

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

**TÜRK EKONOMİ BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
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 the Unconsolidated Financial Statements**

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

*Management's Responsibility for the Unconsolidated Financial Statements*

Bank management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated 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 unconsolidated 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 bank's 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Engin Çubukçu, SMMM  
Partner

Istanbul, 7 February 2017



**TEB**  
**BNP PARIBAS JOINT VENTURE**

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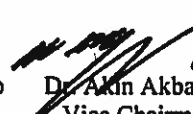
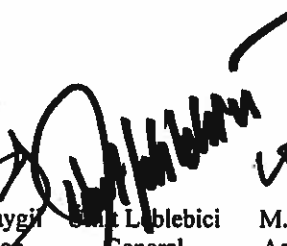


**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS AND AUDIT REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE  
UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016**

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The unconsolidated 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 Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information Related to Financial Position and Risk Management of the Bank
- Disclosures and Footnotes on Unconsolidated Financial Statements
- Other Explanation
- Independent Auditor’s Report

The accompanying unconsolidated 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 our 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. Akin Akbaygi Vice Chairman of the Audit Committee	Mehmet Leblebici General Manager	M. Aşkın Dolacı Assistant General Manager Responsible of Financial Reporting	Gökhan Kazancı 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  
Telephone Number : (0216) 635 24 51  
Fax Number : (0216) 636 36 36

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**TÜRK EKONOMİ BANKASI A.Ş.**  
**NOTES TO UNCONSOLIDATED 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 Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status**

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “Bank”), which had 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 Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Banks Belongs to**

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

<b>Name of shareholders</b>	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Paid in Capital</b>	<b>%</b>	<b>Paid in Capital</b>	<b>%</b>
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
	<b>2,204,390</b>	<b>100.00</b>	<b>2,204,390</b>	<b>100.00</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**NOTES TO UNCONSOLIDATED 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 Bank They Possess**

<u>Name</u>	<u>Title</u>	<u>Education</u>
<b>Board of Directors;</b>		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr.Akın 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
<b>Assistant General Managers;</b>		
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 Özdil	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
<b>Group Heads (*);</b>		
Pascal Alfred J. Gilliard	Chief Risk Officer	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
<b>Inspection Committee (*);</b>		
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.

**TÜRK EKONOMİ BANKASI A.Ş.**  
**NOTES TO UNCONSOLIDATED 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 Bank’s Qualified Shareholders**

<b>Name / Commercial Name</b>	<b>Share Amount</b>	<b>Share Ratio</b>	<b>Paid-up Shares</b>	<b>Unpaid Shares</b>
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, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding are controlled by BNP Paribas SA.

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

The 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 Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2016, the 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 Bank is 9,640 (31 December 2015: 9,927).

**VI. Differences between the Communiqué on Preparation of 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 for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements of Banks in Turkey.

The 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, 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 Bank and Its Subsidiaries:**

None.



## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Contingencies and Commitments
- III. Statement of Income
- IV. Income and Expense Items Under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

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IN TURKISH, SEE NOTE I. OF SECTION THREE

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

	Section 5 Note	Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	<b>(I-1)</b>	<b>1,958,800</b>	<b>9,708,614</b>	<b>11,667,414</b>	<b>1,202,306</b>	<b>8,713,621</b>	<b>9,915,927</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(I-2)</b>	<b>1,035,676</b>	<b>237,298</b>	<b>1,272,974</b>	<b>599,312</b>	<b>100,685</b>	<b>699,997</b>
2.1 Financial Assets Held for Trading		1,035,676	237,298	1,272,974	599,312	100,685	699,997
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)	846,292	223,488	1,069,780	404,491	89,678	494,169
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		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(I-4)</b>	<b>193,881</b>	<b>1,374,797</b>	<b>1,568,678</b>	<b>616,630</b>	<b>704,759</b>	<b>1,321,389</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>2,000,930</b>	<b>-</b>	<b>2,000,930</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		2,000,930	-	2,000,930	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>(I-5)</b>	<b>4,054,403</b>	<b>48,963</b>	<b>4,103,366</b>	<b>4,029,678</b>	<b>98,873</b>	<b>4,128,551</b>
5.1 Equity Securities		20,956	20,908	41,864	21,384	75,150	96,534
5.2 Government Debt Securities		4,033,447	28,055	4,061,502	4,008,294	23,723	4,032,017
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	<b>(I-6)</b>	<b>44,734,240</b>	<b>11,629,589</b>	<b>56,363,829</b>	<b>43,513,186</b>	<b>9,699,647</b>	<b>53,212,833</b>
6.1 Loans and Receivables		44,176,746	11,629,589	55,806,335	43,110,006	9,699,647	52,809,653
6.1.1 Loans to Risk Group of the Bank		81,279	-	81,279	10,477	2	10,479
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		44,095,467	11,629,589	55,725,056	43,099,529	9,699,645	52,799,174
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
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>(I-7)</b>	<b>361,508</b>	<b>-</b>	<b>361,508</b>	<b>339,417</b>	<b>-</b>	<b>339,417</b>
8.1 Government Debt Securities		361,508	-	361,508	339,417	-	339,417
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Accounted with Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		-	-	-	-	-	-
9.2.1 Financial Investments		-	-	-	-	-	-
9.2.2 Non-Financial Investments		-	-	-	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>(I-9)</b>	<b>115,986</b>	<b>-</b>	<b>115,986</b>	<b>115,986</b>	<b>-</b>	<b>115,986</b>
10.1 Unconsolidated Financial Subsidiaries		115,986	-	115,986	115,986	-	115,986
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI. JOINT VENTURES (Net)</b>	<b>(I-10)</b>	<b>5</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>5</b>
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
<b>XII. FINANCIAL LEASE RECEIVABLES</b>	<b>(I-11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>(I-12)</b>	<b>195,320</b>	<b>-</b>	<b>195,320</b>	<b>58,309</b>	<b>-</b>	<b>58,309</b>
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		195,320	-	195,320	58,309	-	58,309
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>(I-13)</b>	<b>242,037</b>	<b>-</b>	<b>242,037</b>	<b>283,005</b>	<b>-</b>	<b>283,005</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>(I-14)</b>	<b>502,712</b>	<b>-</b>	<b>502,712</b>	<b>471,406</b>	<b>-</b>	<b>471,406</b>
15.1 Goodwill		421,124	-	421,124	421,124	-	421,124
15.2 Other		81,588	-	81,588	50,282	-	50,282
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>(I-15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>		<b>98,947</b>	<b>-</b>	<b>98,947</b>	<b>81,214</b>	<b>-</b>	<b>81,214</b>
17.1 Current Tax Asset		56,385	-	56,385	1,430	-	1,430
17.2 Deferred Tax Asset	(I-16)	42,562	-	42,562	79,784	-	79,784
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(I-17)</b>	<b>91,254</b>	<b>-</b>	<b>91,254</b>	<b>71,874</b>	<b>-</b>	<b>71,874</b>
18.1 Held for Sale Purpose		91,254	-	91,254	71,874	-	71,874
18.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>(I-18)</b>	<b>916,140</b>	<b>226,290</b>	<b>1,142,430</b>	<b>989,437</b>	<b>270,992</b>	<b>1,260,429</b>
<b>TOTAL ASSETS</b>		<b>56,501,839</b>	<b>23,225,551</b>	<b>79,727,390</b>	<b>52,371,765</b>	<b>19,588,577</b>	<b>71,960,342</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

	Section 5 Note	Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(II-1)	<b>29,200,370</b>	<b>20,632,288</b>	<b>49,832,658</b>	<b>28,627,484</b>	<b>15,768,376</b>	<b>44,395,860</b>
1.1 Deposits from Risk Group of the Bank		734,791	1,737,251	2,472,042	567,219	1,009,931	1,577,150
1.2 Other		28,465,579	18,895,037	47,360,616	28,060,265	14,758,445	42,818,710
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(II-2)	<b>787,810</b>	<b>154,782</b>	<b>942,592</b>	<b>466,161</b>	<b>53,286</b>	<b>519,447</b>
<b>III. FUNDS BORROWED</b>	(II-3)	<b>148,425</b>	<b>12,690,631</b>	<b>12,839,056</b>	<b>1,243,066</b>	<b>10,351,671</b>	<b>11,594,737</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>1,457,750</b>	-	<b>1,457,750</b>	<b>2,384,787</b>	-	<b>2,384,787</b>
4.1 Interbank Money Market Payables		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Payables		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements	(II-4)	1,457,750	-	1,457,750	2,384,787	-	2,384,787
<b>V. SECURITIES ISSUED (Net)</b>	(II-3)	<b>739,302</b>	-	<b>739,302</b>	<b>184,110</b>	<b>86,553</b>	<b>270,663</b>
5.1 Bills		739,302	-	739,302	184,110	86,553	270,663
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>1,054,843</b>	<b>359,624</b>	<b>1,414,467</b>	<b>999,765</b>	<b>286,792</b>	<b>1,286,557</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>	(II-5)	<b>843,448</b>	<b>3,352</b>	<b>846,800</b>	<b>1,063,037</b>	<b>1,421</b>	<b>1,064,458</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. FINANCIAL LEASE PAYABLES</b>	(II-6)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(II-7)	<b>284,492</b>	-	<b>284,492</b>	<b>158,539</b>	<b>677</b>	<b>159,216</b>
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		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(II-8)	<b>1,119,144</b>	<b>14,063</b>	<b>1,133,207</b>	<b>1,036,090</b>	<b>115,721</b>	<b>1,151,811</b>
12.1 General Loan Loss Provisions		683,893	-	683,893	698,089	-	698,089
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		235,302	10,003	245,305	199,530	5,209	204,739
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		199,949	4,060	204,009	138,471	110,512	248,983
<b>XIII. TAX LIABILITY</b>	(II-9)	<b>137,780</b>	-	<b>137,780</b>	<b>230,946</b>	-	<b>230,946</b>
13.1 Current Tax Liability		137,780	-	137,780	230,946	-	230,946
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(II-10)	-	-	-	-	-	-
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(II-11)	-	<b>2,299,885</b>	<b>2,299,885</b>	-	<b>1,940,036</b>	<b>1,940,036</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-12)	<b>7,800,220</b>	<b>(819)</b>	<b>7,799,401</b>	<b>6,902,345</b>	<b>59,479</b>	<b>6,961,824</b>
16.1 Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Capital Reserves		998,728	(819)	997,909	828,515	59,479	887,994
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		(51,156)	(819)	(51,975)	(60,958)	59,523	(1,435)
16.2.4 Revaluation Surplus on Tangible Assets		311,160	-	311,160	97,024	-	97,024
16.2.5 Revaluation Surplus on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation 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		705,123	-	705,123	708,370	-	708,370
16.3 Profit Reserves		3,645,806	-	3,645,806	2,977,490	-	2,977,490
16.3.1 Legal Reserves		247,951	-	247,951	203,828	-	203,828
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		3,081,817	-	3,081,817	2,484,698	-	2,484,698
16.3.4 Other Profit Reserves		316,038	-	316,038	288,964	-	288,964
16.4 Profit or Loss		951,296	-	951,296	891,950	-	891,950
16.4.1 Prior Periods Profit / (Loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current Period Profit / (Loss)		941,799	-	941,799	882,453	-	882,453
16.5 Minority Interest	(II-13)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>43,573,584</b>	<b>36,153,806</b>	<b>79,727,390</b>	<b>43,296,330</b>	<b>28,664,012</b>	<b>71,960,342</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**ITEMS AT 31 DECEMBER 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**II. STATEMENT OF OFF-BALANCE SHEET ITEMS**

	Section 5 Note	Audited Current Period 31.12.2016			Audited Prior Period 31.12.2015		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>64,963,649</b>	<b>77,799,744</b>	<b>142,763,393</b>	<b>54,743,859</b>	<b>53,030,495</b>	<b>107,774,354</b>
<b>I. GUARANTEES</b>	<b>(III-1)</b>	<b>7,440,755</b>	<b>10,079,370</b>	<b>17,520,125</b>	<b>6,275,583</b>	<b>8,223,238</b>	<b>14,498,821</b>
1. Letters of Guarantee		5,980,989	5,644,422	11,625,411	4,805,952	5,061,178	9,867,130
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	1,470,003	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	2,166,331	3,618,744	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
<b>II. COMMITMENTS</b>	<b>(III-1)</b>	<b>11,695,666</b>	<b>2,356,422</b>	<b>14,052,088</b>	<b>11,809,764</b>	<b>1,420,492</b>	<b>13,230,256</b>
2. Irrevocable Commitments		11,695,666	2,356,422	14,052,088	11,809,764	1,420,492	13,230,256
2.1. Asset Purchase and Sale Commitments		491,072	1,119,328	1,610,400	347,976	1,219,279	1,567,255
2.1.2. Forward 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 Issuance 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 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		188,086	144,852	332,938	283,046	200,735	483,781
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(III-2)</b>	<b>45,827,228</b>	<b>65,363,952</b>	<b>111,191,180</b>	<b>36,658,512</b>	<b>43,386,765</b>	<b>80,045,277</b>
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 Hedges		-	-	-	-	-	-
3.2. Held for Trading Transactions		32,380,457	64,397,437	96,777,894	23,778,372	42,008,267	65,786,639
3.2.1. Forward Foreign Currency Buy/Sell Transactions		3,976,134	6,884,317	10,860,451	3,696,905	6,047,077	9,743,982
3.2.1.1. Forward Foreign Currency Transactions-Buy		1,398,000	3,986,880	5,384,880	1,331,946	3,475,605	4,807,551
3.2.1.2. Forward Foreign Currency Transactions-Sell		2,578,134	2,897,437	5,475,571	2,364,959	2,571,472	4,936,431
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		23,142,359	42,045,891	65,188,250	15,050,915	27,796,905	42,847,820
3.2.2.1. Foreign Currency Swap-Buy		7,429,062	23,440,489	30,869,551	5,268,363	13,806,210	19,074,573
3.2.2.2. Foreign Currency Swap-Sell		15,113,297	15,578,576	30,691,873	9,382,552	9,649,731	19,032,283
3.2.2.3. Interest Rate Swaps-Buy		300,000	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>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>162,286,606</b>	<b>27,759,611</b>	<b>190,046,217</b>	<b>149,779,878</b>	<b>24,008,637</b>	<b>173,788,515</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>24,201,282</b>	<b>1,822,930</b>	<b>26,024,212</b>	<b>24,038,802</b>	<b>1,474,752</b>	<b>25,513,554</b>
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Investment Securities Held In Custody		12,344,821	674,459	13,019,280	13,189,674	391,059	13,580,733
4.3. Cheques Received for Collection		9,572,274	803,779	10,376,053	10,084,390	830,100	10,914,490
4.4. Commercial Notes Received for Collection		351,773	98,944	450,717	335,898	119,139	455,037
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		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>137,408,916</b>	<b>25,893,903</b>	<b>163,302,819</b>	<b>125,324,722</b>	<b>22,474,956</b>	<b>147,799,678</b>
5.1. Marketable Securities		333,827	42,508	376,335	618,925	50,545	669,470
5.2. Guarantee Notes		54,964,845	17,292,637	72,257,482	55,503,999	16,140,886	71,644,885
5.3. Commodity		25,538	792,274	817,812	114,135	206,019	320,154
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		73,946,655	4,503,250	78,449,905	61,762,008	4,088,626	65,850,634
5.6. Other Pledged Items		8,138,051	3,263,234	11,401,285	7,325,655	1,988,880	9,314,535
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>676,408</b>	<b>42,778</b>	<b>719,186</b>	<b>416,354</b>	<b>58,929</b>	<b>475,283</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>227,250,255</b>	<b>105,559,355</b>	<b>332,809,610</b>	<b>204,523,737</b>	<b>77,039,132</b>	<b>281,562,869</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED 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. STATEMENT OF INCOME**

