

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND
AUDIT REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016**



**CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Directors of Türk Ekonomi Bankası A.Ş.;

Report on Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Türk Ekonomi Bankası A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016 and the related consolidated statement of income, consolidated income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and 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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements 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. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. and its subsidiaries as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and 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.

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

A handwritten signature in blue ink, appearing to read "Engin Çubukçu", is written over a faint, stylized blue graphic element.

Engin Çubukçu, SMMM
Partner

Istanbul, 7 February 2017



TEB

BNP PARIBAS JOINT VENTURE

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Sokullu Caddesi, No: 7A-7B Ümraniye 34768 İSTANBUL
Tel : (0216) 635 35 35
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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016

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The consolidated financial report for the year-end, prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:


- General Information About the Parent Bank
- Consolidated Financial Statements of the Parent Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information Related to Financial Position and Risk Management of the Consolidated Group
- Disclosures and Footnotes on Consolidated Financial Statements
- Other Explanation
- Independent Auditor’s Report


The subsidiaries, associates and jointly controlled entities, financial statements have been consolidated in this reporting package are as follows:


	Subsidiaries	Associates	Jointly Controlled Entities
1	TEB Yatırım Menkul Değerler A.Ş.	-	-
2	TEB Faktoring A.Ş.	-	-
3	TEB Portföy Yönetimi A.Ş.	-	-


The accompanying consolidated financial statements, related disclosures and footnotes which are audited and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and in compliance with the financial records of the Parent Bank, and unless stated otherwise, presented in thousands of Turkish Lira (TL).



Yavuz Canevi
Chairman of the
Board of
Directors


Jacques Roger
Jean Marie Rinino
Chairman
of the Audit
Committee


Dr. Akın Akbayrak
Vice Chairman
of the Audit
Committee


Ali Lülebcici
General
Manager


M. Aşkın Dolandır
Assistant General
Manager Responsible of
Financial Reporting


Gökhan Kazcılar
Director
Responsible of
Financial Reporting

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title: Aslihan Kaya / External Reporting Senior Manager
Tel No : (0216) 635 24 51
Fax No : (0216) 636 36 36

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**TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

I. History of the Parent Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “The Parent Bank”), which has been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş.. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009, BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Parent Bank’s Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank’s Belongs to

As of 31 December 2016 and 31 December 2015 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2016		31 December 2015	
	Paid in capital	%	Paid in capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	467,879	21.23
BNP Paribas SA	5,253	0.24	5,253	0.24
Kocaeli Chamber of Commerce	501	0.02	501	0.02
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2016, the Parent Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1.00 (full TL) nominal each.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr. Akin Akbaygil	Deputy Chairman of the Board of Directors and Vice Chairman of the Audit Committee	PhD
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Ayşe Aşardağ	Member of the Board of Directors	University
Ümit Leblebici	General Manager and the Executive Director	Master
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Alain Georges Auguste Fonteneau	Member of the Board of Directors	Master
Yvan L.A.M. De Cock	Member of the Board of Directors and Audit Committee	University
Musa Erden	Member of the Board of Directors	University
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee	University
Pascal Jean Fischer	Member of the Board of Directors	University
Assistant General Managers;		
Turgut Boz	Senior Assistant General Manager Responsible from SME Banking Group and Deputy Chairman of General Manager	University
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Dr. Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources Group	PhD
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant General Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs Group	Master
Osman Durmuş	Assistant General Manager Responsible from Retail and Small Business Credit Group	University
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özdi	Assistant General Manager Responsible from Corporate Loans	University
Nuri Tuncalı	Assistant General Manager Responsible from SME Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Dr. Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Group Heads (*);		
Pascal Alfred J. Gilliard	Chief Risk Officer	University
Biröl Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Tıraşın	Internal Audit Group	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

There are no bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

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**TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Information on the Parent Bank’s Qualified Shareholders

Name / Commercial Name	Share Amount	Share Ratio	Paid up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by BNP Paribas Fortis NV/SA whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNP Yatırımlar Holding are controlled by BNP Paribas SA.

V. Summary on the Parent Bank’s Functions and Lines of Activity

The Parent Bank’s operating areas include, corporate, commercial, SME, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2016, the Parent Bank has 511 local branches and 4 foreign branches (31 December 2015: 528 local branches, 4 foreign branches). As of 31 December 2016, the number of employees of the Group is 9,958 (31 December 2015: 10,238).

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation about the Entities Subject to Full Consolidation or Proportional Consolidation and Entities which are Deducted from Equity or Entities which are not Included in these Three Methods

There is no difference between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting for the Bank.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between Parent Bank and its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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- VII. Consolidated Statement of Profit Distribution

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**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015			
		Section 5 Note	TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH AND BALANCES WITH CENTRAL BANK	(I-1)	1,958,801	9,708,614	11,667,415	1,202,307	8,713,621	9,915,928
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	1,035,624	237,198	1,272,822	599,312	100,633	699,945
2.1	Financial Assets Held for Trading		1,035,624	237,198	1,272,822	599,312	100,633	699,945
2.1.1	Government Debt Securities		189,384	13,810	203,194	194,821	11,007	205,828
2.1.2	Equity Securities		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading	(I-3)	846,240	223,388	1,069,628	404,491	89,626	494,117
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(I-4)	195,236	1,397,094	1,592,330	621,048	716,404	1,337,452
IV.	MONEY MARKET PLACEMENTS		2,001,067	-	2,001,067	206	-	206
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		2,001,067	-	2,001,067	206	-	206
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-5)	4,057,427	48,963	4,106,390	4,031,751	98,873	4,130,624
5.1	Equity Securities		22,298	20,908	43,206	21,544	75,150	96,694
5.2	Government Debt Securities		4,035,129	28,055	4,063,184	4,010,207	23,723	4,033,930
5.3	Other Marketable Securities		-	-	-	-	-	-
VI.	LOANS AND RECEIVABLES	(I-6)	44,763,612	11,629,589	56,393,201	43,599,455	9,699,647	53,299,102
6.1	Loans and Receivables		44,206,118	11,629,589	55,835,707	43,196,275	9,699,647	52,895,922
6.1.1	Loans to Risk Group of the Bank		2,116	-	2,116	10,477	2	10,479
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		44,204,002	11,629,589	55,833,591	43,185,798	9,699,645	52,885,443
6.2	Loans under Follow-up		1,771,775	-	1,771,775	1,232,527	-	1,232,527
6.3	Specific Provisions (-)		1,214,281	-	1,214,281	829,347	-	829,347
VII.	FACTORING RECEIVABLES	(I-18)	652,469	1,027,567	1,680,036	555,685	652,638	1,208,323
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(I-7)	361,508	-	361,508	339,417	-	339,417
8.1	Government Debt Securities		361,508	-	361,508	339,417	-	339,417
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-8)	-	-	-	-	-	-
9.1	Accounted with Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		-	-	-	-	-	-
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		-	-	-	-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-9)	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-financial Subsidiaries		-	-	-	-	-	-
XI.	JOINT VENTURES (Net)	(I-10)	5	-	5	5	-	5
11.1	Accounted with Equity Method		-	-	-	-	-	-
11.2	Unconsolidated Joint Ventures		5	-	5	5	-	5
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		5	-	5	5	-	5
XII.	FINANCIAL LEASE RECEIVABLES	(I-11)	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-12)	195,320	-	195,320	58,309	-	58,309
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		195,320	-	195,320	58,309	-	58,309
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(I-13)	245,035	-	245,035	285,508	-	285,508
XV.	INTANGIBLE ASSETS (Net)	(I-14)	505,823	-	505,823	473,474	-	473,474
15.1	Goodwill		421,124	-	421,124	421,124	-	421,124
15.2	Other		84,699	-	84,699	52,350	-	52,350
XVI.	INVESTMENT PROPERTIES (Net)	(I-15)	-	-	-	-	-	-
XVII.	TAX ASSET		109,340	-	109,340	90,465	-	90,465
17.1	Current Tax Asset		56,385	-	56,385	1,742	-	1,742
17.2	Deferred Tax Asset	(I-16)	52,955	-	52,955	88,723	-	88,723
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-17)	91,254	-	91,254	71,874	-	71,874
18.1	Held for Sale Purpose		91,254	-	91,254	71,874	-	71,874
18.2	Related to Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(I-19)	941,888	227,503	1,169,391	1,029,397	272,459	1,301,856
TOTAL ASSETS			57,114,409	24,276,528	81,390,937	52,958,213	20,254,275	73,212,488

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

		Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015			
		Section 5 Note	TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	(II-1)	29,182,765	20,628,421	49,811,186	28,615,414	15,762,218	44,377,632
1.1	Deposits from Risk Group of the Bank		717,186	1,733,384	2,450,570	555,149	1,003,773	1,558,922
1.2	Other		28,465,579	18,895,037	47,360,616	28,060,265	14,758,445	42,818,710
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	787,782	154,832	942,614	466,111	53,286	519,397
III.	FUNDS BORROWED	(II-3)	568,203	13,791,298	14,359,501	1,659,879	11,075,414	12,735,293
IV.	MONEY MARKET BALANCES		1,500,872	-	1,500,872	2,413,098	-	2,413,098
4.1	Interbank Money Market Payables		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market Takings		43,122	-	43,122	28,311	-	28,311
4.3	Funds Provided under Repurchase Agreements	(II-4)	1,457,750	-	1,457,750	2,384,787	-	2,384,787
V.	SECURITIES ISSUED (Net)	(II-3)	739,302	-	739,302	184,110	86,553	270,663
5.1	Bills		739,302	-	739,302	184,110	86,553	270,663
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		1,058,986	379,232	1,438,218	1,003,280	292,703	1,295,983
VIII.	OTHER EXTERNAL FUNDING PAYABLE	(II-5)	843,448	3,352	846,800	1,063,037	1,421	1,064,458
IX.	FACTORING PAYABLES	(II-14)	6,759	10,929	17,688	5,503	9,853	15,356
X.	FINANCIAL LEASE PAYABLES	(II-6)	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-7)	284,492	-	284,492	158,539	677	159,216
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		284,492	-	284,492	158,539	677	159,216
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	(II-8)	1,130,722	14,063	1,144,785	1,048,748	115,721	1,164,469
12.1	General Loan Loss Provisions		684,898	-	684,898	699,098	-	699,098
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Benefits		245,197	10,003	255,200	209,755	5,209	214,964
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		200,627	4,060	204,687	139,895	110,512	250,407
XIII.	TAX LIABILITY	(II-9)	143,148	-	143,148	235,380	-	235,380
13.1	Current Tax Liability		143,148	-	143,148	235,380	-	235,380
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-10)	-	-	-	-	-	-
14.1	Held for Sale Purpose		-	-	-	-	-	-
14.2	Related to Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(II-11)	-	2,299,885	2,299,885	-	1,940,036	1,940,036
XVI.	SHAREHOLDERS' EQUITY	(II-12)	7,863,265	(819)	7,862,446	6,750,050	271,457	7,021,507
16.1	Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2	Capital Reserves		991,974	(819)	991,155	821,314	59,479	880,793
16.2.1	Share Premium		2,565	-	2,565	2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(56,870)	(819)	(57,689)	(67,787)	59,523	(8,264)
16.2.4	Revaluation Differences surplus on Tangible Assets		311,160	-	311,160	97,024	-	97,024
16.2.5	Revaluation Differences surplus on Intangible Assets		-	-	-	-	-	-
16.2.6	Revaluation Differences surplus on Investment Property		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		527	-	527	527	-	527
16.2.8	Hedging Funds (Effective Portion)		30,509	-	30,509	80,987	(44)	80,943
16.2.9	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		704,083	-	704,083	707,998	-	707,998
16.3	Profit Reserves		3,705,542	-	3,705,542	2,981,325	211,978	3,193,303
16.3.1	Legal Reserves		277,392	-	277,392	230,800	-	230,800
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		3,112,112	-	3,112,112	2,461,561	211,978	2,673,539
16.3.4	Other Profit Reserves		316,038	-	316,038	288,964	-	288,964
16.4	Profit or Loss		953,562	-	953,562	735,577	-	735,577
16.4.1	Prior Periods Profit / (Loss)		9,497	-	9,497	9,497	-	9,497
16.4.2	Current Period Profit / (Loss)		944,065	-	944,065	726,080	-	726,080
16.5	Minority Interest	(II-13)	7,797	-	7,797	7,444	-	7,444
TOTAL LIABILITIES AND EQUITY			44,109,744	37,281,193	81,390,937	43,603,149	29,609,339	73,212,488

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015			
		Section 5 Note	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		65,040,414	77,768,648	142,809,062	54,826,586	53,052,884	107,879,470
I.	GUARANTEES	(III-1)	7,440,755	10,081,225	17,521,980	6,275,583	8,223,238	14,498,821
1.1	Letters of Guarantee		5,980,989	5,644,422	11,625,411	4,805,952	5,061,178	9,867,130
1.1.1	Guarantees Subject to State Tender Law		181,761	65,364	247,125	142,514	115,200	257,714
1.1.2	Guarantees Given for Foreign Trade Operations		340,571	362,876	703,447	302,325	829,643	1,131,968
1.1.3	Other Letters of Guarantee		5,458,657	5,216,182	10,674,839	4,361,113	4,116,335	8,477,448
1.2	Bank Acceptances		-	40,100	40,100	-	48,830	48,830
1.2.1	Import Letter of Acceptance		-	40,100	40,100	-	48,830	48,830
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	1,720,120	1,720,120	1,419	1,405,327	1,406,746
1.3.1	Documentary Letters of Credit		-	598,503	598,503	1,419	1,447,003	148,422
1.3.2	Other Letters of Credit		-	1,121,617	1,121,617	-	1,258,324	1,258,324
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 Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		1,452,413	2,168,186	3,620,599	1,465,662	1,176,545	2,642,207
1.9	Other Collaterals		7,353	508,397	515,750	2,550	531,358	533,908
II.	COMMITMENTS	(III-1)	11,793,585	2,381,056	14,174,641	11,892,491	1,442,735	13,335,226
2.1	Irrevocable Commitments		11,793,585	2,381,056	14,174,641	11,892,491	1,442,735	13,335,226
2.1.1	Asset Purchase and Sale Commitments		491,072	1,119,328	1,610,400	347,976	1,219,279	1,567,255
2.1.2	Deposit Purchase and Sale Commitments		-	896,710	896,710	-	-	-
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		4,038,561	195,532	4,234,093	4,306,371	478	4,306,849
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheque Payments		2,309,458	-	2,309,458	2,260,921	-	2,260,921
2.1.8	Tax and Fund Liabilities from Export Commitments		15,615	-	15,615	26,185	-	26,185
2.1.9	Commitments for Credit Card Expenditure Limits		4,648,912	-	4,648,912	4,580,727	-	4,580,727
2.1.10	Commitments for Credit Cards and Banking Services Promotions		3,962	-	3,962	4,538	-	4,538
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		286,005	169,486	455,491	365,773	222,978	588,751
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	45,806,074	65,306,367	111,112,441	36,658,512	43,386,911	80,045,423
3.1	Derivative Financial Instruments for Hedging Purposes		13,446,771	966,515	14,413,286	12,880,140	1,378,498	14,258,638
3.1.1	Fair Value Hedge		-	-	-	-	-	-
3.1.2	Cash Flow Hedge		13,446,771	966,515	14,413,286	12,880,140	1,378,498	14,258,638
3.1.3	Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Held for Trading Transactions		32,359,303	64,339,852	96,699,155	23,778,372	42,008,413	65,786,785
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3,976,134	6,811,075	10,787,209	3,696,905	6,047,077	9,743,982
3.2.1.1	Forward Foreign Currency Transactions-Buy		1,398,000	3,950,259	5,348,259	1,331,946	3,475,605	4,807,551
3.2.1.2	Forward Foreign Currency Transactions-Sell		2,578,134	2,860,816	5,438,950	2,364,959	2,571,472	4,936,431
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		23,121,205	42,061,548	65,182,753	15,050,915	27,797,051	42,847,966
3.2.2.1	Foreign Currency Swap-Buy		7,407,908	23,458,816	30,866,724	5,241,928	13,832,508	19,074,436
3.2.2.2	Foreign Currency Swap-Sell		15,113,297	15,575,906	30,689,203	9,408,987	9,623,579	19,032,566
3.2.2.3	Interest Rate Swaps-Buy		200,000	1,513,413	1,813,413	200,000	2,170,482	2,370,482
3.2.2.4	Interest Rate Swaps-Sell		300,000	1,513,413	1,813,413	200,000	2,170,482	2,370,482
3.2.3	Foreign Currency, Interest Rate and Securities Options		5,260,914	15,456,719	20,717,633	5,030,552	8,162,470	13,193,022
3.2.3.1	Foreign Currency Options-Buy		2,939,259	7,466,345	10,405,604	2,100,903	4,524,006	6,624,909
3.2.3.2	Foreign Currency Options-Sell		2,321,655	7,990,374	10,312,029	2,929,649	3,638,464	6,568,113
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		1,050	10,510	11,560	-	1,815	1,815
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		172,391,347	28,264,066	200,655,413	161,703,595	24,544,621	186,248,216
IV.	ITEMS HELD IN CUSTODY		33,917,527	1,837,732	35,755,259	35,398,554	1,489,887	36,888,441
4.1	Assets under Management		8,254,360	-	8,254,360	9,864,449	-	9,864,449
4.2	Investment Securities Held in Custody		13,380,351	674,459	14,054,810	14,217,391	391,059	14,608,450
4.3	Checks Received for Collection		9,988,948	817,324	10,806,272	10,538,519	845,235	11,383,754
4.4	Commercial Notes Received for Collection		361,454	100,201	461,655	349,355	119,139	468,494
4.5	Other Assets Received for Collection		309	245,748	246,057	-	134,454	134,454
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items under Custody		1,932,105	-	1,932,105	428,840	-	428,840
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		137,797,412	26,383,556	164,180,968	125,888,687	22,995,805	148,884,492
5.1	Marketable Securities		333,827	42,508	376,335	618,925	50,545	669,470
5.2	Guarantee Notes		55,334,143	17,782,290	73,116,433	56,060,113	16,661,735	72,721,848
5.3	Commodity		25,538	792,274	817,812	114,135	206,019	320,154
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		73,950,655	4,503,250	78,453,905	61,766,008	4,088,626	65,854,634
5.6	Other Pledged Items		8,153,249	3,263,234	11,416,483	7,329,506	1,988,880	9,318,386
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		676,408	42,778	719,186	416,354	58,929	475,283
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			237,431,761	106,032,714	343,464,475	216,530,181	77,597,505	294,127,686

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016
AND 2015

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. CONSOLIDATED STATEMENT OF INCOME

	Section 5 Note	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
I. INTEREST INCOME	(IV-1)	7,331,200	6,343,431
1.1 Interest Income on Loans		6,644,436	5,732,189
1.2 Interest Income on Reserve Deposits		52,008	21,805
1.3 Interest Income on Banks		31,847	38,672
1.4 Interest Income on Money Market Placements		24,223	50,023
1.5 Interest Income on Marketable Securities Portfolio		468,516	389,979
1.5.1 Held-for-trading Financial Assets		46,312	22,100
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Financial Assets Available for Sale		393,349	340,131
1.5.4 Held-to-maturity Investments		28,855	27,748
1.6 Financial Lease Income		-	-
1.7 Other Interest Income	(IV-12)	110,170	110,763
II. INTEREST EXPENSE	(IV-2)	3,824,367	3,204,580
2.1 Interest Expense on Deposits		3,220,858	2,631,428
2.2 Interest Expense on Funds Borrowed		328,462	338,930
2.3 Interest Expense on Money Market Borrowings		188,986	155,981
2.4 Interest Expense on Securities Issued		37,759	43,072
2.5 Other Interest Expense		48,302	35,169
III. NET INTEREST INCOME (I - II)		3,506,833	3,138,851
IV. NET FEES AND COMMISSIONS INCOME / EXPENSE		1,027,735	1,069,156
4.1 Fees and Commissions Received		1,392,201	1,468,675
4.1.1 Non-cash Loans		151,564	127,875
4.1.2 Other	(IV-12)	1,240,637	1,340,800
4.2 Fees and Commissions Paid		364,466	399,519
4.2.1 Non-cash Loans		2,929	2,502
4.2.2 Other	(IV-12)	361,537	397,017
V. DIVIDEND INCOME	(IV-3)	798	1,112
VI. TRADING GAIN / (LOSS) (NET)	(IV-4)	(383,080)	(554,202)
6.1 Securities Trading Gains / (Losses)		3,077	2,124
6.2 Gains / (Losses) on Derivative Financial Instruments		400,285	772,636
6.3 Foreign Exchange Gains / (Losses)		(786,442)	(1,328,962)
VII. OTHER OPERATING INCOME	(IV-5)	572,241	301,355
VIII. TOTAL OPERATING INCOME / (LOSS) (III+IV+V+VI+VII)		4,724,527	3,956,272
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-6)	1,121,939	947,461
X. OTHER OPERATING EXPENSES (-)	(IV-7)	2,411,344	2,203,556
XI. NET OPERATING INCOME / (LOSS) (VIII-IX-X)		1,191,244	805,255
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAX (XI+...+XIV)	(IV-8)	1,191,244	805,255
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-9)	(245,988)	(185,971)
16.1 Current Tax Provision		(183,999)	(213,116)
16.2 Deferred Tax Provision		(61,989)	27,145
XVII. NET PROFIT / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(IV-10)	945,256	619,284
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	196,202
18.1 Income on Assets Held for Sale		-	-
18.2 Income on Sale of Associates, Subsidiaries and Joint Ventures		-	127,510
18.3 Income on Other Discontinued Operations		-	68,692
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	76,093
19.1 Loss from Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3 Loss from Other Discontinued Operations		-	76,093
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)	(IV-8)	-	120,109
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(IV-9)	-	(12,353)
21.1 Current Tax Provision		-	(15,537)
21.2 Deferred Tax Provision		-	3,184
XXII. NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS (XX±XXI)	(IV-10)	-	107,756
XXIII. NET PROFIT / (LOSS) (XVII+XXII)	(IV-11)	945,256	727,040
23.1 Group's Profit / (Loss)		944,065	726,080
23.2 Minority Interest Profit / (Loss)		1,191	960
Earnings per Share		0.4283	0.3294

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 2015

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. CONSOLIDATED INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY

	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM FINANCIAL ASSETS AVAILABLE FOR SALE	(62,118)	20,236
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	(74,625)
V. PROFIT / (LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE CHANGES)	(63,044)	176,327
VI. PROFIT / (LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR FOREIGN NET INVESTMENT HEDGE OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE CHANGES)	-	-
VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME / EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(4,561)	22,516
IX. DEFERRED TAX OF VALUATION DIFFERENCES	26,221	(43,699)
X. NET INCOME / EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(103,502)	100,755
XI. PROFIT / (LOSS)	945,256	727,040
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit / (Loss))	95,425	(24,128)
11.2 Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	(5,789)	(3,548)
11.3 Transfer of Foreign Net Investment Hedge Operations to Income Statement	-	-
11.4 Other	855,620	754,716
XII. TOTAL PROFIT / (LOSS) ACCOUNTED FOR THE PERIOD (X±XI)	841,754	827,795

