31.12.2016)					
Segment assets	50.151.875	28.333.699	16.536.941	37.514.557	132.537.072
Subsidiaries and associates					25.180
Undistributed assets					2.991.746
Total assets					135.553.998
Segment liabilities	27.456.595	13.644.291	51.266.805	28.455.620	120.823.311
Undistributed liabilities					4.140.589
Equity					10.590.098
Total liabilities and shareholders' equity					135.553.998



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION FIVE

DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to consolidated assets

a. Information on cash and balances with the Central Bank of the Republic of Turkey

1. Information on cash and balances with the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	1.100.516	795.623	876.276	947.988
Central Bank of the Republic of Turkey	1.966.321	13.106.352	1.405.531	11.609.546
Other ^(*)	--	--	--	20
Total	3.066.837	13.901.975	2.281.807	12.557.554

^(*) Includes 20 TL purchased cheques balance for prior period.

2. Information on balances with the Central Bank of the Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	894.109	1.715.718	1.405.531	1.501.383
Unrestricted Time Deposits	1.072.212	--	--	--
Restricted Time Deposits	--	11.390.634	--	10.108.163
Total	1.966.321	13.106.352	1.405.531	11.609.546

Includes the balances of consolidated foreign subsidiaries at foreign central banks.

3. Information on reserve requirements

As of 31 December 2017, all banks operating in Turkey should provide a reserve in a range of 4% to 10,5% (31 December 2016: between 4% and 10,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 5% to 19% (31 December 2016: between 4,5% and 24,5%) in US Dollars or standard gold for their liabilities in foreign currencies.

CBRT began paying interest for the reserve deposits maintained in Turkish Lira as from November 2014 and for the reserve deposits maintained in US Dollar as from May 2015. The interest income of TL 101.420 derived from the reserve deposits maintained by the Parent Bank at CBRT (1 January – 31 December 2016: TL 56.689) has been recorded under the account "interests derived from reserve requirements".

b. Information on financial assets at fair value through profit or loss

1. Information on trading securities given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	7.797	--	8.380	--
Other	--	--	--	--
Total	7.797	--	8.380	--

2. Trading securities subject to repurchase agreements

None (31 December 2016: None).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

3. Positive value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	26.616	23.499	1.549	57.153
Swap Transactions	450.936	415.641	944.857	268.949
Futures Transactions	--	--	--	--
Options	5.117	53.999	523	67.994
Other	--	--	--	--
Total	482.669	493.139	946.929	394.096

c. Information on banks

1. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	805.940	404.928	6.383	655.752
Foreign	13.196	9.433.564	10.623	4.899.985
Foreign head offices and branches	--	--	--	--
Total	819.136	9.838.492	17.006	5.555.737

2. Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	8.558.316	4.216.039	--	--
USA, Canada	346.615	133.538	--	--
OECD Countries ^(*)	19.213	24.627	--	--
Off shore zones	45.462	42.362	--	--
Other	477.154	494.042	--	--
Total	9.446.760	4.910.608	--	--

^(*) OECD countries except for EU countries, USA and Canada.

d. Information on investment securities available-for-sale

1. Major types of investment securities available-for-sale

Investment securities available-for-sale consist of share certificates, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury and foreign private sector debt securities.

2. Investment securities available-for-sale given as collateral and fair value

Available-for-sale financial assets which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and İstanbul Takas ve Saklama Bankası A.Ş. (Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL 754.234 (31 December 2016: TL 849.495).

3. Investment securities available-for-sale given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	--	--	--	--
T-bills, Bonds and Similar Securities	376.777	377.457	725.926	123.569
Other	--	--	--	--
Total	376.777	377.457	725.926	123.569



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

4. Investment securities available-for-sale subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	2.481.553	235.350	3.830.370	--
Treasury Bills	--	--	--	--
Other Debt Securities	--	--	--	--
Bonds Issued or Guaranteed by Banks	--	271.707	--	--
Asset Backed Securities	--	--	--	--
Other	--	--	--	--
Total	2.481.553	507.057	3.830.370	--

5. Information on available-for-sale securities

	Current Period	Prior Period
Debt instruments	6.982.895	7.555.262
Quoted on Stock Exchange	6.982.895	7.555.262
Unquoted on Stock Exchange	--	--
Share certificates	63.138	41.728
Quoted on Stock Exchange	59.159	37.779
Unquoted on Stock Exchange	3.979	3.949
Impairment provision (-)	--	--
Total	7.046.033	7.596.990

e. Information related to loans

1. Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans Granted to Shareholders	--	4.655	--	7.721
Loans Granted to Employees	59.102	--	60.741	4
Total	59.102	4.655	60.741	7.725

2. Information on loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled

	Performing Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring ^(*)		
	Loans and Other Receivables (Total)	Agreement conditions modified		Loans and Other Receivables (Total)	Agreement conditions modified	
		Extension of Payment	Other		Extension of Payment	Other
Non-specialized Loans	89.554.864	1.675.128	--	8.567.785	3.956.841	--
Working Capital Loans	36.523.074	467.807	--	1.208.814	587.392	--
Export Loans	1.200.764	11.277	--	28.064	617	--
Import Loans	--	--	--	--	--	--
Loans Given to Financial Sector	155.529	--	--	168.531	168.531	--
Consumer Loans	15.051.910	200.190	--	1.347.718	326.834	--
Credit Cards	5.830.718	6.838	--	391.233	101.519	--
Other	30.792.869	989.016	--	5.423.425	2.771.948	--
Specialization Loans	10.039.070	19.323	--	1.323.496	620.558	--
Other Receivables	--	--	--	--	--	--
Total	99.593.934	1.694.451	--	9.891.281	4.577.399	--

^(*) The Bank has a cash loan exposure amounting to USD 93 million and EUR 19 million related with the acquisition finance of a telecommunication company within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral (31 December 2016: USD 93 million and EUR 19 million). Discussions among shareholders of the entity, creditor banks and related public institutions regarding restructuring of current main partner including change of shareholder have been commenced and it is expected that aforementioned discussions shall result in a positive development. Respective loan is classified under "Loans Under Close Monitoring and Other Receivables" as of 31 December 2017.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	1.468.552	4.045.435
Extended by 3,4 or 5 times	225.834	519.558
Extended by more than 5 times	65	12.406
Total	1.694.451	4.577.399

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended payment period of time		
0-6 Months	7.091	200.731
6-12 Months	3.923	102.016
1-2 Years	17.420	200.526
2-5 Years	482.851	1.549.297
5 Year and Over	1.183.166	2.524.829
Total	1.694.451	4.577.399

3. Information on loans according to maturity structure concentration

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other Receivables	Restructured or Rescheduled	Loans and other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	18.917.202	7.567	1.729.484	144.472
Non-Specialized Loans	17.044.339	5.439	1.622.063	97.706
Specialized Loans	1.872.863	2.128	107.421	46.766
Other Receivables	--	--	--	--
Medium and Long-Term Loans and Other Receivables	80.676.732	1.686.884	8.161.797	4.432.927
Non-Specialized Loans	72.510.525	1.669.689	6.945.722	3.859.135
Specialized Loans	8.166.207	17.195	1.216.075	573.792
Other Receivables	--	--	--	--
Total	99.593.934	1.694.451	9.891.281	4.577.399



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

4. Information on consumer loans, individual credit cards and personnel credit cards

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	356.301	15.161.852	15.518.153
Real estate Loans	4.650	4.216.772	4.221.422
Vehicle Loans	467	234.148	234.615
General Purpose Loans	351.184	10.710.932	11.062.116
Other	--	--	--
Consumer Loans-Indexed to FC	--	23.910	23.910
Real estate Loans	--	23.528	23.528
Vehicle Loans	--	--	--
General Purpose Loans	--	382	382
Other	--	--	--
Consumer Loans-FC	2.282	48.318	50.600
Real estate Loans	3	2.233	2.236
Vehicle Loans	--	--	--
General Purpose Loans	2.279	46.085	48.364
Other	--	--	--
Individual Credit Cards-TL	5.283.424	306.469	5.589.893
Installment	2.527.450	306.469	2.833.919
Non installment	2.755.974	--	2.755.974
Individual Credit Cards-FC	1.697	--	1.697
Installment	--	--	--
Non installment	1.697	--	1.697
Loans Given to Employees-TL	3.513	27.874	31.387
Real estate Loans	--	1.380	1.380
Vehicle Loans	--	61	61
General Purpose Loans	3.513	26.433	29.946
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	84	236	320
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	66	--	66
Other	18	236	254
Personnel Credit Cards - TL	25.529	170	25.699
Installment	12.408	170	12.578
Non installment	13.121	--	13.121
Personnel Credit Cards - FC	40	--	40
Installment	--	--	--
Non installment	40	--	40
Overdraft Loans-TL (Real Persons) ⁽¹⁾	772.271	--	772.271
Overdraft Loans-FC (Real Persons)	2.987	--	2.987
Total	6.448.128	15.568.829	22.016.957