	Section 5 Note	Audited Current Period 31.12.2016	Audited Prior Period 31.12.2015
<b>I. INTEREST INCOME</b>	<b>(IV-1)</b>	<b>7,208,135</b>	<b>6,219,447</b>
1.1 Interest Income on Loans		6,631,088	5,718,676
1.2 Interest Income on Reserve Deposits		52,008	21,805
1.3 Interest Income on Banks		28,665	36,479
1.4 Interest Income on Money Market Placements		24,197	49,988
1.5 Interest Income on Marketable Securities Portfolio		468,360	389,864
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		393,193	340,016
1.5.4 Held-to-maturity Investments		28,855	27,748
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		3,817	2,635
<b>II. INTEREST EXPENSE</b>	<b>(IV-2)</b>	<b>3,770,851</b>	<b>3,145,286</b>
2.1 Interest Expense on Deposits		3,222,418	2,632,741
2.2 Interest Expense on Funds Borrowed		277,149	280,823
2.3 Interest Expense on Money Market Borrowings		185,223	153,481
2.4 Interest Expense on Securities Issued		37,759	43,072
2.5 Other Interest Expense		48,302	35,169
<b>III. NET INTEREST INCOME (I - II)</b>		<b>3,437,284</b>	<b>3,074,161</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>977,715</b>	<b>1,016,655</b>
4.1 Fees and Commissions Received		1,326,240	1,397,557
4.1.1 Non-cash Loans		151,564	127,875
4.1.2 Other	(IV-12)	1,174,676	1,269,682
4.2 Fees and Commissions Paid		348,525	380,902
4.2.1 Non-cash Loans		2,479	2,148
4.2.2 Other	(IV-12)	346,046	378,754
<b>V. DIVIDEND INCOME</b>	<b>(IV-3)</b>	<b>20,742</b>	<b>20,671</b>
<b>VI. TRADING GAIN / (LOSS) (Net)</b>	<b>(IV-4)</b>	<b>(380,987)</b>	<b>(553,503)</b>
6.1 Securities Trading Gains / (Losses)		3,105	2,113
6.2 Gains / (Losses) on Derivative Financial Instruments		407,973	771,053
6.3 Foreign Exchange Gains / (Losses)		(792,065)	(1,326,669)
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-5)</b>	<b>572,769</b>	<b>302,616</b>
<b>VIII. TOTAL OPERATING INCOME/LOSS (III+IV+V+VI+VII)</b>		<b>4,627,523</b>	<b>3,860,600</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-6)</b>	<b>1,106,846</b>	<b>934,057</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-7)</b>	<b>2,338,714</b>	<b>2,135,481</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>1,181,963</b>	<b>791,062</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. GAIN / (LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAX (XI+...+XIV)</b>	<b>(IV-8)</b>	<b>1,181,963</b>	<b>791,062</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(IV-9)</b>	<b>(240,164)</b>	<b>(179,847)</b>
16.1 Current Tax Provision		(176,761)	(206,921)
16.2 Deferred Tax Provision		(63,403)	27,074
<b>XVII. NET PROFIT / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(IV-10)</b>	<b>941,799</b>	<b>611,215</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	<b>285,514</b>
18.1 Income on Assets Held for Sale		-	-
18.2 Income on sale of associates, subsidiaries and joint ventures		-	285,514
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)</b>	<b>(IV-8)</b>	-	<b>285,514</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>(IV-9)</b>	-	<b>(14,276)</b>
21.1 Current Tax Provision		-	(14,276)
21.2 Deferred Tax Provision		-	-
<b>XXII. NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)</b>	<b>(IV-10)</b>	-	<b>271,238</b>
<b>XXIII. NET PROFIT / (LOSS) (XVII+XXII)</b>	<b>(IV-11)</b>	<b>941,799</b>	<b>882,453</b>
23.1 Group's Profit / (Loss)		941,799	882,453
23.2 Minority Interest Profit / (Loss)		-	-
Earnings per Share		0.4272	0.4003

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF 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. INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY**

	Audited Current Period 31.12.2016	Audited Prior Period 31.12.2015
<b>I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM FINANCIAL ASSETS AVAILABLE FOR SALE</b>	(63,282)	21,720
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	-	-
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	-	-
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	-	-
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	(63,044)	176,327
<b>VI. PROFIT/ (LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR FOREIGN NET INVESTMENT HEDGE OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE CHANGES)</b>	-	-
<b>VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	-	-
<b>VIII. OTHER INCOME / EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	(4,077)	22,381
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	26,181	(44,036)
<b>X. NET INCOME / EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	(104,222)	176,392
<b>XI. PROFIT/ (LOSS)</b>	<b>941,799</b>	<b>882,453</b>
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit / (Loss))	95,425	(22,640)
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	852,163	908,641
<b>XII. TOTAL PROFIT/ (LOSS) ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>837,577</b>	<b>1,058,845</b>

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED 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. 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	Extra-ordinary 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 Interest	Minority Interest	Total Equity
<b>Prior Period - 01.01-31.12.2015</b>																			
I.		2,204,390	200,262	2,565	-	172,700	-	1,959,298	718,118	-	632,057	(18,811)	91,991	527	(60,118)	-	5,902,979	-	5,902,979
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		2,204,390	200,262	2,565	-	172,700	-	1,959,298	718,118	-	632,057	(18,811)	91,991	527	(60,118)	-	5,902,979	-	5,902,979
Changes in period																			
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/Decrease related to merger																			
V.	(V-a)	-	-	-	-	-	-	-	-	-	-	17,376	-	-	-	-	-	17,376	17,376
VI.	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hedge of net investment in foreign operations																			
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible assets revaluation differences																			
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets revaluation differences																			
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)																			
X.	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences																			
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The disposal of assets																			
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The reclassification of assets																			
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The effect of change in associate's equity																			
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increase																			
14.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash																			
14.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal sources																			
XV.	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium																			
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share cancellation profits																			
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inflation adjustment to paid-in capital																			
XVIII.		-	-	-	-	-	-	-	17,955	-	-	-	-	-	-	-	-	17,955	17,955
Other																			
XIX.		-	-	-	-	-	-	-	-	882,453	-	-	-	-	-	-	-	882,453	882,453
Period net income/(loss)																			
XX.		-	-	-	-	31,128	-	525,400	60,999	-	(622,560)	-	5,033	-	-	-	-	-	-
Profit distribution																			
20.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed																			
20.2		-	-	-	-	31,128	-	525,400	60,999	-	(622,560)	-	5,033	-	-	-	-	-	-
Transfers to reserves																			
20.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other																			
<b>Closing Balance 31.12.2015</b>																			
<b>(II+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)</b>																			
		2,204,390	200,262	2,565	-	203,828	-	2,484,698	797,072	882,453	9,497	(1,435)	97,024	527	80,943	-	6,961,824	-	6,961,824

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED 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. 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	Extra-ordinary 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 Interest	Minority Interest	Total Equity
<b>Current Period- 01.01-31.12.2016</b>																			
I.	<b>Beginning balance – 31.12.2015</b>	2,204,390	200,262	2,565	-	203,828	-	2,484,698	797,072	-	891,950	(1,435)	97,024	527	80,943	-	6,961,824	-	6,961,824
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	<b>Increase/Decrease related to merger</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	<b>Marketable securities valuation differences (V-a)</b>	-	-	-	-	-	-	-	-	-	-	(50,540)	-	-	-	-	(50,540)	-	(50,540)
IV.	<b>Hedging Funds (Effective Portion) (V-b)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,434)	-	(50,434)	-	(50,434)
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,434)	-	(50,434)	-	(50,434)
4.2	Foreign net investment hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	<b>Revaluation Surplus on Tangible Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	<b>Revaluation Surplus on Intangible Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	<b>Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	<b>Foreign exchange differences (V-c)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	<b>The disposal of assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	<b>The reclassification of assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	<b>The effect of change in associate's equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	<b>Capital increase</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	<b>Share premium (V-h)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	<b>Share cancellation profits</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	<b>Inflation adjustment to paid-in capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	<b>Other</b>	-	-	-	-	-	-	-	(3,248)	-	-	-	-	-	-	-	(3,248)	-	(3,248)
XVII.	<b>Period net income/(loss)</b>	-	-	-	-	-	-	-	941,799	941,799	-	-	-	-	-	-	941,799	-	941,799
XVIII.	<b>Profit distribution</b>	-	-	-	-	44,123	-	597,119	27,075	-	(882,453)	-	214,136	-	-	-	-	-	-
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves	-	-	-	-	44,123	-	597,119	27,075	-	(882,453)	-	214,136	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance 31.12.2016</b>																			
<b>(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)</b>																			
		2,204,390	200,262	2,565	-	247,951	-	3,081,817	820,899	941,799	9,497	(51,975)	311,160	527	30,509	-	7,799,401	-	7,799,401

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



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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED 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. STATEMENT OF CASH FLOWS**

	Section 5 Note	Audited Current Period 01.01-31.12.2016	Audited Prior Period 01.01-31.12.2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>1,755,433</b>	<b>2,003,120</b>
1.1.1 Interest received		6,331,515	6,133,439
1.1.2 Interest paid		(3,277,159)	(3,104,690)
1.1.3 Dividend received		20,742	19,559
1.1.4 Fees and commissions received		1,889,818	2,031,369
1.1.5 Other income		889,837	1,097,178
1.1.6 Collections from previously written off loans		644,667	495,010
1.1.7 Payments to personnel and service suppliers		(966,737)	(895,732)
1.1.8 Taxes paid		(338,521)	(195,482)
1.1.9 Others	(VI-1)	(3,438,729)	(3,577,531)
<b>1.2 Changes in operating assets and liabilities</b>		<b>763,608</b>	<b>(1,425,437)</b>
1.2.1 Net decrease / (increase) in financial assets held for trading		2,730	(117,734)
1.2.2 Net decrease / increase in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) /decrease in due from banks and other financial institutions		38,788	(2,654)
1.2.4 Net increase in loans		(3,957,911)	(8,254,746)
1.2.5 Net increase in other assets	(VI-1)	(279,009)	(749,386)
1.2.6 Net decrease in bank deposits		(859,669)	(497,873)
1.2.7 Net increase in other deposits		5,409,495	6,019,686
1.2.8 Net increase in funds borrowed		1,266,001	2,488,902
1.2.9 Net increase / decrease in matured payables		-	-
1.2.10 Net decrease in other liabilities	(VI-1)	(856,817)	(311,632)
<b>I. Net cash provided from banking operations</b>		<b>2,519,041</b>	<b>577,683</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash (used in) / provided from investing activities</b>		<b>(60,896)</b>	<b>416,470</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		-	346,768
2.3 Fixed asset purchases		(54,288)	(61,520)
2.4 Fixed asset sales		301	1,339
2.5 Cash paid for purchase of financial assets available for sale		(2,247,988)	(2,960,665)
2.6 Cash obtained from sale of financial assets available for sale		2,313,764	3,118,501
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(VI-1)	(72,685)	(27,953)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from / (used in) financing activities</b>		<b>460,467</b>	<b>(712,244)</b>
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		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(VI-1)	<b>601,388</b>	<b>288,054</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>3,520,000</b>	<b>569,963</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(VI-2)	<b>3,880,129</b>	<b>3,310,166</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(VI-2)	<b>7,400,129</b>	<b>3,880,129</b>

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
**UNCONSOLIDATED 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”).)

**VII. STATEMENT OF PROFIT DISTRIBUTION**

	Audited Current Period 31.12.2016 (*)	Audited Prior Period 31.12.2015
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	1,181,963	1,076,576
1.2	240,164	194,123
1.2.1	176,761	221,197
1.2.2	-	-
1.2.3	63,403	(27,074)
<b>A.</b>	<b>941,799</b>	<b>882,453</b>
1.3	-	-
1.4	-	44,123
1.5	-	-
<b>B.</b>	<b>941,799</b>	<b>838,330</b>
1.6	-	-
1.6.1	-	-
1.6.2	-	-
1.6.3	-	-
1.6.4	-	-
1.6.5	-	-
1.7	-	-
1.8	-	-
1.9	-	-
1.9.1	-	-
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	-
1.11	-	-
1.12	-	624,194
1.13	-	-
1.14	-	214,136
<b>II. DISTRIBUTION OF RESERVE</b>		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1	0.4272	0.4003
3.2	42.72	40.30
3.3	-	-
3.4	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1	-	-
4.2	-	-
4.3	-	-
4.4	-	-

(\*) As of 31 December 2016 when the financial statements has been finalized, the General Assembly meeting did not performed.