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares Obtained from Associates	Hedging Funds	Revaluation Surplus on Assets Held for Sale and Disc. Op.	Total Equity Except from Minority Shares	Minority Shares	Total Equity
Prior Period - 01.01-31.12.2015																			
I.		2,204,390	200,262	2,565	-	196,866	-	2,132,173	792,049	-	651,043	(24,578)	91,991	527	(60,118)	-	6,187,170	7,390	6,194,560
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		2,204,390	200,262	2,565	-	196,866	-	2,132,173	792,049	-	651,043	(24,578)	91,991	527	(60,118)	-	6,187,170	7,390	6,194,560
Changes in Period																			
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	(V-a)	-	-	-	-	-	-	-	-	-	-	16,314	-	-	-	-	16,314	(60)	16,254
VI.	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	(74,625)	-	-	-	-	-	-	-	(74,625)	-	(74,625)
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	18,063	-	-	-	-	-	-	-	18,063	2	18,065
XIX.		-	-	-	-	-	-	-	-	726,080	-	-	-	-	-	-	726,080	960	727,040
XX.		-	-	-	-	33,934	-	541,366	61,213	-	(641,546)	-	5,033	-	-	-	-	(848)	(848)
20.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(848)	(848)
20.2		-	-	-	-	33,934	-	541,366	61,213	-	(641,546)	-	5,033	-	-	-	-	-	-
20.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2015																			
(III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)																			
		2,204,390	200,262	2,565	-	230,800	-	2,673,539	796,700	726,080	9,497	(8,264)	97,024	527	80,943	-	7,014,063	7,444	7,021,507

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares Obtained from Associates	Hedging Funds	Revaluation Surplus on Assets Held for Sale and Disc. Op.	Total Equity Except from Minority Shares	Minority Shares	Total Equity
Current Period- 01.01-31.12.2016																			
I.		2,204,390	200,262	2,565	-	230,800	-	2,673,539	796,700	-	735,577	(8,264)	97,024	527	80,943	-	7,014,063	7,444	7,021,507
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	(V-a)	-	-	-	-	-	-	-	-	-	-	(49,425)	-	-	-	-	(49,425)	(7)	(49,432)
IV.	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,434)	-	(50,434)	-	(50,434)
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	(50,434)	-	(50,434)	-	(50,434)
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	(3,620)	-	-	-	-	-	-	-	(3,620)	(16)	(3,636)
XVII.		-	-	-	-	-	-	-	-	944,065	-	-	-	-	-	-	944,065	1,191	945,256
XVIII.		-	-	-	-	46,592	-	438,573	26,779	-	(726,080)	-	214,136	-	-	-	-	(815)	(815)
18.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(815)	(815)
18.2		-	-	-	-	46,592	-	438,573	26,779	-	(726,080)	-	214,136	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2016																			
(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)																			
		2,204,390	200,262	2,565	-	277,392	-	3,112,112	819,859	944,065	9,497	(57,689)	311,160	527	30,509	-	7,854,649	7,797	7,862,446

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Section 5 Note	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		1,933,978	1,610,100
1.1.1 Interest Received		6,453,780	6,261,058
1.1.2 Interest Paid		(3,331,268)	(3,182,791)
1.1.3 Dividend Received		798	-
1.1.4 Fees and Commissions Received		1,955,779	2,102,487
1.1.5 Other Income		881,481	1,107,097
1.1.6 Collections from Previously Written Off Loans		644,667	495,010
1.1.7 Payments to Personnel and Service Suppliers		(1,011,798)	(935,546)
1.1.8 Taxes Paid		(345,278)	(204,207)
1.1.9 Others	(VI-1)	(3,314,183)	(4,033,008)
1.2 Changes in operating assets and liabilities		608,366	(1,362,858)
1.2.1 Net Decrease / (Increase) in Financial Assets Held for Trading		2,730	(114,769)
1.2.2 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.3 Net Decrease in Due From Banks and Other Financial Institutions		51,369	49,827
1.2.4 Net Increase in Loans	(VI-1)	(3,901,014)	(7,140,560)
1.2.5 Net Increase in Other Assets		(735,279)	(582,221)
1.2.6 Net Decrease in Bank Deposits		(844,858)	(639,945)
1.2.7 Net Increase in Other Deposits		5,406,251	5,143,285
1.2.8 Net Increase in Funds Borrowed		1,646,555	2,323,425
1.2.9 Net (Decrease) / Increase in Matured Payables		-	-
1.2.10 Net Decrease in Other Liabilities	(VI-1)	(1,017,388)	(401,900)
I. Net cash provided from banking operations		2,542,344	247,242
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash (used in) / provided from investing activities		(64,201)	593,922
2.1 Cash Paid for Purchase of Entities under Common Control, Associates and Subsidiaries (Joint Vent.)		-	-
2.2 Cash Obtained from Sale of Entities under Common Control, Associates and Subsidiaries (Joint Vent.)		-	346,768
2.3 Fixed Assets Purchases		(55,981)	(63,308)
2.4 Fixed Assets Sales		319	1,352
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		(2,247,988)	(2,964,870)
2.6 Cash Obtained from Sale of Financial Assets Available for Sale		2,313,981	3,303,411
2.7 Cash Paid for Purchase of Investment Securities		-	-
2.8 Cash Obtained from Sale of Investment Securities		-	-
2.9 Others	(VI-1)	(74,532)	(29,431)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		459,651	(712,418)
3.1 Cash Obtained from Funds Borrowed and Securities Issued		726,988	266,556
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(266,521)	(978,800)
3.3 Capital Increase		-	-
3.4 Dividends Paid		(816)	-
3.5 Payments for Finance Leases		-	(174)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash Equivalents	(VI-1)	601,388	313,450
V. Net increase / (decrease) in cash and cash equivalents		3,539,182	442,196
VI. Cash and cash equivalents at beginning of the period	(VI-2)	3,881,418	3,439,222
VII. Cash and cash equivalents at end of the period	(VI-2)	7,420,600	3,881,418

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Current Audited Period 31.12.2016(*)	Prior Audited Period 31.12.2015(*)
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 YEARS' 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 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 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) The Bank does not distribute profit on consolidated accounts.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2016**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

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

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

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

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained between Notes II to XXV.

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the Parent Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS announced but not applicable as of the report date, except TFRS 9 Financial Instruments, will have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Group has started works in order to comply with TFRS 9 Financial Instruments Standard, which will be effective from 1 January 2018.

Additional paragraph for convenience translation into English:

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

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

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and even small individual investors in line with Banking Legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2016**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions
(continued)**

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

At period ends, foreign currency asset and liability balances are valued at the Parent Bank’s period-end counter currency buying rates and recognized as a “Foreign exchange gain/loss”.

The Parent Bank’s hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the Currency Risk section; and the Parent Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Parent Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank’s balance sheet structure.

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Parent Bank, with no difference in practice between TAS and IFRS, and also the subsidiaries are consolidated by using line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method. The Parent Bank and the entities included in the consolidation are referred to as “the Group” in this report.

The accompanying consolidated financial statements are prepared in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated November 8, 2006 numbered 26340.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis SA /NV amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. The Economy Bank N.V. is consolidated until 31 December 2015 and the amounts arising from NV’s operations presented under “Discontinued Operations” line in prior period income statement.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

<u>Commercial Name</u>	<u>Head Office</u>
TEB Faktoring	Turkey
TEB Yatırım	Turkey
TEB Portföy	Turkey

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

When there are differences between the accounting policies of the subsidiaries and the Parent Bank, the financial statements are adjusted in accordance with the principle of materiality. The financial statements of the subsidiaries are prepared as of 31 December 2016, and 31 December 2015.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

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IV. Explanations on Forward and Option Contracts and Derivative Instruments

Derivative financial instruments are booked under off-balance sheet items. Derivative financial instruments where the underlying asset is money or commodity are booked based on the amounts to be received / paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market.

The cash flows of forward, currency swap, interest rate swap, and cross currency swap transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted into Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives are reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income / expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

The Parent Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

The hedge effectiveness between the derivative instruments / transactions used for hedging and hedged item are measured regularly, and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

During period where the relation between hedging instrument and the hedged item is measured;

- a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit and loss,
- b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

While the Parent Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains /(Losses) from Derivative Financial Instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

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V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued interest on the loans are reversed on the date of classification as loans under follow-up.

Interest accruals on the loans under follow-up are recorded as interest income only when they are collected.

VI. Explanations on Fees and Commission Income and Expenses

Income on banking services incomes which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in “commissions on cash loans” account and are recognized as income over the period of the loan by discounting with effective interest rate. Variable costs related with the allocation of consumer loans are calculated and commissions received up to the calculated amount are recorded directly as income.

For Bankassurance services provided by the Parent Bank commissions from insurance companies are recorded as income on accrual basis.

The commissions related with non-cash loans or periodic banking services are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities and which create operational costs are discounted by effective interest rate and are recorded as expense in relevant period according to the cut-off principle.

VII. Explanations on Financial Assets

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires, (a) accounting of the asset when acquired by the entity and (b) disposing of the asset out of the balance sheet on the date settled by the entity; and accounting of gain or loss on disposal as of the same date. In applying settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between the commercial transaction date and settlement date.

Marketable securities are classified as “Financial assets at fair value through profit or loss”, “Financial assets available for sale” or “Held-to-maturity investments”.

The fair value of marketable securities is the market price. The market price of marketable securities traded in stock exchange is the weighted average of their trading price at the market. If marketable securities are not traded in stock exchange, the market price for TL marketable securities are considered as the closing price announced by the Central Bank, and for Eurobonds as the average of buy and sell price in Bloomberg.

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VII. Explanations on Financial Assets (continued)

Financial Assets at Fair Value through Profit and Loss

Financial Assets at Fair Value through Profit and Loss are divided in two sub-categories: “financial assets held for trading” and “financial assets designated upon initial recognition as at fair value through profit or loss”. Financial assets held for trading are acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking. The financial assets held for trading are recognized as at their fair value and are measured with their fair value following their recognition. Gains and losses upon valuation are included in profit and loss accounts.

The amortized cost of financial assets held for trading with maturity are reflected in “Interest Income on Securities”. The positive difference between this interest and the price calculated with fair value method is recorded as “Profits on purchases/sales of marketable securities” and the negative difference as “Loss on purchases/sales of marketable securities”. The profit shares are recorded in dividend income. Financial assets designated as financial assets at fair value through profit or loss” is used for the financial assets that are needed to be classified within the scope of Financial Instruments: Accounting and Measurement Accounting Standards in Turkey (TAS 39) in order to have a more proper demonstration even if they were not purchased for trading purposes.

Financial Assets Available for Sale

Financial assets available for sale are comprised of financial assets other than “loan and receivables”, “Financial assets held-to-maturity”, “Financial assets at fair value through profit or loss” and non-derivative financial instruments. Financial assets available for sale are recorded at their fair value including related purchase costs plus the transaction costs.

Discounts and premiums of the financial assets available for sale are taken into account on the amortized cost calculation and are recorded in income statement as a part of interest rate.

Amortized cost of financial assets available for sale are recorded in profit and loss as interests from marketable securities. The differences between the fair value and amortized cost, are recorded in “security valuation differences”, under equity. When financial assets available for sale are sold, all fair value differences accumulated under equity are reflected in income statement.

Held-to-Maturity Investments

Held-to-maturity investments are the financial assets that will be held until the maturity date, for which all requirements are fulfilled to hold till the maturity date including funding capability. They have fixed or determinable payments and fixed maturities. Held-to-maturity investments are firstly recorded by adding the transaction costs to the purchase price which reflect their fair value.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

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

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VII. Explanations on Financial Assets (continued)

Loans and Receivables

Loans are non-derivative financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and are not classified as trading or held for sale.

The Parent Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

The effective interest rate for a loan is the rate that equals the expected cash flows of principal and interest to the loan allocation amount.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for loans under follow-up are determined by the Group’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

All collected expenses and commissions related with cash loans are rediscounted with the effective interest rate.

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables. The collections regarding the provisions provided in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Loans under Follow-up” account.

Current period provisions are booked in “Provision for Loan Losses and Other Receivables” account. If the provisions for the receivables that had been realized in earlier periods are collected in current year, reversals of specific provisions which are allocated in earlier periods are booked in “Other Operating Income”. Income realized through the sale of loans under follow-up is booked in “Other Operating Income” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Parent Bank reserves general loan loss provisions for loans and other receivables.

Specific provisions are provided by TEB Faktoring based on the Communiqué on “Uniform Accounting Plan and Registration Statement to be applied by Financial Leasing, Factoring and Financing Companies” published in the Official Gazette No. 29918 on 14 December 2016.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Parent Bank evaluates the carrying amounts of its financial asset or the groups of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the amount of impairment is determined and its provision is made.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence (or nonoccurrence) of one or more than one event (“loss event”) after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not journalized.

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IX. Explanations on Offsetting of Financial Assets and Liabilities

If there is a legally enforceable right to offset, financial assets and liabilities are indicated by net amounts on the balance sheet in case that;

- (i) The Parent Bank intends to collect/ pay the related financial assets and liabilities on a net basis, or
- (ii) Realization of the relevant financial asset and payment of the liability occur simultaneously.

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

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as held for trading, available for sale and held-to maturity securities according to the classification of marketable securities subject to repurchase agreement, and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely “funds provided under repurchase agreements” under “money market balances”. Income and expenses arisen from these transactions are booked in “Interest Income on Marketable Securities Portfolio” and “Interest Expense on Money Market Borrowings” in income statement.

Securities purchased under repurchase agreements (“Reverse repos”) are accounted under “Money Market Placements” in the balance sheet. The difference between the purchase and resell price of repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2016, the Parent Bank has reverse repo amounting to TL2,001,067 (31 December 2015: 206).

As of 31 December 2016, the Group does not have any marketable securities lending transaction (31 December 2015: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Assets held for sale are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

As of 31 December 2016, assets held for sale and discontinued operations of the Group are TL91,254 (31 December 2015: TL71,874). As per the appraisals performed for the real estate’s held for sale included “Assets Held for Sale” in the financial statements, TL1,590 (31 December 2015: TL1,480) has been reserved as provision for impairment losses.

As of 31 December 2016, the Group does not have any discontinued operations.

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XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Parent Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Parent Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to Istanbul Trade Registry.

Within the framework of TFRS 3 “Business Combination”, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholders' equity section. The amount of TL421,124, which is the difference between TL2,385,482 which is the fair value of transferred amount and TL1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholders' equity section.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software's used are mainly developed within the Parent Bank by the Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

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XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Parent Bank are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight line method, without taking residual values in to consideration, over the estimated useful lives expressed in number of months. The calculation of depreciation is based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Motor vehicles	10-20
Furniture, fixtures and office equipment and others	2-50

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

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. Leasehold improvements amount are subject to depreciation during leasing period. This period is taken into consideration maximum 5 years.

The Parent Bank employs independent appraisers in determining the current fair values of its real estate’s when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Fixed assets obtained through financial leases are recorded at the lower amount between the fair value and the present value of lease payments in accordance with Turkish Accounting Standard Leases (TAS 17). Fixed assets obtained through financial leases are classified in tangible assets and the amortization is based on their useful life. In case of any indication of impairment, an “impairment provision” is provided for. Obligations for future lease payments are booked in “financial lease payables” account under liabilities. Interest and currency expenses regarding financial leases are recorded in the related period in the income statement.

In compliance with Turkish Accounting Standard Leases (TAS 17), operating leases are recognized as an expense over the lease term in accordance with the lease agreement.

The Group does not have any leasing transactions as “Lessor”.

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XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Group’s best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding Specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (“TAS 37”) regarding “Provisions, Contingent Liabilities and Contingent Assets”.

XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed in the financial statements’ notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

XVII. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Parent Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Parent Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No.19 “Turkish Accounting Standard on Employee Benefits”.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

Employees transferred to the Parent Bank following the business combination defined in “General Information” of the Parent Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No. 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2016, the Pension Fund has 1,866 employees and 1,037 pensioners (31 December 2015: 2,006 employees and 997 pensioners).

Provisional Article 23 (1) of Banking Law No. 5411 (the “Banking Law”) published in the Official Gazette repeated No. 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No. 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No. 26731 on 15 December 2007.

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XVII. Explanations on Liabilities Regarding Employee Benefits (continued)

Defined Benefit Plans (continued)

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No. 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No.28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 08 April 2013 issued in the Official Gazette No.28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2016. Since the Parent Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Parent Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Parent Bank.

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No: 9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2016, actuarial loss amounting to TL3,694 (1 January - 31 December 2015: TL17,813 actuarial profit) was classified as “Other Comprehensive Income” and as of 31 December 2016, a total of TL33,673 (31 December 2015: TL37,367) actuarial profit was accounted under “Other Reserves”.

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20%.

The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation.

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XVIII. Explanations on Taxation (continued)

Corporate tax (continued)

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

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

Deferred Tax Liability / Asset

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

As of 31 December 2016 and 31 December 2015, in accordance with TAS No.12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Parent Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis in the standalone financial statements of the consolidated subsidiaries.

After net off, the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. Deferred tax expense has been presented on deferred tax provision for continued operations and deferred tax provision for discontinued operations amounting to TL61,989 (31 December 2015: TL30,329 income). Portion of deferred tax accounted for under equity related to valuation differences which is presented in the table below has been netted and presented within relevant accounts in statement of profit and loss accounted for under equity.

	Current Period	Prior Period
Financial Assets Available for Sale	12,686	(3,980)
Cash Flow Hedge	12,610	(35,265)
Actuarial Profit or Loss	925	(4,454)
Total	26,221	(43,699)

Deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

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

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

XX. Explanations on Issued Equity Securities

There is no share issued in the year 2016.

XXI. Explanations on Bill Guarantees and Acceptances

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

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XXII. Explanations on Government Incentives

There is no government incentive utilized by the Group.

XXIII. Explanations on Reporting According to Segmentation

The details of the income statement and the balance sheet which the group operates as a business lane according to organizational:

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Net Interest Income	507,621	326,202	1,176,840	1,496,170	-	3,506,833
Net Fees and Commissions Income and Other						
Operating Income	235,137	206,691	632,433	529,397	(3,682)	1,599,976
Trading Profit / Loss	(50)	(2,705)	(3,376)	(376,949)	-	(383,080)
Dividend Income	-	-	-	21,691	(20,893)	798
Impairment Provision for Loans and Other						
Receivables (-)	140,110	98,556	623,336	259,937	-	1,121,939
Other Operating Expenses (-)	447,115	84,654	520,922	1,362,335	(3,682)	2,411,344
Profit from Continued Operations before Tax	155,483	346,978	661,639	48,037	(20,893)	1,191,244
Tax Provision for Continued Operations (-)	-	-	-	245,988	-	245,988
Profit from Discontinued Operations before Tax:	-	-	-	-	-	-
Tax Provision for Discontinued Operations (-)	-	-	-	-	-	-
Net Profit for the Period	155,483	346,978	661,639	(197,951)	(20,893)	945,256

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Segment Assets	12,426,037	15,280,718	25,642,231	28,143,362	(101,416)	81,390,932
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	122,923	(122,918)	5
Total Assets	12,426,037	15,280,718	25,642,231	28,266,285	(224,334)	81,390,937
Segment Liabilities	30,514,105	12,202,836	8,644,258	22,269,066	(101,774)	73,528,491
Shareholders' Equity	-	-	-	7,985,006	(122,560)	7,862,446
Total Liabilities	30,514,105	12,202,836	8,644,258	30,254,072	(224,334)	81,390,937

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Net Interest Income	473,816	299,704	1,077,191	1,284,703	3,437	3,138,851
Net Fees and Commissions Income and Other						
Operating Income	288,131	199,258	569,549	317,088	(3,515)	1,370,511
Trading Profit / Loss	1,695	(719)	(75)	(555,103)	-	(554,202)
Dividend Income	-	-	-	21,440	(20,328)	1,112
Impairment Provision for Loans and Other						
Receivables (-)	174,242	137,997	492,639	142,583	-	947,461
Other Operating Expenses (-)	405,636	75,685	517,767	1,207,876	(3,408)	2,203,556
Profit from Continued Operations before Tax	183,764	284,561	636,259	(282,331)	(16,998)	805,255
Tax Provision For Continued Operations (-)	-	-	-	185,971	-	185,971
Profit from Discontinued Operations before Tax	(8,515)	46,838	-	243,119	(161,333)	120,109
Tax Provision For Discontinued Operations (-)	-	-	-	12,353	-	12,353
Net Profit For The Period	175,249	331,399	636,259	(237,536)	(178,331)	727,040

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Elimination	Total
Segment Assets	12,348,571	13,290,889	24,743,720	22,847,915	(18,612)	73,212,483
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	6,932	-	115,991	(122,918)	5
Total Assets	12,348,571	13,297,821	24,743,720	22,963,906	(141,530)	73,212,488
Segment Liabilities	26,925,671	10,115,656	8,354,559	20,814,062	(18,967)	66,190,981
Shareholders' Equity	-	-	-	7,141,922	(120,415)	7,021,507
Total Liabilities	26,925,671	10,115,656	8,354,559	27,955,984	(139,382)	73,212,488

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XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 28 March 2016 of the Parent Bank, TL882,453 that constitutes the 2015 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL44,123 as Legal Reserves, TL0.72 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.08 (full TL) as Legal Reserves and TL214,136 as Tangible and Intangible Assets revaluation funds.

XXV. Reclassifications

In order to be consistent with the presentation of financial statements dated 31 December 2016, some reclassifications are made in the income statement, the cash flows and the off-balance sheet as of 31 December 2015.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE OF THE GROUP

I. Explanations Related to Components of Consolidated Shareholders’ Equity

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2016, Group’s total capital has been calculated as TL9,724,676 and Capital Adequacy Ratio is 14.06%. As of 31 December 2015, Group’s total capital amounted to TL8,796,158, Capital Adequacy Ratio was 13.71% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

The credit risk of banking accounts has been calculated by using the “Standard Approach”, the market risk of purchase and sale accounts by using the “Standard Method”, counterparty credit risk of derivative and repo transactions by using the “Fair Value Method”, credit valuation adjustments of over the counter derivative transactions by using the “Standard Model” and operational risk by using the “Basic Indicator Approach”.