⁽¹⁾ Overdrafts used by the personnel of the Parent Bank are TL 1.657 (31 December 2016: TL 1.489).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

5. Information on installment commercial loans and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans - TL	569.463	12.634.330	13.203.793
Real estate Loans	146	181.785	181.931
Vehicle Loans	10.247	372.960	383.207
General Purpose Loans	559.070	12.079.585	12.638.655
Other	--	--	--
Installment Commercial Loans - Indexed to FC	42.369	1.510.440	1.552.809
Real estate Loans	--	6.445	6.445
Vehicle Loans	132	35.055	35.187
General Purpose Loans	42.237	1.468.940	1.511.177
Other	--	--	--
Installment Commercial Loans - FC	--	43.104	43.104
Real estate Loans	--	--	--
Vehicle Loans	--	73	73
General Purpose Loans	--	43.031	43.031
Other	--	--	--
Corporate Credit Cards - TL	604.485	68	604.553
Installment	222.583	68	222.651
Non installment	381.902	--	381.902
Corporate Credit Cards - FC	69	--	69
Installment	--	--	--
Non installment	69	--	69
Overdraft Loans-TL (Legal Entities)	1.564.278	--	1.564.278
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	2.780.664	14.187.942	16.968.606

6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	1.669.280	1.427.934
Private	107.815.935	88.718.870
Total	109.485.215	90.146.804

7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	96.953.552	82.206.250
Foreign Loans	12.531.663	7.940.554
Total	109.485.215	90.146.804

8. Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	13.583	14.139
Indirect loans granted to subsidiaries and associates	--	--
Total	13.583	14.139

9. Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	189.939	128.655
Loans and Receivables with Doubtful Collectability	572.481	463.077
Uncollectible Loans and Receivables	2.366.103	2.056.223
Total	3.128.523	2.647.955



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

10. Information on non-performing loans (Net)

(i) Information on non-performing loans restructured or rescheduled

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period	64.319	25.290	208.988
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	64.319	25.290	208.988
Prior Period	16.363	28.289	105.682
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	16.363	28.289	105.682

(ii) Movement of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Balances at Beginning of Period	571.012	866.753	2.213.874
Additions (+)	1.683.428	114.032	174.992
Transfers from Other Categories of Non-Performing Loans (+)	--	1.529.890	1.553.608
Transfers from Other Categories of Non-Performing Loans (-)	1.529.890	1.553.608	--
Collections (-)	263.457	204.927	436.835
Write-offs (-) (*)	--	--	694.258
Corporate and Commercial Loans	--	--	58.856
Retail Loans	--	--	246.807
Credit Cards	--	--	175.985
Other	--	--	212.610
Balances at End of the Period	461.093	752.140	2.811.381
Specific Provisions (-)	189.939	572.481	2.366.103
Net Balance on Balance Sheet	271.154	179.658	445.278

(*) On 31 March 2017, 18 May 2017, 8 December 2017, and 29 December 2017, the Parent Bank has sold its retail loan portfolio amounting to TL 418.883 for a consideration of TL 37.700; its SME loan portfolio amounting to TL 229.359 for a consideration of TL 32.322; and its corporate-commercial portfolio amounting to 507 TL, booked under non-performing loans, to asset management companies.

While the Parent Bank has applied the minimum rates for non-performing corporate and commercial loans, retail loans and credit cards within the framework of the "Regulation on Procedures and Principles Related to the Determination of the Qualifications of Banks as Loans and Other Receivables" in the previous periods, it provided additional provision amounting to TL 279.674 based on the maximum rates of the regulation in the current period.

(iii) Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period: 31 December 2017			
Balance as of the Period End	7.423	7.320	3.047
Specific Provisions (-)	1.373	7.320	1.543
Net Balance on Balance Sheet	6.050	--	1.504
Prior Period: 31 December 2016			
Balance as of the Period End	7.700	8.431	500
Specific Provisions (-)	2.979	8.298	138
Net Balance on Balance Sheet	4.721	133	362

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

(iv) Information on non-performing loans according to beneficiary group

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period (Net): 31 December 2017	271.156	179.658	445.278
Loans Granted to Real Persons and Legal Entities (Gross)	461.093	752.125	2.811.381
Specific provisions (-)	189.939	572.466	2.366.103
Loans Granted to Real Persons and Legal Entities (Net)	271.154	179.659	445.278
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	15	--
Specific provisions (-)	--	15	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net): 31 December 2016	410.488	384.234	208.962
Loans Granted to Real Persons and Legal Entities (Gross)	539.143	845.105	2.265.185
Specific provisions (-)	128.655	460.871	2.056.223
Loans Granted to Real Persons and Legal Entities (Net)	410.488	384.234	208.962
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	2.206	--
Specific provisions (-)	--	2.206	--
Other Loan and Receivables (Net)	--	--	--

11. Liquidation policy for uncollectible loans and receivables

For uncollectible loans and receivables, the Bank tries to solve the issue with the customer. If no result is obtained, all legal actions are taken. Such actions are completed when the insufficiency of collaterals is documented or a certificate of insolvency is obtained.

12. Information on write-off from assets policy

Unrecoverable non-performing loans are written off with the decision of the Board of Directors on condition that receivable of the Group is not material compared to the costs to be incurred for the preparation of necessary documentation. TL 13.694 of loan balance is written-off in 2017 (31 December 2016: None).

f. Information on investment securities held-to-maturity

1. Information on securities subject to repurchase agreement and given as collateral or blocked

(i) Information on securities subject to repurchase agreement

Held-to-maturity investments subject to repurchase agreement are TL 1.306.054 (31 December 2016: TL 1.797.997).

(ii) Information on securities subject to given as collateral or blocked

Collateralized held-to-maturity investments are government bonds, whose book value amounts to TL 2.048.110 (31 December 2016: TL 1.099.775).

2. Information on government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	5.335.639	5.018.478
Treasury Bills	--	--
Other Government Debt Securities	--	--
Total	5.335.639	5.018.478



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

3. Information on investment securities held-to-maturity

	Current Period	Prior Period
Debt Securities	5.335.639	5.056.032
Quoted on Stock Exchange	5.335.639	5.018.478
Unquoted on Stock Exchange	--	37.554
Impairment (-)	--	--
Total	5.335.639	5.056.032

4. Information on the movement of investment securities held-to-maturity during the period

	Current Period	Prior Period
Balance at the beginning of the period	5.056.032	3.376.169
Foreign exchange differences ^(*)	390.215	260.354
Purchases during the year ^(**)	--	1.419.509
Disposals/Redemptions	(110.608)	--
Impairment losses (-)	--	--
Total	5.335.639	5.056.032

^(*) Accruals of investment securities held-to-maturity are included in "foreign exchange differences".

^(**) Classifications of available-for-sale financial assets are shown under "Purchases During The Year".

The Parent Bank transferred a portion of its securities from "investment securities available-for-sale" portfolio, with a new cost amounting to TL 2.826.026 and US Dollar 320.674 as of reclassification date, to the "investment securities held-to-maturity" portfolio due to change in the intention of holding on 23 July, 24 July, 26 December 2013, 24 January 2014 and 1 November 2016. The negative valuation differences amounting to TL 326.599 followed under equity until the date of classification will be amortized with effective interest method and recycled to profit/loss until the maturities of these securities. As of the balance sheet date, the remaining negative valuation difference under equity is TL 191.369 (31 December 2016: TL 224.805).

g. Investments in associates

1. Investments in unconsolidated associates

Title	Address (City/Country)	The Parent Bank's share percentage (%)	The Parent Bank's risk group share percentage (%)
1-Kredi Kayıt Bürosu A.Ş. (1)	İstanbul/Turkey	9	--
2-Kredi Garanti Fonu A.Ş. (2)	Ankara/Turkey	2	--
3-Ege Tarım Ürünleri Lisanslı Dep. A.Ş. (2)	İzmir/Turkey	9	--

	Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	259.153	175.797	172.993	4.049	--	36.919	16.458	--
2	314.961	304.494	6.585	18.431	--	5.530	5.483	--
3	10.819	10.496	7.996	152	--	(600)	(465)	--

(1) Information on the financial statements is presented as of the period ended 30 September 2017.

(2) Information on the financial statements is presented as of the period ended 31 December 2016.

2. Investments in consolidated associates

There are no investments in consolidated associates.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

h. Investments in subsidiaries

1. Information on shareholders' of major subsidiaries

The parent Bank does not need any capital requirement due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

Amounts at below table are prepared within the scope of regulation valid for Denizbank AG and they are obtained from financial data of 31 December 2017.