(\*\*) Other taxes and duties amount is deferred tax expense. (31 December 2015: Deferred tax income)

The accompanying notes are an integral part of these unconsolidated financial statement

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

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**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. Basis of Presentation**

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to 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 unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué on Disclosures about Risk Management to be announced to Public by Banks” and amendments to these Communiqué’s. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

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

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the 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 Bank. The Bank 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 of translation into English:**

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

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

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

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

**TÜRK EKONOMİ BANKASI A.Ş.**  
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**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (continued)**

As a component of risk management strategy of the Bank, risk bearing short 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 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 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 Bank’s period end counter currency buying rates and recognized as a “Foreign exchange gain/loss”.

The 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 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 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 balance sheet structure.

**III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures**

Investments in associates, subsidiaries and joint ventures are accounted with cost values and are reflected on the financial statements after deducting the provision for impairment, if any.

The dividends received from investments in associates, subsidiaries and joint ventures are reflected to income statements at the date of the right to receive dividend.

**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 in to 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 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.

**TÜRK EKONOMİ BANKASI A.Ş.**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**IV. Explanations on Forward and Option Contracts and Derivative Instruments (continued)**

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 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.

**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 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 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 expenses in the relevant period according to the cut-off principle.

**TÜRK EKONOMİ BANKASI A.Ş.**  
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**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.

*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”, “Held-to-maturity investments”, “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.

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**VII. Explanations on Financial Assets (continued)**

*Held-to-Maturity Investments (continued)*

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

**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 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 Bank’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 are booked in “Other Operating Income”. Income realized through the sale of loans under follow-up are 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 Bank reserves general loan loss provision for loans and other receivables.

**VIII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the 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.

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**VIII. Explanations on Impairment of Financial Assets (continued)**

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.

**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 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 the repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2016, the Bank has reverse repo amounting to TL2,000,930 (31 December 2015: None).

As of 31 December 2016, the Bank 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. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. 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 Bank are TL91,254 (31 December 2015: TL71,874). As per the appraisals performed for the real estates 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.

The Bank 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 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.

Under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

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 shareholder's 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 shareholder's 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 used are mainly developed within the 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 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 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 Bank does not have any leasing transactions as “Lessor”.

**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 Bank’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”.

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**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 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 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 Bank following the business combination defined in “General Information” of the 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 audited 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.

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 8 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.

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**XVII. Explanations on Liabilities Regarding Employee Benefits (continued)**

*Defined Benefit Plans (continued)*

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 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 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 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 income amounting to TL3,322 (1 January - 31 December 2015: TL17,707 income) was classified as “Other Comprehensive Income” and as of 31 December 2016, a total of TL34,632 (31 December 2015: TL37,954) 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.

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

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 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.

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**XVIII. Explanations on Taxation (continued)**

*Deferred Tax Liability/Asset (continued)*

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 statement of gain and loss amounting to TL63,403 (31 December 2015: TL27,024 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.

	<b>Current Period</b>	<b>Prior Period</b>
Financial assets available for sale	12,742	(4,344)
Cash flow hedge	12,610	(35,265)
Actuarial profit or loss	829	(4,427)
<b>Total</b>	<b>26,181</b>	<b>(44,036)</b>

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 shares issued in 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.

**XXII. Explanations on Government Incentives**

There is no government incentive utilized by the Bank.

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**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:

<b>Current Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Net Interest Income	495,138	269,136	1,176,840	1,496,170	3,437,284
Net Fees and Commissions Income and Other Operating Income	208,340	180,397	632,433	529,314	1,550,484
Trading Profit/Loss	(50)	(541)	(3,376)	(377,020)	(380,987)
Dividend Income	-	-	-	20,742	20,742
Impairment Provision for Loans and Other Receivables (-)	140,110	83,463	623,336	259,937	1,106,846
Other Operating Expenses (-)	447,115	50,316	520,922	1,320,361	2,338,714
<b>Profit Before Taxes</b>	<b>116,203</b>	<b>315,213</b>	<b>661,639</b>	<b>88,908</b>	<b>1,181,963</b>
Tax Provision (-)	-	-	-	240,164	240,164
<b>Net Profit for the Period</b>	<b>116,203</b>	<b>315,213</b>	<b>661,639</b>	<b>(151,256)</b>	<b>941,799</b>

<b>Current Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Segment Assets	12,285,775	13,540,031	25,642,231	28,143,362	79,611,399
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
<b>Total Assets</b>	<b>12,285,775</b>	<b>13,540,031</b>	<b>25,642,231</b>	<b>28,259,353</b>	<b>79,727,390</b>
Segment Liabilities	30,444,094	10,570,571	8,644,258	22,269,066	71,927,989
Shareholders' Equity	-	-	-	7,799,401	7,799,401
<b>Total Liabilities</b>	<b>30,444,094</b>	<b>10,570,571</b>	<b>8,644,258</b>	<b>30,068,467</b>	<b>79,727,390</b>

<b>Prior Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Net Interest Income	460,987	251,280	1,077,191	1,284,703	3,074,161
Net Fees and Commissions Income and Other Operating Income	260,549	172,363	569,549	316,810	1,319,271
Trading Profit / Loss	1,695	(87)	(75)	(555,036)	(553,503)
Dividend Income	-	-	-	20,671	20,671
Impairment Provision for Loans and Other Receivables (-)	174,242	124,593	492,639	142,583	934,057
Other Operating Expenses (-)	405,636	42,180	517,767	1,169,898	2,135,481
<b>Profit before taxes from continued operations</b>	<b>143,353</b>	<b>256,783</b>	<b>636,259</b>	<b>(245,333)</b>	<b>791,062</b>
Tax provision from continued operations (-)	-	-	-	179,847	179,847
<b>Profit before taxes from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>285,514</b>	<b>285,514</b>
Tax provision from discontinued operations (-)	-	-	-	14,276	14,276
<b>Net Profit for the Period</b>	<b>143,353</b>	<b>256,783</b>	<b>636,259</b>	<b>(153,942)</b>	<b>882,453</b>

<b>Prior Period</b>	<b>Retail</b>	<b>Corporate</b>	<b>SME</b>	<b>Treasury/ Head Office</b>	<b>Total</b>
Segment Assets	12,237,860	12,014,856	24,743,720	22,847,915	71,844,351
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
<b>Total Assets</b>	<b>12,237,860</b>	<b>12,014,856</b>	<b>24,743,720</b>	<b>22,963,906</b>	<b>71,960,342</b>
Segment Liabilities	26,884,205	8,945,692	8,354,559	20,814,062	64,998,518
Shareholders' Equity	-	-	-	6,961,824	6,961,824
<b>Total Liabilities</b>	<b>26,884,205</b>	<b>8,945,692</b>	<b>8,354,559</b>	<b>27,775,886</b>	<b>71,960,342</b>

**XXIV. Explanations on Other Matters**

It has been resolved in the Ordinary General Assembly dated 28 March 2016 the 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 statement of cash flows and the statement of off-balance sheet as of 31 December 2015.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. Explanations Related to Components of 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, Bank’s total capital has been calculated as TL9,668,450 and capital adequacy ratio is 14.37%. As of 31 December 2015, Bank’s total capital amounted to TL8,740,676. Capital adequacy ratio was 13.94% 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 counter derivative transactions by using the “Standard Model” and operational risk by using the “Basic Indicator Approach”.

**Information related to the Components of Shareholders' Equity:**

	Current Period 31.12.2016	Amount related to treatment before 01.01.2014(*)
<b>Common Equity Tier 1 Capital</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	4,446,513	
Gains Recognized in Equity as per TAS	-	
Profit	951,296	
Current Period Profit	941,799	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>7,805,553</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	51,975	
Leasehold Improvements on Operational Leases	64,762	
Goodwill netted off deferred tax liability	345,300	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	46,095	76,825
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	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>508,132</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>7,297,421</b>	

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

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

	<b>Current Period</b>	<b>Amount related to</b>
	<b>31.12.2016</b>	<b>treatment before</b>
		<b>01.01.2014(*)</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
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	
<b>Additional Tier 1 Capital before deductions</b>	<b>106,554</b>	
<b>Deductions from Additional Tier 1 Capital</b>		
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	-	
<b>Items to be deducted from Tier I Capital during the Transition Period</b>		
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 (-)	-	
<b>Total Deductions from Additional Tier 1 Capital</b>	<b>106,554</b>	
<b>Total Additional Tier 1 Capital</b>	<b>-</b>	
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>7,297,421</b>	
<b>TIER 2 CAPITAL</b>		
Debt instruments and premiums approved by BRSA	1,466,546	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	228,449	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	683,893	
<b>Tier 2 Capital Before Deductions</b>	<b>2,378,888</b>	
<b>Deductions From Tier 2 Capital</b>		
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 (-)	-	
<b>Total Deductions From Tier 2 Capital</b>	<b>-</b>	
<b>Total Tier 2 Capital</b>	<b>2,378,888</b>	
<b>Total Capital (The sum of Tier 1 and Tier 2 Capital)</b>	<b>9,676,309</b>	



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

	<b>Current Period</b> <b>31.12.2016</b>	<b>Amount related to</b> <b>treatment before</b> <b>01.01.2014(*)</b>
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	7,170	
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	
<b>Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period</b>		
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	-	
<b>TOTAL CAPITAL</b>		
Total Capital	9,668,450	
Total Risk Weighted Assets	67,261,065	
<b>Capital Adequacy Ratios</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10.85	
Tier 1 Capital Adequacy Ratio (%)	10.85	
Capital Adequacy Ratio (%)	14.37	
<b>BUFFERS</b>		
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 (%)	4.22	
<b>Amounts below deduction thresholds</b>		
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 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)	42,562	
<b>Limits related to provisions considered in Tier 2 Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	683,893	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	683,893	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 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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**I. Explanations Related to Components of Shareholders’ Equity (continued)**

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

<b>Common Equity Tier 1 Capital</b>	<b>31 December 2015 (*)</b>
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652
Share Premium	2,565
Share Cancellation Profits	-
Reserves	3,467,589
Income recognized under equity in accordance with TAS	97,024
Profit	891,950
Current Period’s Profit	882,453
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
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>6,864,307</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	
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 (-)	1,435
Leasehold Improvements on Operational Leases (-)	75,489
Goodwill and intangible asset and the related deferred tax liability (-)	256,490
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 (-)	-
<b>Total Deductions from common equity tier 1 Capital</b>	<b>333,414</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>6,530,893</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
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
<b>Additional Tier 1 Capital before deductions</b>	<b>210,420</b>
<b>Deductions from Additional Tier 1 Capital</b>	
Bank’s 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 (-)	-
<b>Total Deductions from Additional Tier 1 Capital</b>	<b>-</b>
<b>Total Additional Tier 1 Capital</b>	<b>210,420</b>
<b>Deductions From Tier 1 Capital</b>	
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 (-)	-
<b>Tier 1 Capital</b>	<b>6,530,893</b>
<b>TIER 2 CAPITAL</b>	
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	698,089

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

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

	<b>31 December 2015 (*)</b>
<b>Tier 2 Capital Before Deductions</b>	<b>2,224,660</b>
<b>Deductions From Tier 2 Capital</b>	<b>-</b>
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(-)	-
<b>Total Deductions From Tier 2 Capital</b>	<b>-</b>
<b>Tier 2 Capital</b>	<b>2,224,660</b>
<b>TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS</b>	<b>8,755,553</b>
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	11,651
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 (-)	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 (-)	-
<b>TOTAL CAPITAL</b>	<b>8,740,676</b>
<b>Amounts below deduction thresholds</b>	
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)	79,784

**Summary information related to the capital adequacy ratio:**

	<b>31 December 2015 (*)</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	4,539,535
Capital Requirement for Market Risk (CRMR)	65,397
Capital Requirement for Operational Risk (CROR) (*)	411,557
Total Capital	8,740,676
Total Capital /(((CRCR+CRMR+CROR)*12.5)*100)	13.94
Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100)	10.42
Common Equity Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100)	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 Shareholders’ Equity (continued)**

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

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

Investor Issuer	IFC TEB	BNP Paribas TEB	BNP Paribas TEB	EBRD TEB	BNP Paribas TEB
Unique identifier of the debt instrument (e.g. CUSIP, ISIN)	-	XS0700889081	XS0808626013	XS0780562665	XS0947781315
Governing law(s) of the debt instrument	Turkey	Turkey	Turkey	Turkey	Turkey
<b>Regulatory treatment</b>					
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
Type of the debt instrument	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 debt instrument (TL Currency in mil)	351.5	646.7	369.5	228.4	461.9
Accounting classification of the debt instrument	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	-	-	-	-	-
<b>Coupons / dividends</b>					
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
<b>Convertible or non-convertible</b>					
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	-	-	-	-
<b>Write-down feature</b>					
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 the debt 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)	-

(\*) 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 Shareholders’ Equity (continued)**

**Explanations on Reconciliation of Capital Items to Balance Sheet:**

<b>Total Capital per Balance Sheet</b>	<b>7,799,401</b>
Hedging Funds (effective portion)	(30,509)
Deductions Made Under Regulation	(471,471)
<b>Common Equity Tier 1 Capital</b>	<b>7,297,421</b>
Additional Tier 1 Capital	-
<b>Tier 1 Capital</b>	<b>7,297,421</b>
General Provisions	683,893
Bank’s Borrowing Instruments	1,694,995
Deductions Made Under Regulation	(7,859)
<b>Total Equity</b>	<b>9,668,450</b>

**II. Explanations Related to Credit Risk**

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and 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 Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank’s loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

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 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 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 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:

<b>Exposure classifications</b>	<b>Current Period Risk Amount (*)</b>	<b>Average Risk Amount (*,**)</b>
Conditional and unconditional receivables from central governments or central banks	16,855,734	17,314,205
Conditional and unconditional receivables from regional or local governments	424,412	408,183
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	4,764,864	4,863,919
Conditional and unconditional corporate receivables	29,816,457	28,314,190
Conditional and unconditional retail receivables	26,067,621	26,135,739
Conditional and unconditional secured mortgage receivables	11,994,604	10,270,177
Past due receivables	584,975	601,685
Receivables defined in high risk category by BRSA	-	712,690
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,541,918	1,571,311
Investments in equities	41,864	23,235

(\*) 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 prepared to the end of the month.

For the positions of the 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, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the 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 Bank is concerned.