Information related to the components of Consolidated Shareholders' Equity:

	Current Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	4,505,208	
Gains Recognized in Equity as per TAS	-	
Profit	953,562	
Current Period Profit	944,065	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Minority interest	3,087	299
Common Equity Tier 1 Capital Before Deductions	7,869,601	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	57,689	
Leasehold Improvements on Operational Leases	64,864	
Goodwill netted off deferred tax liability	345,300	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	49,206	79,936
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long 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 long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from common equity Tier 1 Capital	517,059	
Total Common Equity Tier 1 Capital	7,352,542	

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Information related to the Components of Shareholders' Equity: (continued)

	Current Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	106,554	
Third Parties Share in the Additional Tier 1 Capital	43	
Third Parties Share in the Additional Tier 1 Capital (in the scope of Temporary Article 3)	43	
Additional Tier 1 Capital before deductions	106,597	
Deductions from Additional Tier 1 Capital		
Bank’s direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank’s additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Items to be deducted from Tier 1 Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	106,554	-
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 Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	106,554	
Total Additional Tier 1 Capital	43	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	7,352,585	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	1,466,546	
Bank's borrowing instruments and related issuance premium (in the scope of temporary Article 4)	228,449	
Third parties' share in the Tier 2 Capital	56	
Third parties' share in the Tier 2 Capital (in the scope of Temporary Article 3)	56	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	684,898	
Tier 2 Capital Before Deductions	2,379,949	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	2,379,949	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	9,732,534	

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Information related to the Components of Shareholders' Equity: (continued)

	Current Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Equity)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	7,169	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	677	
Other items to be defined by the BRSA (-)	12	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	9,724,676	
Total Risk Weighted Assets	69,173,183	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10.63	
Tier 1 Capital Adequacy Ratio (%)	10.63	
Capital Adequacy Ratio (%)	14.06	
BUFFERS		
Total buffer requirement (%)	0.63	
Capital conservation buffer requirement (%)	0.63	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	4.16	
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	30,008	
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	52,955	
Limits related to provisions considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	684,898	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	684,898	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

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Information related to the Components of Shareholders' Equity: (continued)

Common Equity Tier 1 Capital	31 December 2015(*)
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652
Share Premium	2,565
Share Cancellation Profits	-
Reserves	3,683,030
Income recognized under equity in accordance with TAS	97,024
Profit	735,577
Current Period’s Profit	726,080
Prior Period’s Profit	9,497
General Reserves for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527
Minority Interest	4,401
Common Equity Tier 1 Capital Before Deductions	6,927,776
Deductions from Common Equity Tier 1 Capital	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	8,264
Leasehold Improvements on Operational Leases (-)	75,674
Goodwill and intangible asset and the related deferred tax liability (-)	258,558
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank’s direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long 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 long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from common equity tier 1 Capital	342,496
Total Common Equity Tier 1 Capital	6,585,280

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Information related to the Components of Shareholders' Equity: (continued)

	31 December 2015(*)
ADDITIONAL TIER 1 CAPITAL	
Premiums that are not included in Common Equity Tier 1 capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	210,420
Third parties shares in Additional Tier 1 Capital	37
Additional Tier 1 Capital before deductions	210,457
Deductions from Additional Tier 1 Capital	
Banks a direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA(-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	210,457
Deductions From Tier 1 Capital	
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	210,420
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	6,585,317
TIER 2 CAPITAL	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	1,526,571
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	699,098
Third parties share in Tier 2 capital	49
Tier 2 Capital Before Deductions	2,225,718
Deductions From Tier 2 Capital	
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital (-)	-
Other Items Determined by BRSA(-)	-
Total Deductions From Tier 2 Capital	-
Tier 2 Capital	2,225,718

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	31 December 2015(*)
TOTAL CAPITAL	8,811,035
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	11,651
Net Book Values of Immovable Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	3,188
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	38
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
TOTAL CAPITAL	8,796,158
Amounts below deduction thresholds	
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	84,269
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability)	88,723

Summary information related to the consolidated capital adequacy ratio:

	Consolidated	Parent Bank
	31 December 2015(*)	31 December 2015(*)
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	4,635,129	4,539,535
Capital Requirement for Market Risk (CRMR)	65,557	65,397
Capital Requirement for Operational Risk (CROR) (*)	432,477	411,557
Total Capital	8,796,158	8,740,676
Total Capital /(((CRCR+CRMR+CROR)*12.5)*100)	13.71	13.94
Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100)	10.26	10.42
Common Equity Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100)	10.26	10.42

(*) The calculation of Equity and Capital Adequacy Ratios has been changed in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from 31 March 2016, the prior period information has been calculated pursuant to former regulation.

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I. Explanations Related to Components of Consolidated Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

All of the debt securities included in the equity calculation are issued by the Parent Bank.

Investor	IFC	BNP Paribas	BNP Paribas	EBRD	BNP Paribas
Issuer	TEB	TEB	TEB	TEB	TEB
Unique identifier (e.g. CUSIP, ISIN)	-	XS0700889081	XS0808626013	XS0780562665	XS0947781315
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey	Turkey
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Yes	No	No	Yes	No
Eligible at solo/group/group and solo	Available	Available	Available	Available	Available
Instrument type	Credit	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	106.6	635.1	369.5	228.4	461.9
Par value of instrument(TL Currency in mil)	351.5	646.7	369.5	228.4	461.9
Accounting classification	34700001	34701100	34701100	34701100	34701100
Original date of issuance	31.07.2007	04.11.2011	20.07.2012	14.05.2012	27.06.2013
Perpetual or dated	Demand	Time	Time	Time	Time
Original maturity date	Demand	04.11.2023	20.07.2024	14.05.2024	27.06.2023
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	31.07.2017	04.11.2018	20.07.2019	14.05.2019	27.06.2018
Subsequent call dates, if applicable	-	-	-	-	-
Coupons / dividends					
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 3.5%	Euribor+4.75%	Euribor+4.75%	LIBOR + 5.75%	Euribor + 2.10%
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Available	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil	Nil
Convertible or non-convertible					
If convertible, conversion trigger (s)	Repayment option(*)	-	-	-	-
If convertible, fully or partially	Totally	-	-	-	-
If convertible, conversion rate	(*)	-	-	-	-
If convertible, mandatory or optional conversion	Optional	-	-	-	-
If convertible, specify instrument type convertible into	Share	-	-	-	-
If convertible, specify issuer of instrument it converts into	TEB	-	-	-	-
Write-down feature					
If write-down, write-down trigger(s)	-	-	-	-	-
If write-down, full or partial	-	-	-	-	-
If write-down, permanent or temporary	-	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	tier 2 debt instruments	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables	Deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Not Possess	Possess	Possess	Not Possess	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed (**)	Article 7/2 (ç), (f), (i), (j)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)	Article 8/2 (ğ)

(*) The additional Tier 1 borrowing obtained from IFC on 31 July 2007 was structured in such a manner that entitle IFC to convert the borrowing to common shares in case of not paying back on 31 July 2017, at call option date. Conversion ratio will be calculated through valid market data if right is exercised.

(**) Under article 7/2; in subsection (ç), clauses on step-up and incentive to redeem; in subsection (f) delegating to the bank about cancellation of interest and dividend payment; in subsection i and j conditions of conversion to common shares and write-down are stated. Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	7,862,446
Hedging Funds (Effective Portion)	(30,509)
Deductions Made under Regulation	(479,395)
Common Equity Tier 1 Capital	7,352,542
Additional Tier 1 Capital – Third Parties Shares in Additional Tier 1 Capital	43
Tier 1 Capital	7,352,585
General Provisions	684,898
Bank’s Borrowing Instruments	1,694,995
Deductions Made under Regulation	(7,858)
Third Parties Shares in Tier 2 Capital	56
Total Equity	9,724,676

II. Explanations Related to the Consolidated Credit Risk

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

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

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

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

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette numbered 26333 dated 1 November 2006 which was revised with the communiqué published in the Official Gazette numbered 29918 dated 14 December 2016; Non-required delay time loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as Non-Performing Loan in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as impaired receivables without considering refinancing or addition accrued interest and quasi-interest loading to principal.

The Parent Bank provides specific reserves to Group III, IV and V loans in accordance with “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”

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II. Explanations Related to the Consolidated Credit Risk (continued)

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 for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	16,867,453	17,307,907
Conditional and unconditional receivables from regional or local governments	424,412	407,753
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	4,709,353	4,641,414
Conditional and unconditional corporate receivables	31,362,914	29,074,480
Conditional and unconditional retail receivables	26,302,807	26,024,741
Conditional and unconditional secured mortgage receivables	11,994,604	10,407,406
Past due receivables	591,904	587,042
Receivables in high risk category defined by BRSA	-	853,691
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,457,130	1,518,035
Investments in equities	41,864	23,867

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances on quarterly prepared to the end of the month.

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

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

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements of the Parent Bank, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Parent Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Parent Bank is concerned.

The Group does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2016, the receivables of the Group from its top 100 and top 200 cash loan customers amount to TL7,492,224 and TL10,194,434 and share in total cash loans respectively 13.42% and 18.26%.

As of 31 December 2016, the receivables of the Group from its top 100 and top 200 non-cash loan customers amount to TL7,879,699 and TL10,194,434 with a share of 45.73% and 59.16% respectively in the total non-cash loans.

As of 31 December 2016, the share of cash and non-cash receivables of the Group from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 5.22% and 7.20% respectively.

As of 31 December 2016, the general loan loss provision related with the credit risk taken by the Group is TL684,898 (31 December 2015: TL699,098).

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II. Explanations Related to the Consolidated Credit Risk (continued)

Credit Rating System

The credit risk is assessed through the system named as TEBCORE and internal rating system related to the Parent Bank’s rating scala, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2016, consumer loans, business loans, and agriculture loans are excluded from the internal rating system of the Parent Bank and those loans are about 35.02% of total loan portfolio. Application and behavioral score card models are used in the credit risk evaluation process of consumer and business segments.

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

Category	Description of Category	Share in the Total % 31.12.2016	Share in the Total % 31.12.2015
1 st Category	The borrower has a very strong financial structure	34.56	35.82
2 nd Category	The borrower has a good financial structure	29.56	28.23
3 rd Category	The borrower has an intermediate level of financial structure	28.97	29.86
4 th Category	The financial structure of the borrower has to be closely monitored in the medium term	6.91	6.09
Total		100.00	100.00

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II. Explanations Related to the Consolidated Credit Risk (continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	Investments in equities	
Current Period																		
Domestic	4,821,894	209,912	-	-	-	552,388	19,834,230	17,570,806	4,547,681	718,651	-	-	-	-	-	557,754	41,864	48,855,180
European Union (EU) Countries	-	-	-	-	-	856,692	849,576	13,930	3,874	1,975	-	-	-	-	-	1,331	-	1,727,378
OECD Countries (*)	-	-	-	-	-	80,214	122,754	11,247	1,070	-	-	-	-	-	-	5,345	-	220,630
Off-Shore Banking Regions (****)	122,659	-	-	-	-	8	228,334	70,894	37,377	1,285	-	-	-	-	-	137	-	460,694
USA, Canada	-	-	-	-	-	-	44,290	2	-	-	-	-	-	-	-	-	-	44,292
Other Countries	-	-	-	-	-	8,099	68,385	1,841	1,025	11	-	-	-	-	-	-	-	79,361
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	2,300	-	-	-	279,948	9,432,977	2,053,197	102,241	29,826	-	-	-	-	-	1,638	-	11,902,127
Total	4,944,553	212,212	-	-	-	1,777,349	30,580,546	19,721,917	4,693,268	751,748	-	-	-	-	-	566,205	41,864	63,289,662

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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II. Explanations Related to the Consolidated Credit Risk (continued)

Profile of significant exposures in major regions: (continued)

	Exposure Categories (***)															Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings		Others
Prior Period																	
Domestic	235,459	75,147	-	-	-	1,188,586	18,374,264	14,526,996	4,789,438	459,449	7,450,552	-	-	-	-	657,824	47,757,715
European Union (EU)																	
Countries	-	-	-	-	-	210,454	517,061	16,299	3,637	890	6,253	-	-	-	-	339	754,933
OECD Countries (*)	-	-	-	-	-	27,468	75,167	1,617	1,652	3	2,918	-	-	-	-	-	108,825
Off-Shore Banking																	
Regions (****)	136,626	-	-	-	-	7	195,360	21,298	53,993	1,517	117,124	-	-	-	-	13	525,938
USA, Canada	-	-	-	-	-	-	43,306	6	-	-	-	-	-	-	-	-	43,312
Other Countries	-	-	-	-	-	9,252	67,274	760	998	8	1,273	-	-	-	-	-	79,565
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated																	
Assets/Liabilities (**)	-	615	-	-	-	327,926	7,442,957	2,316,147	62,711	-	21,688	-	-	-	-	275,811	10,447,855
Total	372,085	75,762	-	-	-	1,763,693	26,715,389	16,883,123	4,912,429	461,867	7,599,808	-	-	-	-	933,987	59,718,143

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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II. Explanations Related to the Consolidated Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Exposure Categories (**)																					
Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Investments in equities	Others	TL (*)	FC	Total	
Agriculture	-	-	-	-	-	-	663,183	550,532	165,463	22,006	-	-	-	-	-	-	5,345	-	1,272,384	134,145	1,406,529
Farming and Stockbreeding	-	-	-	-	-	-	622,475	524,062	162,480	20,909	-	-	-	-	-	-	5,345	-	1,201,271	134,000	1,335,271
Forestry	-	-	-	-	-	-	15,197	7,599	950	831	-	-	-	-	-	-	-	-	24,432	145	24,577
Fishery	-	-	-	-	-	-	25,511	18,871	2,033	266	-	-	-	-	-	-	-	-	46,681	-	46,681
Manufacturing	-	-	-	-	-	-	14,156,369	4,740,454	720,529	229,142	-	-	-	-	-	-	54	-	11,129,075	8,717,473	19,846,548
Mining and Quarrying	-	-	-	-	-	-	755,381	240,629	31,003	5,171	-	-	-	-	-	-	-	-	669,217	362,967	1,032,184
Production	-	-	-	-	-	-	12,881,229	4,477,448	686,510	222,314	-	-	-	-	-	-	54	-	10,282,496	7,985,059	18,267,555
Electricity, Gas and Water	-	-	-	-	-	-	519,759	22,377	3,016	1,657	-	-	-	-	-	-	-	-	177,362	369,447	546,809
Construction	-	-	-	-	-	-	3,038,408	1,243,218	326,610	84,863	-	-	-	-	-	-	-	-	3,158,663	1,534,436	4,693,099
Services	4,944,553	212,212	-	-	-	1,777,349	11,859,921	5,840,805	1,229,542	283,884	-	-	-	-	-	514,242	41,700	18,223,218	8,480,990	26,704,208	
Wholesale and Retail Trade	-	36	-	-	-	-	4,671,778	2,884,609	538,661	137,914	-	-	-	-	-	10	-	5,852,873	2,380,135	8,233,008	
Accommodation and Dining	-	608	-	-	-	-	1,114,066	366,236	207,845	17,757	-	-	-	-	-	-	-	819,728	886,784	1,706,512	
Transportation and Telecom.	-	-	-	-	-	-	2,001,463	1,271,934	170,405	83,687	-	-	-	-	-	-	-	2,483,818	1,043,671	3,527,489	
Financial Institutions	4,944,553	-	-	-	-	1,777,349	1,062,869	49,986	8,309	6,398	-	-	-	-	-	514,232	41,700	6,683,489	1,721,907	8,405,396	
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	6	-	-	-	-	2,056,098	921,046	256,327	30,903	-	-	-	-	-	-	-	1,189,627	2,074,753	3,264,380	
Self-Employment Services	-	-	-	-	-	-	867,746	295,500	43,300	5,459	-	-	-	-	-	-	-	845,879	366,126	1,212,005	
Educational Services	-	-	-	-	-	-	15,090	37,844	2,516	1,400	-	-	-	-	-	-	-	56,015	835	56,850	
Health and Social Services	-	211,562	-	-	-	-	70,811	13,650	2,179	366	-	-	-	-	-	-	-	291,789	6,779	298,568	
Other	-	-	-	-	-	-	862,665	7,346,908	2,251,124	131,853	-	-	-	-	-	-	46,564	164	5,205,261	5,434,017	10,639,278
Total	4,944,553	212,212	-	-	-	1,777,349	30,580,546	19,721,917	4,693,268	751,748	-	-	-	-	-	566,205	41,864	38,988,601	24,301,061	63,289,662	

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to the Consolidated Credit Risk (continued)

Risk profile by Sectors or Counterparties: (continued)

Exposure Categories (**)																			
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Others	TL (*)	FC	Total
Agriculture	-	-	-	-	-	-	965,005	1,111,462	296,598	30,488	1,127	-	-	-	-	-	2,240,733	163,947	2,404,680
Farming and Stockbreeding	-	-	-	-	-	-	943,809	1,095,028	292,725	30,373	1,095	-	-	-	-	-	2,199,380	163,650	2,363,030
Forestry	-	-	-	-	-	-	4,551	1,803	-	22	-	-	-	-	-	-	6,376	-	6,376
Fishery	-	-	-	-	-	-	16,645	14,631	3,873	93	32	-	-	-	-	-	34,977	297	35,274
Manufacturing	-	1	-	-	-	-	10,675,961	3,524,531	489,074	88,710	11,740	-	-	-	-	608	8,273,508	6,517,117	14,790,625
Mining and Quarrying	-	-	-	-	-	-	776,760	273,508	37,117	6,860	556	-	-	-	-	-	605,197	489,604	1,094,801
Production	-	1	-	-	-	-	9,618,881	3,232,661	450,531	81,324	11,141	-	-	-	-	608	7,530,044	5,865,103	13,395,147
Electricity, Gas and Water	-	-	-	-	-	-	280,320	18,362	1,426	526	43	-	-	-	-	-	138,267	162,410	300,677
Construction	-	-	-	-	-	-	2,963,999	1,098,875	368,552	45,603	5,176	-	-	-	-	-	2,976,247	1,505,958	4,482,205
Services	372,085	75,761	-	-	-	1,763,693	11,564,365	6,074,906	1,186,141	123,163	18,170	-	-	-	908,581	15,048,612	7,038,253	22,086,865	
Wholesale and Retail Trade	-	10,498	-	-	-	-	6,088,653	3,415,008	519,226	63,301	11,496	-	-	-	-	594	7,753,724	2,355,052	10,108,776
Accommodation and Dining	-	-	-	-	-	-	861,191	311,210	198,029	7,530	991	-	-	-	-	-	667,344	711,607	1,378,951
Transportation and Telecom.	-	-	-	-	-	-	1,750,646	1,168,199	167,562	29,194	2,222	-	-	-	-	5	2,330,357	787,471	3,117,828
Financial Institutions	372,085	-	-	-	-	1,763,693	566,103	40,520	4,102	316	760	-	-	-	-	907,963	2,214,519	1,441,023	3,655,542
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	1	-	-	-	-	1,583,189	776,926	233,774	15,226	1,626	-	-	-	-	-	1,053,855	1,556,887	2,610,742
Self-Employment Services	-	500	-	-	-	-	587,982	255,328	40,449	6,007	732	-	-	-	-	19	712,643	178,374	891,017
Educational Services	-	1	-	-	-	-	13,721	44,120	9,942	482	118	-	-	-	-	-	64,933	3,451	68,384
Health and Social Services	-	64,761	-	-	-	-	112,880	63,595	13,057	1,107	225	-	-	-	-	-	251,237	4,388	255,625
Other	-	-	-	-	-	-	546,059	5,073,349	2,572,064	173,903	7,563,595	-	-	-	-	24,798	15,456,337	497,431	15,953,768
Total	372,085	75,762	-	-	-	1,763,693	26,715,389	16,883,123	4,912,429	461,867	7,599,808	-	-	-	-	933,987	43,995,437	15,722,706	59,718,143

(*) Foreign Currency oriented credits are shown in TL column.

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II. Explanations Related to the Consolidated Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
Exposure Categories					
Conditional and unconditional exposures to central governments or central banks	4,748,785	-	-	-	8,158
Conditional and unconditional exposures to regional governments or local authorities	1,285	804	1,554	7,111	199,154
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	574,793	196,630	87,040	170,905	194,925
Conditional and unconditional exposures to corporates	5,894,146	2,821,436	1,686,791	3,590,852	7,149,371
Conditional and unconditional retail exposures	5,470,217	763,998	1,463,324	1,631,398	8,335,141
Conditional and unconditional exposures secured by real estate property	723,360	77,080	160,181	252,748	3,376,769
Past due receivables	-	-	-	-	-
Items in regulatory high-risk category defined by BRSA	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporate	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Others	11,408	221	405	-	48
Investments in equities	26,637	-	-	15,226	-
Total	17,450,631	3,860,169	3,399,295	5,668,240	19,263,566

Prior Period	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
Exposure Categories					
Conditional and unconditional exposures to central governments or central banks	136,626	-	-	-	14,228
Conditional and unconditional exposures to regional governments or local authorities	102	119	732	3,035	71,158
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	782,359	81,237	67,995	68,398	151,140
Conditional and unconditional exposures to corporates	6,226,082	1,578,428	1,546,206	3,348,655	6,568,312
Conditional and unconditional retail exposures	5,914,084	1,151,300	865,295	1,535,714	5,094,783
Conditional and unconditional exposures secured by real estate property	724,526	85,415	112,591	236,030	3,690,822
Past due receivables	-	-	-	-	-
Items in regulatory high-risk category defined by BRSA	-	-	-	76,929	7,501,192
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporate	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Others	90,691	195	863	-	15,680
Total	13,874,470	2,896,694	2,593,682	5,268,761	23,107,315

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II. Explanations Related to the Consolidated Credit Risk (continued)

Information about the risk exposure categories:

The credit rating of Fitch Ratings International Rating agency is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk concentration is used for receivables with a maturity period of more than three months, and the risk concentration used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long-Term Credit Rating	Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA to AA-	0%	20%	50%	100%
2	A+ to A-	20%	20%	50%	100%
3	BBB+ to BBB-	50%	50%	50%	100%
4	BB+ to BB-	100%	100%	100%	100%
5	B+ to B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

Exposures by risk weights:

Current Period												
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before												
Credit Risk Mitigation	8,277,647	-	2,395,244	8,693,573	16,672,359	26,286,186	30,953,407	421,426	-	52,599	-	573,782
Exposures after												
Credit Risk Mitigation	8,277,647	-	2,131,718	8,693,573	16,755,346	25,721,254	30,030,095	349,656	-	52,599	-	573,782
Prior Period												
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before												
Credit Risk Mitigation	16,544,776	-	2,904,542	-	11,083,234	21,923,946	29,193,555	1,839,789	2,484,779	91,943	-	559,529
Exposures after												
Credit Risk Mitigation	16,874,290	-	2,867,390	-	11,149,439	21,279,494	27,899,181	1,821,801	2,484,779	91,943	-	559,529

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II. Explanations Related to the Consolidated Credit Risk (continued)

Information in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	71,748	157,019	1,900	56,287
Farming and Stockbreeding	70,680	139,606	1,689	55,906
Forestry	737	9,547	116	229
Fishery	331	7,866	95	152
Manufacturing	600,636	336,915	4,077	443,360
Mining and Quarrying	13,723	28,917	350	8,917
Production	584,595	299,052	3,619	433,120
Electricity, Gas and Water	2,318	8,946	108	1,323
Construction	149,285	287,632	3,481	95,736
Services	592,206	1,263,130	15,285	392,416
Wholesale and Retail Trade	293,264	875,205	10,591	194,894
Accommodation and Dining	34,892	106,351	1,287	21,882
Transportation and Telecom.	162,161	186,227	2,253	104,468
Financial Institutions	7,332	7,712	93	3,402
Real Estate and Rental Services	79,620	-	-	58,333
Professional Services	12,500	51,147	619	8,156
Educational Services	1,899	5,504	67	950
Health and Social Services	538	30,984	375	331
Other	357,900	1,051,819	12,727	226,482
Total	1,771,775	3,096,515	37,470	1,214,281

Prior Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	63,650	118,218	1,236	37,199
Farming and Stockbreeding	54,831	110,074	1,151	32,392
Forestry	8,370	5,591	58	4,407
Fishery	449	2,553	27	400
Manufacturing	379,610	499,995	5,230	282,956
Mining and Quarrying	16,258	24,158	253	10,652
Production	362,642	475,768	4,976	271,932
Electricity, Gas and Water	710	69	1	372
Construction	118,695	110,997	1,161	78,586
Services	293,091	425,427	4,448	204,827
Wholesale and Retail Trade	118,736	135,909	1,421	83,865
Accommodation and Dining	15,795	43,542	455	8,867
Transportation and Telecom.	100,537	119,396	1,249	73,984
Financial Institutions	965	2,105	22	676
Real Estate and Rental Services	35,085	89,413	935	21,916
Professional Services	15,454	24,801	259	10,753
Educational Services	1,279	2,416	25	885
Health and Social Services	5,240	7,845	82	3,881
Other	377,481	1,149,659	12,026	225,779
Total	1,232,527	2,304,296	24,101	829,347

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II. Explanations Related to the Consolidated Credit Risk (continued)

Information about Value Adjustment and Change in Provisions

	31.12.2015 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments(*)	31.12.2016 Balance
Specific Provisions	829,347	1,107,191	(207,847)	(514,410)	-	1,214,281
General Provisions	699,098	34,358	(48,558)	-	-	684,898

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

	31.12.2014 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments(*)	31.12.2015 Balance
Specific Provisions	803,008	809,147	(171,439)	(521,233)	(90,136)	829,347
General Provisions	621,294	99,596	(14,165)	-	(7,627)	699,098

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

III. Explanations Related to Risks Involved in Counter-Cyclical Capital Buffer Calculation

In accordance with BRSA decree dated 24 December 2015 effective from 1 January 2016, the counter-cyclical capital buffer ratio for banks in Turkey will be considered as 0%.