	Denizbank AG
Paid-in capital	956.523
Share premium	1.402.632
Reserves	3.821.143
Deductions from capital	2.559
Total Common Equity	6.177.739
Total additional Tier I capital	--
Deductions from capital	10.238
Total Core Capital	6.167.501
Total supplementary capital	112.955
Capital	6.280.456
Deductions from capital	--
SHAREHOLDERS' EQUITY	6.280.456

2. Information on non-consolidated subsidiaries

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%)
1-İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Istanbul/Turkey	100	--
2-Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	100	--
3-Deniz Kartlı Ödeme Sistemleri A.Ş.	Istanbul/Turkey	--	100
4-Açık Deniz Radyo ve Televizyon İletişim Yayıncılık ve Sanayi A.Ş.	Istanbul/Turkey	--	100
5-Deniz Immobilien Service GmbH	Vienna/Austria	--	100
6-Ekspres Bilgi İşlem ve Ticaret A.Ş.	Istanbul/Turkey	71	29
7-Gündem Otel Turizm A.Ş. (*)	Istanbul/Turkey	--	100

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Current Period Profit/ Portfolio	Prior Period Profit/(Loss)	Fair Value
1	155.806	(2.320)	61.099	3.419	--	872	(9.055)
2	1.246	1.241	--	--	--	(76)	44
3	202	202	--	11	--	(18)	--
4	324	318	--	--	--	15	12
5	93	93	--	--	--	3	(12)
6	18.112	16.762	2.301	1.484	--	1.018	1.285
7	29.440	29.440	29.440	--	--	--	--

(*) Deniz Gayrimenkul Yatırım Ortaklığı has purchased the shares of Gündem Otel Turizm A.Ş. on 24 November 2017 with a consideration of TL 29.440.

Information on the financial statements is presented as of the period ended 31 December 2017, and those subsidiaries are not included in consolidation because they are non-financial subsidiaries.

3. Information on consolidated subsidiaries

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%) (*)	Consolidation Method
1 Denizbank AG	Vienna/Austria	100	--	Full consolidation
2 Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--	Full consolidation
3 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--	Full consolidation
4 JSC Denizbank Moskova	Moscow / Russia	49	51	Full consolidation
5 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100	Full consolidation
6 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51	Full consolidation
7 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--	Full consolidation
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	--	91	Full consolidation
9 CR Erdberg Eins GmbH & Co KG	Vienna/Austria	--	100	Full consolidation

(*) Presenting risk group of Bank's share percentage.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
1	47.710.312	6.276.247	53.444	1.743.058	6.098	698.310	547.337	--	--
2	652.967	26.596	68	22.313	--	297	684	--	--
3	297.999	233.038	2.265	13.660	449	35.893	14.026	--	--
4	1.127.372	318.616	3.200	60.345	13.283	39.150	27.440	--	--
5	19.606	18.247	13	2.070	118	5.984	3.656	--	--
6	3.550.102	720.426	163.095	293.772	--	89.228	76.485	--	--
7	1.926.010	252.386	2.035	267.112	--	61.641	16.015	--	--
8	249.833	212.937	117	1.345	--	15.788	12.327	--	--
9	129.539	112.471	104.760	2	--	2.844	2.111	--	--

Includes information on the consolidated financial statements as of 31 December 2017.

(i) Movement of consolidated subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	2.378.988	2.307.921
Movements during the Period	352.589	71.067
Purchases (**)	209.094	--
Bonus Shares Received	--	--
Dividends from Current Year Profit	--	--
Sales (**)	--	(9.999)
Revaluation Increase, Effect of Inflation and F/X Difference	143.495	87.520
Other (*)	--	(6.454)
Allowance for impairment	--	--
Balance at the End of the Period	2.731.577	2.378.988
Capital Commitments	--	--
Share Percentage at the end of Period (%)	--	--

(*) Status of Ekspres Menkul Değerler A.Ş. has changed and it is excluded from consolidation scope.

(**) Shares of Destek Varlık Yönetim A.Ş., owned fully by Deniz Yatırım, Ekspres Bilgi İşlem, Deniz Finansal Kiralama, Deniz Faktoring and Intertech, were sold to Lider Faktoring and Merkez Faktoring with a total consideration of TL 12.320 on

29 December 2016 in accordance with the Board of Directors' decision dated 14 July 2016.

(***) Explanations related to purchases within the year are explained on Section Three, footnote III.

(ii) Sectorial information on the consolidated subsidiaries and the related carrying amounts

	Current Period	Prior Period
Banks	1.640.202	1.417.857
Insurance Companies	--	--
Factoring Companies	138.107	138.107
Leasing Companies	590.518	512.877
Finance Companies	--	--
Other Subsidiaries	362.750	310.147
Total	2.731.577	2.378.988

Balances of the consolidated subsidiaries above have been eliminated in the accompanying financial statements.

(iii) Quoted subsidiaries within the consolidation scope

	Current Period	Prior Period
Quoted on domestic markets	123.368	67.141
Quoted on foreign markets	--	--

(iv) Consolidated subsidiaries disposed during the current period: None

(v) Consolidated subsidiaries acquired during the current period: None

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

i. Entities Under Common Control (Joint Ventures)

1. Entities Under Common Control (Joint Ventures)

Title	The Parent Bank's share percentage (%)	The Group's share percentage (%)	Current Assets	Non-Current Assets	Non-Current Liabilities	Income	Expenses
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33	33	27.170	35.262	5.985	114.595	(102.730)

Information on the unaudited financial statements is presented as of the period ended 31 October 2017.

2. Reasons of being non-consolidated for non-consolidated entities under common control (Joint Ventures) and methods of recognition of entities under common control (Joint Ventures) in the Parent Bank's unconsolidated financial statements

The Parent Bank, although represents Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") with 33% of ownership rate as entities under common control in its financial statements, it was not consolidated due to being a non-financial entity. This investment is carried at cost.

Information on receivables from leasing activities

1. Maturity analysis of finance lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.051.886	820.577	192.240	184.849
Between 1-4 years	1.589.089	1.260.956	1.425.809	1.269.652
Over 4 years	604.991	520.408	1.583.458	1.182.806
Total	3.245.966	2.601.941	3.201.507	2.637.307

2. Information on net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivable	3.245.966	3.201.507
Unearned finance income (-)	644.025	564.200
Cancelled leasing agreements (-)	--	--
Net investment on finance leases	2.601.941	2.637.307

3. Information on operating lease activities

Deniz Finansal Kiralama A.Ş. started to fleet rental operations in the scope of operational leasing in June 2014.

Future receivables arising from leased assets are not recognized in the Group's balance sheet. Receivables arising from the rents invoiced within the period are recognized in the Group's balance sheet.

As of 31 December 2017, the Group's receivables which arise from its operational leasing agreements and will emerge in the future are distributed as follows by year:

	Current Period	Prior Period
Up to 1 year	35.705	31.158
Between 1-5 years	25.391	29.254
5 years and over	--	--
Total	61.096	60.412

j. Explanation on hedging purpose derivatives

None (31 December 2016: None).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

k. Information on tangible assets

	Real Estate	Tangible Fixed Assets Retained With Leasing	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	141.429	216.670	135.502	914.474	1.408.075
Accumulated Depreciation	--	(173.361)	(16.161)	(553.974)	(743.496)
Net Book Value	141.429	43.309	119.341	360.500	664.579
Current Period					--
Net Book Value at the Beginning of the Period	141.429	43.309	119.341	360.500	664.579
Changes In the Period (Net)	14.789	1	53.258	120.200	188.248
Depreciation Cost	(2.207)	(13.999)	(11.929)	(98.536)	(126.671)
Provision For Decrease In Value	--	--	--	--	--
FX Differences (Net)	16.849	--	27	6.482	23.358
Cost At the End of the Period	170.860	213.351	186.449	1.028.394	1.599.054
Accumulated Depreciation At the End of the Period	--	(184.040)	(25.752)	(639.748)	(849.540)
Net Book Value At The End Of The Period	170.860	29.311	160.697	388.646	749.514

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Positive differences between property value in expertise reports prepared by licenced valuation firms and net carrying amount of the related property are recorded under equity accounts while negative differences are recorded under income statement.

Revaluation difference amounting to TL 61.816 (31 December 2016: TL 45.894) is recognized under equity as a result of revaluation process, and impairment provision made in previous period for related properties amounting to TL (3.719) is cancelled and an impairment provision amounting to TL (2.981) is booked for related properties.

l. Information on intangible assets

	Other	Goodwill	Total
Prior Period			
Cost	640.132	869	641.001
Accumulated Depreciation	(436.182)	--	(436.182)
Net Book Value	203.950	869	204.819
Current Period			--
Net Book Value at the Beginning of the Period	203.950	869	204.819
Differences During the Period (Net)	88.237	--	88.237
Depreciation Cost	(106.282)	--	(106.282)
Provision For Decrease In Value	--	--	--
FX Differences (Net)	1.977	--	1.977
Cost At the End of the Period	734.631	869	735.500
Accumulated Depreciation At the End of the Period	(546.749)	--	(546.749)
Net Book Value At The End Of The Period	187.882	869	188.751

m. Explanation on investment property

Investment properties are properties held by Deniz GYO for the basic purpose of making lease profit.