The Bank 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 Bank from its top 100 and top 200 cash loan customers amount is TL7,492,224 and TL10,194,434 and share in total cash loans are respectively 13.43% and 18.27%.

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**II. Explanations Related to Credit Risk (continued)**

As of 31 December 2016, the receivables of the Bank from its top 100 and top 200 non-cash loan customers amount to TL7,879,699 and TL10,194,434 with a share 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 Bank from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 5.26% and 7.26% respectively.

As of 31 December 2016, the general loan loss provision related with the credit risk taken by the Bank is TL683,893 (31 December 2015: TL: 698,089).

**Credit Rating System**

The credit risk is assessed through the system named as TEBCORE and internal rating system related to 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 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.

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

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**II. Explanations Related to Credit Risk (continued)**

**Profile of significant exposures in major regions:**

	Exposure Categories (***)																Investments in equities	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 secured by real estate property	Conditional and unconditional exposures secured by mortgages	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				
<b>Current Period</b>																			
Domestic	4,796,802	209,912	-	-	-	561,145	19,286,963	17,412,843	4,547,681	711,722	-	-	-	-	-	526,843	41,864	48,095,775	
European Union (EU)																			
Countries	-	-	-	-	-	854,954	15,395	5,720	3,874	1,975	-	-	-	-	-	1,044	-	882,962	
OECD Countries (*)	-	-	-	-	-	80,214	13,560	2,090	1,070	-	-	-	-	-	-	5,345	-	102,279	
Off-Shore Banking Regions (****)	122,659	-	-	-	-	8	228,334	70,894	37,377	1,285	-	-	-	-	-	137	-	460,694	
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Countries	-	-	-	-	-	8,099	56,858	787	1,025	11	-	-	-	-	-	-	-	66,780	
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	-	115,986	
Unallocated Assets/Liabilities (**)	-	2,300	-	-	-	279,948	9,432,977	2,053,197	102,241	29,826	-	-	-	-	-	1,638	-	11,902,127	
<b>Total</b>	<b>4,919,461</b>	<b>212,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,784,368</b>	<b>29,034,087</b>	<b>19,545,531</b>	<b>4,693,268</b>	<b>744,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650,993</b>	<b>41,864</b>	<b>61,626,603</b>	

(\*) 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 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 receivables from administrative units and non-commercial enterprises	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 receivables	Receivables defined in high risk category by BRSA	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	Other receivables	
<b>Prior Period</b>																	
Domestic	213,690	75,147	-	-	-	1,187,923	17,935,678	14,382,727	4,789,439	447,237	7,450,552	-	-	-	-	614,257	47,096,650
European Union (EU) Countries	-	-	-	-	-	208,136	11,605	3,573	3,637	890	6,253	-	-	-	-	-	234,094
OECD Countries (*)	-	-	-	-	-	27,468	11,246	1,616	1,652	3	2,918	-	-	-	-	-	44,903
Off-Shore Banking Regions (****)	136,626	-	-	-	-	7	195,360	21,298	53,992	1,517	117,124	-	-	-	-	13	525,937
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	9,252	45,499	758	998	8	1,273	-	-	-	-	-	57,788
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986	115,986
Unallocated Assets/Liabilities (**)	-	615	-	-	-	327,926	7,442,958	2,316,147	62,711	-	21,688	-	-	-	-	275,811	10,447,856
<b>Total</b>	<b>350,316</b>	<b>75,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,760,712</b>	<b>25,642,346</b>	<b>16,726,119</b>	<b>4,912,429</b>	<b>449,655</b>	<b>7,599,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,006,067</b>	<b>58,523,214</b>

(\*) 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 Credit Risk (continued)**

**Risk profile by Sectors or Counterparties:**

Current Period	Exposure Categories (**)																	Total			
	Conditional and unconditional exposures to central governments or 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 exposures to retail	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	
Agriculture	-	-	-	-	-	-	629,245	542,734	165,463	21,725	-	-	-	-	-	-	5,345	-	1,231,090	133,422	1,364,512
Farming and Stockbreeding	-	-	-	-	-	-	595,301	517,914	162,480	20,693	-	-	-	-	-	-	5,345	-	1,168,456	133,277	1,301,733
Forestry	-	-	-	-	-	-	8,746	5,949	950	766	-	-	-	-	-	-	-	-	16,266	145	16,411
Fishery	-	-	-	-	-	-	25,198	18,871	2,033	266	-	-	-	-	-	-	-	-	46,368	-	46,368
Manufacturing	-	-	-	-	-	-	13,606,660	4,690,883	720,529	226,532	-	-	-	-	-	-	54	-	10,877,612	8,367,046	19,244,658
Mining and Quarrying	-	-	-	-	-	-	680,127	232,290	31,003	5,046	-	-	-	-	-	-	-	-	640,726	307,740	948,466
Production	-	-	-	-	-	-	12,490,763	4,440,946	686,510	219,901	-	-	-	-	-	-	54	-	10,084,820	7,753,354	17,838,174
Electricity, Gas and Water	-	-	-	-	-	-	435,770	17,647	3,016	1,585	-	-	-	-	-	-	-	-	152,066	305,952	458,018
Construction	-	-	-	-	-	-	3,004,565	1,226,366	326,610	83,208	-	-	-	-	-	-	-	-	3,106,313	1,534,436	4,640,749
Services	4,919,461	212,212	-	-	-	1,784,368	11,535,498	5,793,532	1,229,542	282,446	-	-	-	-	-	617,850	41,700	18,205,865	8,210,744	26,416,609	
Wholesale and Retail Trade	-	36	-	-	-	-	4,371,967	2,841,140	538,661	136,648	-	-	-	-	-	10	-	5,751,867	2,136,595	7,888,462	
Accommodation and Dining	-	608	-	-	-	-	1,113,976	366,179	207,845	17,750	-	-	-	-	-	-	-	819,574	886,784	1,706,358	
Transportation and Telecom.	-	-	-	-	-	-	1,995,272	1,268,908	170,405	83,573	-	-	-	-	-	-	-	2,474,487	1,043,671	3,518,158	
Financial Institutions	4,919,461	-	-	-	-	1,784,368	1,062,869	49,986	8,309	6,398	-	-	-	-	-	617,840	41,700	6,784,689	1,706,242	8,490,931	
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	-	-	-	-	-	-	855,543	295,089	43,300	5,459	-	-	-	-	-	-	-	844,306	355,085	1,199,391	
Educational Services	-	-	-	-	-	-	15,044	37,844	2,516	1,400	-	-	-	-	-	-	-	55,969	835	56,804	
Health and Social Services	-	211,562	-	-	-	-	64,729	13,340	2,179	315	-	-	-	-	-	-	-	285,346	6,779	292,125	
Other	-	-	-	-	-	-	258,119	7,292,016	2,251,124	130,908	-	-	-	-	-	27,744	164	4,998,372	4,961,703	9,960,075	
<b>Total</b>	<b>4,919,461</b>	<b>212,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,784,368</b>	<b>29,034,087</b>	<b>19,545,531</b>	<b>4,693,268</b>	<b>744,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650,993</b>	<b>41,864</b>	<b>38,419,252</b>	<b>23,207,351</b>	<b>61,626,603</b>	

(\*) 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 Credit Risk (continued)**

**Risk profile by Sectors or Counterparties: (continued)**

Prior Period	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 exposures to retail real estate property	Conditional and unconditional exposures secured by 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			
Agriculture	-	-	-	-	-	-	946,588	1,105,809	296,598	30,226	1,127	-	-	-	-	2,216,401	163,947	2,380,348		
Farming and Stockbreeding	-	-	-	-	-	-	930,981	1,091,257	292,725	30,176	1,095	-	-	-	-	2,182,584	163,650	2,346,234		
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Fishery	-	-	-	-	-	-	15,607	14,552	3,873	50	32	-	-	-	-	33,817	297	34,114		
Manufacturing	-	1	-	-	-	-	10,312,341	3,478,443	489,074	85,811	11,740	-	-	-	608	8,100,370	6,277,648	14,378,018		
Mining and Quarrying	-	-	-	-	-	-	712,865	268,767	37,117	5,663	556	-	-	-	-	577,120	447,848	1,024,968		
Production	-	1	-	-	-	-	9,412,815	3,193,756	450,531	79,693	11,141	-	-	-	608	7,402,914	5,745,631	13,148,545		
Electricity, Gas and Water	-	-	-	-	-	-	186,661	15,920	1,426	455	43	-	-	-	-	120,336	84,169	204,505		
Construction	-	-	-	-	-	-	2,918,602	1,079,114	368,552	43,390	5,176	-	-	-	-	2,908,983	1,505,851	4,414,834		
Services	350,316	75,761	-	-	-	1,760,712	11,209,453	6,037,227	1,186,141	117,027	18,170	-	-	-	1,005,294	14,981,891	6,778,210	21,760,101		
Wholesale and Retail Trade	-	10,498	-	-	-	-	5,772,694	3,380,089	519,226	57,591	11,496	-	-	-	594	7,646,749	2,105,439	9,752,188		
Accommodation and Dining	-	-	-	-	-	-	861,191	311,188	198,029	7,530	991	-	-	-	-	667,322	711,607	1,378,929		
Transportation and Telecom.	-	-	-	-	-	-	1,731,824	1,166,236	167,562	28,995	2,222	-	-	-	5	2,309,656	787,188	3,096,844		
Financial Institutions	350,316	-	-	-	-	1,760,712	566,094	40,520	4,102	316	760	-	-	1,004,676	2,289,965	1,437,531	3,727,496			
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	-	-	-	-	580,586	255,059	40,449	5,973	732	-	-	19	711,597	171,721	883,318			
Educational Services	-	1	-	-	-	-	13,722	44,115	9,942	482	118	-	-	-	-	64,929	3,451	68,380		
Health and Social Services	-	64,761	-	-	-	-	100,153	63,094	13,057	914	225	-	-	-	-	237,818	4,386	242,204		
Other	-	-	-	-	-	-	255,362	5,025,526	2,572,064	173,201	7,563,595	-	-	-	165	15,291,186	298,727	15,589,913		
<b>Total</b>	<b>350,316</b>	<b>75,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,760,712</b>	<b>25,642,346</b>	<b>16,726,119</b>	<b>4,912,429</b>	<b>449,655</b>	<b>7,599,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,006,067</b>	<b>43,498,831</b>	<b>15,024,383</b>	<b>58,523,214</b>		

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

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**II. Explanations Related to Credit Risk (continued)**

**Analysis of maturity-bearing exposures according to remaining maturities:**

Current Period	Term To Maturity				
	Up to 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Exposure classifications					
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 receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	581,812	196,630	87,040	170,905	194,925
Conditional and unconditional exposures to corporates	5,714,482	1,573,554	1,626,250	3,545,193	7,136,661
Conditional and unconditional retail exposures	5,390,196	696,673	1,442,756	1,622,923	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	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
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	-	-	-	-	-
Other receivables	6,261	-	-	-	-
Investment in equities	26,637	-	-	15,226	-
<b>Total</b>	<b>17,192,818</b>	<b>2,544,741</b>	<b>3,317,781</b>	<b>5,614,106</b>	<b>19,250,808</b>

Prior Period	Term To Maturity				
	Up to 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Exposure classifications					
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 receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	779,386	81,230	67,995	68,398	151,140
Conditional and unconditional exposures to corporates	5,720,245	1,128,342	1,472,793	3,305,521	6,567,740
Conditional and unconditional retail exposures	5,842,187	1,102,634	835,884	1,528,681	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	-	-	-	-	-
Receivables defined in high risk category 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 corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	86,575	-	-	-	15,654
<b>Total</b>	<b>13,289,647</b>	<b>2,397,740</b>	<b>2,489,995</b>	<b>5,218,594</b>	<b>23,106,717</b>

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**II. Explanations Related to 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	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 and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and 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	8,275,965	-	2,464,363	8,693,573	16,658,751	26,051,001	29,484,809	421,426	-	42,562	-	570,567
Exposures after												
Credit Risk Mitigation	8,275,965	-	2,200,837	8,693,573	16,741,738	25,486,069	28,561,501	349,656	-	42,562	-	570,567
Prior Period												
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before												
Credit Risk Mitigation	16,542,863	-	2,888,189	-	11,083,234	21,714,608	28,180,359	1,839,789	2,484,779	83,360	-	557,276
Exposures after												
Credit Risk Mitigation	16,872,377	-	2,851,037	-	11,149,439	21,070,155	26,885,986	1,821,801	2,484,779	83,360	-	557,276

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**II. Explanations Related to 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
<b>Total</b>	<b>1,771,775</b>	<b>3,096,515</b>	<b>37,470</b>	<b>1,214,281</b>

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
<b>Total</b>	<b>1,232,527</b>	<b>2,304,296</b>	<b>24,101</b>	<b>829,347</b>

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**II. Explanations Related to Credit Risk (continued)**

**Information about Value Adjustment and Change in Provisions**

<b>Current Period</b>	<b>31.12.2015 Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Write off from Asset</b>	<b>Other Adjustments (*)</b>	<b>31.12.2016 Balance</b>
Specific Provisions	829,347	1,107,191	(207,847)	(514,410)	-	1,214,281
General Provisions	698,089	33,978	(48,174)	-	-	683,893

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

<b>Previous Period</b>	<b>31.12.2014 Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Write off from Asset</b>	<b>Other Adjustments (*)</b>	<b>31.12.2015 Balance</b>
Specific Provisions	719,530	802,489	(171,439)	(521,233)	-	829,347
General Provisions	609,538	98,373	(9,822)	-	-	698,089

(\*) 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 Currency Risk**

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

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

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

The Treasury Department of the 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 Bank’s Asset-Liability Committee on a weekly basis.

As of 31 December 2016, the Bank’s balance sheet short position is TL10,021,057 (31 December 2015: TL6,279,338 short position), off-balance sheet long position is TL9,466,658 (31 December 2015: TL6,836,398 long position) and as a result foreign currency net short position is TL554,399 (31 December 2015: net TL557,060 long position).