IV. Explanations Related to the Consolidated Currency Risk

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

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank’s positions are also monitored.

As an element of the Group’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank’s Asset-Liability Committee on a weekly basis

As of 31 December 2016, the Group’s short position is TL10,039,655 (31 December 2015: TL6,303,503 short position) off-balance sheet long position is TL9,487,655 (31 December 2015: TL6,888,848 long position) and as a result net foreign currency short position is TL552,000 (31 December 2015: TL585,345 net long position).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2016 and the previous five working days in full TL are as follows:

	26.12.2016	27.12.2016	28.12.2016	29.12.2016	30.12.2016	31.12.2016
USD	3.5004	3.5165	3.5400	3.5228	3.5146	3.5146
JPY	0.0299	0.0299	0.0301	0.0302	0.0301	0.0301
EURO	3.6601	3.6740	3.6780	3.6802	3.6952	3.6952

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2016 are as follows:

	Monthly Average Foreign Exchange Rate
USD	3.4939
JPY	0.0301
EURO	3.6792

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IV. Explanations Related to the Consolidated Currency Risk (continued)

Information on the foreign currency risk of the Group:

The table below shows the Group’s distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Group also monitors the delta-adjusted position of the option transactions. As of 31 December 2016, the Parent Bank has net USD short position TL3,898 and net EUR long position TL12,007.

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey Banks	3,692,283	5,174,462	841,869	9,708,614
Financial Assets at Fair Value Through Profit and Loss (*****)	576,789	263,139	557,166	1,397,094
Money Market Placements	15,428	8,963	-	24,391
Financial Assets Available for Sale	-	-	-	-
Loans (**)	331	39,370	9,262	48,963
Subsidiaries, Associates and Entities Under Common Control	8,007,898	4,980,527	1,614,902	14,603,327
Held-to-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	1,125,172	154,123	33,669	1,312,964
Total Assets	13,417,901	10,620,584	3,056,868	27,095,353
Liabilities				
Bank Deposits	394	1,098	1,617	3,109
Foreign Currency Deposits (*)	7,678,727	11,530,561	1,416,024	20,625,312
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	8,179,743	5,916,790	1,994,650	16,091,183
Securities Issued	-	-	-	-
Miscellaneous Payables	215,677	143,058	20,497	379,232
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	31,582	3,249	1,341	36,172
Total Liabilities	16,106,123	17,594,756	3,434,129	37,135,008
Net Balance Sheet Position	(2,688,222)	(6,974,172)	(377,261)	(10,039,655)
Net Off-Balance Sheet Position	1,710,458	7,140,472	636,725	9,487,655
Financial Derivative Assets (****)	12,358,338	24,314,559	1,283,778	37,956,675
Financial Derivative Liabilities (*****)	10,647,880	17,174,087	647,053	28,469,020
Non-Cash Loans (*****)	5,140,913	4,748,746	191,566	10,081,225
Prior Period				
Total Assets	9,389,717	10,955,148	2,644,564	22,989,429
Total Liabilities	11,247,630	15,028,460	3,016,842	29,292,932
Net Balance Sheet Position	(1,857,913)	(4,073,312)	(372,278)	(6,303,503)
Net Off-Balance Sheet Position	2,371,886	4,088,485	428,477	6,888,848
Financial Derivative Assets	7,641,536	17,261,527	844,456	25,747,519
Financial Derivative Liabilities	5,269,650	13,173,042	415,979	18,858,671
Non-Cash Loans (*****)	3,345,601	4,663,116	214,521	8,223,238

(*) Precious metal accounts amounting to TL582,761 (31 December 2015: TL445,509) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL2,973,738 (31 December 2015: TL2,769,548) are included in the loan portfolio.

(***) As of 31 December 2016, TL57,894 (31 December 2015: TL43,800) foreign currency indexed factoring receivables is included in other assets, while TL147,086 (31 December 2015: TL45,264) expense accruals from derivative financial instruments are deducted from other liabilities. TL82 (31 December 2015: TL314) foreign currency indexed factoring payables is included in the other liabilities.

(****) Forward asset and marketable securities purchase-sale commitments of TL592,146 (31 December 2015: TL654,815) are added to derivative financial assets and TL527,182 (31 December 2015: TL564,464) has been added to derivative financial liabilities.

(*****) TL212,807 (31 December 2015: TL78,194) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value through Profit and Loss.

(*****) There is no effect on the net off-balance sheet position.

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V. Explanations Related to Consolidated Interest Rate Risk

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

The priority of the risk management department is to avoid the impact of the fluctuations in interest rates. In this context, duration, maturity and sensitivity analysis are calculated by the Risk Management Department and presented to both Liquidity Risk Committee and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Group.

The Parent Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Parent Bank when necessary.

Since the Group does not allow maturity mismatches or imposes limits on the mismatch, no significant interest rate risk exposure is expected.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	9,171,740	-	-	-	-	2,495,675	11,667,415
Banks	948,308	-	-	-	-	644,022	1,592,330
Financial Assets at Fair Value Through Profit and Loss	1,608	97,651	138,953	119,510	12,756	902,344	1,272,822
Money Market Placements	2,001,067	-	-	-	-	-	2,001,067
Financial Assets Available for Sale	615,310	1,213,367	1,358,138	803,859	72,510	43,206	4,106,390
Loans and Receivables (*)	15,451,394	2,858,586	10,261,731	19,997,815	7,266,145	557,530	56,393,201
Factoring Receivables	822,804	688,873	148,719	12,711	-	6,929	1,680,036
Held-To-Maturity Investments	36,415	100,709	224,384	-	-	-	361,508
Other Assets	64,764	-	87,754	65,136	-	2,098,514	2,316,168
Total Assets	29,113,410	4,959,186	12,219,679	20,999,031	7,351,411	6,748,220	81,390,937
Liabilities							
Bank Deposits	176,275	-	-	-	-	4,710	180,985
Other Deposits	34,368,645	6,696,036	937,420	8,588	17	7,619,495	49,630,201
Money Market Borrowings	1,500,872	-	-	-	-	-	1,500,872
Miscellaneous Payables	-	-	-	-	-	1,438,218	1,438,218
Securities Issued	136,778	-	602,524	-	-	-	739,302
Funds Provided From Other Financial Institutions	3,488,351	5,434,987	7,591,670	41,193	103,185	-	16,659,386
Factoring Payables	-	-	-	-	-	17,688	17,688
Other Liabilities	35,181	66,959	35,625	243,776	3,012	10,839,732	11,224,285
Total Liabilities	39,706,102	12,197,982	9,167,239	293,557	106,214	19,919,843	81,390,937
Balance Sheet Long Position	-	-	3,052,440	20,705,474	7,245,197	-	31,003,111
Balance Sheet Short Position	(10,592,692)	(7,238,796)	-	-	-	(13,171,623)	(31,003,111)
Off-Balance Sheet Long Position	6,916,304	-	-	-	-	-	6,916,304
Off-Balance Sheet Short Position	-	(728,002)	(954,460)	(5,127,552)	-	-	(6,810,014)
Total Position	(3,676,388)	(7,966,798)	2,097,980	15,577,922	7,245,197	(13,171,623)	106,290

(*) Revolving loans amounting to TL7,824,588 are included in “Up to 1 Month”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL245,035, intangible assets amounting to TL505,823, assets held for resale amounting to TL91,254, entities under common control (joint vent.) amounting to TL5 and the other liabilities line includes the shareholders’ equity of TL7,862,446.

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V. Explanations Related to Consolidated Interest Rate Risk (continued)

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,254,065	-	-	-	-	1,661,863	9,915,928
Banks	948,524	37	-	-	-	388,891	1,337,452
Financial Assets at Fair Value Through Profit and Loss	1,785	19,725	91,395	150,949	23,029	413,062	699,945
Money Market Placements	206	-	-	-	-	-	206
Financial Assets Available for Sale	413,754	781,833	1,789,707	977,744	70,892	96,694	4,130,624
Loans and receivables (*)	15,844,396	3,051,500	8,798,330	18,635,638	6,555,149	414,089	53,299,102
Factoring Receivables	512,887	514,329	168,895	-	-	12,212	1,208,323
Held-To-Maturity Investments	33,980	93,973	211,464	-	-	-	339,417
Other Assets	2,586	-	39,748	18,560	-	2,220,597	2,281,491
Total Assets	26,012,183	4,461,397	11,099,539	19,782,891	6,649,070	5,207,408	73,212,488
Liabilities							
Bank Deposits	107,735	5,744	-	-	-	1,078	114,557
Other Deposits	27,955,055	8,752,579	565,888	10,215	14	6,979,324	44,263,075
Money Market Borrowings	2,413,098	-	-	-	-	-	2,413,098
Miscellaneous Payables	-	-	-	-	-	1,295,983	1,295,983
Securities Issued	193,517	77,146	-	-	-	-	270,663
Funds Provided From Other Financial Institutions	3,090,053	3,319,944	7,740,870	90,865	433,597	-	14,675,329
Factoring Payables	-	-	-	-	-	15,356	15,356
Other Liabilities	6,866	46,392	43,537	69,180	3,029	9,995,423	10,164,427
Total Liabilities	33,766,324	12,201,805	8,350,295	170,260	436,640	18,287,164	73,212,488
Balance Sheet Long Position	-	-	2,749,244	19,612,631	6,212,430	-	28,574,305
Balance Sheet Short Position	(7,754,141)	(7,740,408)	-	-	-	(13,079,756)	(28,574,305)
Off-Balance Sheet Long Position	6,910,210	-	-	-	-	-	6,910,210
Off-Balance Sheet Short Position	-	(137,238)	(4,204,032)	(2,464,456)	-	-	(6,805,726)
Total Position	(843,931)	(7,877,646)	(1,454,788)	17,148,175	6,212,430	(13,079,756)	104,484

(*) Revolving loans amounting to TL8,779,628 are included in “Up to 1 Month” while mark to market differences from terminated hedged loans amounting to TL282, TL846 and TL785 are included in “Up to 1 Month”, “1-3 Months” and “3-12 Months” respectively.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL285,508, intangible assets amounting to TL473,474, assets held for sale amounting to TL71,874, entities under common control (joint vent.) amounting to TL5 and the other liabilities line includes the shareholders’ equity of TL7,021,507.

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V. Explanations Related to Consolidated Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EURO	USD	YEN	TL
	%	%	%	%
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	0.75	-	3.31
Banks	(0.21)	0.65	-	8.65
Financial Assets at Fair Value Through Profit and Loss	1.98	5.58	-	9.70
Money Market Placements	-	-	-	8.49
Financial Assets Available for Sale	2.59	5.78	-	9.77
Loans	3.15	3.82	3.20	14.15
Factoring Receivables	0.97	2.38	-	14.38
Held-To-Maturity Investments	-	-	-	10.78
Liabilities				
Bank Deposits	-	-	-	3.64
Other Deposits	1.44	2.91	1.16	10.45
Money Market Borrowings	-	-	-	7.78
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	10.20
Funds Provided From Other Financial Institutions	0.99	2.40	1.00	10.26
	EURO	USD	YEN	TL
	%	%	%	%
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	0.49	-	3.81
Banks	0.25	0.13	-	10.89
Financial Assets at Fair Value Through Profit and Loss	1.84	4.69	-	10.56
Money Market Placements	-	-	-	9.67
Financial Assets Available for Sale	2.44	4.97	-	10.60
Loans	3.26	3.66	2.57	14.08
Factoring Receivables	1.36	1.97	-	15.06
Held-To-Maturity Investments	-	-	-	11.22
Liabilities				
Bank Deposits	0.10	-	-	4.32
Other Deposits	1.28	1.86	1.30	11.73
Money Market Borrowings	-	-	-	7.53
Miscellaneous Payables	-	-	-	-
Securities Issued	-	1.50	-	10.68
Funds Provided From Other Financial Institutions	1.03	1.86	1.00	11.22

Interest rate risk on banking accounts:

- a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk:

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities.

Early repayment rate of loans is determined upon reviewing to feedback of previous mortgage rate movements. Repricing days of demand deposit at the Parent Bank’s account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issued products in calculation of interest rate sensitivity.

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V. Explanations Related to Consolidated Interest Rate Risk (continued)

Interest rate risk on banking accounts: (continued)

- b) The Parent Bank only economic value differences resulted from interest rate instabilities calculated according to “Regulation on measurement and evaluation of interest rate risk resulted from the banking accounts as per standard shock method”:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity– (Losses)/Equity
TL	(400)	1,159,731	12.00%
TL	500	(1,236,043)	(12.78)%
EURO	(200)	309,368	3.20%
EURO	200	(266,012)	(2.75)%
USD	(200)	10,417	0.11%
USD	200	(7,650)	(0.08)%
Total (of negative shocks)	(800)	1,479,516	15.31%
Total (of positive shocks)	900	(1,509,705)	(15.61)%

Explanations Related to Equity Share Position Risk in Banking Accounts

The Parent Bank’s equity securities which are not publicly traded are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determinate properly.

VI. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio

- a) Information on liquidity risk management, such as the Parent Bank's risk capacity, responsibilities and the structure of liquidity risk management, Parent Bank’s internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for following up the Parent Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group use authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks and at a Liquidity Risk Committee meeting which is held monthly.

- b) Information on the centralization degree of liquidity management and funding strategy, and on operations between Parent Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Parent Bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity and we provide them borrowing facilities within market conditions and legal limits.

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VI. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

- c) Information about the Parent Bank's funding strategy including policies on funding types and variety of maturities:

While the Parent Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Parent Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources.

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the Parent Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the General Manager, Assistant General Manager responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

- e) Information on liquidity risk mitigation techniques:

The Parent Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Parent Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Parent Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimize these risks in the long term.

- f) Explanation on the usage of the stress test:

The aim of the liquidity stress test is to analyze how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analyzed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Parent Bank and in the whole banking system, in cases of stress event are analyzed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

- g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine;

- Whether the liquidity problem is specific to the Parent bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Asset-Liability Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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VI. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio:

	Rate of “Percentage” to Be Taken into Account” not Implemented Total Value(*)		Rate of “Percentage” to Be Taken into Account” Implemented Total Value(*)	
	TL+FC	FC	TL+FC	FC
Current Period – 31 December 2016				
High Quality Liquid Assets				
1 High Quality Liquid Assets			13,576,375	8,115,276
Cash Outflows				
2 Real Person and Retail Deposits	31,584,060	12,374,567	2,751,566	1,237,457
3 Stable Deposits	8,136,787	-	406,839	-
4 Less Stable Deposits	23,447,273	12,374,567	2,344,727	1,237,457
5 Unsecured Debts Other than Real Person and Retail Deposits	17,547,123	8,147,137	7,797,383	4,031,040
6 Operational Deposits	4,257,496	2,221,649	1,064,374	555,412
7 Non-operational Deposits	12,964,377	5,782,892	6,407,759	3,333,032
8 Other Unsecured Funding	325,250	142,596	325,250	142,596
9 Secured Funding	-	-	-	-
10 Other Cash Outflows	16,370,767	8,332,809	16,370,767	8,332,809
11 Outflows Related to Derivative Exposures and Other Collateral Requirements	16,370,767	8,332,809	16,370,767	8,332,809
12 Outflows Related to Restructured Financial Instruments	-	-	-	-
13 Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14 Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15 Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	27,987,485	9,661,053	2,167,184	866,265
16 Total Cash Outflows			29,086,900	14,467,571
Cash Inflows				
17 Secured Liabilities	-	-	-	-
18 Unsecured Liabilities	7,316,454	3,621,992	4,835,225	2,698,383
19 Other Cash Inflows	15,908,610	12,525,910	15,908,610	12,525,910
20 Total Cash Inflows	23,225,064	16,147,902	20,743,835	15,224,293
			Values to Which the Upper Limit is Applied	
21 Total High Quality Liquid Assets			13,576,375	8,115,276
22 Total Net Cash Outflows			8,343,065	3,616,893
23 Liquidity Coverage Ratio (%)			162.73	224.37

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

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Liquidity Coverage Ratio: (continued)

	Rate of “Percentage” to Be Taken into Account” not Implemented Total Value(*)		Rate of “Percentage” to Be Taken into Account” Implemented Total Value(*)	
	TL+FC	FC	TL+FC	FC
Prior Period – 31 December 2015				
High Quality Liquid Assets				
1 High Quality Liquid Assets			9,930,169	6,669,539
Cash Outflows				
2 Real Person and Retail Deposits	27,338,820	11,105,780	2,249,572	1,009,564
3 Stable Deposits	9,686,200	2,020,280	484,310	101,014
4 Less Stable Deposits	17,652,620	9,085,500	1,765,262	908,550
5 Unsecured Debts Other than Real Person and Retail Deposits	22,288,915	7,780,739	10,748,377	3,841,213
6 Operational Deposits	3,777,468	2,167,188	944,367	541,797
7 Non-operational Deposits	16,584,429	5,551,835	7,876,992	3,237,700
8 Other Unsecured Funding	1,927,018	61,716	1,927,018	61,716
9 Secured Funding	-	-	-	-
10 Other Cash Outflows	11,328,317	6,606,182	11,328,317	6,606,182
11 Outflows Related to Derivative Exposures and Other Collateral Requirements	11,328,317	6,606,182	11,328,317	6,606,182
12 Outflows Related to Restructured Financial Instruments	-	-	-	-
13 Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14 Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15 Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	26,124,548	8,214,470	1,969,816	722,715
16 Total Cash Outflows			26,296,082	12,179,674
Cash Inflows				
17 Secured Liabilities	-	-	-	-
18 Unsecured Liabilities	6,261,350	2,695,541	3,980,247	2,008,209
19 Other Cash Inflows	10,807,103	8,926,090	10,807,103	8,926,090
20 Total Cash Inflows	17,068,453	11,621,631	14,787,350	10,934,299
			Values to Which the Upper Limit is Applied	
21 Total High Quality Liquid Assets			9,930,169	6,669,539
22 Total Net Cash Outflows			11,508,732	3,044,919
23 Liquidity Coverage Ratio (%)			86.28	219.04

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

High quality liquid assets in order to their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

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VII. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

Liquidity management of consolidated subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a consolidated basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section two of communiqué.

Consolidated Liquidity Coverage Ratio for the last three months are presented below:

	Current Period – 31.12.2016	
	TL+FC	FC
October 2016	132.70%	300.07%
November 2016	181.20%	218.62%
December 2016	158.82%	180.08%
	Prior Period – 31.12.2015	
	TL+FC	FC
October 2015	91.60%	211.19%
November 2015	87.55%	213.50%
December 2015	81.85%	234.11%

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VI. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed(*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,495,675	9,171,740	-	-	-	-	-	11,667,415
Banks	644,022	948,308	-	-	-	-	-	1,592,330
Financial Assets at Fair Value Through Profit and Loss	-	138,229	270,694	555,272	289,448	19,179	-	1,272,822
Money Market Placements	-	2,001,067	-	-	-	-	-	2,001,067
Financial Assets Available for Sale	43,206	277,399	490,080	585,524	2,226,446	483,735	-	4,106,390
Loans (**)	-	15,444,053	2,799,133	10,200,815	20,125,561	7,266,145	557,494	56,393,201
Factoring Receivables	-	822,804	688,873	148,719	12,711	-	6,929	1,680,036
Held-To-Maturity Investments	-	-	-	-	260,799	100,709	-	361,508
Other Assets	-	48,605	221	88,159	65,184	-	2,113,999	2,316,168
Total Assets	3,182,903	28,852,205	4,249,001	11,578,489	22,980,149	7,869,768	2,678,422	81,390,937
Liabilities								
Bank Deposits	4,710	176,275	-	-	-	-	-	180,985
Other Deposits	7,619,495	34,368,645	6,696,036	937,420	8,588	17	-	49,630,201
Funds Provided From Other Financial Institutions	-	3,079,195	2,854,408	8,430,621	242,273	2,052,889	-	16,659,386
Money Market Borrowings	-	1,500,872	-	-	-	-	-	1,500,872
Securities Issued	-	136,778	-	602,524	-	-	-	739,302
Miscellaneous Payables	19,243	1,415,796	591	-	-	-	2,588	1,438,218
Factoring Payables	-	17,688	-	-	-	-	-	17,688
Other Liabilities	-	1,170,667	219,877	462,399	363,765	3,677	9,003,900	11,224,285
Total Liabilities	7,643,448	41,865,916	9,770,912	10,432,964	614,626	2,056,583	9,006,488	81,390,937
Liquidity Gap	(4,460,545)	(13,013,711)	(5,521,911)	1,145,525	22,365,523	5,813,185	(6,328,066)	-
Net Off-Balance Sheet Position	-	(12,159)	109,388	189,124	93,010	(11,742)	-	367,621
Financial Derivative Assets	-	20,854,050	11,303,385	13,474,627	9,876,546	231,423	-	55,740,031
Financial Derivative Liabilities	-	20,866,209	11,193,997	13,285,503	9,783,536	243,165	-	55,372,410
Non-Cash Loans	5,086,011	820,336	2,183,231	4,867,863	4,564,539	-	-	17,521,980
Prior Period								
Total Assets	2,147,448	25,704,479	3,700,079	10,485,989	21,271,164	7,270,265	2,633,064	73,212,488
Total Liabilities	6,983,664	36,183,146	12,112,297	7,229,306	758,336	1,759,961	8,185,778	73,212,488
Liquidity Gap	(4,836,216)	(10,478,667)	(8,412,218)	3,256,683	20,512,828	5,510,304	(5,552,714)	-
Net Off-Balance Sheet Position	-	(64,709)	(65,485)	76,034	57,294	3,941	-	7,075
Financial Derivative Assets	-	10,299,489	8,555,776	13,722,793	6,845,046	603,145	-	40,026,249
Financial Derivative Liabilities	-	10,364,198	8,621,261	13,646,759	6,787,752	599,204	-	40,019,174
Non-Cash Loans	4,663,871	769,946	1,278,432	4,287,456	3,499,116	-	-	14,498,821

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

(**) Revolving loans amounting to TL7,824,588 (31 December 2015: TL8,779,628) are included in “Up to 1 Month” while income accrual from mark to market differences of terminated hedged loans amounting to TL282, TL846 and TL785 are included in “Up to 1 Month”, “1-3 Months” and “3-12 Months” respectively as of 31 December 2015 (31 December 2016: None).