As of 31 December 2017, the Group has investment property is amounting to TL 171.467 (31 December 2016: TL 164.527) which are carried by their fair value on the Group's Financial Statements.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

n. Information on deferred tax asset

Deferred tax asset calculated on the basis of related regulation is TL 216.618 (31 December 2016: TL 153.176) and deferred tax liability is TL 27.217 (31 December 2016: TL 15.446). These balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

The following table presents the deferred tax assets according to nature:

	Current Period	Prior Period
Miscellaneous Provisions	144.718	102.894
Unearned Revenue	67.527	56.753
Valuation Differences of Derivatives	41.818	--
Provision for Employee Benefits	29.225	22.882
Tax Losses Carried Forward	--	22.110
Others	--	629
Deferred Tax Assets	283.288	205.268
Valuation Differences of Tangible Fixed Assets	(49.457)	(32.269)
Valuation Differences of Financial Assets	(14.085)	--
Valuation Differences of Derivatives	--	(16.007)
Others	(30.345)	(19.262)
Deferred Tax Liabilities	(93.887)	(67.538)
Net Deferred Tax Assets	189.401	137.730

⁽¹⁾ Miscellaneous provisions include balances of Deniz Leasing and Deniz Faktoring, as well.

o. Explanation on property and equipment held for sale and related to discontinued operations

DFG Group has no held for trade assets and discontinuing operations in current period. (31 December 2016: None).

p. Information on other assets

1. Information on prepaid expense, taxes and similar items

DFS Group's total prepaid expenses are TL 533.432 (31 December 2016: TL 300.053).

2. Other assets do not exceed 10% of total assets excluding the off-balance sheet items.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

II. Explanations and disclosures related to consolidated liabilities

a. Information on deposits

1. Information on maturity structure of deposits

Current period – 31 December 2017:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.733.644	--	2.184.088	21.454.732	1.014.816	421.343	381.727	18.953	28.209.303
Foreign Currency Deposits (*)	16.133.455	--	3.970.271	14.116.738	1.916.662	6.996.210	21.934.506	1.485	65.069.327
Residents in Turkey	5.760.988	--	3.172.110	12.830.289	1.188.694	1.971.765	2.050.528	1.310	26.975.684
Residents Abroad	10.372.467	--	798.161	1.286.449	727.968	5.024.445	19.883.978	175	38.093.643
Public Sector Deposits	515.330	--	60.012	73.405	13.340	70	4.297	--	666.454
Commercial Deposits	3.110.416	--	2.123.010	4.923.835	161.657	235.947	134.702	--	10.689.567
Other Ins. Deposits	121.224	--	245.123	1.120.697	498.612	135.924	19.708	--	2.141.288
Precious Metal Deposits	275.983	--	41.758	270.412	24.620	25.990	8.470	5.733	652.966
Bank Deposits	184.537	--	2.137.759	413.018	6.635	802.952	436.658	--	3.981.559
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	8.500	--	1.617.817	77.332	6.132	--	--	--	1.709.781
Foreign Banks	175.275	--	519.942	335.686	503	802.952	436.658	--	2.271.016
Special Finan. Inst.	762	--	--	--	--	--	--	--	762
Other	--	--	--	--	--	--	--	--	--
Total	23.074.589	--	10.762.021	42.372.837	3.636.342	8.618.436	22.920.068	26.171	111.410.464

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 45.928.588 and Commercial Deposit customers at the amount of TL 19.140.739.

Prior period – 31 December 2016:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.322.348	--	2.355.686	15.076.048	701.221	153.831	252.692	26.694	20.888.520
Foreign Currency Deposits (*)	12.890.613	--	2.975.273	11.835.876	1.553.924	6.001.084	19.819.205	1.325	55.077.300
Residents in Turkey	5.861.977	--	2.696.271	10.866.308	1.278.067	1.962.383	1.588.328	1.165	24.254.499
Residents Abroad	7.028.636	--	279.002	969.568	275.857	4.038.701	18.230.877	160	30.822.801
Public Sector Deposits	486.443	--	38.636	51.363	3.669	349	10.808	--	591.268
Commercial Deposits	2.820.471	--	2.206.973	5.371.941	711.082	155.101	226.933	--	11.492.501
Other Ins. Deposits	102.245	--	103.356	1.515.642	128.363	9.358	178.377	--	2.037.341
Precious Metal Deposits	265.351	--	29.656	151.809	41.997	28.783	12.364	4.268	534.228
Bank Deposits	76.053	--	507.818	882.414	860	1.767	105.881	--	1.574.793
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	7.198	--	111.364	27.378	--	1.767	--	--	147.707
Foreign Banks	44.298	--	396.454	855.036	860	--	105.881	--	1.402.529
Special Finan. Inst.	24.557	--	--	--	--	--	--	--	24.557
Other	--	--	--	--	--	--	--	--	--
Total	18.963.524	--	8.217.398	34.885.093	3.141.116	6.350.273	20.606.260	32.287	92.195.951

(*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 36.483.244 and Commercial Deposit customers at the amount of TL 18.594.056.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Information on deposit insurance

(i) Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

Deposits owned by foreign subsidiaries in scope of consolidation are under insurance coverage according to legislations of countries in which they are located and are not included in following table.

	Saving Deposit Insurance Fund		Exceeding the Insurance Coverage Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	14.280.818	10.732.125	13.842.565	10.067.622
Foreign Currency Saving Deposits	3.444.973	2.373.888	11.546.115	9.536.921
Other Saving Deposits	--	--	--	--
Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--	--	--
Total	17.725.791	13.106.013	25.388.680	19.604.543

(ii) Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	90.381	162.530
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	55.016	41.124
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--	--
Deposits belong to Off-Shore Banks who are established in Turkey	245.974	24.265
Total	391.371	227.919

(iii) Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

b. Information on trading purpose derivatives

1. Negative value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	9.968	36.629	40.220	19.978
Swap Transactions	630.077	511.969	506.384	595.267
Futures Transactions	--	--	--	--
Options	13.082	83.740	7	86.530
Other	--	--	--	--
Total	653.127	632.338	546.611	701.775

c. Information on funds borrowed

1. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank Loans	--	--	--	--
Domestic Banks and Institutions	1.081.828	885.776	1.094.208	740.691
Foreign Banks, Institutions and Funds	1.026.369	11.686.269	1.035.318	8.388.474
Total	2.108.197	12.572.045	2.129.526	9.129.165

2. Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1.521.592	5.982.179	1.602.323	3.571.403
Medium and Long-Term	586.605	6.589.866	527.203	5.557.762
Total	2.108.197	12.572.045	2.129.526	9.129.165



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

3. Additional explanation on concentrations of the Group's liabilities

Deposits constitute the most important fund of the Group, and they account for 69% of total funds (31 December 2016: 68%). Loans received, subordinated loans, debts to money markets and issued securities account for 17% of total funds (31 December 2016: 19%).

d. Information on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	27.942	1.100.070	--	1.309.730
Bills	2.296.203	--	1.766.245	--
Asset Backed Securities	248.543	--	415.080	--
Total	2.572.688	1.100.070	2.181.325	1.309.730

Nominal value of TL 73.637 (31 December 2016: TL 70.095) of the securities issued were repurchased by the Parent Bank and offset in the financial statements.

e. If other liabilities line of the balance sheet exceeds 10% of the balance sheet total; excluding the off balance sheet commitments; information on components making up at least 20% of the other liabilities

Other liabilities do not exceed 10% of the balance sheet total excluding the off-balance sheet items.

f. Information on lease payables

None (31 December 2016: None).

1. Changes in agreements and further commitments arising

None (31 December 2016: None).

2. Obligations under finance leases

None (31 December 2016: None).

3. Explanations on operational leases

DFS Group has operational lease agreements for its bank branches, motor vehicles and ATM locations. Rental payments for the majority of these agreements are made and expensed on a monthly basis. The unexpired portion of prepayments made for rent agreements on a yearly basis are accounted for under prepaid expenses in "other assets".