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

	<b>26.12.2016</b>	<b>27.12.2016</b>	<b>28.12.2016</b>	<b>29.12.2016</b>	<b>30.12.2016</b>	<b>31.12.2016</b>
<b>USD</b>	3.5004	3.5165	3.5400	3.5228	3.5146	3.5146
<b>JPY</b>	0.0299	0.0299	0.0301	0.0302	0.0301	0.0301
<b>EURO</b>	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 Bank for the thirty days before 31 December 2016 are as follows:

	<b>Monthly Average Foreign Exchange Rate</b>
<b>USD</b>	3.4939
<b>JPY</b>	0.0301
<b>EURO</b>	3.6792

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**IV. Explanations Related to Currency Risk (continued)**

**Information on the foreign currency risk of the Bank:**

The table below shows the Bank’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 Bank also monitors the delta-adjusted position of the option transactions. As of 31 December 2016, the Bank has net USD short position TL3,898 and net EUR long position TL12,007.

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	3,692,283	5,174,462	841,869	9,708,614
Banks	563,499	256,534	554,764	1,374,797
Financial Assets at Fair Value through Profit and Loss (*****)	15,528	8,963	-	24,491
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	331	39,370	9,262	48,963
Loans (**)	8,007,898	4,980,527	1,614,902	14,603,327
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-to-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	201,088	24,181	1,021	226,290
<b>Total Assets</b>	<b>12,480,627</b>	<b>10,484,037</b>	<b>3,021,818</b>	<b>25,986,482</b>
<b>Liabilities</b>				
Bank Deposits	394	1,098	1,617	3,109
Foreign Currency Deposits (*)	7,679,272	11,533,868	1,416,039	20,629,179
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	7,288,607	5,741,380	1,960,529	14,990,516
Securities Issued	-	-	-	-
Miscellaneous Payables	198,916	140,335	20,373	359,624
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	21,603	2,860	648	25,111
<b>Total Liabilities</b>	<b>15,188,792</b>	<b>17,419,541</b>	<b>3,399,206</b>	<b>36,007,539</b>
<b>Net Balance Sheet Position</b>				
<b>Net Off-Balance Sheet Position</b>	<b>(2,708,165)</b>	<b>(6,935,504)</b>	<b>(377,388)</b>	<b>(10,021,057)</b>
Financial Derivative Assets (****)	<b>1,728,876</b>	<b>7,101,057</b>	<b>636,725</b>	<b>9,466,658</b>
Financial Derivative Liabilities (****)	12,376,683	24,314,508	1,283,778	37,974,969
Non-Cash Loans (*****)	10,647,807	17,213,451	647,053	28,508,311
	5,139,058	4,748,746	191,566	10,079,370
<b>Prior Period</b>				
Total Assets	8,815,794	10,849,008	2,615,129	22,279,931
Total Liabilities	10,686,642	14,884,918	2,987,709	28,559,269
Net Balance Sheet Position	(1,870,848)	(4,035,910)	(372,580)	(6,279,338)
Net Off-Balance Sheet Position	2,394,962	4,012,959	428,477	6,836,398
Financial Derivative Assets (****)	7,653,037	17,223,728	844,456	25,721,221
Financial Derivative Liabilities (****)	5,258,075	13,210,769	415,979	18,884,823
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.

(\*\*\*) TL147,086 (31 December 2015: TL45,264) expense accruals from derivative financial instruments are deducted from 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 are no effects on the net off-balance sheet position.



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**V. Explanations Related to Interest Rate Risk**

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

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Asset-Liability Committee.

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

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

Since the Bank does not allow maturity mismatches or imposes limits on 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
<b>Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	9,171,740	-	-	-	-	2,495,674	11,667,414
Banks	948,004	-	-	-	-	620,674	1,568,678
Financial Assets at Fair Value Through Profit and Loss	1,660	97,751	138,953	119,510	12,756	902,344	1,272,974
Money Market Placements	2,000,930	-	-	-	-	-	2,000,930
Financial Assets Available for Sale	615,310	1,213,367	1,358,138	803,200	71,487	41,864	4,103,366
Loans (*)	15,422,022	2,858,586	10,261,731	19,997,815	7,266,145	557,530	56,363,829
Held-To-Maturity Investments	36,415	100,709	224,384	-	-	-	361,508
Other Assets	42,430	-	87,754	65,136	-	2,193,371	2,388,691
<b>Total Assets</b>	<b>28,238,511</b>	<b>4,270,413</b>	<b>12,070,960</b>	<b>20,985,661</b>	<b>7,350,388</b>	<b>6,811,457</b>	<b>79,727,390</b>
<b>Liabilities</b>							
Bank Deposits	176,275	-	-	-	-	4,710	180,985
Other Deposits	34,385,723	6,696,036	937,420	8,588	17	7,623,889	49,651,673
Money Market Borrowings	1,457,750	-	-	-	-	-	1,457,750
Miscellaneous Payables	-	-	-	-	-	1,414,467	1,414,467
Securities Issued	136,778	-	602,524	-	-	-	739,302
Funds Provided From Other Financial Institutions	2,496,952	5,077,060	7,420,551	41,193	103,185	-	15,138,941
Other Liabilities	35,209	66,909	35,625	243,776	3,012	10,759,741	11,144,272
<b>Total Liabilities</b>	<b>38,688,687</b>	<b>11,840,005</b>	<b>8,996,120</b>	<b>293,557</b>	<b>106,214</b>	<b>19,802,807</b>	<b>79,727,390</b>
Balance Sheet Long Position	-	-	3,074,840	20,692,104	7,244,174	-	31,011,118
Balance Sheet Short Position	(10,450,176)	(7,569,592)	-	-	-	(12,991,350)	(31,011,118)
Off-Balance Sheet Long Position	7,000,825	-	-	-	-	-	7,000,825
Off-Balance Sheet Short Position	-	(654,642)	(954,460)	(5,127,552)	-	-	(6,736,654)
<b>Total Position</b>	<b>(3,449,351)</b>	<b>(8,224,234)</b>	<b>2,120,380</b>	<b>15,564,552</b>	<b>7,244,174</b>	<b>(12,991,350)</b>	<b>264,171</b>

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

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL242,037, intangible assets amounting to TL502,712, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL91,254 while other liabilities line includes the shareholders’ equity of TL7,799,401.

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**V. Explanations Related to 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
<b>Prior Period</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,254,065	-	-	-	-	1,661,862	9,915,927
Banks	944,526	-	-	-	-	376,863	1,321,389
Financial Assets at Fair Value Through Profit and Loss	1,883	19,679	91,395	150,949	23,029	413,062	699,997
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available for Sale	413,640	780,034	1,789,707	977,744	70,892	96,534	4,128,551
Loans (*)	15,758,127	3,051,500	8,798,330	18,635,638	6,555,149	414,089	53,212,833
Held-To-Maturity Investments	33,980	93,973	211,464	-	-	-	339,417
Other Assets	-	-	39,748	18,560	-	2,283,920	2,342,228
<b>Total Assets</b>	<b>25,406,221</b>	<b>3,945,186</b>	<b>10,930,644</b>	<b>19,782,891</b>	<b>6,649,070</b>	<b>5,246,330</b>	<b>71,960,342</b>
Liabilities							
Bank Deposits	107,735	5,744	-	-	-	1,078	114,557
Other Deposits	27,972,208	8,752,578	565,888	10,215	14	6,980,400	44,281,303
Money Market Borrowings	2,384,787	-	-	-	-	-	2,384,787
Miscellaneous Payables	-	-	-	-	-	1,286,557	1,286,557
Securities Issued	193,517	77,146	-	-	-	-	270,663
Funds Provided From Other Financial Institutions	2,550,498	2,888,895	7,614,066	47,717	433,597	-	13,534,773
Other Liabilities	6,917	46,392	43,537	69,180	3,029	9,918,647	10,087,702
<b>Total Liabilities</b>	<b>33,215,662</b>	<b>11,770,755</b>	<b>8,223,491</b>	<b>127,112</b>	<b>436,640</b>	<b>18,186,682</b>	<b>71,960,342</b>
Balance Sheet Long Position	-	-	2,707,153	19,655,779	6,212,430	-	28,575,362
Balance Sheet Short Position	(7,809,441)	(7,825,569)	-	-	-	(12,940,352)	(28,575,362)
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)
<b>Total Position</b>	<b>(899,231)</b>	<b>(7,962,807)</b>	<b>(1,496,879)</b>	<b>17,191,323</b>	<b>6,212,430</b>	<b>(12,940,352)</b>	<b>104,484</b>

(\*) 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 TL283,005, intangible assets amounting to TL471,406, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL71,874 while other liabilities line includes the shareholders’ equity of TL6,961,824.

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

**Average interest rates applied to monetary financial instruments:**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>End of Current Period</b>				
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)	0.64	-	8.42
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
Held-To-Maturity Investments	-	-	-	10.78
Liabilities				
Bank Deposits	-	-	-	3.64
Other Deposits	1.44	2.91	1.16	10.45
Money Market Borrowings	-	-	-	8.01
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	10.20
Funds Provided From Other Financial Institutions	1.06	2.43	1.00	6.66
	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>End of Prior Period</b>				
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	-	0.13	-	10.86
Financial Assets at Fair Value Through Profit and Loss	1.84	4.69	-	10.56
Money Market Placements	-	-	-	-
Financial Assets Available for Sale	2.44	4.97	-	10.60
Loans	3.26	3.66	2.57	14.08
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	-	-	-	7.62
Miscellaneous Payables	-	-	-	-
Securities Issued	-	1.50	-	10.68
Funds Provided From Other Financial Institutions	1.28	1.90	1.00	10.90

**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 auditing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issue products in calculation of interest rate sensitivity.

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

**Interest rate risk on banking accounts: (continued)**

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

<b>Type of Currency</b>	<b>Shock Applied (+/- x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity- (Losses)/Equity</b>
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)%
<b>Total (of negative shocks)</b>	<b>(800)</b>	<b>1,479,516</b>	<b>15.31%</b>
<b>Total (of positive shocks)</b>	<b>900</b>	<b>(1,509,705)</b>	<b>(15.61)%</b>

**Equity share position risk in banking accounts**

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 determined properly.

**VI. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio**

- a) Information on liquidity risk management, such as the bank's risk capacity, responsibilities and the structure of liquidity risk management, 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 monitoring the 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 uses 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 developing/setting 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 the bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the 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 Liquidity Risk Management and Liquidity Coverage Ratio (continued)**

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

While the 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 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 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 bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The 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 Asset-Liability Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the 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 FC 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) Explanations on the usage of the stress test:

The aim of the liquidity stress test is to analyse 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 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 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 Assets-Liabilities 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 Liquidity Risk Management and Liquidity Coverage Ratio (continued)**

**Liquidity Coverage Ratio**

Current Period - 31 December 2016		Rate of “Percentage” to Be Taken into Account” not Implemented Total Value(*)		Rate of “Percentage” to Be Taken into Account” Implemented Total Value(*)	
		TL+FC	FC	TL+FC	FC
<b>High Quality Liquid Assets</b>					
1	High Quality Liquid Assets			13,193,185	8,320,157
<b>Cash Outflows</b>					
2	Real Person and Retail Deposits	31,283,439	11,726,387	2,721,360	1,172,639
3	Stable Deposits	8,139,665	-	406,983	-
4	Less Stable Deposits	23,143,774	11,726,387	2,314,377	1,172,639
5	Unsecured Debts Other than Real Person and Retail Deposits	17,005,171	7,620,844	8,063,410	3,916,092
6	Operational Deposits	2,907,745	1,503,101	726,936	375,775
7	Non-Operational Deposits	13,383,383	6,073,551	6,622,431	3,496,125
8	Other Unsecured Funding	714,043	44,192	714,043	44,192
9	Secured Funding	-	-	-	-
10	Other Cash Outflows	16,253,730	8,227,354	16,253,730	8,227,354
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	16,253,730	8,227,354	16,253,730	8,227,354
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	27,815,414	9,491,086	2,104,563	842,805
<b>16</b>	<b>Total Cash Outflows</b>			<b>29,143,063</b>	<b>14,158,890</b>
<b>Cash Inflows</b>					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	6,371,149	2,939,803	4,197,615	2,253,314
19	Other cash Inflows	15,808,844	11,770,145	15,808,844	11,770,145
<b>20</b>	<b>Total Cash Inflows</b>	<b>22,179,993</b>	<b>14,709,948</b>	<b>20,006,459</b>	<b>14,023,459</b>
<b>Values to which the upper limit is applied</b>					
<b>21</b>	<b>Total High Quality Liquid Assets</b>			<b>13,193,185</b>	<b>8,320,157</b>
<b>22</b>	<b>Total Net Cash Outflows</b>			<b>9,136,604</b>	<b>3,539,722</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>144.40</b>	<b>235.05</b>

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

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

**Liquidity Coverage Ratio (continued)**

Prior Period - 31 December 2015		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
<b>High Quality Liquid Assets</b>					
1	High Quality Liquid Assets			10,033,321	6,624,151
<b>Cash Outflows</b>					
2	Small Business Customers and Retail Deposits	27,197,790	11,105,350	2,235,163	1,010,002
3	Stable Deposits	9,692,320	2,010,660	484,616	100,533
4	Less Stable Deposits	17,505,470	9,094,690	1,750,547	909,469
5	Unsecured Debts Other than Real Person and Retail Deposits	21,173,521	7,879,881	10,149,146	4,243,584
6	Operational Deposits	2,903,336	1,699,544	725,834	424,886
7	Non-Operational Deposits	16,813,883	6,157,689	7,967,010	3,796,050
8	Other Unsecured Funding	1,456,302	22,648	1,456,302	22,648
9	Secured Funding			-	-
10	Other Cash Outflows	12,163,669	7,005,313	12,163,669	7,005,313
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	12,163,669	7,005,313	12,163,669	7,005,313
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	26,219,063	8,230,920	1,933,007	713,029
<b>16</b>	<b>Total Cash Outflows</b>			<b>26,480,985</b>	<b>12,971,928</b>
<b>Cash Inflows</b>					
17	Secured Liabilities	-	-	-	-
18	Unsecured Liabilities	5,636,365	2,568,989	3,576,362	1,948,929
19	Other Cash Inflows	11,686,474	9,269,157	11,686,474	9,269,157
<b>20</b>	<b>Total Cash Inflows</b>	<b>17,322,839</b>	<b>11,838,146</b>	<b>15,262,836</b>	<b>11,218,086</b>
<b>Values to which the upper limit is applied</b>					
<b>21</b>	<b>Total High Quality Liquid Assets</b>			<b>10,033,321</b>	<b>6,624,151</b>
<b>22</b>	<b>Total Net Cash Outflows</b>			<b>11,218,149</b>	<b>3,242,982</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>89.44</b>	<b>204.26</b>

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

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 of 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.