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VI. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Adjustments	Total
As of 31 December 2016,								
Money Market Borrowings	-	1,501,800	-	-	-	-	(928)	1,500,872
Deposit	7,619,495	34,446,547	6,755,791	982,448	8,894	19	(182,993)	49,630,201
Bank Deposit	4,710	176,310	-	-	-	-	(35)	180,985
Funds provided from other financial institutions	-	3,165,255	2,893,047	8,837,032	399,048	2,490,672	(1,125,668)	16,659,386
Total	7,624,205	39,289,912	9,648,838	9,819,480	407,942	2,490,691	(1,309,624)	67,971,444
As of 31 December 2015,								
Money Market Borrowings	-	2,415,925	-	-	-	-	(2,827)	2,413,098
Deposit	6,979,324	28,035,778	8,866,609	581,856	10,721	16	(211,229)	44,263,075
Bank Deposit	1,078	107,788	5,765	-	-	-	(74)	114,557
Funds provided from other financial institutions	-	2,838,179	3,104,129	6,759,002	938,462	2,018,428	(982,871)	14,675,329
Total	6,980,402	33,397,670	11,976,503	7,340,858	949,183	2,018,444	(1,197,001)	61,466,059

Analysis of contractual expiry by maturity of the Parent Bank’s derivative financial instruments:

	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Total
As of 31 December 2016,						
Derivative Financial Instruments for Hedging Purposes						
Fair Value Hedge	-	-	-	-	-	-
Cash Flow Hedge	465,939	214,238	1,069,889	1,201,048	-	2,951,114
Held for Trading Transactions						
Foreign Exchange Forward Contracts-Sell	1,303,090	1,202,908	1,957,968	916,474	58,510	5,438,950
Currency Swaps-Sell	16,811,648	5,817,769	6,567,742	3,011,771	11,427	32,220,357
Interest Rate Swaps-Sell	1,747	14,119	6,665	6,444	855	29,830
Foreign Currency Futures-Sell	-	-	-	-	-	-
Foreign Currency Options-Sell	1,755,446	3,455,772	4,704,209	396,602	-	10,312,029
Total	20,337,870	10,704,806	14,306,473	5,532,339	70,792	50,952,280
As of 31 December 2015,						
Derivative Financial Instruments for Hedging Purposes						
Fair Value Hedge	-	-	-	-	-	-
Cash Flow Hedge	87,433	2,329,741	972,135	1,419,073	-	4,808,382
Held for Trading Transactions						
Foreign Exchange Forward Contracts-Sell	996,674	1,314,266	1,735,437	867,762	22,292	4,936,431
Currency Swaps-Sell	7,591,172	4,399,786	4,486,456	2,322,577	369,507	19,169,498
Interest Rate Swaps-Sell	3,266	6,583	22,581	12,910	1,801	47,141
Foreign Currency Futures-Sell	-	-	-	-	-	-
Foreign Currency Options-Sell	1,693,752	1,832,303	2,975,503	66,555	-	6,568,113
Total	10,372,297	9,882,679	10,192,112	4,688,877	393,600	35,529,565

Cash disposal of derivative instruments is shown in the table above.

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VII. Explanations Related to Consolidated Leverage Ratio

- a) Information on issues that cause differences between current period and previous period leverage ratios:

There is an increase in cash and non-cash loan portfolio and fair value of derivative transactions, resulting in a decrease in the leverage ratio.

- b) Summary comparison table of the total risk amount and the total asset amount in the financial statements prepared as per TAS:

	Current Period(**)	Prior Period(**)
1 Total Asset Amount in the Consolidated Financial Statements Prepared as per TAS(*)	80,772,720	74,393,093
2 The Difference between the Total Asset Amount in the Consolidated Financial Statements Prepared as per TAS and the Asset Amount in the Consolidated Financial statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks	604,522	505,032
3 The Difference between the Derivative Financial Instruments and the Loan Derivatives Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	553,161	490,775
4 The Difference between the Financial Transactions with Securities or Goods Warranty Amounts in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	-	-
5 The Difference between the Off-balance Sheet Transactions Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	32,957,050	28,719,146
6 Other Differences between the Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	(548,800)	(535,087)
7 Total risk amount	114,338,653	103,572,959

(*) Consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

(**) The amounts in the table are calculated by using the quarterly average amounts.

- c) Leverage Ratio:

	Curr ent Period(*)	Prior Period(*)
Assets On the Balance Sheet		
1 Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	80,364,524	74,287,673
2 (Assets Deducted from Core Capital)	(548,800)	(535,087)
3 Total Risk Amount for Assets on the Balance Sheet	79,815,724	73,752,586
Derivative Financial Instruments and Credit Derivatives		
4 Renewal Cost of Derivative Financial Instruments and Credit Derivatives	1,012,718	610,452
5 Potential Credit Risk Amount of Derivative Financial Instruments and Credit Derivatives	553,161	490,775
6 Total Risk Amount of Derivative Financial Instruments and Credit Derivatives	1,565,879	1,101,227
Financing Transactions With Securities Or Goods Warranties		
7 Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	-	-
8 Risk Amount Arising from Intermediated Transactions	-	-
9 Total Risk Amount of Financing Transactions with Securities or Goods Warranties	-	-
Off-Balance Sheet Transactions		
10 Gross Nominal Amount of the Off-balance Sheet Transactions	32,957,050	28,719,146
11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12 Total Risk Amount for Off-balance Sheet Transactions	32,957,050	28,719,146
Capital and Total Risk		
13 Tier 1 Capital	7,424,682	6,583,437
14 Total Risk Amount	114,338,653	103,572,959
Leverage Ratio		
15 Leverage Ratio	6.49%	6.36%

(*) The amounts in the table are calculated by using the quarterly average amounts.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

The table below shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Bank.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	66,134,532	60,315,124	65,746,552	60,454,739
Money Market Placements	2,001,067	206	2,001,067	206
Banks	1,592,330	1,337,452	1,592,330	1,337,452
Financial Assets Available for Sale	4,106,390	4,130,624	4,106,390	4,130,624
Held-To-Maturity Investments	361,508	339,417	364,740	344,096
Loans(**)	58,073,237	54,507,425	57,682,025	54,642,361
Financial Liabilities	70,148,964	63,032,705	70,329,203	63,254,472
Bank Deposit	180,985	114,557	180,998	114,557
Other Deposit	49,630,201	44,263,075	49,810,427	44,484,842
Funds Borrowed From Other Financial Institutions(*)	18,160,258	17,088,427	18,160,258	17,088,427
Marketable Securities Issued	739,302	270,663	739,302	270,663
Sundry Creditors	1,438,218	1,295,983	1,438,218	1,295,983

(*) Funds provided under repo transactions and subordinated loans are included in funds borrowed from other financial institutions.

(**) Factoring receivables are included in loans.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available for sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

31 December 2016	Level 1	Level 2	Level 3	Total
Financial Assets	4,255,015	1,307,661	-	5,562,676
Financial assets at fair value through profit and loss	203,194	1,069,628	-	1,272,822
<i>Public sector debt securities</i>	203,194	-	-	203,194
<i>Derivative financial assets held for trading</i>	-	1,069,628	-	1,069,628
Derivative financial assets for hedging purposes	-	195,320	-	195,320
Financial assets available for sale	4,051,821	42,713	-	4,094,534
<i>Public sector debt securities</i>	4,051,252	11,932	-	4,063,184
<i>Other financial assets available for sale (*)</i>	569	30,781	-	31,350
Financial Liabilities	-	1,227,106	-	1,227,106
Derivative financial liabilities held for trading	-	942,614	-	942,614
Derivative financial liabilities for hedging purposes	-	284,492	-	284,492
31 December 2015	Level 1	Level 2	Level 3	Total
Financial Assets	4,230,120	571,290	75,043	4,876,453
Financial assets at fair value through profit and loss	205,828	494,117	-	699,945
<i>Public sector debt securities</i>	205,828	-	-	205,828
<i>Derivative financial assets held for trading</i>	-	494,117	-	494,117
Derivative financial assets for hedging purposes	-	58,309	-	58,309
Financial assets available for sale	4,024,292	18,864	75,043	4,118,199
<i>Public sector debt securities</i>	4,024,292	9,638	-	4,033,930
<i>Other financial assets available for sale (*)</i>	-	9,226	75,043	84,269
Financial Liabilities	-	678,613	-	678,613
Derivative financial liabilities held for trading	-	519,397	-	519,397
Derivative financial liabilities for hedging purposes	-	159,216	-	159,216

(*) All unquoted share certificates of TL11,856 which are recorded at cost since its fair value cannot be reliably estimated are not included (31 December 2015: TL12,425).

There is no transition between the levels in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Group performs trading transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not deal with fiduciary transactions.

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X. Explanations Related to Consolidated Risk Management

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Parent Bank.

1. Risk management approach and Risk Weighted Assets

1.1. The Parent Bank’s risk management approach

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Parent Bank and all of its subsidiaries have been gathered under the Group Risk Management. Group Risk Management reports to the Boards of Directors of TEB Group through the Audit Committee within the TEB A.Ş. and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

With Risk Policies, the Parent Bank aims to,

- i) Identify the main risks to which the Parent Bank is exposed and be cautious of the risks taken;
- ii) Define roles and responsibilities to identify, analyse, measure, monitor, and control the main risks bank faces and other risks which may arise as a consequence of changes in activity structure and economic conditions,
- iii) Identify the volume of transactions which may cause non-controllable risks by considering equity strength or decrease the activities affected by such risks.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of the Parent Bank to provide compliance with risk policies containing the criteria required for each unit and to provide that TEB Risk Academy is founded and supported.

Risk Management Operations consist of;

- i) risk measurement,
- ii) monitoring of risks,
- iii) control of risk and reporting operations

Risk management operations are conducted by Group Risk Management and personnel.

Group Risk Management applies second order controls for quantifiable risks as part of continuous control system.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

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X. Explanations Related to Consolidated Risk Management (continued)

1. Disclosures on risk management approach and overview of Risk Weighted Assets (continued)

1.2 Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit Risk (Excluding Counterparty Credit Risk) (CCR)	60,764,592	57,827,779	4,861,167
2 Of which Standardized Approach (SA)	60,764,592	57,827,779	4,861,167
3 Of which Internal Rating-based (IRB) Approach	-	-	-
4 Counterparty Credit Risk	1,933,426	588,560	154,674
5 Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	1,933,426	588,560	154,674
6 Of which Internal Model Method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – Look-through Approach	-	-	-
9 Equity investments in funds – Mandate-based Approach	-	-	-
10 Equity investments in funds – 1250% Weighted Risk Approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization Positions in Banking Book	-	-	-
13 Of which IRB Ratings-based Approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/Simplified Supervisory Formula Approach (SSFA)	-	-	-
16 Market Risk	319,552	342,241	25,564
17 Standardized Approach (SA)	319,552	342,241	25,564
18 Internal Model Approaches (IMM)	-	-	-
19 Operational Risk	6,155,613	5,405,958	492,449
20 Of which Basic Indicator Approach	6,155,613	5,405,958	492,449
21 Of which Standard Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24 Floor Adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	69,173,183	64,164,538	5,533,854

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X. Explanations Related to Consolidated Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Carrying values of items in accordance with TAS		
			Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	11,667,415	11,667,415	-	-	-
Financial assets held for trading	1,272,822	-	1,069,780	203,042	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	1,592,330	1,592,330	-	-	-
Receivables from money markets	2,001,067	-	2,001,067	-	-
Financial assets available for sale (net)	4,106,390	4,106,390	-	-	-
Loans and receivables	56,393,201	56,393,201	-	-	-
Factoring receivables	1,680,036	1,680,036	-	-	-
Held to maturity investments (net)	361,508	361,508	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-
Investments in joint ventures (net)	5	5	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	195,320	-	195,320	-	-
Tangible assets (net)	245,035	180,171	-	-	64,864
Intangible assets (net)	505,823	-	-	-	505,823
Investment properties (net)	-	-	-	-	-
Tax assets	109,340	109,340	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	91,254	91,254	-	-	-
Other assets	1,169,391	1,169,391	-	-	-
Total Assets	81,390,937	77,351,041	3,266,167	203,042	570,687
Liabilities					
Deposits	49,811,186	-	-	-	-
Derivative financial liabilities held for trading	942,614	-	-	-	-
Loans	14,359,501	-	-	-	-
Debt to money markets	1,500,872	-	1,500,872	-	-
Debt securities in issue	739,302	-	-	-	-
Funds	-	-	-	-	-
Various Debts	1,438,218	-	-	-	-
Other Debts	846,800	-	-	-	-
Factoring debts	17,688	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	284,492	-	-	-	-
Provisions	1,144,785	-	-	-	-
Tax liability	143,148	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	2,299,885	-	-	-	-
Equity	7,862,446	-	-	-	-
Total Liabilities	81,390,937	-	1,500,872	-	-

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X. Explanations Related to Consolidated Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1 Asset carrying value amount under scope of regulatory consolidation	81,390,937	77,351,041	3,266,167	203,042
2 Liabilities carrying value amount under regulatory scope of consolidation	1,500,872	-	1,500,872	-
3 Total net amount under regulatory scope of consolidation	79,890,065	77,351,041	1,765,295	203,042
4 Off-balance sheet amounts	81,696,410	13,097,432	621,423	-
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	-	-	-	-
9 Exposure amounts considered for regulatory purposes		90,448,473	2,386,718	203,042

2.3. Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

The market value approach is used to make valuation of the positions in the Parent Bank portfolios. The market data sources used for valuations are identified, defined in the Market Risk Policy, and reviewed annually. The relevant action is taken immediately when it is determined that the data does not reflect the market condition other than annual data source evaluation. Product valuations are checked by using sources such as Reuters and Bloomberg.

3. Consolidated Credit Risk Disclosure

3.1. General information about credit risk

3.1.1. General qualitative information about credit risk

The objective of the Risk Management system is to provide that the risks that are derived from the Parent Bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Credit Risk Management reports aim to supply risk level trends and present risk expectations. Details and content vary depending on the requirements of meetings and are presented in graphs and figures for ease of explanation and taking decisions.

The main report presented to senior management is the Credit Risk General Overview report, which is prepared monthly and discussed by the Risk Policies Committee. This report is also presented to the Board of Directors and to the Audit Committee. Additionally, Group Risk Management prepares reports with special titles less frequently. Most of these reports is presented to the Risk Policies Committee. These reports may also be used in irregular meetings where emergent subjects are discussed or in meetings where the attendance of Senior Management is not required.

Credit risk policies are prepared in line with the Banking Law, external regulations, and general banking practices, and are approved by the Risk Policies Committee, Audit Committee, and Board of Directors. The Parent Bank’s credit activities are managed according to the General Credit Policy that is approved by the Risk Policies Committee and the Board of Directors.

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X. Explanations Related to Consolidated Risk Management (continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk

3.1.1. General qualitative information about credit risk

The risk appetite declaration is approved and reviewed once a year by the Board of Directors. The Parent Bank combines risk appetite with existing risk management tools, processes, principles, and policies, using a consistent approach with risk appetite declaration, and ensures that risks taken are within the agreed upon limits. In this way, the consistency of risk practices is improved across the bank.

The Parent Bank controls the credit risk by monitoring loan receivables, limiting certain transactions with counter parties, evaluating the loan valuation of the counter party regularly, diversifying loan types and products separately based on customer groups and industry to prevent the concentration of deferred payments and receiving guarantees when appropriate.

3.1.2. Credit quality of assets

Current Period	Gross carrying value in consolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted Exposures		
1 Loans	1,812,823	57,508,814	1,248,400	58,073,237
2 Debt Securities	-	4,424,692	-	4,424,692
3 Off-balance sheet exposures	-	31,696,621	48,515	31,648,106
4 Total	1,812,823	93,630,127	1,296,915	94,146,035

3.1.3. Changes in stock of defaulted loans and debt securities

1 Defaulted loans and debt securities at end of the 31 December 2015	1,265,215
2 Loans and debt securities that have defaulted since the last reporting period	1,735,689
3 Returned to non-defaulted status	22,962
4 Amounts written off	520,452
5 Other changes (*)	644,667
6 Defaulted loans and debt securities at end of 31 December 2016 (1+2-3-4-5)	1,812,823

(*) Includes collections during the period

3.1.4. Additional disclosure related to the credit quality of assets

- a) The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” non-required delay time loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “Non-Performing Loan” in the Accounting Practice.

All receivables past due more than 90 days are considered as “impaired receivables”, and they are classified as group III, IV, and V in accordance with Communiqué. A specific reserve is allocated for such receivables.

- b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

A specific provision is allocated for all receivables for which collection is deferred more than 90 days in accordance with the Communiqué.

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X. Explanations Related to Consolidated Risk Management (continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality of assets (continued)

c) Description of methods used for determining impairments

Provision amount is determined in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”

d) The definition of the restructured exposure.

If the borrower fails to make payment to the Parent Bank due to a temporary lack of liquidity, loans and other receivables including deferred interest payments may be restructured to provide the borrower with additional liquidity to enable the Parent Bank to collect its receivables, or a new repayment schedule may be arranged.

e) Breakdown of exposures by geographical areas, industry and residual maturity:

Breakdown of Loans and Receivables by Sector:

	Current Period			
	TL	(%)	FC	(%)
Agriculture	1,503,577	3.40	82,486	0.71
Farming and Stockbreeding	1,439,775	3.25	82,293	0.71
Forestry	17,086	0.04	193	-
Fishery	46,716	0.11	-	-
Manufacturing	6,490,698	14.69	4,222,489	36.31
Mining and Quarrying	596,581	1.35	150,892	1.30
Production	5,798,172	13.12	3,899,791	33.53
Electricity, Gas and Water	95,945	0.22	171,806	1.48
Construction	2,866,408	6.49	828,115	7.12
Services	17,811,987	40.32	6,448,766	55.45
Wholesale and Retail Trade	10,701,496	24.22	1,916,170	16.47
Accommodation and Dining	964,116	2.18	962,360	8.28
Transportation and Telecom.	2,575,923	5.83	570,461	4.91
Financial Institutions	904,649	2.05	1,186,638	10.20
Real Estate and Rental Services	1,209,742	2.74	1,614,367	13.88
Self-Employment Services	920,429	2.08	193,291	1.66
Educational Services	64,943	0.15	44	-
Health and Social Services	470,689	1.07	5,435	0.05
Other	15,504,076	35.10	47,733	0.41
Total	44,176,746	100.00	11,629,589	100.00

Breakdown of loans and receivables according to remaining maturities is provided in the note VI. of section 4 under the “Presentation of assets and liabilities according to their remaining maturities”.

f) Amounts of impaired exposures on geographical areas and industry basis (according to the definition used by the Bank for accounting purposes) and write-offs with related allowances.

All of the Parent Bank’s loans under follow-up is in Turkey. Amounts of provision allocated receivables based on sector are presented in the note II of section 4 under “Information in terms of major sectors and type of counterparties”

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X. Explanations Related to Consolidated Risk Management (continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality of assets (continued)

g) Ageing analysis of accounting past-due exposures

31 December 2016	1-30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	1,253,420	504,294	492,076	2,249,790
Consumer Loans	204,320	317,271	153,492	675,083
Credit Cards	99,278	49,843	22,521	171,642
Total	1,557,018	871,408	668,089	3,096,515

31 December 2015	1-30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	938,291	374,515	238,051	1,550,857
Consumer Loans	206,593	272,130	127,027	605,750
Credit Cards	86,142	42,471	19,076	147,689
Total	1,231,026	689,116	384,154	2,304,296

h) Breakdown of restructured exposures between impaired and not impaired exposures

Not-impaired loans

	Gross Amount	Specific Provision	Net Amount
Commercial Loans	1,386,772	-	1,386,772
Consumer Loans	128,366	-	128,366
Credit Cards	69,144	-	69,144
Total	1,584,282	-	1,584,282

Impaired loans

	Gross Amount	Specific Provision	Net Amount
Commercial Loans	12,014	5,870	6,144
Consumer Loans	20,818	7,664	13,154
Credit Cards	5,887	1,902	3,985
Total	38,719	15,436	23,283

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X. Explanations Related to Consolidated Risk Management (continued)

3. Consolidated Credit Risk Disclosure (continued)

3.2 Credit Risk Mitigation

3.2.1 Qualitative disclosure requirements related to credit risk mitigation techniques

- a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on and off-balance sheet netting

The Parent Bank does not perform on and off balance sheet offsetting to decrease credit risk, and credit derivatives are not used.

- b) Core features of policies and processes for collateral evaluation and management.

Financial collaterals are measured at fair value as of reporting date and are included in the risk mitigation process. When allocating the collateral amount to loans provided, the Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The legal validity of the mortgage is ensured by duly registering the mortgage in a timely manner, and significant changes in market conditions are monitored.

In terms of credit risk mitigation, the Parent Bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

- c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Guarantor entity’s credit risk value is to be considered in credit risk mitigation process in cases where Parent bank credit customers obtained guarantee from other entities.

The Parent Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk mitigation risk.

3.2.2. Credit risk mitigation techniques – Overview

	Exposures unsecured: carrying amount according to TAS	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures Secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
1 Loans	40,527,081	15,021,668	11,812,866	2,524,488	1,219,334	-	-
2 Debt securities	4,424,692	-	-	-	-	-	-
3 Total	44,951,773	15,021,668	11,812,866	2,524,488	1,219,334	-	-
4 Of which defaulted	1,658,020	80,831	71,983	73,972	739	-	-

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X. Explanations Related to Consolidated Risk Management (continued)

3. Consolidated Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach

3.3.1. Disclosures on banks’ use of credit ratings under the standard approach for credit risk

For portfolios that are risk-weighted under the standardized approach for credit risk, banks must disclose the following information:

- a) Names of the External Credit Assessment Institutions (ECAIs) and Export Credit Agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

The Parent Bank uses Fitch Ratings International Rating Agency’s external ratings.

- b) The risk classes for which each ECAI or ECA is used;

The credit rating of Fitch International Rating is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk concentration is used for receivables with a maturity period of more than three months, and the risk concentration used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

- c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book

A 20% risk concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and a 50% risk concentration is used for receivables with a maturity period of more than three months. According to the regulation on capital adequacy, corporates where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

- d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply).

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA to AA-	0%	20%	50%	100%
2	A+ to A-	20%	20%	50%	100%
3	BBB+ to BBB-	50%	50%	50%	100%
4	BB+ to BB-	100%	100%	100%	100%
5	B+ to B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

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3. Consolidated Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts Density
1 Exposures to central governments or central banks	15,458,720	-	15,458,720	-	4,944,554	32%
2 Exposures to regional governments or local authorities	419,823	9,450	419,384	4,426	211,910	50%
3 Exposures to public sector entities	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	2,717,839	1,209,211	2,381,570	785,781	1,121,254	35%
7 Exposures to corporates	21,464,417	15,869,906	20,718,340	9,205,944	29,219,670	98%
8 Retail exposures	23,492,086	11,270,527	23,018,342	2,656,825	19,251,575	75%
9 Exposures secured by residential property	8,537,608	395,400	8,537,608	155,965	3,042,751	35%
10 Exposures secured by commercial real estate	3,205,726	173,777	3,205,726	95,305	1,650,516	50%
11 Past-due loans	564,423	81,332	563,684	27,319	714,331	121%
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)	-	-	-	-	-	-
16 Other assets	1,455,492	2,515,302	1,455,449	1,638	566,167	39%
17 Investments in equities	41,864	-	41,864	-	41,864	100%
18 Total	77,357,998	31,524,905	75,800,687	12,933,203	60,764,592	68%

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X. Explanations Related to Consolidated Risk Management (continued)

3. Consolidated Credit Risk Disclosures (continued)

3.3 Credit risk under standardized approach (continued)

3.3.3. Standardized approach – exposures by asset classes and risk weights

Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weights(**)	Total credit risk exposure amount (after CCF and CRM)
1 Exposures to regional governments or local authorities	6,002,869	-	-	-	9,180,392	-	222,860	-	-	52,599	15,458,720
2 Exposures to regional governments or local authorities	-	-	-	-	423,799	-	11	-	-	-	423,810
3 Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and financial intermediaries	-	-	1,566,924	-	1,587,514	-	10,512	2,401	-	-	3,167,351
7 Exposures to corporates	-	-	321,093	-	895,476	-	28,707,715	-	-	-	29,924,284
8 Retail exposures	-	-	3,440	-	11,637	25,660,090	-	-	-	-	25,675,167
9 Exposures secured by residential property	-	-	-	8,693,573	-	-	-	-	-	-	8,693,573
10 Exposures secured by commercial real estate	-	-	-	-	3,301,031	-	-	-	-	-	3,301,031
11 Past-due loans	-	-	-	-	100,166	-	144,013	346,824	-	-	591,003
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)	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	41,864	-	-	-	41,864
17 Other assets	866,045	-	31,099	-	-	-	559,943	-	-	-	1,457,087
18 Total	6,868,914	-	1,922,556	8,693,573	15,500,015	25,660,090	29,686,918	349,225	-	52,599	88,733,890

(*) The amount shown on the line of “Exposures secured by commercial real estate” is “Exposures secured by real estate” and other amounts shown on this column represented exposures subject to 50% risk weight.