4. Explanation on "sell-and-lease back" agreements

There is no sale and lease back transactions in the current period.

g. Information on liabilities arising from hedging purpose derivatives

None (31 December 2016: None).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

h. Explanation on provisions

1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.035.450	907.233
Additional Provision for Loans with Extended Maturities	29.113	71.838
Provisions for Loans and Receivables in Group II	299.763	258.866
Additional Provision for Loans with Extended Maturities	158.654	160.565
Provisions for Non Cash Loans	105.552	103.255
Other	--	--
Total	1.440.765	1.269.354

The minimum provision rates for the calculation of the general provision are defined in "Regulation on the Amendment of the Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks and the Other Receivables and Provisions to be Issued" published in the Official Gazette dated 14 December 2016 and numbered 29918, and the Bank provided a general provision above the minimum provision rates as of 31 December 2017. If the minimum allowance rates stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 1.125.000 (31 December 2016: TL 868.000).

2. Provision for currency exchange gain/loss on foreign currency indexed loans

As of 31 December 2017, the reserves allocated for the exchange rate differences of loans indexed to foreign currency amount to TL 11.313 (31 December 2016: TL 128). Provisions for exchange rate differences pertaining to loans indexed to foreign currency are netted off against the loans and receivables under assets in the financial statements.

3. Liabilities on provision for employee benefits

TAS 19 requires using the actuarial method for calculation of obligations the company.

Accordingly, the following actuarial assumptions were used in the calculation of the total reserve for employee termination benefits:

	Current Period	Prior Period
Discount rate	4,69%	5,71%
Interest rate	11,50%	11,00%
Expected rate of salary/limit increase	6,50%	5,00%

As of 31 December 2017, TL 111.109 of provision for employee termination benefits (31 December 2016: TL 86.385) and TL 32.549 of unused vacation accruals (31 December 2016: TL 35.334) were reflected to the consolidated financial statements.

Movement of the provision during the period:

	Current Period	Prior Period
Balance at the Beginning of the Period	86.385	70.923
Changes in the period	36.946	21.344
Actuarial loss/gain	13.704	8.388
Paid in the period	(26.595)	(14.517)
FX difference	669	247
Balance at the End of the Period	111.109	86.385

4. Information on other provisions

(i) Information on other provisions exceeding 10% of total provisions

TL 398.822 of other provisions is provided for possible future losses related to certain loans in the loan portfolio (31 December 2016: TL 233.823), TL 98.485 (31 December 2016: TL 85.998) specific provisions for non-cash loans, TL 65.000 provision for possible developments in the overall economic and market conditions, TL 43.336 (31 December 2016: TL 29.059) for provisions for the litigations against the Bank and provisions for operational risk and TL 37.747 includes other provisions (31 December 2016: TL 8.198).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2017, the corporate tax provision of DFS Group is TL 443.436 (31 December 2016: TL 320.330), and it has been offset with prepaid taxes amounting to TL 342.395 (31 December 2016: TL 312.220).

(ii) Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	101.041	8.110
Taxation on securities	71.157	52.785
Capital gains taxes on property	2.093	1.992
Banking Insurance Transaction Tax (BITT)	62.735	50.659
Taxes on foreign exchange transactions	--	--
Value added taxes payable	4.638	3.636
Other	50.942	46.938
Total	292.606	164.120

(iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	9.386	8.154
Social security premiums- employer share	10.481	8.933
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	464	348
Pension fund membership fees and provisions- employer share	568	426
Unemployment insurance- employee share	669	582
Unemployment insurance- employer share	1.299	1.111
Other	5.044	6.045
Total	27.911	25.599

2. Information on deferred tax liabilities

Deferred tax liability calculated on the basis of related regulation is TL 27.217 (31 December 2016: TL 15.446). Information on deferred taxes is disclosed in Note "m" of explanations and disclosures related to consolidated assets.

j. Information on debts of fixed assets held for sales purposes and related to discontinuing operations

None.

k. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Other Domestic Institutions	--	--	--	--
Foreign Banks	--	5.261.522	--	5.483.501
Other Foreign Institutions	--	--	--	--
Total	--	5.261.522	--	5.483.501

Information on subordinated loans are provided in note numbered I-b in Fourth section.

l. Information on shareholders' equity

1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.316.100	3.316.100
Preferred Stock	--	--

Paid-in capital of the Parent Bank is shown at nominal value.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital

Registered paid-in capital system is not applied.

3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None.

4. Information on share capital increases from revaluation funds

None.

5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The capital is totally paid in and there are no capital commitments.

6. Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators

Balance sheets of the entities under DFS Group are managed prudently, to minimize the negative effects of interest rate, foreign currency and credit risks. This policy contributes to the progress of DFS Group's profitability with a steady increasing trend.

7. Information on the privileges given to stocks representing the capital

The Parent Bank does not have any preferred stocks.

8. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Shares ^(*)	50.368.526	50.368.526
Preferred Stock	--	--
Common Stock Issue Premium ^(**)	15	15
Common Stock Cancellation Profits	--	--
Other Equity Instruments	--	--
Total Common Stock Issued (*)	50.369	50.369

(*) Related to the Bank's paid-in capital increase on 27 September 2004. At that date, the paid-in capital was increased from TL 202.000 to TL 290.000; and TL 50.369 of this TL 88.000 increase was received in cash through issuance of new shares to the public.

(**) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008. Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015. A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

9. Securities Revaluation Reserve

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and JVs	--	--	--	--
Valuation Difference	(428.373)	(19.026)	(444.941)	(110.354)
FX Difference	--	--	--	--
Total	(428.373)	(19.026)	(444.941)	(110.354)

10. Information on hedging funds

Explanations about hedging funds are in Note VIII of Section Four.

11. Information on minority shares



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

	Current Period	Prior Period
Balance at the Beginning of the Period	8.270	7.198
Minority interest in net income of consolidated subsidiaries	1.374	1.072
Increase/(decrease) in minority interest due to disposals	--	--
Other	--	--
Balance at the End of the Period	9.644	8.270

12. Information on revaluation differences of tangible assets

DFS Group has passed to revaluation model from cost model in the framework of TAS 16 "Tangible Fixed Assets" in valuation of properties in use which are recorded under tangible fixed assets as of 31 December 2016 while it records all of its other tangible fixed assets in accordance with cost model. Revaluation difference amount of TL 50.906 is recognized under equities as a result of revaluation process.

The account also includes TL 66.854 gain on sale of real estate, associates, subsidiaries and equity securities classified as available-for-sale and recorded in equity.

13. Explanation of profit distribution

According to the dividend distribution proposal of the Parent Bank's Board of Directors at the Ordinary General Assembly held on 29 March 2017, TL 70.464 is allocated as legal reserve, 75% of sales income of real estate and participation shares amounting to TL 66.854 is allocated to savings funds in accordance with Article 5 subparagraph 1/e of the Law of Corporate Tax No 5520. It has been decided that the remaining TL 1.271.963 from the net profit of the year 2016 amounting to TL 1.409.281 is allocated to extraordinary reserves.

III. Explanations and disclosures related to consolidated off-balance sheet items

a. Information related to off-balance sheet commitments

1. Type and amount of irrevocable commitments

All of DFS Group's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2017, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 28.371.266, TL 14.216.415 and TL 2.375.880, respectively. (31 December 2016: TL 28.782.015, TL 12.764.645 and TL 2.111.130, respectively). These items are detailed in the off-balance sheet accounts.

2. Type and amount of possible losses from off-balance sheet items referred to below

(i) Guarantees, bills of exchange and acceptances and other letters of credit which can be considered as financial collateral

As of 31 December 2017, DFS Group has letters of guarantee amounting to TL 22.531.211, bills of exchange and acceptances amounting to TL 204.541, and guarantees and sureties on letters of credit amounting to TL 3.132.744 and other guarantees and sureties amounting to TL 2.502.770.

As of 31 December 2016 DFS Group has letters of guarantee amounting to TL 21.782.215, bills of exchange and acceptances amounting to TL 256.830, and guarantees and sureties on letters of credit amounting to TL 2.426.616 and other guarantees and sureties amounting to TL 4.316.354.