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.

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

**Liquidity Coverage Ratio (continued)**

Liquidity management of subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a 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.

The weeks with lowest and highest liquidity coverage ratio for the last three months calculated by using weekly simple arithmetic averages are presented below:

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
Lowest Week	121.51%	164.92%	85.69%	184.35%
	07.10.2016	30.12.2016	06.11.2015	23.10.2015
Highest Week	172.86%	305.20%	92.32%	220.05%
	02.12.2016	07.10.2016	09.10.2015	27.11.2015

**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 Undistributed 5 Years	(*)	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,495,674	9,171,740	-	-	-	-	-	11,667,414
Banks	620,674	948,004	-	-	-	-	-	1,568,678
Financial Assets at Fair Value Through Profit and Loss	-	138,281	270,794	555,272	289,448	19,179	-	1,272,974
Money Market Placements	-	2,000,930	-	-	-	-	-	2,000,930
Financial Assets Available for Assets	41,864	277,399	490,080	585,524	2,225,787	482,712	-	4,103,366
Loans (**)	-	15,414,681	2,799,133	10,200,815	20,125,561	7,266,145	557,494	56,363,829
Held-To-Maturity Investments	-	-	-	-	260,799	100,709	-	361,508
Other Assets	-	42,430	-	87,754	65,136	-	2,193,371	2,388,691
<b>Total Assets</b>	<b>3,158,212</b>	<b>27,993,465</b>	<b>3,560,007</b>	<b>11,429,365</b>	<b>22,966,731</b>	<b>7,868,745</b>	<b>2,750,865</b>	<b>79,727,390</b>
<b>Liabilities</b>								
Bank Deposits	4,710	176,275	-	-	-	-	-	180,985
Other Deposits	7,623,889	34,385,723	6,696,036	937,420	8,588	17	-	49,651,673
Funds Provided From Other Financial Institutions	-	2,087,796	2,496,481	8,259,502	242,273	2,052,889	-	15,138,941
Money Market Borrowings	-	1,457,750	-	-	-	-	-	1,457,750
Securities Issued	-	136,778	-	602,524	-	-	-	739,302
Miscellaneous Payables	-	1,414,467	-	-	-	-	-	1,414,467
Other Liabilities	-	1,166,836	217,802	459,584	363,765	3,677	8,932,608	11,144,272
<b>Total Liabilities</b>	<b>7,628,599</b>	<b>40,825,625</b>	<b>9,410,319</b>	<b>10,259,030</b>	<b>614,626</b>	<b>2,056,583</b>	<b>8,932,608</b>	<b>79,727,390</b>
<b>Liquidity Gap</b>	<b>(4,470,387)</b>	<b>(12,832,160)</b>	<b>(5,850,312)</b>	<b>1,170,335</b>	<b>22,352,105</b>	<b>5,812,162</b>	<b>(6,181,743)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(12,120)</b>	<b>109,506</b>	<b>189,124</b>	<b>93,010</b>	<b>(11,742)</b>	<b>-</b>	<b>367,778</b>
Financial Derivative Assets	-	20,875,177	11,321,706	13,474,627	9,876,546	231,423	-	55,779,479
Financial Derivative Liabilities	-	20,887,297	11,212,200	13,285,503	9,783,536	243,165	-	55,411,701
Non-Cash Loans	5,086,011	820,336	2,183,231	4,866,008	4,564,539	-	-	17,520,125
<b>Prior Period</b>								
Total Assets	2,135,259	25,096,988	3,183,361	10,316,231	21,271,138	7,270,265	2,687,100	71,960,342
Total Liabilities	6,981,478	35,612,177	11,681,037	7,096,866	715,188	1,759,961	8,113,635	71,960,342
<b>Liquidity Gap</b>	<b>(4,846,219)</b>	<b>(10,515,189)</b>	<b>(8,497,676)</b>	<b>3,219,365</b>	<b>20,555,950</b>	<b>5,510,304</b>	<b>(5,426,535)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(64,126)</b>	<b>(65,648)</b>	<b>76,034</b>	<b>57,294</b>	<b>3,941</b>	<b>-</b>	<b>7,495</b>
Financial Derivative Assets	-	10,299,756	8,555,646	13,722,793	6,845,046	603,145	-	40,026,386
Financial Derivative Liabilities	-	10,363,882	8,621,294	13,646,759	6,787,752	599,204	-	40,018,891
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 Liquidity Risk Management and Liquidity Coverage Ratio (continued)**

**Analysis of financial liabilities by remaining contractual maturities:**

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Adjustments	Total
<b>31 December 2016</b>								
Money Market Borrowings	-	1,458,678	-	-	-	-	(928)	1,457,750
Deposit	7,623,889	34,463,625	6,755,791	982,448	8,894	19	(182,993)	49,651,673
Bank Deposit	4,710	176,310	-	-	-	-	(35)	180,985
Funds Borrowed From Other Financial Institutions	-	2,173,856	2,535,120	8,665,913	399,048	2,490,672	(1,125,668)	15,138,941
<b>Total</b>	<b>7,628,599</b>	<b>38,272,469</b>	<b>9,290,911</b>	<b>9,648,361</b>	<b>407,942</b>	<b>2,490,691</b>	<b>(1,309,624)</b>	<b>66,429,349</b>
<b>31 December 2015</b>								
Money Market Borrowings	-	2,387,614	-	-	-	-	(2,827)	2,384,787
Deposit	6,980,400	28,052,930	8,866,609	581,856	10,721	16	(211,229)	44,281,303
Bank Deposit	1,078	107,788	5,765	-	-	-	(74)	114,557
Funds Borrowed From Other Financial Institutions	-	2,298,624	2,673,080	6,632,198	895,314	2,018,428	(982,871)	13,534,773
<b>Total</b>	<b>6,981,478</b>	<b>32,846,956</b>	<b>11,545,454</b>	<b>7,214,054</b>	<b>906,035</b>	<b>2,018,444</b>	<b>(1,197,001)</b>	<b>60,315,420</b>

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>31 December 2016</b>						
<b>Derivative financial instruments for hedging purposes</b>						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	465,939	214,238	1,069,889	1,201,048	-	2,951,114
<b>Held for trading transactions</b>						
Foreign exchange forward contracts-sell	1,321,435	1,221,184	1,957,968	916,474	58,510	5,475,571
Currency swaps-sell	16,832,735	5,799,351	6,567,742	3,011,771	11,427	32,223,026
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
<b>Total</b>	<b>20,377,302</b>	<b>10,704,664</b>	<b>14,306,473</b>	<b>5,532,339</b>	<b>70,792</b>	<b>50,991,570</b>
<b>31 December 2015</b>						
<b>Derivative financial instruments for hedging purposes</b>						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	87,433	2,329,741	972,135	1,419,073	-	4,808,382
<b>Held for trading transactions</b>						
Foreign exchange forward contracts-sell	996,674	1,314,266	1,735,437	867,762	22,292	4,936,431
Currency swaps-sell	7,590,856	4,399,819	4,486,456	2,322,577	369,507	19,169,215
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
<b>Total</b>	<b>10,371,981</b>	<b>9,882,712</b>	<b>10,192,112</b>	<b>4,688,877</b>	<b>393,600</b>	<b>35,529,282</b>

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

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**VII. Explanations Related to 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) Leverage ratio:

	<b>Current Period(*)</b>	<b>Prior Period(*)</b>
<b>Assets on the Balance Sheet</b>		
1 Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	78,877,363	72,484,891
2 (Assets Deducted from Core Capital)	(545,659)	(532,649)
3 Total Risk Amount for Assets on the Balance Sheet	78,331,704	71,952,242
<b>Derivative Financial Instruments and Credit Derivatives</b>		
4 Renewal Cost of Derivative Financial Instruments and Loan Derivatives	1,012,719	610,392
5 Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	553,161	486,252
6 Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	1,565,880	1,096,644
<b>Financing Transactions With Securities Or Goods Warranties</b>		
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	-	-
<b>Off-the-Balance Sheet Transactions</b>		
10 Gross Nominal Amount of the Off-Balance Sheet Transactions	32,832,812	28,608,064
11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12 Total Risk Amount for Off-Balance Sheet Transactions	32,832,812	28,608,064
<b>Capital and Total Risk</b>		
13 Tier 1 Capital	7,372,497	6,351,525
14 Total Risk Amount	112,730,396	101,656,950
<b>Leverage Ratio</b>		
15 Leverage Ratio	6.54%	6.25%

(\*) 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
<b>Financial Assets</b>	<b>64,398,311</b>	<b>59,002,190</b>	<b>64,010,331</b>	<b>59,141,805</b>
Money Market Placements	2,000,930	-	2,000,930	-
Banks	1,568,678	1,321,389	1,568,678	1,321,389
Financial Assets Available for Sale	4,103,366	4,128,551	4,103,366	4,128,551
Held-To-Maturity Investments	361,508	339,417	364,740	344,096
Loans	56,363,829	53,212,833	55,972,617	53,347,769
<b>Financial Liabilities</b>	<b>68,583,118</b>	<b>61,872,640</b>	<b>68,763,357</b>	<b>62,094,407</b>
Bank Deposit	180,985	114,557	180,998	114,557
Other Deposit	49,651,673	44,281,303	49,831,899	44,503,070
Funds Borrowed From Other Financial Institutions (*)	16,596,691	15,919,560	16,596,691	15,919,560
Marketable Securities Issued	739,302	270,663	739,302	270,663
Sundry Creditors	1,414,467	1,286,557	1,414,467	1,286,557

(\*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions.

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.

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>4,253,333</b>	<b>1,306,471</b>	-	<b>5,559,804</b>
Financial assets at fair value through profit and loss	203,194	1,069,780	-	1,272,974
<i>Public sector debt securities</i>	203,194	-	-	203,194
<i>Derivative financial assets held for trading</i>	-	1,069,780	-	1,069,780
Derivative financial assets for hedging purposes	-	195,320	-	195,320
Financial assets available for sale	4,050,139	41,371	-	4,091,510
<i>Public sector debt securities</i>	4,049,570	11,932	-	4,061,502
<i>Other financial assets available for sale (*)</i>	569	29,439	-	30,008
<b>Financial Liabilities</b>				
Derivative financial liabilities held for trading	-	1,227,084	-	1,227,084
Derivative financial liabilities for hedging purposes	-	942,592	-	942,592
	-	284,492	-	284,492
<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>4,228,207</b>	<b>571,342</b>	<b>75,043</b>	<b>4,874,592</b>
Financial assets at fair value through profit and loss	205,828	494,169	-	699,997
<i>Public sector debt securities</i>	205,828	-	-	205,828
<i>Derivative financial assets held for trading</i>	-	494,169	-	494,169
Derivative financial assets for hedging purposes	-	58,309	-	58,309
Financial assets available for sale	4,022,379	18,864	75,043	4,116,286
<i>Public sector debt securities</i>	4,022,379	9,638	-	4,032,017
<i>Other financial assets available for sale (*)</i>	-	9,226	75,043	84,269
<b>Financial Liabilities</b>	-	<b>678,663</b>	-	<b>678,663</b>
Derivative financial liabilities held for trading	-	519,447	-	519,447
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: TL12,265).

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 Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

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**X. Explanations Related to 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 Bank.

**1. Risk management approach and Risk Weighted Amounts**

**1.1. 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 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 Bank aims to,

- i) Identify the main risks to which 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 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 Risk Management (continued)**

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

**1.2. Overview of Risk Weighted Amounts**

	Risk Weighted Amounts		Minimum capital
	Current Period	Prior Period	Requirement
1 Credit Risk (Excluding Counterparty Credit Risk) (CCR)	59,101,534	56,632,851	4,728,123
2 Of which Standardized Approach (SA)	59,101,534	56,632,851	4,728,123
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 Investment in Funds - Look-Through Approach	-	-	-
9 Equity Investment in Funds - Mandate-Based Approach	-	-	-
10 Equity Investment in Funds - 1250% Weighted Risk Approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization Positions in banking accounts	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	317,576	340,241	25,406
17 Of which Standardized approach (SA)	317,576	340,241	25,406
18 Of which Internal model approaches (IMM)	-	-	-
19 Operational Risk	5,908,529	5,144,466	472,682
20 Of which Basic Indicator Approach	5,908,529	5,144,466	472,682
21 Of which Standart Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts Below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24 Floor Adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>67,261,065</b>	<b>62,706,118</b>	<b>5,380,885</b>

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**X. Explanations Related to 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	Carrying values of items in accordance with TAS			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and balances at central bank	11,667,414	11,667,414	-	-	-
Financial assets held for trading	1,272,974	-	1,069,780	203,194	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	1,568,678	1,568,678	-	-	-
Receivables from money markets	2,000,930	-	2,000,930	-	-
Financial assets available for sale (net)	4,103,366	4,103,366	-	-	-
Loans and receivables	56,363,829	56,363,829	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	361,508	361,508	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	115,986	115,986	-	-	-
Investments in joint ventures (net)	5	5	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	195,320	-	195,320	-	-
Tangible assets (net)	242,037	177,275	-	-	64,762
Intangible assets (net)	502,712	-	-	-	502,712
Investment properties (net)	-	-	-	-	-
Tax assets	98,947	98,947	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	91,254	91,254	-	-	-
Other assets	1,142,430	1,142,430	-	-	-
<b>Total Assets</b>	<b>79,727,390</b>	<b>75,690,692</b>	<b>3,266,030</b>	<b>203,194</b>	<b>567,474</b>
<b>Liabilities</b>					
Deposits	49,832,658	-	-	-	-
Derivative financial liabilities held for trading	942,592	-	-	-	-
Loans	12,839,056	-	-	-	-
Debt to money markets	1,457,750	-	1,457,750	-	-
Debt securities in issue	739,302	-	-	-	-
Funds	-	-	-	-	-
Various Debts	1,414,467	-	-	-	-
Other Debts	846,800	-	-	-	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	284,492	-	-	-	-
Provisions	1,133,207	-	-	-	-
Tax liability	137,780	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	2,299,885	-	-	-	-
Equity	7,799,401	-	-	-	-
<b>Total Liabilities</b>	<b>79,727,390</b>	<b>-</b>	<b>1,457,750</b>	<b>-</b>	<b>-</b>