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4. Counterparty Credit Risk

4.1. Qualitative disclosure related to counterparty credit risk

Limit requests of clients demanding derivative transaction are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement and that change according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market fluctuations, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and The Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties in principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

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X. Explanations Related to Consolidated Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.2. Analysis of counterparty credit risk (CCR) exposure by approach

	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for Computing regulatory Exposure at Default	Exposure at Default post Credit Risk Mitigation	Risk Weighted Assets
Standardized Approach - CCR (For Derivatives)	1,265,100	621,423		1.4	1,867,512	1,058,112
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					1,410,486	1,082
Total						1,059,194

(*) Effective Expected Positive Exposure

4.3. Credit valuation adjustment (CVA) capital charge

	Exposure at Default post- Credit Risk Mitigation	Risk Weighted Assets
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (including the 3×multiplier)		-
(ii) Stressed Value at Risk component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,867,512	874,232
Total subject to the CVA capital charge	1,867,512	874,232

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X. Explanations Related to Consolidated Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4 Standardized approach – CCR exposures by regulatory portfolio and risk weights

Risk Weight/ Regulatory portfolio	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims from central governments and central banks	1,408,733	-	-	-	-	-	-	-	-	1,408,733
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	208,012	-	1,236,621	-	-	431	-	1,445,064
Corporates	-	-	1,150	-	18,710	-	343,177	-	-	363,037
Retail portfolios	-	-	-	-	-	61,164	-	-	-	61,164
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	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	1,408,733	-	209,162	-	1,255,331	61,164	343,177	431	-	3,277,998

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

(**) Other assets: the amount excludes exposures to Central Counterparties, which are reported in Counterparty Credit Risk.

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X. Explanations Related to Consolidated Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.5. Composition of collateral for counterparty credit risk exposure

	Collateral used in derivative transactions				Collateral used in other transactions	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	3,569	-	-	-	-
Cash – other currencies	-	11,381	-	-	-	-
Domestic sovereign debt	-	4,061	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	19,011	-	-	-	-

4.6. Credit derivatives exposures

None.

4.7. Exposures to central counterparties

None.

5. Securitization Disclosures

Since the Parent Bank does not hold securitization position, the notes to be presented according to the Communiqué on Disclosures about Risk Management to be announced to Public by Banks have not been presented.

6. Market Risk Disclosures

The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Section 5 – Counterparty credit risk.

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. The notes to be presented on annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of market risk by the Bank as of 31 December 2016.

6.1. Qualitative disclosure requirements related to market risk

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Parent Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

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X. Explanations Related to Consolidated Risk Management (continued)

6. Market Risk Disclosures (continued)

6.1. Qualitative disclosure requirements related to market risk (continued)

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Parent Bank’s assets, liabilities and off balance sheet items values. The Parent Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

Economic value of the Parent Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank’s value’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; motive behind which is to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors.

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X. Explanations Related to Consolidated Risk Management (continued)

6. Market Risk Disclosures (continued)

6.2. Standardized Approach

	Risk Weighted Amounts
Outright products	
1 Interest rate risk (general and specific)	262,613
2 Equity risk (general and specific))	-
3 Foreign exchange risk	41,201
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	15,738
7 Scenario approach	-
8 Securitization	-
9 Total	319,552

7. Explanations Related to the Consolidated Operational Risk

- a) Operational risk has been calculated using the basic indicator approach. Market risk measurements are performed monthly.
- b) In case of application of the basic indicator approach the following:

	31.12.2013	31.12.2014	31.12.2015	Total/Positive Year	Rate (%)	Total
Gross Income	2,835,960	3,303,079	3,709,942	3,282,994	15	492,449
Operational Risk Capital Requirement (Total*12.5)						6,155,613

	31.12.2012	31.12.2013	31.12.2014	Total/Positive Year	Rate (%)	Total
Gross Income	2,510,493	2,835,960	3,303,079	2,883,177	15	432,477
Operational Risk Capital Requirement (Total*12.5)						5,405,958

- c) The Group does not use the standard method
- d) The Group does not use any alternative approach in standard method
- e) The Group does not use Advanced Measurement Approach.

8. Explanations Related to Remuneration Policy in Banks

TEB pays net salaries on the last working day of each month, after the required legal deductions are made. In addition to receiving a monthly salary, all TEB employees are assessed based on meeting their qualitative and quantitative targets, and the Parent Bank may pay performance-based success and sales premiums or annual performance bonuses to reward employees' collective and individual success.

An annual performance bonus is determined based on the Parent Bank's profitability, the results of the Parent Bank activities, and the realization of targets in line with market practices (local and/or professional). A performance bonus is only paid when the target realized in a particular year is at least 80%. Employees included in the success and sales premium scheme are paid success and sales premiums based to the targets realized during the year.

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X. Explanations Related to Consolidated Risk Management (continued)

8. Explanations Related to Remuneration Policy in Banks (continued)

The remuneration policy of the Parent Bank was prepared in line with the BRSA’s Communiqué on Corporate Management of Banks and Guidance on Good Remuneration Practices in Banks, and within the scope of the principle of proportionality, the content, structure, and strategies of the Bank’s activities, long-term targets, and the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to risk management.

The remuneration policy supports the Parent Bank in managing risks in line with the principles and parameters determined and approved by the Board of Directors. The remuneration policy aims to attract and retain expert employees who will contribute to the parent Bank reaching its strategic targets in both business line and support functions.

SECOM (Selection and Compensation Committee) is responsible, on behalf of the Board of Directors, for ensuring that the remuneration policy is prepared in line with local and BNP Paribas regulations. SECOM manages the principles of the remuneration policy, taking opinions from the human resources, financial affairs, risk, compliance, and internal control groups. The remuneration policy is reviewed and approved by SECOM and submitted to the Board of Directors. The remuneration policy is reviewed annually.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	352,568	461,736	371,908	399,615
Balances with the Central Bank of Turkey	1,606,233	9,163,190	830,399	8,254,065
Other	-	83,688	-	59,941
Total	1,958,801	9,708,614	1,202,307	8,713,621

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1,597,683	-	830,399	-
Unrestricted Time Deposit	-	1,335,857	-	935,820
Restricted Time Deposit	8,550	7,827,333	-	7,318,245
Total	1,606,233	9,163,190	830,399	8,254,065

Foreign currency unrestricted deposit amounting to TL1,335,857 (31 December 2015: TL935,820), foreign currency restricted deposit amounting to TL7,827,333 (31 December 2015: TL7,318,245), unrestricted deposit balance amounting to TL1,597,683 (31 December 2015: TL830,399) and restricted deposit amounting to TL8,550 (31 December 2015: None) comprises of reserve deposits. As of 31 December 2016, the Turkish lira required reserve ratios are determined to be within the range of 4%-10.50% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2015: 5%-11.50%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 4.50%-24.50% (31 December 2015: 5%-25%).

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

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None. (31 December 2015: None).

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

Net book value of unrestricted financial assets at fair value through profit and loss is TL203,194 (31 December 2015: TL205,828).

3. Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	185,015	33,384	107,066	13,265
Swap Transactions	580,354	110,296	238,210	62,956
Futures Transactions	-	-	-	-
Options	80,871	79,708	59,215	13,405
Other	-	-	-	-
Total	846,240	223,388	404,491	89,626

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

4. Information on banks:

a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	111,562	206,873	586,753	281,689
Foreign Banks	83,674	1,190,221	34,295	434,715
Foreign Head Offices and Branches	-	-	-	-
Total	195,236	1,397,094	621,048	716,404

b) Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	775,607	294,308	-	-
USA and Canada	267,961	23,878	-	-
OECD Countries(*)	58,521	8,638	-	-
Off-Shore Banking Regions	158,188	127,136	-	-
Other	13,618	15,050	-	-
Total	1,273,895	469,010	-	-

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

5. Information on financial assets available for sale:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury Bill and Similar				
Investment Securities	130,140	-	403,320	-
Other	-	-	-	-
Total	130,140	-	403,320	-

a.2) Financial assets available for sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	1,456,769	-	2,395,729	-
Treasury Bills	-	-	-	-
Other Government Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	1,456,769	-	2,395,729	-

Net book value of debt securities and equity securities in unrestricted financial assets available for sale is TL2,519,481. (31 December 2015: TL1,331,575).

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5. Information on financial assets available for sale: (continued)

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt Securities	4,063,184	4,033,930
Quoted on a Stock Exchange	4,063,184	4,033,930
Not Quoted	-	-
Equity Securities	43,206	96,694
Quoted on a Stock Exchange	569	-
Not Quoted	42,637	96,694
Impairment Provision (-)	-	-
Total	4,106,390	4,130,624

All unquoted available for sale equities of the Group are recorded at fair value except for the investment of TL11,856 which is recorded at cost since its fair value cannot be reliably estimated (31 December 2015: TL12,425).

6. Information on loans:

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Loans Granted to Shareholders	-	188,104	1,255	300,290
Corporate Shareholders	-	188,104	1,255	300,290
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	94,263	-	65,773	-
Total	94,263	188,104	67,028	300,290

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Other	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Other
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
Non-specialized loans	52,739,192	561,546	-	3,096,515	1,022,736	-
Working Capital Loans	-	-	-	-	-	-
Export Loans	4,845,406	20,968	-	22,606	5,080	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	884,151	-	-	6,585	-	-
Consumer Loans	12,811,765	96,156	-	675,083	32,210	-
Credit Cards	2,857,776	52,655	-	171,642	16,489	-
Other	31,340,094	391,767	-	2,220,599	968,957	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	52,739,192	561,546	-	3,096,515	1,022,736	-

(*) The total principal amount of the loans under close monitoring, in accordance with the requirements of the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”.

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6. Information on loans: (continued)

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

Number of Extensions	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up (*)
1 or 2 Times	546,448	1,018,767
3, 4 or 5 Times	12,092	3,383
Over 5 Times	3,006	586
Total	561,546	1,022,736

Extension Periods	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up(*)
0-6 Months	476,551	916,016
6-12 Months	15,279	8,962
1-2 Years	40,435	41,221
2-5 Years	27,493	52,230
5 Years and Over	1,788	4,307
Total	561,546	1,022,736

(*) Amounts indicated in tables above was calculated based on criteria stated in "Specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Loans under Follow-up and Other Receivables" published on the Official Gazette No. 26333 dated 1 November 2006 5th paragraph of the provisional Article 4a.

- c) Loans and other receivables according to their maturity structure:

	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
Cash Loans				
Short-term loans and other receivables	21,754,001	236,192	936,956	219,057
Non-specialized loans	21,645,466	236,192	936,956	219,057
Specialized loans	-	-	-	-
Other Receivables	108,535	-	-	-
Medium and long-term loans and other receivables	30,985,191	325,354	2,159,559	803,679
Non-specialized loans	30,985,191	325,354	2,159,559	803,679
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	52,739,192	561,546	3,096,515	1,022,736

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

6. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	173,292	12,859,072	13,032,364
Housing Loans	5,243	8,517,093	8,522,336
Vehicle Loans	7,329	480,063	487,392
General Purpose Loans	160,720	3,861,916	4,022,636
Other	-	-	-
Consumer Loans –Indexed to FC	-	18,038	18,038
Housing Loans	-	17,489	17,489
Vehicle Loans	-	-	-
General Purpose Loans	-	549	549
Other	-	-	-
Consumer Loans-FC (**)	32	30,189	30,221
Housing Loans	-	7,641	7,641
Vehicle Loans	-	6,581	6,581
General Purpose Loans	32	15,967	15,999
Other	-	-	-
Individual Credit Cards-TL	1,961,323	-	1,961,323
With Installments	668,391	-	668,391
Without Installments	1,292,932	-	1,292,932
Individual Credit Cards-FC	6,912	-	6,912
With Installments	1	-	1
Without Installments	6,911	-	6,911
Personnel Loans-TL	6,414	58,133	64,547
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6,414	58,133	64,547
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	24,510	-	24,510
With Installments	8,854	-	8,854
Without Installments	15,656	-	15,656
Personnel Credit Cards-FC	199	-	199
With Installments	1	-	1
Without Installments	198	-	198
Overdraft Accounts-TL(Real Persons) (*)	341,006	-	341,006
Overdraft Accounts-FC(Real Persons)	672	-	672
Total	2,514,360	12,965,432	15,479,792

(*) Overdraft accounts include personnel loans amounting to TL5,007.

(**) Loans granted via branches abroad.

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

6. Information on loans: (continued)

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

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility-TL	890,350	9,863,109	10,753,459
Business Loans	3,711	378,669	382,380
Vehicle Loans	24,011	927,540	951,551
General Purpose Loans	862,628	8,556,900	9,419,528
Other	-	-	-
Commercial Loans with Installment - Indexed to FC	27,724	623,778	651,502
Business Loans	-	24,585	24,585
Vehicle Loans	395	156,916	157,311
General Purpose Loans	27,329	442,277	469,606
Other	-	-	-
Commercial Loans with Installment – FC	1,402	-	1,402
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	1,402	-	1,402
Other	-	-	-
Corporate Credit Cards-TL	1,034,484	-	1,034,484
With Installments	287,176	-	287,176
Without Installments	747,308	-	747,308
Corporate Credit Cards-FC	1,990	-	1,990
With Installments	-	-	-
Without Installments	1,990	-	1,990
Overdraft Accounts-TL(Legal Entities)	1,253,520	-	1,253,520
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	3,209,470	10,486,887	13,696,357

f) Allocation of loans by customers:

	Current Period	Prior Period
Public sector	723,206	492,540
Private sector	55,112,501	52,403,382
Total	55,835,707	52,895,922

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	55,225,887	52,285,880
Foreign Loans	609,820	610,042
Total	55,835,707	52,895,922

h) Loans granted to subsidiaries and associates:

Eliminated in consolidated financial statements.

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	23,334	24,038
Loans and Receivables with Doubtful Collectability	88,266	88,327
Uncollectible Loans and Receivables	1,102,681	716,982
Total	1,214,281	829,347

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

6. Information on loans: (continued)

j) Information on loans under follow-up (Net):

j.1) Information on loans and other receivables included in loans under follow-up which are restructured or reschedule:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Current Period			
(Gross Amounts before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	15,885	11,760	11,074
Prior Period			
(Gross Amounts before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	17,210	11,015	9,271

j.2) The movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Prior Period End Balance	138,909	192,510	901,108
Additions (+)	1,403,583	7,074	314,561
Transfers from Other Categories of Loans under Follow-up (+)	-	1,158,038	1,016,001
Transfers to Other Categories of Loans under Follow-up (-) (**)	1,177,321	1,017,569	-
Collections (-)	216,099	136,988	291,580
Write-offs (-) (*)	156	371	519,925
Corporate and Commercial Loans	15	298	303,388
Retail Loans	136	15	120,469
Credit Cards	5	58	96,068
Other	-	-	-
Current Period End Balance	148,916	202,694	1,420,165
Specific Provision (-)	23,334	88,266	1,102,681
Net Balances on Balance Sheet	125,582	114,428	317,484

(*) Impaired loans portfolio amounting to TL198,653 for which TL198,126 provision had been allocated is sold to Güven Varlık Yönetim A.Ş. for TL20,499 and after all the sales procedures were completed at 29 June 2016, such impaired loans have been written off from the accounts. Impaired loans portfolio amounting to TL212,589 for which TL211,806 provision had been allocated is sold to Destek Varlık Yönetim A.Ş. for TL23,000 and after all the sales procedures were completed at 31 October 2016, such impaired loans have been written off from the accounts. Also, impaired loans portfolio amounting to TL107,006 for which TL104,478 provision had been allocated is sold to Efes Varlık Yönetim A.Ş. for TL4,250 and after all the sales procedures were completed at 28 December 2016, such impaired loans have been written off from the accounts.

(**) In compliance with the related communique, retail loans amounting to TL20,851 are classified from loans under follow-up to performing loans.

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6. Information on loans: (continued)

j) Information on loans under follow-up (Net): (continued)

j.3) Information on foreign currency loans under follow-up and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
31 December 2016			
Current Period End Balance	1,341	605	230,033
Specific Provision (-)	134	89	206,400
Net Balance on Balance Sheet	1,207	516	23,633
31 December 2015			
Prior Period End Balance	245	572	25,012
Specific Provision (-)	29	85	18,297
Net Balance on Balance Sheet	216	487	6,715

The foreign currency loans in the table above are stated in TL in the financial statements of the Parent Bank.

j.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	148,916	202,694	1,420,165
Specific Provision (-)	23,334	88,266	1,102,681
Loans to Real Persons and Legal Entities (Net)	125,582	114,428	317,484
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	138,909	192,510	901,108
Specific Provision (-)	24,038	88,327	716,982
Loans to Real Persons and Legal Entities (Net)	114,871	104,183	184,126
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

6. Information on loans: (continued)

k) Main principles of liquidating loans under follow-up and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated 1 November 2006 with the amendments No.29918 and dated 14 December 2016; loans and other receivables for which the collection is believed to be impossible are classified as loans under follow-up by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable loans under follow-up can be written off with the decision of the Board of Directors.

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Other	Total
Standard Loans	36,961,116	12,811,765	2,857,776	108,535	52,739,192
Close Monitoring Loans	2,249,790	675,083	171,642	-	3,096,515
Loans Under Follow-Up	639,285	971,008	161,482	-	1,771,775
Total	39,850,191	14,457,856	3,190,900	108,535	57,607,482
Specific Provision (-)	488,206	619,163	106,912	-	1,214,281
Total	488,206	619,163	106,912	-	1,214,281
Net Loans	39,361,985	13,838,693	3,083,988	108,535	56,393,201

Prior Period	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	35,303,922	12,516,249	2,685,186	86,269	50,591,626
Past due but not impaired	1,550,857	605,750	147,689	-	2,304,296
Individually impaired	364,590	721,976	145,961	-	1,232,527
Total	37,219,369	13,843,975	2,978,836	86,269	54,128,449
Specific Provision (-)	276,594	458,264	94,489	-	829,347
Total	276,594	458,264	94,489	-	829,347
Net Loans	36,942,775	13,385,711	2,884,347	86,269	53,299,102

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

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

Based on classification, movement of allowance for loan losses and other receivables is presented as follows;

	Commercial	Consumer	Credit Cards	Total
1 January 2016	276,594	458,264	94,489	829,347
Change for the period	615,693	353,787	137,711	1,107,191
Recoveries	(104,194)	(73,805)	(29,848)	(207,847)
Amounts written-off (*)	(299,887)	(119,083)	(95,440)	(514,410)
31 December 2016 Balance	488,206	619,163	106,912	1,214,281

	Commercial	Consumer	Credit Cards	Total
1 January 2015	511,933	162,052	129,023	803,008
Change for the period	170,166	512,115	126,866	809,147
Recoveries	(75,725)	(64,987)	(30,727)	(171,439)
Amounts written-off(**)	(239,644)	(150,916)	(130,673)	(521,233)
Foreign Currency Differences	(20,110)	-	-	(20,110)
Due to sale of subsidiary	(70,026)	-	-	(70,026)
31 December 2015 Balance	276,594	458,264	94,489	829,347

(*) Impaired loans portfolio amounting to TL198,653 for which TL198,126 provision had been allocated is sold to Güven Varlık Yönetim A.Ş. for TL20,499 and after all the sales procedures were completed at 29 June 2016, such impaired loans have been written off from the accounts. Impaired loans portfolio amounting to TL212,589 for which TL211,806 provision had been allocated is sold to Destek Varlık Yönetim A.Ş. for TL23,000 and after all the sales procedures were completed at 31 October 2016, such impaired loans have been written off from the accounts. Also, impaired loans portfolio amounting to TL107,006 for which TL104,478 provision had been allocated is sold to Efes Varlık Yönetim A.Ş. for TL4,250 and after all the sales procedures were completed at 28 December 2016, such impaired loans have been written off from the accounts.

(**) Impaired loans portfolio amounting to TL250,007 for which TL249,854 provision and TL14,225 for which TL14,225 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. respectively for TL29,800 at 26 March 2015 and TL2,850 at 23 June 2015. Also, impaired loans portfolio amounting to TL215,335 for which TL215,331 provision and TL41,823 for which TL41,823 provision had been allocated is sold to Final Varlık Yönetim A.Ş. respectively for TL27,310 at 27 October 2015 and TL7,511 at 29 December 2015. After completion of the necessary procedures and collection of the sale price, such impaired loans have been written off from the accounts.

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2016 is TL569,340 (31 December 2015: TL318,767).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

	Current Period	Prior Period
Mortgage	428,577	225,357
Vehicle	112,400	78,774
Cash	495	312
Other	27,868	14,324
Total	569,340	318,767

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined not to be impaired at 31 December 2016 is TL2,172,320 (31 December 2015: TL1,380,151).

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

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

	Current Period	Prior Period
Mortgage	428,577	225,357
Vehicle	112,400	78,774
Cash	495	312
Other	27,868	14,324
Total	569,340	318,767

As of 31 December 2016, the fair value of collaterals, capped with the respective outstanding loan balance, that the Group holds relating to loans under close monitoring is TL2,172,320 (31 December 2015: TL1,380,151).

Fair value of collaterals, capped with the respective outstanding loan balance under close monitoring:

	Current Period	Prior Period
Mortgage	1,954,862	1,205,035
Vehicle	165,517	130,533
Cash, Government Bonds	21,347	24,657
Other	30,594	19,926
Total	2,172,320	1,380,151

As of 31 December 2016 and 31 December 2015, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2016	Commercial	Consumer	Total
Residential, commercial or industrial property	86,446	4,769	91,215
Other	39	-	39
Total	86,485	4,769	91,254

31 December 2015	Commercial	Consumer	Total
Residential, commercial or industrial property	66,588	5,247	71,835
Other	39	-	39
Total	66,627	5,247	71,874

7. Information on held-to-maturity investments:

a) a.1) Information on financial assets subject to repurchase agreements and those given as collateral/blocked: (None) (31 December 2015: None)

a.2) Held-to-maturity investments subject to repurchase agreements and given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	198,285	-	312,654	-
Other	-	-	-	-
Total	198,285	-	312,654	-

Unrestricted financial assets held-to maturity amounting to TL163,223 (31 December 2015: TL26,763).

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

7. Information on held-to-maturity investments: (continued)

a.3) Information on held to maturity debt securities:

	Current Period	Prior Period
Government Bonds	361,508	339,417
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	361,508	339,417

a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt Securities	361,508	339,417
Quoted on a Stock Exchange	361,508	339,417
Unquoted	-	-
Impairment Provision(-)	-	-
Total	361,508	339,417

b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning Balance	339,417	317,360
Foreign Currency Differences on Monetary Assets	-	-
Purchases during the Year (*)	22,091	22,057
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	-	-
Closing Balance	361,508	339,417

(*) Accruals are included in purchases during the year.

8. Information on associates (Net):

- a.1) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2015: None).
- a.2) Information on the unconsolidated associates: None (31 December 2015: None).
- a.3) Information on the consolidated associates: None (31 December 2015: None).
- a.4) Valuation of consolidated associates: None (31 December 2015: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2015: None).