(ii) Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	946.459	1.103.750
Final Letters of Guarantee	14.140.276	14.223.149
Letters of Guarantee for Advances	2.402.152	2.874.152
Letters of Guarantee given to Customs Offices	161.951	169.797
Other Letters of Guarantee	4.880.373	3.411.367
Total	22.531.211	21.782.215

3. Information on non-cash loans

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

(i) Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	8.125.808	8.211.637
With Original Maturity of 1 Year or Less	7.691.929	7.816.907
With Original Maturity of More Than 1 Year	433.879	394.730
Other Non-Cash Loans	20.245.458	20.570.378
Total	28.371.266	28.782.015

(ii) Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	139.420	1,25	193.480	1,13	125.897	1,25	115.147	0,61
Farming and Cattle	136.563	1,22	192.397	1,12	124.881	1,24	113.637	0,61
Forestry	1.775	0,02	1.083	0,01	584	0,01	768	--
Fishing	1.082	0,01	--	--	432	--	742	--
Manufacturing	1.882.658	16,87	7.596.277	44,12	2.217.779	22,09	8.391.528	44,78
Mining	161.110	1,44	219.513	1,28	325.222	3,24	277.560	1,48
Production	1.561.839	14,00	6.689.187	38,85	1.558.544	15,52	7.509.548	40,07
Electric, Gas, Water	159.709	1,43	687.577	3,99	334.013	3,33	604.420	3,23
Construction	3.430.640	30,75	4.099.609	23,81	2.982.079	29,70	5.275.696	28,15
Services	3.724.310	33,39	3.905.656	22,69	3.304.228	32,89	3.421.731	18,26
Wholesale and Retail Trade	2.220.924	19,91	2.350.478	13,65	1.963.421	19,55	1.788.412	9,54
Hotel and Restaurant Services	244.290	2,19	385.461	2,24	250.429	2,49	351.862	1,88
Transportation and telecommunication	526.167	4,72	790.567	4,59	489.354	4,87	855.957	4,57
Financial institutions	286.184	2,57	318.039	1,85	296.000	2,95	340.408	1,82
Real estate and letting services	47.336	0,42	4.878	0,03	21.577	0,21	3.998	0,02
Self-employment services	--	--	--	--	--	--	--	--
Education services	216.080	1,94	13.086	0,08	38.997	0,39	11.688	0,06
Health and social services	183.329	1,64	43.147	0,25	244.450	2,43	69.406	0,37
Other	1.978.211	17,74	1.421.005	8,25	1.411.681	14,07	1.536.249	8,20
Total	11.155.239	100,00	17.216.027	100,00	10.041.664	100,00	18.740.351	100,00

(iii) Information about the first and second group of non-cash loans

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	10.794.733	11.153.294	344.932	238.252
Bank Acceptances	4.773	199.768	--	--
Letters of Credit	--	3.132.744	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	10.801	2.491.969	--	--
Total	10.810.307	16.977.775	344.932	238.252



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

b. Information related to derivative financial instruments

Current Period	Up to 1 month	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions						
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)						
Forward FC Call Transactions	39.433.403	15.159.401	16.064.785	5.503.039	--	76.160.628
Forward FC Pull Transactions	1.922.370	1.084.914	949.064	73.733	--	4.030.081
Swap FC Call Transactions	1.912.783	1.095.765	925.124	72.907	--	4.006.579
Swap FC Pull Transactions	16.907.008	4.617.033	4.075.612	2.550.481	--	28.150.134
Options FC Call Transactions	15.703.344	4.577.968	3.885.763	2.791.720	--	26.958.795
Options FC Pull Transactions	1.479.656	1.879.799	3.073.114	7.022	--	6.439.591
Futures FC Call Transactions	1.508.242	1.903.922	3.156.108	7.176	--	6.575.448
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	1.100.000	1.129.706	2.364.060	9.169.318	12.940.194	26.703.278
Swap Interest Call Transactions	550.000	164.853	782.030	4.584.659	6.412.677	12.494.219
Swap Interest Pull Transactions	550.000	164.853	782.030	4.584.659	6.412.677	12.494.219
Options Interest Call Transactions	--	--	800.000	--	57.420	857.420
Options Interest Pull Transactions	--	800.000	--	--	57.420	857.420
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.694.012	258.648	312.748	--	--	2.265.408
B. Total Types of Trading Transactions (I + II + III)	42.227.415	16.547.755	18.741.593	14.672.357	12.940.194	105.129.314
Total Derivatives Transactions (A+B)	42.227.415	16.547.755	18.741.593	14.672.357	12.940.194	105.129.314
Prior Period						
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions						
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)						
Forward FC Call Transactions	34.214.405	16.867.847	5.859.534	4.509.821	--	61.451.607
Forward FC Pull Transactions	1.165.432	174.033	687.902	--	--	2.027.367
Swap FC Call Transactions	388.688	927.659	689.440	--	--	2.005.787
Swap FC Pull Transactions	14.903.585	7.050.000	890.994	2.170.588	--	25.015.167
Options FC Call Transactions	13.239.897	7.109.478	718.065	2.339.233	--	23.406.673
Options FC Pull Transactions	2.241.094	825.161	1.410.230	--	--	4.476.485
Futures FC Call Transactions	2.275.709	781.516	1.462.903	--	--	4.520.128
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	19.259	1.073.356	2.583.656	3.918.759	12.445.642	20.040.672
Swap Interest Call Transactions	10.557	536.678	1.291.828	1.958.678	6.159.507	9.957.248
Swap Interest Pull Transactions	8.702	536.678	1.291.828	1.960.081	6.159.507	9.956.796
Options Interest Call Transactions	--	--	--	--	63.314	63.314
Options Interest Pull Transactions	--	--	--	--	63.314	63.314
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.556.043	34.940	169.418	332.334	--	2.092.735
B. Total Types of Trading Transactions (I + II + III)	35.789.707	17.976.143	8.612.608	8.760.914	12.445.642	83.585.014
Total Derivatives Transactions (A+B)	35.789.707	17.976.143	8.612.608	8.760.914	12.445.642	83.585.014

c. Credit derivatives and risk exposures on credit derivatives

None.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

d. Contingent assets and liabilities

A tax investigation report for 2010 has been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file costs collected from customers who use individual credits, with respect to Resource Utilization Support Fund ("RUSF"). Accordingly, a payment accrual slip including Resource Utilization Support Fund at an amount of TL 1.774 and delaying penalty at an amount of TL 2.141 has been submitted on account of the fact that the Bank has not calculated RUSF over file cost collected from customers who use individual credits. There is no provision made in financial statements since the implementation of the Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenues rather than interest revenue in Uniform Chart of Account published by Banking Regulation and Supervision Agency and similar decisions of the Courts. The Bank has appealed to the court for the stay of execution on 29 January 2016. The defendant tax office has notified the Bank regarding payment orders on 15 March 2016 since the aforementioned case has not been concluded. The Bank has paid a total amount of TL 3.957 to Large Taxpayers Office with prejudice including a RUSF at an amount of TL 1.774, a penalty rate amounting to TL 2.141 and a late fee at an amount of TL 42 on 21 March 2016 and has applied to Istanbul Tax Court for the stay of execution and cancellation of payment orders on 22 March 2016. According to the court decision communicated on 2 March 2017, the accrued and penalty interest amount related to RUSF for the period January-December 2010 and the paid amounts to the Large Taxpayers Office was decided to be returned to the Bank. The related amount has been deducted on 27 March 2017. The defendant administration went to the appeal process to reverse the judgement.

A tax investigation report for 2011 has been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file costs collected from customers who use individual credits, with respect to RUSF. Accordingly, a payment accrual slip including RUSF at an amount of TL 2.182 and delaying penalty at an amount of TL 2.911 has been submitted on account of the fact that the Bank has not calculated RUSF over file cost collected from customers who use individual credits. There is no provision made in financial statements since the implementation of the Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenues rather than interest revenue in Uniform Chart of Account published by Banking Regulation and Supervision Agency and similar decisions of the Courts. The Bank has appealed to the Istanbul Administrative Court for the stay of execution on 16 January 2017. It is decided to suspend execution on 19 January 2017. The lawsuit process is still in progress.

Tax investigation reports for the years 2012, 2013, 2014 have been issued by the Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file costs collected from customers who use individual credits with respect to RUSF. Fund. In tax inspection reports, accrual payment slips including RUSF at amounts of TL 6.620 for 2012, TL 2.345 for 2013, TL 3.776 for 2014 and delaying penalties at amounts of TL 6.885 for 2012, TL 2.016 for 2013 and TL 2.265 for 2014 have been submitted on account of the fact that the Parent Bank has not calculated RUSF over file cost collected from customers who use individual credits. There are no provisions made in financial statements since the implementation of the Parent Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenue rather than interest revenue, and that the repayment of file expenditures in court decisions should not be considered as interest, in Uniform Chart of Account published by Banking Regulation and Supervision Agency. The Parent Bank has filed claims in order for suspension of execution for the years 2012, 2013 and 2014, respectively to Istanbul 2nd Administrative Court, to Istanbul 12th Administrative Court and to Istanbul 7th Administrative Court on 5 September 2017. Suspensions of execution have been decreed with regards to the claims, and the lawsuit process is still in progress.

In addition to the matters explained in detail above, the Group has provided a provision amounting to TL 38.146 (31 December 2016: TL 23.959) for the lawsuits against the Group in accordance with the precautionary principle. These provisions are classified among "Other provisions". Except for those provisioned, other ongoing lawsuits are unlikely to result in a negative conclusion and cash outflow is not foreseen for them.

e. Activities carried out on behalf and account of other persons

The Bank provides trading, custody, management and consultancy services to its customers.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

IV. Explanations and disclosures related to consolidated statement of income

a. Interest income

1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term Loans	2.665.117	139.133	2.525.685	111.928
Medium and Long Term Loans	5.782.087	2.398.566	4.190.252	1.851.111
Loans Under Follow-Up	62.303	--	44.456	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
Total	8.509.507	2.537.699	6.760.393	1.963.039

Interest income received from loans also includes fees and commissions from cash loans granted.

2. Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	113.514	576	2	602
Domestic Banks	74.824	9.653	2.365	9.825
Foreign Banks	3.079	18.580	343	1.473
Foreign Head Offices and Branches	--	--	--	--
Total	191.417	28.809	2.710	11.900

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to TL 101.420 (1 January - 31 December 2016: 56.689) recognized under "Interest Income Received From Required Reserves" account.

3. Information on interest income received from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	10.181	6.724	3.334	293
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Investment Securities Available-for-Sale	527.387	54.682	576.263	97.476
Investment Securities Held-to-Maturity	428.610	79.842	288.851	30.477
Total	966.178	141.248	868.448	128.246

4. Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	552	359

b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	224.898	653.533	179.630	520.306
Central Bank of the Republic of Turkey	61	--	52	--
Domestic Banks	85.021	24.095	103.919	8.451
Foreign Banks	139.816	629.438	75.659	511.855
Foreign Head Offices and Branches	--	--	--	--
Other Institutions	--	--	--	--
Total	224.898	653.533	179.630	520.306

Interest expense related to funds borrowed also includes fees and commission expenses.

2. Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	8.039	3.344

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

3. Information on interest expense paid to securities issued

	Current Period	Prior Period
Interest Paid to Securities Issued	336.432	226.336

4. Maturity structure of the interest expense on deposits

Account Name	Time Deposit						Cumulative Deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year		
TL								
Bank Deposits	14	63.805	--	--	--	--	--	63.819
Saving Deposits	32	244.740	2.166.069	96.928	31.920	34.646	1.761	2.576.096
Public Sector Deposits	--	3.179	14.958	789	34	958	--	19.918
Commercial Deposits	1	271.463	626.344	23.398	25.049	17.023	--	963.278
Other Deposits	--	11.938	139.938	54.767	30.638	8.853	--	246.134
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Total	47	595.125	2.947.309	175.882	87.641	61.480	1.761	3.869.245
FC								
Foreign Currency Deposits	3.274	560.839	432.809	64.166	34.823	38.259	6	1.134.176
Bank Deposits	1.719	21.603	--	--	--	--	--	23.322
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	4	10.914	3.151	568	1.584	244	91	16.556
Total	4.997	593.356	435.960	64.734	36.407	38.503	97	1.174.054
Grand Total	5.044	1.188.481	3.383.269	240.616	124.048	99.983	1.858	5.043.299

c. Dividend Income

	Current Period	Prior Period
Trading Securities	--	--
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-For-Sale	262	--
Other ⁽¹⁾	968	205
Total	1.230	205

⁽¹⁾ Presents dividend income from unconsolidated subsidiaries and associates.

d. Information on trading income/loss

	Current Period	Prior Period
Income	314.041.836	231.976.770
Capital Market Transactions	19.078	19.677
Derivative Financial Instruments	6.062.753	4.575.590
Foreign Exchange Gains	307.960.005	227.381.503
Loss (-)	315.019.697	232.546.890
Capital Market Transactions	59.160	48.117
Derivative Financial Instruments	7.038.693	4.517.646
Foreign Exchange Losses	307.921.844	227.981.127
Net Trading Income / Loss	(977.861)	(570.120)

Net gain from foreign exchange translation differences related to derivative financial instruments is TL (1.525.389) (net gain for the period 1 January – 31 December 2016: TL 265.964).

e. Information on other operating income

	Current Period	Prior Period
Reversal of prior periods' provisions	319.749	332.407
Gain on sale of properties	31.452	13.262
Communication income	10.568	10.957
Cheque book fees	3.676	3.743
Other	376.135	408.293
Total	741.580	768.662



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

f. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	1.449.404	1.241.892
<i>Loans and Receivables in Group III</i>	254.978	123.029
<i>Loans and Receivables in Group IV</i>	423.308	313.688
<i>Loans and Receivables in Group V</i>	771.118	805.175
Non-performing Commissions and Other Receivables	--	--
General Loan Loss Provisions	171.411	294.015
Free Provision for Probable Risks	172.943	222.471
Impairment Losses on Securities	--	--
<i>Financial Assets at Fair Value Through Profit or Loss</i>	--	--
<i>Investment Securities Available-for-Sale</i>	--	--
Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities Held to Maturity	--	--
<i>Associates</i>	--	--
<i>Subsidiaries</i>	--	--
<i>Joint Ventures</i>	--	--
<i>Investment Securities Held-to-Maturity</i>	--	--
Other	150.169	45.031
Total	1.943.927	1.803.409

g. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	1.457.912	1.359.190
Reserve for Employee Termination Benefits	4.835	7.202
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	3.719
Depreciation Charges of Tangible Assets	126.671	120.372
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	106.282	92.092
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	1.508	2.579
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	1.125.266	975.872
<i>Operational Lease Expenses</i>	313.100	242.400
<i>Repair and Maintenance Expenses</i>	71.797	60.462
<i>Advertisement Expenses</i>	90.487	92.763
<i>Other Expenses (*)</i>	649.882	580.247
Losses on Sale of Assets	4.655	4.376
Other	388.398	360.768
Total	3.215.527	2.926.170

(*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationary, entertainment and representation, heating and lighting, credit card service fee and others amounting to TL 67.539, TL 102.923, TL 26.769, TL 8.704, TL 27.508, TL 190.254 and TL 225.536, respectively (1 January – 31 December 2016: TL 78.141, TL 82.257, TL 21.216, TL 5.105, TL 24.813, TL 113.765 and TL 252.015, respectively).

h. Information on profit / loss before tax from continued and discontinued operations

As 1 January - 31 December 2017, DFS Group has a profit before tax from continuing operations amounting to TL 2.491.638 (1 January-31 December 2016: TL 1.825.057).

i. Information on tax provision for continued and discontinued operations

1. Current period taxation benefit or charge and deferred tax benefit or charge

As 1 January - 31 December 2017 the current period taxation charge on continuing operations is TL 425.560 (1 January – 31 December 2016: TL 301.748) while deferred tax charge is TL 163.946 (1 January - 31 December 2016: TL 122.935 deferred tax benefit).

There are not current period taxation charge on discontinuing operations. (1 January - 31 December 2016: none).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

2. Deferred tax benefit / (charge) arising from origination or reversal of temporary differences

Deferred tax benefit/charge arising from temporary differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	160.750	24.307
Arising from Reversal of Deductible Temporary Differences (-)	(314.539)	(124.207)
Arising from Origination of Taxable Temporary Differences (-)	(52.999)	(55.351)
Arising from Reversal of Taxable Temporary Differences (+)	42.842	32.316
Total	(163.946)	(122.935)

3. Deferred tax benefit / (charge) arising from temporary differences, tax losses or unused tax credits

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(153.607)	(28.777)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(10.158)	(23.035)
Arising from Origination (+)/ Reversal (-) of Tax Losses	(181)	(71.123)
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	(163.946)	(122.935)

j. Information on continuing and discontinued operations net profit/loss

DFS Group has a net profit is amounting to TL 1.902.132 (31 December 2016: TL 1.401.099).

DFS Group does not have discontinuing operations.

k. Information on net profit and loss

1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

Income generated from DFS Group's ordinary banking transactions during the current and prior period are mainly consisted of interest income from loans and marketable securities and income from other banking services. Main expense items are the interest expenses related to deposits and borrowings which are the main funding sources of marketable securities and loans.

2. Profit or loss attributable to minority interests

	Current Period	Prior Period
Profit/(loss) attributable to minority interests	1.374	1.072

3. No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.

1. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items

Other Fees and Commissions Received	Current Period	Prior Period
Credit card clearing and other commissions	750.717	608.509
Contracted merchant / POS commissions	288.249	258.470
Insurance services	263.739	158.719
Filing fees	203.754	145.506
Intermediary services	91.541	84.490
Account management fees	57.251	56.528
Remittance commissions	54.360	42.472
Expertise fees	18.795	16.767
Other	157.045	113.970
Total	1.885.450	1.485.431

Other Fees and Commissions Paid	Current Period	Prior Period
Credit card / POS commissions	401.789	305.524
EFT fees and commissions	11.954	10.163
Other	98.120	95.493
Total	511.863	411.180

V.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL – Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VI. Explanations and disclosures related to consolidated statement of changes in shareholders' equity

a. Information on capital increase

Parent Bank has increased its paid-in capital at a total amount of TL 1.500.000 consisting of share premiums amount of TL 39, sales profits from shares of subsidiaries and associates and properties amounting to TL 113.097, extraordinary reserves amounting to TL 636.864 and in cash amounting to TL 750.000 on 28 June 2016.

b. Information on issuance of shares

Share premium, at an amount of TL 39, has been added to paid-in capital with the capital increase made by the Bank on 28 June 2016.