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**X. Explanations Related to Risk Management (continued)**

**2. Linkages Between Financial Statements and Regulatory Exposures (continued)**

**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
<b>1</b> Asset carrying value amount under scope of regulatory consolidation	<b>79,727,390</b>	<b>75,690,692</b>	<b>3,266,030</b>	<b>203,194</b>
2 Liabilities carrying value amount under regulatory scope of consolidation	1,457,750	-	1,457,750	-
<b>3</b> Total net amount under regulatory scope of consolidation	<b>78,269,640</b>	<b>75,690,692</b>	<b>1,808,280</b>	<b>203,194</b>
4 Off-balance sheet amounts	81,572,003	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	-	-	-	-
<b>9</b> Exposure amounts considered for regulatory purposes		<b>88,788,124</b>	<b>3,887,453</b>	<b>203,194</b>

**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 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. 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 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 are 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 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 Risk Management (continued)**

**3. Credit Risk Disclosure (continued)**

**3.1. General information about credit risk (continued)**

**3.1.1. General qualitative information about credit risk (continued)**

The risk appetite declaration is approved and reviewed once a year by the Board of Directors. The Bank combines 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 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 unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	1,771,775	55,806,335	1,214,281	56,363,829
2 Debt Securities	-	4,423,010	-	4,423,010
3 Off-balance sheet exposures	-	31,572,213	48,515	31,523,698
<b>4 Total</b>	<b>1,771,775</b>	<b>91,801,558</b>	<b>1,262,796</b>	<b>92,310,537</b>

**3.1.3. Changes in stock of defaulted loans and debt securities**

<b>1 Defaulted loans and debt securities at end of the 31 December 2015</b>	<b>1,232,527</b>
2 Loans and debt securities that have defaulted since the last reporting period	1,725,218
3 Returned to non-defaulted status	20,851
4 Amounts written off	520,452
5 Other changes (*)	644,667
<b>6 Defaulted loans and debt securities at end of 31 December 2016 (1+2-3-4-5)</b>	<b>1,771,775</b>

(\*) Includes collections during the period.

**3.1.4 Additional disclosure related to the credit quality**

- 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 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 Risk Management (continued)**

**3. Credit Risk Disclosure (continued)**

**3.1. General information about credit risk (continued)**

**3.1.4 Additional disclosure related to the credit quality (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 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 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
<b>Total</b>	<b>44,176,746</b>	<b>100.00</b>	<b>11,629,589</b>	<b>100.00</b>

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 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 Risk Management (continued)**

**3. 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

<b>31 December 2016</b>	<b>1-30 Day</b>	<b>31-60 Day</b>	<b>61-90 Day</b>	<b>Total</b>
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
<b>Total</b>	<b>1,557,018</b>	<b>871,408</b>	<b>668,089</b>	<b>3,096,515</b>
<b>31 December 2015</b>	<b>1-30 Day</b>	<b>31-60 Day</b>	<b>61-90 Day</b>	<b>Total</b>
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
<b>Total</b>	<b>1,231,026</b>	<b>689,116</b>	<b>384,154</b>	<b>2,304,296</b>

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

Not-impaired loans	<b>Gross Amount</b>	<b>Specific Provision</b>	<b>Net Amount</b>
Commercial Loans	1,386,772	-	1,386,772
Consumer Loans	128,366	-	128,366
Credit Cards	69,144	-	69,144
<b>Total</b>	<b>1,584,282</b>	<b>-</b>	<b>1,584,282</b>
Impaired loans			
	<b>Gross Amount</b>	<b>Specific Provision</b>	<b>Net Amount</b>
Commercial Loans	12,014	5,870	6,144
Consumer Loans	20,818	7,664	13,154
Credit Cards	5,887	1,902	3,985
<b>Total</b>	<b>38,719</b>	<b>15,436</b>	<b>23,283</b>

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**X. Explanations Related to Risk Management (continued)**

**3. 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 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 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 Bank credit customers obtained guarantee from other entities.

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	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 of which: secured amount
1 Loans	38,817,673	15,021,668	11,812,866	2,524,488	1,219,334	-	-
2 Debt securities	4,423,010	-	-	-	-	-	-
<b>3 Total</b>	<b>43,240,683</b>	<b>15,021,668</b>	<b>11,812,866</b>	<b>2,524,488</b>	<b>1,219,334</b>	-	-
4 Of which defaulted	1,616,972	80,831	71,983	73,972	739	-	-

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

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**X. Explanations Related to Risk Management (continued)**

**3. Credit Risk Disclosures (continued)**

**3.3. Credit risk under standardized approach (continued)**

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

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 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.

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 alphanumeric 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 and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

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**X. Explanations Related to Risk Management (continued)**

**3. 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	15,447,001	-	15,447,001	-	4,919,461	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	2,773,350	1,209,211	2,437,081	785,781	1,128,274	35%
7 Exposures to corporates	19,917,960	15,869,906	19,171,883	9,205,944	27,673,216	98%
8 Retail exposures	23,256,901	11,270,527	22,783,157	2,656,825	19,075,186	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	557,494	81,332	556,755	27,319	707,402	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	1,540,280	2,515,302	1,540,241	1,638	650,954	42%
17 Investments in equities	41,864	-	41,864	-	41,864	100%
<b>18 Total</b>	<b>75,698,007</b>	<b>31,524,905</b>	<b>74,140,700</b>	<b>12,933,203</b>	<b>59,101,534</b>	<b>68%</b>

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**X. Explanations Related to Risk Management (continued)**

**3. 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	6,001,187	-	-	-	9,180,392	-	222,860	-	-	42,562	15,447,001
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	-	-	1,636,043	-	1,573,906	-	10,512	2,401	-	-	3,222,862
7 Exposures to corporates	-	-	321,093	-	895,476	-	27,161,258	-	-	-	28,377,827
8 Retail exposures	-	-	3,440	-	11,637	25,424,905	-	-	-	-	25,439,982
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	-	137,084	346,824	-	-	584,074
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	-	-	-	644,735	-	-	-	1,541,879
<b>18 Total</b>	<b>6,867,232</b>	<b>-</b>	<b>1,991,675</b>	<b>8,693,573</b>	<b>15,486,407</b>	<b>25,424,905</b>	<b>28,218,324</b>	<b>349,225</b>	<b>-</b>	<b>42,562</b>	<b>87,073,903</b>

(\*) 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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**X. Explanations Related to Risk Management (continued)**

**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 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 EAD	EAD post CRM	Risk Weighted Amounts
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
<b>Total</b>						<b>1,059,194</b>

(\*) Effective Expected Positive Exposure

**4.3. Credit valuation adjustment (CVA) capital charge**

	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,867,512	874,232
<b>Total subject to the CVA capital charge</b>	<b>1,867,512</b>	<b>874,232</b>

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**X. Explanations Related to Risk Management (continued)**

**4. Counterparty Credit Risk (continued)**

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

<b>Risk Weight/ Regulatory portfolio</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	<b>Total credit exposure*</b>
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**	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,408,733</b>	<b>-</b>	<b>209,162</b>	<b>-</b>	<b>1,255,331</b>	<b>61,164</b>	<b>343,177</b>	<b>431</b>	<b>-</b>	<b>3,277,998</b>

(\*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(\*\*) Other assets: the amount excludes exposures to CCPs, which are reported in CCR8.

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**X. Explanations Related to Risk Management (continued)**

**4. Counterparty Credit Risk (continued)**

**4.5. Composition of collateral for CCR exposure**

	Collateral used in derivative transactions				Collateral used in SFTs	
	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	-	-	-	-	-	-
<b>Total</b>	-	<b>19,011</b>	-	-	-	-

**4.5. Credit derivatives exposures**

None.

**4.6. Exposures to central counterparties**

None.

**5. Securitization Disclosures**

Since the 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.

**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 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.

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.

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**X. Explanations Related to Risk Management (continued)**

**6. Market Risk Disclosures (continued)**

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

According to economic cost approach, changes in market interest rates may affect the Bank’s assets, liabilities and off balance sheet items values. The 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 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.

**6.2. Standardized Approach**

	<b>Risk Weighted Amounts</b>
Outright products	
1 Interest rate risk (general and specific)	262,613
2 Equity risk (general and specific)	-
3 Foreign exchange risk	39,225
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	15,738
7 Scenario approach	-
8 Securitization	-
<b>9 Total</b>	<b>317,576</b>

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**X. Explanations Related to Risk Management (continued)**

**7. Explanations Related to Operational Risk**

- a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.
- b) In case of Basic Indicator Approach the following:

	31.12.2013	31.12.2014	31.12.2015	Total/Number of positive gross income years	Beta (%)	Total
Gross Income	2,700,938	3,157,045	3,595,664	3,151,216	15	472,682
Operational Risk Capital Requirement (Total* 12.5)						5,908,529

	31.12.2012	31.12.2013	31.12.2014	Total/Number of positive gross income years	Beta (%)	Total
Gross Income	2,373,162	2,700,938	3,157,045	2,743,715	15	411,557
Operational Risk Capital Requirement (Total* 12.5)						5,144,466

- c) The Bank does not use the standard method.
- d) The Bank 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 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 Bank's profitability, the results of 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.

The remuneration policy of the 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, the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to the risk management.

The remuneration policy supports the 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 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 UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and Disclosures Related to the 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	352,567	461,736	371,907	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
<b>Total</b>	<b>1,958,800</b>	<b>9,708,614</b>	<b>1,202,306</b>	<b>8,713,621</b>

b) Information related to the account of the Central Bank of the Republic 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
<b>Total</b>	<b>1,606,233</b>	<b>9,163,190</b>	<b>830,399</b>	<b>8,254,065</b>

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	33,484	107,066	13,265
Swap Transactions	580,406	110,296	238,210	63,008
Futures Transactions	-	-	-	-
Options	80,871	79,708	59,215	13,405
Other	-	-	-	-
<b>Total</b>	<b>846,292</b>	<b>223,488</b>	<b>404,491</b>	<b>89,678</b>

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

**4. Information on banks:**

a) Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	110,207	193,124	582,335	281,633
Foreign Banks	83,674	1,181,673	34,295	423,126
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>193,881</b>	<b>1,374,797</b>	<b>616,630</b>	<b>704,759</b>

b) Information on Foreign Banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	767,059	282,719	-	-
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	-	-
<b>Total</b>	<b>1,265,347</b>	<b>457,421</b>	-	-

(\*) EU countries, OECD countries except USA and Canada

**5. Information on financial assets available for sale:**

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	-	-	-	-
<b>Total</b>	<b>130,140</b>	-	<b>403,320</b>	-

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	-	-	-	-
<b>Total</b>	<b>1,456,769</b>	-	<b>2,395,729</b>	-

Net book value of unrestricted financial assets available for sale is TL2,516,457 (31 December 2015: TL1,329,502).

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

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

b) Information on financial assets available for sale portfolio:

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	4,061,502	4,032,017
Quoted on a Stock Exchange	4,061,502	4,032,017
Not Quoted	-	-
Equity Securities	41,864	96,534
Quoted on a Stock Exchange	569	-
Not Quoted	41,295	96,534
Impairment Provision (-)	-	-
<b>Total</b>	<b>4,103,366</b>	<b>4,128,551</b>

All unquoted available for sale equities are recorded at fair value except for the Bank’s investment of TL11,586 is recorded at cost since its fair value cannot be reliably estimated (31 December 2015: TL12,265).

**6. Information on loans:**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
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	-
<b>Total</b>	<b>94,263</b>	<b>188,104</b>	<b>67,028</b>	<b>300,290</b>

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

	<b>Standard Loans and Other Receivables</b>			<b>Loans and Other Receivables Under Close Monitoring (*)</b>		
	<b>Loans and Other Receivables (Total)</b>	<b>Loans and Other Receivables with Revised Contract Terms</b>		<b>Loans and Other Receivables (Total)</b>	<b>Loans and Other Receivables with Revised Contract Terms</b>	
		<b>Restructured or Rescheduled</b>	<b>Other</b>		<b>Restructured or Rescheduled</b>	<b>Other</b>
<b>Cash Loans</b>						
<b>Non-Specialized Loans</b>	<b>52,709,820</b>	<b>561,546</b>	-	<b>3,096,515</b>	<b>1,022,736</b>	-
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	31,310,722	391,767	-	2,220,599	968,957	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>52,709,820</b>	<b>561,546</b>	<b>-</b>	<b>3,096,515</b>	<b>1,022,736</b>	<b>-</b>

(\*) The total principle 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)

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

<b>Extension Periods</b>	<b>Performing Loans and Other Receivables (*)</b>	<b>Loans and Other Receivables Under Follow-up (*)</b>
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
<b>Total</b>	<b>561,546</b>	<b>1,022,736</b>

- (\*) 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:

	<b>Standard Loans and Other Receivables</b>		<b>Loans and Other Receivables Under Close Monitoring</b>	
	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>21,724,629</b>	<b>236,192</b>	<b>936,956</b>	<b>219,057</b>
Non-specialized loans	21,724,629	236,192	936,956	219,057
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and long-term loans and other receivables</b>	<b>30,985,191</b>	<b>325,354</b>	<b>2,159,559</b>	<b>803,679</b>
Non-specialized loans	30,985,191	325,354	2,159,559	803,679
Non-specialized loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>52,709,820</b>	<b>561,546</b>	<b>3,096,515</b>	<b>1,022,736</b>