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

9. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	30,000	28,794	6,860
Reserves	24,158	41,783	5,964
Net income for the period and prior period income	22,545	19,977	4,560
Income/ Loss recognized under equity in accordance with TAS	-	1,123	(159)
Leasehold Improvements on Operational Leases	77	27	-
Goodwill and intangible asset and the related deferred tax liability (-)	1,444	1,051	616
Total Common Equity Tier 1 Capital	75,182	90,599	16,609
General Provision	1,005	-	-
Total Equity	76,187	90,599	16,609

The Parent Bank has no capital requirements arising from its subsidiaries included in the Consolidated Capital Adequacy Standard Ratio.

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subsection to the reasonable justifications of non-consolidate and minimum capital requirements: None (31 December 2015: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2015: None).
- d) Information on the consolidated subsidiaries:
- d.1) Information on the consolidated subsidiaries:

	Address (City/ Country)	Group’s share percentage-If different voting percentage (%)	Other shareholders’ share percentage (%)
1	TEB Faktoring A.Ş.	100.00	-
2	TEB Yatırım Menkul Değerler A.Ş.	100.00	-
3	TEB Portföy Yönetimi A.Ş.	54.74	45.26

Information on the consolidated subsidiaries with the order as presented in the table above:

	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
1	1,704,802	76,703	1,682	106,668	-	11,507	8,301	-
2	162,740	91,677	3,729	16,311	-	10,212	14,644	-
3	20,339	17,225	698	1,869	156	2,631	2,122	-

(*) These figures are shown per BRSA financial statements as of 31 December 2015.

- d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	146,986	208,643
Movements during the Period	-	(61,657)
Purchases	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales (*)	-	(61,657)
Revaluation Increase	-	-
Value Increase/(Decrease)	-	-
Balance at the End of the Period	146,986	146,986
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(*) The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis SA/NV amounting to EUR107,769 thousand. The sales revenue has been collected after completion procedures on 11 December 2015.

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9. Information on subsidiaries (Net): (continued)

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies / TEB Faktoring A.Ş.	68,691	68,691
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries / TEB Yatırım Menkul Değerler A.Ş. TEB Portföy Yönetimi A.Ş.	72,941 5,354	72,941 5,354
Total	146,986	146,986

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2015: None).

10. Information on entities under common control (Joint Ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	22,003	26,970	5,466	100,511	(94,209)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank’s financial statements.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2015: None).

12. Information on derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	195,320	-	58,309	-
Foreign Net Investment Hedge	-	-	-	-
Total	195,320	-	58,309	-

According to cash flow hedges terminated by the Parent Bank, as of 31 December 2016 accumulated valuation differences negatively amounted TL1,063 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

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

13. Information on tangible assets:

	31 December 2015	Additions	Disposals	Other	31 December 2016
Cost:					
Land and buildings	105,132	-	-	-	105,132
Leased tangible assets	36,754	-	(896)	-	35,858
Other	844,861	55,981	(194,236)	-	706,606
Total Cost	986,747	55,981	(195,132)	-	847,596
	31 December 2015	Period Charge	Disposals	Other	31 December 2016
Accumulated Depreciation:					
Land and buildings	40,866	2,955	-	-	43,821
Leased tangible assets	36,721	25	(896)	-	35,850
Other	623,652	92,840	(193,602)	-	522,890
Total Accumulated Depreciation	701,239	95,820	(194,498)	-	602,561
Net Book Value	285,508				245,035

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

14. Information on intangible assets:

	31 December 2015	Additions	Disposals	Other	31 December 2016
Cost:					
Other intangible assets	229,829	74,532	(53,165)	-	251,196
Total Cost	229,829	74,532	(53,165)	-	251,196
	31 December 2015	Period Charge	Disposals	Other	31 December 2016
Accumulated Depreciation:					
Other intangible assets	177,479	42,183	(53,165)	-	166,497
Total Accumulated Depreciation	177,479	42,183	(53,165)	-	166,497
Net Book Value	52,350				84,699

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: None.

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

14. Information on intangible assets (continued)

i) Information on goodwill:

After the publishing 10 February 2011 dated permission of BRSA in official gazette on 12 February 2011, with recording to Istanbul Trade Registration Office by means of the expire of Fortis Bank A.Ş legal entity, by assigning all rights, receivables, payables and obligations to Bank, the merging of Fortis Bank A.Ş. with TEB A.Ş. was occurred. Due to the merging, in exchange for every TL1 amounted dissolved share of Fortis Bank A.Ş. changed with 1.0518 unit nominative TEB shares. Due to that the Bank is not managed by the same person and persons before and after merging, this operation was evaluated in the scope of IFRS 3. In merging operation, Fortis Bank was decided as acquired management, 14 February 2011 dated fair value of shareholders equity subjected to merging was decided as transfer cost and the difference between this decided value and the fair value of acquired net identifiable assets of Fortis Bank A.Ş. was recorded as goodwill.

j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

	Current Period	Prior Period
Beginning balance	421,124	421,124
Foreign Currency Differences	-	-
Acquired	-	-
End Balance	421,124	421,124

15. Information on investment property: None (31 December 2015: None).

16. Information on held deferred tax asset:

- a) As of 31 December 2016, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL52,955 (31 December 2015: TL88,723). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax asset:

	Current Period	Prior Period
At January 1	88,723	104,452
Deferred tax benefit / (charge)	(61,989)	30,329
Deferred tax accounted for under equity	26,221	(43,699)
Other	-	(2,359)
Deferred Tax Asset	52,955	88,723

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

17. Information on held for sale fixed assets and discontinued operations:

	Current Period	Prior Period
Beginning of Period Cost	74,768	83,187
Beginning of Period Accumulated Depreciation (-)	2,894	3,721
Net Book Value	71,874	79,466
Opening Balance	71,874	79,466
Acquired	85,942	58,547
Disposed (-)	64,639	64,096
Impairment (-)	110	189
Depreciation Value (-)	1,813	1,854
End of Period Cost	93,224	74,768
End of Period Accumulated Depreciation (-)	1,970	2,894
Closing Net Book Value	91,254	71,874

18. Information on factoring receivables of Group:

a) Maturity Analysis:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short term (*)	671,231	1,030,213	574,497	654,302
Medium and Long Term	12,711	-	-	-
Specific provisions (-)	31,473	2,646	18,812	1,664
Total	652,469	1,027,567	555,685	652,638

(*) Amounting to TL41,048 (31 December 2015: TL32,688) impaired factoring receivable included.

b) Other explanations and disclosures:

Current Period	Commercial	Consumer	Total
Neither past due nor impaired	1,657,614	-	1,657,614
Past due but not impaired	15,493	-	15,493
Individually impaired	41,048	-	41,048
Total	1,714,155	-	1,714,155
Specific Provision (-)	34,119	-	34,119
Total allowance for impairment	34,119	-	34,119
Net credit balance on balance sheet	1,680,036	-	1,680,036

Prior Period	Commercial	Consumer	Total
Neither past due nor impaired	1,172,280	-	1,172,280
Past due but not impaired	23,831	-	23,831
Individually impaired (*)	32,688	-	32,688
Total	1,228,799	-	1,228,799
Specific Provision (-)	20,476	-	20,476
Total allowance for impairment	20,476	-	20,476
Net credit balance on balance sheet	1,208,323	-	1,208,323

(*) Impaired loans portfolio of TEB Faktoring amounting to TL15,111 and for which TL15,111 provision had been allocated is sold to TURKASSET Varlık A.Ş. for TL100 on 22 October 2015. After completion of the necessary procedures and collection of the sale price, such impaired loans have been written off from the accounts.

19. Information on other assets:

Other assets item of the balance sheet is amounted to TL1,169,391 (31 December 2015: TL1,301,856) and it does not exceed 10% of total assets except off-balance commitments.

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II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year and Over	1 Year Accumulated Deposits	Total
Saving Deposits	1,390,344	-	4,133,777	10,625,756	424,145	23,622	22,007	- 16,619,651
Foreign Currency Deposits	3,042,534	-	3,756,356	12,958,068	143,483	89,102	53,008	- 20,042,551
Residents in Turkey	2,819,189	-	3,078,666	12,472,737	132,939	63,668	51,021	- 18,618,220
Residents Abroad	223,345	-	677,690	485,331	10,544	25,434	1,987	- 1,424,331
Public Sector Deposits	118,002	-	1,299	66,522	1,649	67	-	- 187,539
Commercial Deposits	2,765,389	-	1,504,271	4,366,100	153,511	47,684	119	- 8,837,074
Other Institutions Deposits	75,601	-	38,135	1,426,282	797,032	1,023,490	85	- 3,360,625
Precious Metals Deposits	227,625	-	29,771	196,623	17,768	110,974	-	- 582,761
Bank Deposits	4,710	-	176,275	-	-	-	-	- 180,985
Central Bank of Turkey	-	-	-	-	-	-	-	- -
Domestic Banks	4	-	-	-	-	-	-	- 4
Foreign Banks	4,706	-	176,275	-	-	-	-	- 180,981
Special Financial Institutions	-	-	-	-	-	-	-	- -
Other	-	-	-	-	-	-	-	- -
Total	7,624,205	-	9,639,884	29,639,351	1,537,588	1,294,939	75,219	- 49,811,186

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year and Over	1 Year Accumulated Deposits	Total
Saving Deposits	1,205,384	-	3,944,382	9,670,953	674,131	21,286	23,176	- 15,539,312
Foreign Currency Deposits	3,157,354	-	3,266,373	8,374,541	310,398	83,735	117,274	- 15,309,675
Residents in Turkey	3,010,000	-	2,643,523	8,028,524	294,698	39,921	113,090	- 14,129,756
Residents Abroad	147,354	-	622,850	346,017	15,700	43,814	4,184	- 1,179,919
Public Sector Deposits	212,261	-	44,947	57,421	-	26,416	-	- 341,045
Commercial Deposits	2,193,608	-	1,168,393	3,863,724	823,014	1,676	2,558	- 8,052,973
Other Institutions Deposits	53,655	-	67,438	1,514,855	1,861,861	1,076,581	171	- 4,574,561
Precious Metals Deposits	157,062	-	42,899	188,852	10,688	46,008	-	- 445,509
Bank Deposits	1,078	-	105,838	7,641	-	-	-	- 114,557
Central Bank of Turkey	-	-	-	-	-	-	-	- -
Domestic Banks	51	-	-	-	-	-	-	- 51
Foreign Banks	1,027	-	105,838	7,641	-	-	-	- 114,506
Special Financial Institutions	-	-	-	-	-	-	-	- -
Other	-	-	-	-	-	-	-	- -
Total	6,980,402	-	8,640,270	23,677,987	3,680,092	1,255,702	143,179	- 44,377,632

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

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*)		Exceeding the Limit of Insurance(*)	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	8,539,755	7,556,838	7,813,976	7,463,940
Foreign Currency Saving Deposits	1,778,326	1,767,595	9,064,676	6,487,853
Other Deposits in the Form of Saving Deposits	127,293	95,688	432,321	313,477
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	10,445,374	9,420,121	17,310,973	14,265,270

(*) According to the BRSA's circular No. 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

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

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

b.1) Saving deposits exceeding the limit of insurance: (continued)

ii) Deposit of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Foreign Branches’ Deposits and Other Accounts	355,546	305,763
Deposits of Controlling Shareholders and Their Close Families	1,725,471	1,055,183
Deposits of Chairman and Members of the Board of Directors and Their Close Families	36,908	34,583
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004.	-	-
Saving Deposits in Banks Established in Turkey exclusively for Off-shore Banking Activities	-	-

2. Information on derivative financial liabilities:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	72,915	49,697	56,535	12,817
Swap Transactions	635,462	39,935	355,825	23,597
Futures Transactions	-	-	-	-
Options	79,405	65,200	53,751	16,872
Other	-	-	-	-
Total	787,782	154,832	466,111	53,286

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	270,039	223,203	176,687	160,262
From Foreign Banks, Institutions and Funds	298,164	13,568,095	1,483,192	10,915,152
Total	568,203	13,791,298	1,659,879	11,075,414

As of 30 December 2016 the Group has borrowings from its related parties amounting to TL7,923,988 (31 December 2015: TL6,322,179).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	568,203	10,513,194	1,597,645	8,358,395
Medium and Long-term	-	3,278,104	62,234	2,717,019
Total	568,203	13,791,298	1,659,879	11,075,414

c) Additional explanation related to the concentrations of the Parent Bank’s major liabilities:

The Parent Bank diversifies its funding sources through customer deposit and borrowings from abroad. As of 31 December 2016 foreign borrowings of the Bank includes syndication loan obtained with the agreement dated 31 August 2016, and 7 September 2017 maturity amounting to EUR352,000,000 and USD205,000,000.

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

3. Information on funds borrowed and debt securities issued: (continued)

c) Additional explanation related to the concentrations of the Parent Bank’s major liabilities: (continued)

The Parent Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Bank, in consideration of profitability. Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

d) Explanations on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	739,302	-	184,110	86,553
Treasury Bills	-	-	-	-
Total	739,302	-	184,110	86,553

4. Funds provided through repurchase transactions:

Information on funds provided through repurchase transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	1,457,750	-	2,384,787	-
Financial Institutions and Organizations	1,457,750	-	2,384,787	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
Foreign Transactions	-	-	-	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
Total	1,457,750	-	2,384,787	-

5. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total

Other external funding payables amounting to TL846,800 (31 December 2015: TL1,064,458) do not exceed 10% of the total balance sheet.

6. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the group:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None

c) Explanation on financial lease payables: None (31 December 2015: None).

d) Explanations regarding operational leases:

For the period ended 31 December 2016, operational lease expenses amounting to TL217,625 (31 December 2015: TL205,504) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

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

7. Negative differences table of derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	284,492	-	158,539	677
Foreign Net Investment Hedge	-	-	-	-
Total	284,492	-	158,539	677

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences negatively amounted TL1,063 is recorded under equity as of 31 December 2016 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

8. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	571,617	562,743
Additional Provision for Loans and Receivables with Extended Maturities	17,116	8,005
Provisions for Second Group Loans and Receivables	77,241	85,364
Additional Provision for Loans and Receivables with Extended Maturities	20,354	16,096
Provisions for Non-Cash Loans	28,099	41,807
Other	7,941	9,184
Total	684,898	699,098

b) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: Foreign exchange losses on the foreign currency indexed loans amounting to TL745 (31 December 2015: TL18,682) is offset from the loans on the balance sheet.

c) The specific provisions provided for unindemnified non-cash loans amount to TL48,515 (31 December 2015: TL37,680).

d) Liabilities on unused vacation, bonus, employee termination benefits and health expense:

As of 31 December 2016, TL16,894 (31 December 2015: TL19,381) unused vacation provision, TL129,181 (31 December 2015: TL102,153) employee termination benefit provision, TL109,125 (31 December 2015: TL93,430) bonus provision are presented under “Reserve for Employee Benefit” in financial statements.

i) Termination Benefits:

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Parent Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually.

	31 December 2016	31 December 2015
Discount Rate (%)	10.00	10.30
Expected Inflation Rate (%)	5.00	5.00
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

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

8. Information on provisions: (continued)

Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	102,153	101,658
Service cost	12,234	13,524
Interest cost	10,324	8,618
Settlement cost	5,938	3,361
Actuarial loss	11,983	(14,467)
Benefits paid	(13,451)	(10,541)
Total	129,181	102,153

ii) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XV “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles. The Parent Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2016 and 31 December 2015. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Based on the determined assumptions,

	31 December 2016	31 December 2015
Transferrable Retirement and Health Liabilities:		
Net Present Value of Transferrable Retirement Liabilities	(1,255,328)	(1,146,530)
Net Present Value of Transferrable Retirement and Health Contributions	524,026	505,725
General Administration Expenses	(12,553)	(11,465)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(743,855)	(652,270)
Fair Value of Plan Assets (2)	1,707,479	1,537,369
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	963,624	885,099
Non-Transferable Benefits (4)	(257,435)	(240,435)
Asset Surplus over Total Benefits ((3)-(4))	706,189	644,664

Distribution of total assets of the Retirement Fund as of 31 December 2016 and 31 December 2015 is presented below:

	31 December 2016	31 December 2015
Bank placements	1,608,655	1,424,127
Tangible assets	85,453	79,720
Other	13,371	33,522
Total	1,707,479	1,537,369

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on TAS 19 are as follows:

	31 December 2016	31 December 2015
Discount Rate	10.15%	10.30%
Expected Inflation Rate	5.00%	5.00%

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

8. Information on provisions: (continued)

ii) Retirement Benefits: (continued)

As of 31 December 2016, medical inflation is expected more than 20% (31 December 2015: 20%). General wage increases and Social Security Institution (the “SSI”) increase of ceiling rate is expected in parallel to inflation rate. In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2015: CSO 2001) Female/Male mortality table is used.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2015: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provision for Potential Loan Risk	-	112,421
Provision for Legal Cases	53,365	42,028
Provision for Unindemnified Non-cash Loans	48,515	37,680
Provision for Promotions of Credit Cards and Banking Services	11,508	11,284
Other (*)	91,299	46,994
Total	204,687	250,407

(*) As a result of the audit performed by Ministry of Customs and Trade in accordance with Consumer Protection Law - No: 6502, an administrative fine amounting to TL 38,465 is notified to the Parent Bank. The administrative fine amounting to TL28,849, for which a provision had been provided for, has been paid in advance on 19 January 2017, by taking advantage of 25% discount in accordance with article 17/6 of the law on Misdemeanors no. 5326 reserving legal objection rights.

9. Explanations on taxes payable:

a) Information on tax provision:

As of 31 December 2016, the Parent Bank’s corporate tax provision is TL1,509 (31 December 2015: TL109,955)

As of 31 December 2016, the Parent Bank’s total tax and premium liability is TL143,148 (31 December 2015: TL235,380)

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	1,509	109,955
Taxation on Securities	38,963	42,538
Property Tax	2,304	2,208
Banking Insurance Transaction Tax (BITT)	44,867	44,731
Foreign Exchange Transaction Tax	34	35
Value Added Tax Payable	5,210	3,844
Other (*)	19,776	17,920
Total	112,663	221,231

(*) Others include income taxes deducted from wages amounting to TL15,863 (31 December 2015: TL14,619) and stamp taxes payable amounting to TL1,350 (31 December 2015: TL1,455).

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

9. Explanations on taxes payable: (continued)

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	13,017	5,964
Social Security Premiums-Employer	14,496	6,826
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	1,132	519
Unemployment Insurance-Employer	1,840	840
Other	-	-
Total	30,485	14,149

d) Explanations on deferred tax liabilities, if any: The Group does not have any deferred tax liability of the Group as of 31 December 2016 (31 December 2015: None).

10. Information on liabilities regarding assets held for sale and discontinued operations: None (31 December 2015: None).

11. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Parent Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. In case of notes which are issued as perpetual are not redeemed until 1 August 2017, IFC has two options as follows: i) converting the notes to common share at an agreed price. ii) revising the interest rate of the perpetual notes as LIBOR + 5.25%.

The Parent Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR75 million as of 4 November 2011 and a bond amounting to EUR100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR100 million is added up with the first issue of EUR75 million and together will be followed as EUR175 million. Since the coupon rate of the issue amounting to EUR100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR100 million issue has been determined as 96.026% (the price determined as the 12 month interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR852,527.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR96,878,527.78 is transferred to the bank accounts. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

The Parent Bank, during its Board of Directors’ meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD65 million on 14 May 2012. The semiannually interest rate of the issuance is determined as USD Libor + 5.75%. The due date of the debt instrument is determined as 14 May 2024 and for the first seven years there is no option to repay before its due date. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA).

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The due date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA. After the approval of the BRSA, debt instruments have been complied with article 8/2(ğ) of “Regulation on Equity of Banks” without changing their issue dates.

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

11. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (continued)

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR125 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 2.1%. There is no option to repay within the first five years. The debt instrument can be amortized on 27 June 2018 with the resolution of the BoD and upon the approval of the BRSA. After the approval of the BRSA, debt instruments have been complied with article 8/2(ğ) of “Regulation on Equity of Banks” without changing their issue dates.

The Parent Bank has resolved to issue a Secondary Subordinated Debt in the amount of USD65 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 3.40%. There is no option to repay within the first five years. The debt instrument can be amortized on 28 June 2018 with the resolution of the BoD and upon the approval of the BRSA. Since the product has lost the ability to become a subordinated instrument in line with the regulation issued by the BRSA effective from 31 March 2016, the Parent Bank has possessed the right to amortize this instrument before its maturity, but the Parent Bank has decided not to use its right as of today.

The above mentioned six subordinated loans are utilized in-line with the “loan capital” definition of BRSA) and will positively effect the capital adequacy ratio of the Parent Bank as well as utilizing long term fundings.

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,482,374	-	1,266,082
From Other Foreign Institutions	-	817,511	-	673,954
Total	-	2,299,885	-	1,940,036

12. Information on Shareholders’ Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common Stock	2,204,390	2,204,390
Preferred Stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases and their sources and other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) 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: None.

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

12. Information on Shareholders’ Equity: (continued)

- f) Indicators of the Parent Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Parent Bank’s equity:

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the bank is followed up and estimated by the Parent Bank’s Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

- g) Information on preferred shares: None

- h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(56,870)	(819)	(67,787)	59,523
Foreign Exchange Difference	-	-	-	-
Total	(56,870)	(819)	(67,787)	59,523

- 13. Information on minority interest:** As of 31 December 2016, part of the group equity that belongs to minority shares is TL7,797 (31 December 2015: TL7,444).

- 14. Information on factoring liabilities:** As of 31 December 2016 group has factoring debt of TL17,688 (31 December 2015: TL15,356).

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	4,648,912	4,580,727
Loan Granting Commitments	4,234,093	4,306,849
Payment Commitment for Checks	2,309,458	2,260,921
Asset Purchase and Sale Commitments	1,610,400	1,567,255
Deposit Purchase and Sale Commitments	896,710	-
Tax and Fund Liabilities from Export Commitments	15,615	26,185
Commitments for Promotions Related with Credit Cards and Banking Activities	3,962	4,538
Other Irrevocable Commitments	455,491	588,751
Total	14,174,641	13,335,226

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

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

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

	Current Period	Prior Period
Letters of Credit	1,720,120	1,406,746
Bank Acceptances	40,100	48,830
Other Commitments	3,620,599	2,642,207
Other Contingencies	515,750	533,908
Total	5,896,569	4,631,691

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Guarantee Letters	7,651,713	6,356,356
Temporary Guarantee Letters	1,101,983	767,473
Advance Guarantee Letters	1,057,523	1,135,218
Guarantee Letters Given for Customs	402,896	338,178
Other Guarantee Letters	1,411,296	1,269,905
Total	11,625,411	9,867,130

c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	680,742	495,181
With maturity of one year or less than one year	137,571	56,260
With maturity of more than one year	543,171	438,921
Other non-cash loans	16,841,238	14,003,640
Total	17,521,980	14,498,821

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items

1. Information on off-balance sheet liabilities: (continued)

c.2) Information on sectoral risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	36,787	0.49	62,504	0.62	43,419	0.69	26,421	0.32
Farming and raising livestock	27,651	0.37	62,504	0.62	31,754	0.51	25,506	0.31
Forestry, Wood and Paper	-	-	-	-	4,657	0.07	915	0.01
Fishery	9,136	0.12	-	-	7,008	0.11	-	-
Manufacturing	1,623,520	21.83	4,330,264	42.96	2,169,528	34.57	4,255,439	51.75
Mining and Quarry	216,439	2.91	183,290	1.82	168,332	2.68	374,984	4.56
Production	1,284,651	17.27	3,996,142	39.64	1,934,948	30.83	3,775,204	45.91
Electricity, Gas and Water	122,430	1.65	150,832	1.50	66,248	1.06	105,251	1.28
Construction	1,828,011	24.57	1,357,438	13.47	1,378,245	21.96	1,208,602	14.70
Services	3,909,244	52.54	4,262,030	42.28	2,684,391	42.78	1,969,185	23.94
Wholesale and Retail Trade	2,260,910	30.39	2,205,466	21.88	1,163,448	18.54	382,521	4.65
Hotel, Tourism, Food and Beverage Services	98,282	1.32	46,231	0.46	57,600	0.92	43,515	0.53
Transportation and Communication	644,758	8.67	521,400	5.17	572,586	9.12	361,783	4.40
Financial Institutions	433,876	5.83	272,245	2.70	247,836	3.95	213,289	2.59
Real Estate and Renting	325,155	4.37	979,870	9.72	281,633	4.49	680,199	8.27
Self-employment Services	83,410	1.12	229,031	2.27	170,097	2.71	168,566	2.05
Education Services	3,295	0.04	1,605	0.02	7,367	0.12	30	-
Health and Social Services	59,558	0.80	6,182	0.06	183,824	2.93	119,282	1.45
Other	43,193	0.57	68,989	0.67	-	-	763,591	9.29
Total	7,440,755	100.00	10,081,225	100.00	6,275,583	100.00	8,223,238	100.00

c.3) Information on Ist and IInd Group non-cash loans:

Non-cash loans	Ist Group		IInd Group	
	TL	FC	TL	FC
Letters of guarantee	5,883,759	5,616,174	97,230	28,248
Bank acceptances	-	40,100	-	-
Letters of credit	-	1,720,120	-	-
Endorsements	-	-	-	-
Underwriting commitments.	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,458,398	2,676,583	1,368	-
Total	7,342,157	10,052,977	98,598	28,248

The Group provided a reserve of TL86,870 (31 December 2015: TL63,229) for non-cash loans not indemnified yet amounting to TL48,515 (31 December 2015: TL37,680) and reflected that in financial statements.