A premium of issued shares amounting to TL 15 was formed as a result of capital increase of TL 1.500.000 made on 28 June 2016.

c. Information on distribution of profit

General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

d. Information on increase/decrease amounts resulting from merger

None.

e. Information on investments available-for-sale

“Unrealised gain/loss” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the “Marketable securities valuation differences” account under equity, until the financial assets are derecognised, sold, disposed or impaired.

f. Hedging transactions

Explained in Information on hedging transactions in Note XI of Section Four.

g. Revaluation difference on tangible assets

Revaluation differences on tangible assets includes gains on sales of subsidiaries and gains on sales of real estates and explained in detail in Note II-l-12 of Section Five.

h. Information on foreign exchange differences

Balance sheet items of Bahrain branch of the Parent Bank and subsidiaries of the Group located outside Turkey are retranslated into Turkish Lira with the foreign exchange rates prevailing at the balance sheet date, and income statements items are translated into Turkish Lira with the average foreign exchange rates. Related foreign exchange differences are accounted in the shareholders' equity under “Other profit reserves.”

Detailed explanations in detail are provided in “Information on foreign exchange difference in Note II-b of Section Three”.

i. Other

None.

j. Amounts transferred to reserves

The Parent Bank transferred TL 145.881 (31 December 2016: TL 715.091) to extraordinary reserves from prior period profits in 2017. TL 70.464 is transferred to legal reserves in 2017 (31 December 2016: TL 38.132).

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VII. Explanations and disclosures related to consolidated cash flow statement

a. Information on cash and cash equivalents

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities less than three months are defined as "Cash equivalents".

i. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	01.01.2017	01.01.2016
Cash	6.111.804	5.066.168
Cash in Vault, foreign currencies and other	1.824.283	1.411.721
Banks demand deposits	4.287.521	3.654.447
Cash and Cash Equivalent	7.850.740	4.880.925
Interbank Money market placements	3.001.570	1.213.997
Banks time deposits	4.734.305	3.333.389
Securities	114.865	333.539
Total Cash and Cash Equivalents	13.962.544	9.947.093

ii. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
	31.12.2017	31.12.2016
Cash	9.981.924	6.111.804
Cash in Vault, foreign currencies and other	1.896.119	1.824.283
Banks demand deposits	8.085.805	4.287.521
Cash and Cash Equivalent	6.654.104	7.850.740
Interbank Money market placements	784.845	3.001.570
Banks time deposits	5.736.860	4.734.305
Securities	132.399	114.865
Total Cash and Cash Equivalents	16.636.028	13.962.544

b. Information on cash and cash equivalent assets of DFS Group that are not available for free use due to legal restrictions or other reasons

DFS Group made a total provision for required reserves on CB of Turkey and other foreign Central Banks in amount of TL 15.072.673 (31 December 2016: TL 13.015.077).

c. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents

"Other" item amounting to TL (2.444.013) (31 December 2016: TL (5.183.999)) before "changes in operating assets and liabilities" comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 13.962.544 (31 December 2016: TL 9.947.093) to TL 16.636.028 in 2016 (31 December 2016: TL 13.962.544).

"Other liabilities" item included in "change in assets and liabilities arising from banking activities", amounting to TL (363.826) (31 December 2016: TL (1.444.812)) comprise changes in sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 602.221 as of 31 December 2017 (31 December 2016: TL 803.652).



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

VIII. Explanations and disclosures related to DFS Group's risk group

a. Information on loans and other receivables to DFS Group's risk group

Current Period

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	14.146	128.405	5.448	7.721	56	4
Balance at the End of the Period	13.587	130.539	9.439	4.655	19.046	--
Interest and Commission Income Received	559	28	484	5	4	--

^(*) As described in the Article 49 of Banking Law no.5411.

Prior Period

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	2	35.394	2.299	19.970	33	30
Balance at the End of the Period	14.146	128.405	5.448	7.721	56	4
Interest and Commission Income Received	377	54	126	8	3	--

^(*) As described in the Article 49 of Banking Law no.5411.

b. Information on deposits held by and funds borrowed from DFS Group's risk group

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder ^(**)		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	102.325	27.778	6.607.506	6.257.056	9.247	8.552
Balance at the End of the Period	60.929	102.325	8.811.959	6.607.506	18.991	9.247
Interest and Commission Income Received	8.680	1.925	410.154	231.906	594	1.028

^(*) As described in the Article 49 of Banking Law no.5411.

^(**) Includes the subordinated loan of US Dollar 1.050 million and Euro 115 million received from Sberbank.

c. Information on forward and option agreements and similar agreements made with DFS Group's risk group

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	6.368
Balance at the End of the Period	--	--	51.000	--	--	--
Total Income/(Loss)	--	--	8.264	(5.989)	--	(388)
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

^(*) As described in the Article 49 of Banking Law no.5411.

d. Information on benefit provided to top management

DFS Group made payment amounting to TL 83.415 (31 December 2016: TL 81.609) to its top management in 2017.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

e. Information on transactions with DFS Group's risk group

As of 31 December 2017, cash loans and other receivables of the risk group represent 0,03% of DFS Group's total cash loans and bank deposits granted the deposits and borrowings represent 6,7% of DFS Group's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,5% of the total balance.

The risk group, which DFS Group belongs to, has finance and operation lease contracts with Deniz Leasing. The Parent Bank gives brokerage services through its branches for Deniz Yatırım. As part of the consolidation adjustments, these balances and transactions have been eliminated from the accompanying financial statements.

IX. Domestic, foreign and off-shore banking branches and foreign representatives of the Parent Bank

a. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number of Employees		Country of Incorporations		
Domestic branch	696	12.251			
Foreign representation	-	-			
				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	8.492.506	-

b. Explanations on the Parent Bank's branch and agency openings or closings

The Parent Bank opened 28 new branches and closed 25 branches in 2017.

c. The branches of associates and subsidiaries

There are 43 branches of Denizbank AG, of which headquarter is located centrally in Vienna. 27 of branches are located in Austria, 16 branches are in Germany.

JSC Denizbank Moscow, which is located in Moscow, does not have any branches.



DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. Other explanations related to DFS Group's operations

a. Explanations related to DFS Group's operations

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies

Moody's ^(*)		Fitch Ratings ^(**)	
Outlook	Negative	Outlook	Positive
Long Term Foreign Currency Deposits	Ba2	Long Term Foreign Currency	BB+
Short Term Foreign Currency Deposits	Not Prime	Short Term Foreign Currency	B
Long Term Local Currency Deposits	Ba2	Long Term Local Currency	BB+
Short Term Local Currency Deposits	Not Prime	Short Term Local Currency	B
Bank Financial Strenght Rating (BCA)	ba3	Viability	bb
		Support	3
		National	AA (tur)

*As of 20.07.2017

**As of 05.10.2017

c. Subsequent events

Sberbank of Russia (Sberbank), commenced initial strategic discussions with Emirates NBD Bank PJSC (Emirates NBD) regarding Denizbank A.Ş. (Denizbank), including the possibility of Emirates NBD acquiring Sberbank's existing shareholding in Denizbank. Discussions are at a very preliminary stage and there is no certainty that any transaction will be entered into.

Sberbank also stated that it routinely evaluates potential opportunities in different markets and a further announcement will only be made if there is a significant development.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation
of Consolidated
Financial Report
Originally Issued in
Turkish, See Note 3.I.c

SECTION SEVEN INDEPENDENT AUDITORS' REPORT

I. Matters to be disclosed related to Independent Audit Report

Consolidated financial statements and notes of DFS Group are subject to independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and audit report dated 7 February 2018 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditor

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of DFS Group.



CONTACT INFORMATION FOR DENİZBANK A.Ş.

Head Office

Büyükdere Cad. No:141 34394

Esentepe-İstanbul

Tel: +90 (212) 348 20 00

Fax: +90 (212) 354 83 48

Website

www.denizbank.com

Trade Register Number

368587

Domestic Branches

DenizBank has 697 branches in Turkey. Information on domestic branches is available on the DenizBank website.

<https://www.denizbank.com/en/service-points/default.aspx>

Foreign Branches

Bahrain Branch

Al Jasrah Tower 6th Floor, Office 62/63 PO Box 10357, Diplomatic Area, Manama – Bahrain

Tel: (+973) 17541137

Faks: (+973) 17541139



DenizBank is a member of Sberbank Group.