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2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	93,060,769	61,044,006	-	-
Forward transactions	10,787,209	9,743,982	-	-
Swap transactions	61,555,927	38,107,002	-	-
Futures transactions	-	-	-	-
Option transactions	20,717,633	13,193,022	-	-
Interest related derivative transactions (II):	3,626,826	4,740,964	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	3,626,826	4,740,964	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	11,560	1,815	-	-
A.Total trading derivative transactions (I+II+III+IV)	96,699,155	65,786,785	-	-
Types of hedging transactions				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	14,413,286	14,258,638
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	14,413,286	14,258,638
Total Derivative Transactions (A+B)	96,699,155	65,786,785	14,413,286	14,258,638

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank’s financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value by the Parent Bank.

i) Derivative instruments for fair value hedging purposes:

In 2015, The Parent Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2015, net fair value of derivative instruments used for hedging purposes is TL1,913 (31 December 2016: None). The Parent Bank accounts TL50,301 expense (31 December 2016: None) for derivative instruments used for hedging purposes and TL4,164 expense (31 December 2016: None) from hedged item loans in the financial statements.

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2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Parent Bank has applied cash flow accounting by matching its swap portfolio (Total notional amount TL14,413,286) with 1-90 days of maturity deposit portfolio and selected borrowing portfolio. Effective portion of TL38,136 (31 December 2015: TL101,180 credit) debit accounted for under equity is presented after deducting its deferred tax effect of TL7,627 (31 December 2015: TL20,236 debit) credit in the financial statements. In 2016, the ineffective portion of TL4,528 expense (31 December 2015: TL877 expense) is accounted for under income statement.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	1,752,615	180,415	53,156	1,560,678	19,354	2,082
Interest Rate Swaps	12,660,671	14,905	231,336	12,697,960	38,955	157,134
	14,413,286	195,320	284,492	14,258,638	58,309	159,216

3. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets

- a) a.1) The Group's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Group's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2016, there are no contingent assets that need to be explained (31 December 2015: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

Following a resolution in favor of the Parent Bank in 2003 for the case related to deduct accumulated losses from the corporate tax base for 2002 and for subsequent periods in accordance with Corporate Tax Law article 14/7; the Ministry of Finance appealed against the decision, however, the case was again concluded in favor of the Parent Bank by Tax Supreme Court. In this context, the Parent Bank acquired the right to deduct accumulated losses amounting to TL364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Parent Bank between the years 2003 and 2006.

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4. Explanations on contingent liabilities and assets: (continued)

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TL15,510 and levied a fine of TL16,131 to the Parent Bank based on the declaration as of 20 April 2004. In that respect, the Parent Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Parent Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

The Tax Office filed an appeal against the ruling; however, the 4th Administration of Council of State resolution no: K: 2007/4747 ruled that the defendant's claim on the Management's double loss deduction should be initially reviewed and a new ruling should be made accordingly. Therefore the tax office's resolution is overruled by the Council of State.

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State's overruling and conducted the litigation in favor of the Parent Bank upon its resolution no: K:2010/2377, TL48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Parent Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Parent Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Parent Bank has increased the tax base by TL2,863 in regards to the related lawsuit in accordance with the requirements of the Communiqué No:6111 "Restructuring of Specific Receivables and Social Insurance and General Health Insurance Law and Amendments to Some Other Laws and Requirements".

In the decision concluded within the scope of file number 2010/9089 of the 4th Chamber of the Council of State, K.2013/5291, communicated on 31 July 2013, accepted the appeal request with justifications and stated, "it has concluded that the balance sheet loss will be deducted as an expense from the revenue when determining the corporate profit but will not be carried forward for more than five years, thus there is nothing contrary to law in the Tax Court's decision; the TL48,557,000.00 commercial balance sheet loss was reached by deducting TL203,049,000,000.00 in BRSA adjustments in the same year from the TL154,492,000.00 commercial profit; and since BRSA adjustments are also considered in the same sheet in total profits and additions, taking a commercial balance sheet loss for the same year into consideration in the total of other rebates and exemptions does not result in any duplication". It has also been decided that the İstanbul 1st Tax Court's judgement number E.2010/661, K.2010/2377 will be reversed and the loss will not be subject to a duplicate rebate. The defendant authority's request for a revision of the decision was rejected. Upon the 4th Chamber of the Council of State's decision to reject the request for a revision of the decision, the examination of file number 2015/1202 E. continues on site at the İstanbul 1st Tax Court. Upon the 4th Chamber of the Council of State's decision rejecting the request for a revision of the decision, the İstanbul 1st Tax Court complied with the Council of State's decision, decreed it accepted the decision, and cancelled the tax assessment with the following justification in its 7 March 2016 decision No. 2015/1202 E., 2016/583 K.: since the plaintiff bank bears the above-mentioned losses and there is no legal constraint requiring discounting a part of such losses in the estimated tax return declared in the 2003/IV period, there is no legal grounds for deducting the loss subject to discount from the declaration of the period by stating that no loss exists within the scope of Article 14 of the Corporate Tax Law and imposing a penalty on behalf of the plaintiff bank. Our contracted attorneys were notified of the decree on 16 May 2016. The defendant administration appealed the decision before the Council of State which is still examining the file.

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(continued)**

4. Explanations on contingent liabilities and assets: (continued)

The inspection of the Competition Board that was conducted to determine whether active 12 banks in Turkey are in agreement and concerted practice in loan and credit card services sector and thus violated Article 4 of the Law on Protection of Competition, No. 4054 was completed on March 8, 2013. As a result of inspection, it has been agreed by a majority to impose an administrative fine of TL10,669 to the Parent Bank on the condition that the decision can be appealed against before Ankara Administrative Court. The penalty paid as TL8,002 on 22 July 2013 as three fourths of the main penalty as per Article 17 of the Misdemeanors Law, No. 5326, was paid on 16 August 2013. The Parent Bank filed the annulment action over the file No.2014/7E Ankara 2nd Administrative Court against the decision about the administrative fines imposed by Competition Board at Ankara Administrative Court on 19 September 2013 and the case has been dismissed. Upon dismissal of the case, it has been filed an appeal in time and the Supreme Court decided to uphold the decision. It has been applied for the correction of the decision.

As a result of the audit performed by Ministry of Customs and Trade in accordance with Consumer Protection Law - No: 6502, an administrative fine amounting to TL 38,465 is notified to the Parent Bank. The administrative fine amounting to TL28,849, for which a provision had been provided for, has been paid in advance on 19 January 2017, by taking advantage of 25% discount in accordance with article 17/6 of the law on Misdemeanors no. 5326 reserving legal objection rights.

5. Custodian and intermediary services:

The Group provides trading and safe keeping services in the name and account of third parties, which are presented in the consolidated statement of contingencies and commitments.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2016 the total nominal value and number of certificates are TL8,254,360 and TL8,254,360 thousand (31 December 2015: TL9,864,449 and TL9,864,957) and the total fair value is TL1,850,454 (31 December 2015: TL1,532,293).

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**III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items
(continued)**

6. The information on the Bank’s rating by the international rating introductions (*):

The results of the ratings performed by Moody’s Investor Services and Fitch Ratings are shown below:

Moody’s Investor Services: September 2016

View	Stable
Revised Loan Valuation	ba1
Foreign Currency Deposits	Ba2

Fitch Ratings: February 2017

Foreign Currency Commitments	
Long term	BBB-
Short term	F3
View	Stable
Turkish Lira Commitments	
Long term	BBB-
Short term	F3
View	Stable
National	AAA (tur)
View	Stable
Individual Rating	bb+
Support Points	2

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income on loans (*)				
Short term loans	2,930,514	158,457	2,863,838	141,075
Medium and long term loans	3,273,967	240,479	2,493,823	196,017
Interest on loans under follow-up	41,019	-	37,436	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	6,245,500	398,936	5,395,097	337,092

(*) Includes fees and commissions obtained from cash loans amounting to TL135,997 (31 December 2015: TL131,385).

b) Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	2,044	-	-
Domestic banks	21,110	665	32,736	395
Foreign banks	3,826	4,202	3,766	1,775
Branches and head office abroad	-	-	-	-
Total	24,936	6,911	36,502	2,170

c) Information on interest income on marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	45,050	1,262	21,492	608
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	392,599	750	339,611	520
Investments Held-to-Maturity	28,855	-	27,748	-
Total	466,504	2,012	388,851	1,128

d) Information on interest income on associates and subsidiaries:

Interest income received from associates and subsidiaries are eliminated in the consolidated financial statements.

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	12,767	3,060	21,233	3,572
Foreign banks	76,669	221,185	113,350	185,879
Branches and head office abroad	-	-	-	-
Other financial institutions				
	-	14,781	-	14,896
Total	89,436	239,026	134,583	204,347

(*) Includes fees and commission expenses of cash loans amounting to TL10,207 (31 December 2015: TL7,599).

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

2. Explanations on Interest Expense (continued)

b) Information on interest expense on associates and subsidiaries:

Interest expenses to associates and subsidiaries are eliminated in the consolidated financial statements.

c) Information on interest expense on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	37,705	54	41,321	1,751
Total	37,705	54	41,321	1,751

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

Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Current Period:								
TL								
Bank Deposits	-	13,852	29	-	-	-	-	13,881
Saving Deposits	-	390,747	1,268,051	62,373	2,408	1,753	-	1,725,332
Public Sector Deposits	-	1,320	12,933	38	1,478	-	-	15,769
Commercial Deposits	-	124,350	599,388	64,575	3,511	55	-	791,879
Other Deposits	-	3,249	199,472	107,539	83,759	12	-	394,031
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	533,518	2,079,873	234,525	91,156	1,820	-	2,940,892
FC								
Foreign Currency Deposits	72	47,087	218,900	2,599	2,747	2,191	-	273,596
Bank Deposits	-	16	30	-	-	-	-	46
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	383	3,366	573	2,002	-	-	6,324
Total	72	47,486	222,296	3,172	4,749	2,191	-	279,966
Grand Total	72	581,004	2,302,169	237,697	95,905	4,011	-	3,220,858
Prior Period:								
TL								
Bank Deposits	-	9,147	23	-	69	82	-	9,321
Saving Deposits	-	412,578	838,755	38,833	1,928	2,661	-	1,294,755
Public Sector Deposits	-	3,986	8,048	648	349	-	-	13,031
Commercial Deposits	-	110,134	482,506	52,654	182	311	-	645,787
Other Deposits	-	2,708	241,595	94,069	91,668	8	-	430,048
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	538,553	1,570,927	186,204	94,196	3,062	-	2,392,942
FC								
Foreign Currency Deposits	-	37,168	184,210	4,690	1,688	3,884	-	231,640
Bank Deposits	-	414	1,576	-	-	-	-	1,990
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	658	3,302	441	455	-	-	4,856
Total	-	38,240	189,088	5,131	2,143	3,884	-	238,486
Grand Total	-	576,793	1,760,015	191,335	96,339	6,946	-	2,631,428

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

3. Information on dividend income:

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	798	1,112
Other	-	-
Total	798	1,112

4. Information on trading income / loss (Net):

	Current Period	Prior Period
Income	16,027,387	19,022,214
Gains on capital market operations	57,157	49,594
Gains on derivative financial instruments (*)	6,145,142	6,309,986
Foreign exchange gains (**)	9,825,088	12,662,634
Losses (-)	16,410,467	19,576,416
Losses on capital market operations	54,080	47,470
Loss on derivative financial instruments (*)	5,744,857	5,537,350
Foreign exchange losses (**)	10,611,530	13,991,596

(*) As of 31 December 2016, foreign exchange gain on hedging transactions is TL174,058 (31 December 2015: TL76,196 net profit).

(**) Foreign exchange gains on derivative financial transactions are TL488,303 (31 December 2015: TL199,345)

5. Information on other operating income:

Other operating income of the Group consists of reversals of specific provisions which are booked in earlier periods amount to TL210,204 (31 December 2015: TL148,520) and amounting to TL47,064 (31 December 2015: TL67,383) from selling impaired loans portfolio and all the transaction cost collected from the clients and disposal of assets. Additionally, Visa EU has been transferred to VISA Inc. that operates in the same business, the income generated from this transaction consisting of TL61,198 cash consideration, TL20,213 share consideration for 6,790 Series C Visa Inc. preferred shares and TL5,969 deferred cash consideration that will be paid in three years, is recognized under the other operating income.

6. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	1,072,530	762,491
III. Group Loans and Receivables	225,574	157,548
IV. Group Loans and Receivables	261,361	226,374
V. Group Loans and Receivables	585,595	378,569
General provision expenses	34,358	99,021
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Held to maturity investments	-	-
Other	15,051	85,949
Total	1,121,939	947,461

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	1,011,798	935,688
Reserve for employee termination benefits	15,045	14,962
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	95,820	93,965
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	42,183	32,781
Impairment for investments accounted with equity method	-	-
Impairment expenses of assets to be disposed	110	189
Depreciation expenses of assets to be disposed	1,813	1,854
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	840,412	790,734
Rent expenses	217,625	205,504
Maintenance expenses	21,649	22,267
Advertisement expenses	91,613	79,466
Other expenses	509,525	483,497
Loss on sales of assets	3,828	1,649
Other(*)	400,335	331,734
Total	2,411,344	2,203,556

(*) Included TL64,790 (31 December 2015: TL58,352) in other premiums paid to the Saving Deposit Insurance Fund, TL91,729 (31 December 2015: TL92,178) is other taxes and duties paid.

8. Information on the profit / (loss) before tax on continued and discontinued operations

- a) Profit before tax of continued operations consists of net interest income amounting to TL3,506,833 (31 December 2015: TL3,138,851) and net fee and commission income amounting to TL1,027,735 (31 December 2015: TL1,069,156) while operational expenses are TL2,411,344 (31 December 2015: TL2,203,556).
- b) Information of the profit/(loss) on discontinued operations:

The Parent Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. The Economy Bank N.V. is consolidated until 31 December 2015 and consolidated sales revenue arising from those transactions amounting to TL127,510 and is presented under "Income from discontinued operations" in financial statements.

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

- a) As of 31 December 2016, continuing operations' current tax charge is TL183,999 (31 December 2015: TL213,116) and deferred tax charge is TL61,989 (31 December 2015: TL27,145 deferred tax benefit). As of 31 December 2016, there is no current tax charge/benefit from discontinued operations, (31 December 2015: TL15,537 tax charge), and there is no deferred tax charge/benefit from discontinued operations. (31 December 2015 TL3,184 deferred tax benefit).
- b) As of 31 December 2016, deferred tax charge on temporary differences resulted from continuing operations is TL61,989 (31 December 2015: TL27,145 deferred tax benefit). As of 31 December 2015, deferred tax benefit on temporary differences resulted from discontinued operations is TL3,184 (31 December 2016: None).

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

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

c) Tax reconciliation:

	Current Period	Prior Period
Profit from Continued and Discontinued Operations before Taxes	1,191,244	925,364
Additions	47,246	126,279
Nonallowable	61,892	38,887
General Loan Loss Provision	(14,646)	87,792
Effect of Different Tax Rate	-	(400)
Deductions	(8,052)	(37,668)
Dividend Income	(580)	(1,025)
Other	(7,472)	(36,643)
Taxable Profit / (Loss)	1,230,438	1,013,975
Corporate Tax Rate	20%	20%
Tax Calculated	246,088	202,795
Effect of the correction of prior period’s corporate tax	(100)	(4,471)
Tax charge from continued and discontinued operations	245,988	198,324

d) As of 31 December 2016, current net tax charge recognized in the financial statements is TL245,988. (31 December 2015: TL198,324).

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

The Group’s net profit from continued operations for the year ended 31 December 2016 is TL945,246 (31 December 2015: TL619,284). As of 31 December 2015, the Group has made net profit amounting to TL107,756 from discontinued operations (31 December 2016: None).

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

- 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 Parent Bank's performance for the period: None (31 December 2015: None).
- Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2015: None).
- Profit or loss attributable to minority interest:

	Current Period	Prior Period
Profit or loss attributable to minority interest(*)	1,191	960

(*) The loss belongs to minority interest accounted for under the equity is TL22 (31 December 2015: TL58 loss).

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

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

	Current Period	Prior Period
Other interest income		
Interest income on factoring receivables	106,353	108,128
Other	3,817	2,635
Total	110,170	110,763

	Current Period	Prior Period
Other fees and commissions received		
Credit cards commissions and fees	571,229	623,544
Insurance commissions received	117,832	131,070
Intelligence fee and commissions	68,422	86,816
Brokerage commissions	49,547	52,367
Settlement expense provision, eft, swift, agency commissions	33,626	37,426
Funds management fees	32,738	32,043
Transfer commissions	13,778	28,831
Commissions and fees earned from correspondent banks	2,929	3,146
Other	350,536	345,557
Total	1,240,637	1,340,800

Other fees and commissions given		
Credit cards commissions and fees	235,912	279,059
Commissions and fees paid to correspondent banks	32,602	31,849
Settlement expense provision, eft, swift, agency commissions	16,744	24,930
Other	76,279	61,179
Total	361,537	397,017

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

- a) Shareholders' equity increased TL62,118 after resulting from revaluation of financial assets available for sale (31 December 2015: TL20,236) and deferred tax effect of this change is TL12,686 (31 December 2015: TL3,980).

Gain or loss arising from measurement of financial assets available for sale included in shareholders' equity in the current period, excluding those related to hedging: TL33,315 income (31 December 2015: TL44,415).

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available for sale (excluding the assets related to hedging): TL95,425 net income (31 December 2015: TL24,128 expense).

- b) Increase in cash flow risk hedging items:

The Parent Bank hedges itself against cash flow risk from Turkish Lira short term time deposits and selected borrowings through its interest rate and currency swaps. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in the year 2016 is TL63,044 increase (31 December 2015: TL176,327 increase) and deferred tax effect of this change is TL12,610 (31 December 2015: TL35,265).

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.

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V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity (continued)

- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: Amount transferred to legal reserves is TL46,592 in 2016 (31 December 2015: TL33,934).
- h) Information on shares issued:

The Group has not recorded any shares issued in “Share Premium” account in the current period.

VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL3,314,183 (31 December 2015: TL4,033,008) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL1,017,388 (31 December 2015: TL401,900) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL735,279 (31 December 2015: TL582,221) consists of changes in sundry debtors and other assets.

“Other items” amounting to TL74,532 (31 December 2015: TL29,431) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the monthly foreign exchange rates at the beginning and at the end of the period, and it is TL601,388 for the year 2016 (31 December 2015: TL313,450).

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VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows (continued)

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	2,597,683	1,994,318
Cash in TL/Foreign Currency	771,523	766,644
Central Bank – Unrestricted amount	1,766,219	1,193,759
Other	59,941	33,915
Cash equivalents	1,283,735	1,444,904
Banks	1,283,529	894,866
Money market placements	206	550,038
Total cash and cash equivalents	3,881,418	3,439,222
End of the period	Current Period	Prior Period
Cash	3,831,532	2,597,683
Cash in TL/Foreign Currency	814,304	771,523
Central Bank – Unrestricted amount	2,933,540	1,766,219
Other	83,688	59,941
Cash equivalents	3,589,068	1,283,735
Banks	1,588,931	1,283,529
Money market placements	2,000,137	206
Total cash and cash equivalents	7,420,600	3,881,418

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VII. Explanations and Disclosures Related to Risk Group of the Parent Bank

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

Prior period balances are presented as of 31 December 2015 for balance sheet and income/expense items.

a) Current Period:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Balance at Beginning of Period	-	-	20,568	300,290	31,734	62,162
Balance at End of Period	-	-	246,624	188,104	104,421	124,716
Interest and Commission Income	-	-	2,365	12	1,408	217

Direct and indirect shareholders of the Bank balance above includes TL246,624 and other entities included in the risk group balance above includes TL102,305 placement in “Banks”.

b) Prior Period:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Balance at Beginning of period	-	-	73,403	175,919	14,491	97,137
Balance at End of Period	-	-	20,568	300,290	31,734	62,162
Interest and Commission Income	-	-	5,275	232	1,401	155

Direct and indirect shareholders of the Bank balance above includes TL19,313 and other entities included in the risk group balance above includes TL22,510 placement in “Banks”.

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Balance at Beginning of Period	-	-	1,274,893	1,034,039	284,029	1,190,517
Balance at End of Period	-	-	1,355,438	1,274,893	1,095,132	284,029
Interest on Deposits	-	-	54,734	33,895	40,609	18,082

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

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Financial Assets at Fair Value Through Profit and Loss					
Beginning of Period	-	-	10,144,450	9,759,043	408,011	255,599
End of Period	-	-	25,275,220	10,144,450	247,304	408,011
Total Profit/Loss	-	-	153,947	76,184	382	4,152
Hedging Transactions Purposes						
Beginning of Period	-	-	1,022,920	642,633	-	-
End of Period	-	-	3,032,500	1,022,920	-	-
Total Profit/Loss	-	-	5,151	(6,615)	-	-

d) As of 31 December 2016, the total amount of remuneration and fees provided for the senior management of the Group is TL36,470 (31 December 2015: TL39,295).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1 JANUARY TO 31 DECEMBER 2016**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

VIII. Explanations on the Parent Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Parent Bank’s domestic branches, agencies and branches abroad and off-shore branches:

	Numbers	Employees			
Domestic branches	511	9,578			
Rep-offices abroad	-	-		Country	
Branches abroad	4	62	Cyprus	Total Assets	Capital
Off-shore branches	-	-	-	757,360	20,000

2. Explanations on Branch and Agency Openings or Closings of the Bank:

In the year 2016, the Parent Bank opened 8 branches, closed 25 branches.

IX. Explanations on Significant Events and Matters Arising Subsequent to Balance Sheet Date

None.

SECTION SIX

OTHER EXPLANATIONS

I. Explanations on Other Activities of the Parent Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The consolidated financial statements of the Group were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 7 February 2017 is presented preceding the consolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.

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