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**I. Explanations and Disclosures Related to the 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
<b>Consumer Loans-TL</b>	<b>173,292</b>	<b>12,859,072</b>	<b>13,032,364</b>
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	-	-	-
<b>Consumer Loans –Indexed to FC</b>	<b>-</b>	<b>18,038</b>	<b>18,038</b>
Housing Loans	-	17,489	17,489
Vehicle Loans	-	-	-
General Purpose Loans	-	549	549
Other	-	-	-
<b>Consumer Loans-FC (**)</b>	<b>32</b>	<b>30,189</b>	<b>30,221</b>
Housing Loans	-	7,641	7,641
Vehicle Loans	-	6,581	6,581
General Purpose Loans	32	15,967	15,999
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>1,961,323</b>	<b>-</b>	<b>1,961,323</b>
With Installments	668,391	-	668,391
Without Installments	1,292,932	-	1,292,932
<b>Individual Credit Cards-FC</b>	<b>6,912</b>	<b>-</b>	<b>6,912</b>
With Installments	1	-	1
Without Installments	6,911	-	6,911
<b>Personnel Loans-TL</b>	<b>6,414</b>	<b>58,133</b>	<b>64,547</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6,414	58,133	64,547
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>24,510</b>	<b>-</b>	<b>24,510</b>
With Installments	8,854	-	8,854
Without Installments	15,656	-	15,656
<b>Personnel Credit Cards-FC</b>	<b>199</b>	<b>-</b>	<b>199</b>
With Installments	1	-	1
Without Installments	198	-	198
<b>Overdraft Accounts-TL(Real Persons) (*)</b>	<b>341,006</b>	<b>-</b>	<b>341,006</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>672</b>	<b>-</b>	<b>672</b>
<b>Total</b>	<b>2,514,360</b>	<b>12,965,432</b>	<b>15,479,792</b>

(\*) 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 Assets (continued)**

**6. Information on loans: (continued)**

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

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
<b>Commercial loans with installment – TL</b>	<b>890,350</b>	<b>9,863,109</b>	<b>10,753,459</b>
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	-	-	-
<b>Commercial loans with installment - Indexed to FC</b>	<b>27,724</b>	<b>623,778</b>	<b>651,502</b>
Business Loans	-	24,585	24,585
Vehicle Loans	395	156,916	157,311
General Purpose Loans	27,329	442,277	469,606
Other	-	-	-
<b>Commercial loans with installment – FC</b>	<b>1,402</b>	<b>-</b>	<b>1,402</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	1,402	-	1,402
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>1,034,484</b>	<b>-</b>	<b>1,034,484</b>
With Installments	287,176	-	287,176
Without Installments	747,308	-	747,308
<b>Corporate Credit Cards-FC</b>	<b>1,990</b>	<b>-</b>	<b>1,990</b>
With Installments	-	-	-
Without Installments	1,990	-	1,990
<b>Overdraft Accounts-TL(Legal Entities)</b>	<b>1,253,520</b>	<b>-</b>	<b>1,253,520</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,209,470</b>	<b>10,486,887</b>	<b>13,696,357</b>

f) Allocation of loans by customers:

	<b>Current Period</b>	<b>Prior Period</b>
Public sector	723,206	492,540
Private sector	55,083,129	52,317,113
<b>Total</b>	<b>55,806,335</b>	<b>52,809,653</b>

g) Domestic and foreign loans:

	<b>Current Period</b>	<b>Prior Period</b>
Domestic Loans	55,196,515	52,199,611
Foreign Loans	609,820	610,042
<b>Total</b>	<b>55,806,335</b>	<b>52,809,653</b>

h) Loans granted to subsidiaries and associates:

	<b>Current Period</b>	<b>Prior Period</b>
Direct Loans Granted to Subsidiaries and Associates	79,163	-
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>79,163</b>	<b>-</b>

i) Specific provisions provided against loans:

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total</b>	<b>1,214,281</b>	<b>829,347</b>

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**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 rescheduled:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>Receivables with</b>	<b>Receivables with</b>	<b>Loans and</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Receivables</b>
	<b>Collectability</b>	<b>Collectability</b>	
<b>Current Period</b>			
(Gross Amounts before Specific Provisions)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	15,885	11,760	11,074
<b>Prior Period</b>			
(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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>Receivables</b>	<b>Receivables with</b>	<b>Loans and</b>
	<b>with Limited</b>	<b>Doubtful</b>	<b>Receivables</b>
	<b>Collectability</b>	<b>Collectability</b>	
<b>Prior period end balance</b>	<b>138,909</b>	<b>192,510</b>	<b>901,108</b>
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	-	-	-
<b>Current period end balance</b>	<b>148,916</b>	<b>202,694</b>	<b>1,420,165</b>
Specific Provision (-)	23,334	88,266	1,102,681
<b>Net Balances on Balance Sheet</b>	<b>125,582</b>	<b>114,428</b>	<b>317,484</b>

(\*) 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:

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

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

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

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

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**I. Explanations and Disclosures Related to the 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:

<b>Current Period</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
Neither past due nor impaired	37,040,279	12,811,765	2,857,776	52,709,820
Past due but not impaired	2,249,790	675,083	171,642	3,096,515
Individually impaired	639,285	971,008	161,482	1,771,775
<b>Total</b>	<b>39,929,354</b>	<b>14,457,856</b>	<b>3,190,900</b>	<b>57,578,110</b>
Specific Provision	488,206	619,163	106,912	1,214,281
<b>Total</b>	<b>488,206</b>	<b>619,163</b>	<b>106,912</b>	<b>1,214,281</b>
<b>Net credit balance on balance sheet</b>	<b>39,441,148</b>	<b>13,838,693</b>	<b>3,083,988</b>	<b>56,363,829</b>
<b>Prior Period</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
Neither past due nor impaired	35,303,922	12,516,249	2,685,186	50,505,357
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
<b>Total</b>	<b>37,219,369</b>	<b>13,843,975</b>	<b>2,978,836</b>	<b>54,042,180</b>
Specific Provision	276,594	458,264	94,489	829,347
<b>Total</b>	<b>276,594</b>	<b>458,264</b>	<b>94,489</b>	<b>829,347</b>
<b>Net credit balance on balance sheet</b>	<b>36,942,775</b>	<b>13,385,711</b>	<b>2,884,347</b>	<b>53,212,833</b>

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

	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
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)
<b>31 December 2016 Balance</b>	<b>488,206</b>	<b>619,163</b>	<b>106,912</b>	<b>1,214,281</b>
	<b>Commercial</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Total</b>
1 January 2015	428,455	162,052	129,023	719,530
Change for the period	163,508	512,115	126,866	802,489
Recoveries	(75,725)	(64,987)	(30,727)	(171,439)
Amounts written-off (**)	(239,644)	(150,916)	(130,673)	(521,233)
<b>31 December 2015 Balance</b>	<b>276,594</b>	<b>458,264</b>	<b>94,489</b>	<b>829,347</b>

(\*) 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.

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**I. Explanations and Disclosures Related to the 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, 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:**

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

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).

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

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

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:

<b>31 December 2016</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Total</b>
Residential, commercial or industrial property	86,446	4,769	91,215
Other	39	-	39
<b>Total</b>	<b>86,485</b>	<b>4,769</b>	<b>91,254</b>
<b>31 December 2015</b>	<b>Commercial</b>	<b>Consumer</b>	<b>Total</b>
Residential, commercial or industrial property	66,588	5,247	71,835
Other	39	-	39
<b>Total</b>	<b>66,627</b>	<b>5,247</b>	<b>71,874</b>

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

**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) Information on held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bond, Treasury bill and similar securities	198,285	-	312,654	-
Other	-	-	-	-
<b>Total</b>	<b>198,285</b>	<b>-</b>	<b>312,654</b>	<b>-</b>

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

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

	Current Period	Prior Period
Government bonds	361,508	339,417
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>361,508</b>	<b>339,417</b>

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 (-)	-	-
<b>Total</b>	<b>361,508</b>	<b>339,417</b>

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 (-)	-	-
<b>Closing Balance</b>	<b>361,508</b>	<b>339,417</b>

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



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

**8. Information on associates (Net):**

- a.1) Information on unconsolidated 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) Explanations of consolidated associates: None (31 December 2015: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2015: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2015: None).

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

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

	<b>TEB Faktoring A.Ş.</b>	<b>TEB Yatırım Menkul Değerler A.Ş.</b>	<b>TEB Portföy Yönetimi A.Ş.</b>
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
<b>Total Common Equity Tier 1 Capital</b>	<b>75,182</b>	<b>90,599</b>	<b>16,609</b>
General Provision	1,005	-	-
<b>Total Equity</b>	<b>76,187</b>	<b>90,599</b>	<b>16,609</b>

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

	<b>Address (City/ Country)</b>	<b>Group’s share percentage-If different voting percentage (%)</b>	<b>Other shareholders’ share percentage (%)</b>
1	TEB Faktoring A.Ş.	100.00	-
2	TEB Yatırım Menkul Değerler A.Ş.	96.62	3.38
3	TEB Portföy Yönetimi A.Ş.	25.60	29.14

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

	<b>Total Assets</b>	<b>Shareholders’ Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income on Marketable Securities Portfolio</b>	<b>Current Period Profit / Loss</b>	<b>Prior Period Profit / Loss (*)</b>	<b>Fair Value</b>
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.

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

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

d.2) Information on consolidated subsidiaries:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	115,986	177,240
Movements during the period	-	(61,254)
Purchases	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales(*)	-	(61,254)
Revaluation increase	-	-
Provision for impairment	-	-
<b>Balance at the end of the period</b>	<b>115,986</b>	<b>115,986</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(\*) The 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.

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies/TEB Faktoring A.Ş.	43,416	43,416
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries/TEB Yatırım Men. Değ. A.Ş.	70,512	70,512
TEB Portföy Yönetimi A.Ş.	2,058	2,058
<b>Total</b>	<b>115,986</b>	<b>115,986</b>

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

**10. Explanations on entities under common control (joint ventures):**

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

<b>Entities under common control (joint ventures)</b>	<b>Share of the Bank (%)</b>	<b>Share of the Group (%)</b>	<b>Current Asset</b>	<b>Non-current Asset</b>	<b>Long-term Receivable</b>	<b>Profit</b>	<b>Loss</b>
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 bank's financial statements:

The 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, 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).

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

**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	-	-	-	-
<b>Total</b>	<b>195,320</b>	<b>-</b>	<b>58,309</b>	<b>-</b>

According to cash flow hedges terminated by the 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.

**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	35,354	-	(896)	-	34,458
Other	834,337	54,288	(193,609)	-	695,016
<b>Total Cost</b>	<b>974,823</b>	<b>54,288</b>	<b>(194,505)</b>	<b>-</b>	<b>834,606</b>
Accumulated Depreciation:					
Land and buildings	40,866	2,955	-	-	43,821
Leased tangible assets	35,342	4	(896)	-	34,450
Other	615,610	91,666	(192,978)	-	514,298
<b>Total Accumulated Depreciation</b>	<b>691,818</b>	<b>94,625</b>	<b>(193,874)</b>	<b>-</b>	<b>592,569</b>
<b>Net Book Value</b>	<b>283,005</b>				<b>242,037</b>

- 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	219,656	72,685	(53,165)	-	239,176
<b>Total Cost</b>	<b>219,656</b>	<b>72,685</b>	<b>(53,165)</b>	<b>-</b>	<b>239,176</b>
Accumulated Depreciation:					
Other intangible assets	169,374	41,379	(53,165)	-	157,588
<b>Total Accumulated Depreciation</b>	<b>169,374</b>	<b>41,379</b>	<b>(53,165)</b>	<b>-</b>	<b>157,588</b>
<b>Net Book Value</b>	<b>50,282</b>				<b>81,588</b>

- 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.

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

**14. Information on intangible assets: (continued)**

- 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: Not applicable for the unconsolidated financial statements.
- i) Information on goodwill:

Following announcement of the BRSA approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

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

	<b>Current Period</b>	<b>Prior Period</b>
Beginning Balance	421,124	421,124
Foreign Exchange differences	-	-
Acquired	-	-
<b>Ending balance</b>	<b>421,124</b>	<b>421,124</b>

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

**16. Explanations on deferred tax assets :**

- a) As of 31 December 2016, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL42,562 (31 December 2015: TL79,784). 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:

	<b>Current Period</b>	<b>Prior Period</b>
<b>At January 1</b>	<b>79,784</b>	<b>96,746</b>
Deferred Tax Benefit / (Charge)	(63,403)	27,074
Deferred Tax Accounted for Under Equity	26,181	(44,036)
Other	-	-
<b>Deferred Tax Asset</b>	<b>42,562</b>	<b>79,784</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Beginning of Period Cost	74,768	83,187
Beginning of Period Accumulated Depreciation (-)	2,894	3,721
<b>Net Book Value</b>	<b>71,874</b>	<b>79,466</b>
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
Period End Cost	93,224	74,768
Period End Accumulated Depreciation (-)	1,970	2,894
<b>Closing Net Book Value</b>	<b>91,254</b>	<b>71,874</b>

**18. Information on other asset**

Other Assets item of the balance sheet amounting to TL1,142,430 (31 December 2015: TL1,260,429) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

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**II. Explanations and Disclosures Related to the 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	1 Year and Over	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	3,045,273	-	3,757,484	12,958,068	143,483	89,102	53,008	-	20,046,418
Residents in Turkey	2,821,928	-	3,079,794	12,472,737	132,939	63,668	51,021	-	18,622,087
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	2,767,044	-	1,520,221	4,366,100	153,511	47,684	119	-	8,854,679
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7,628,599</b>	<b>-</b>	<b>9,656,962</b>	<b>29,639,351</b>	<b>1,537,588</b>	<b>1,294,939</b>	<b>75,219</b>	<b>-</b>	<b>49,832,658</b>

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	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	3,158,188	-	3,271,698	8,374,541	310,398	83,735	117,274	-	15,315,834
Residents in Turkey	3,010,834	-	2,648,848	8,028,524	294,698	39,921	113,090	-	14,135,915
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	2,193,850	-	1,180,220	3,863,724	823,014	1,676	2,558	-	8,065,042
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,981,478</b>	<b>-</b>	<b>8,657,422</b>	<b>23,677,987</b>	<b>3,680,092</b>	<b>1,255,702</b>	<b>143,179</b>	<b>-</b>	<b>44,395,860</b>

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	-	-	-	-
<b>Total</b>	<b>10,445,374</b>	<b>9,420,121</b>	<b>17,310,973</b>	<b>14,265,270</b>

(\*) 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 Liabilities (continued)**

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

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

ii) Deposits 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 <sup>nd</sup> Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 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	635,490	39,885	355,875	23,597
Futures Transactions	-	-	-	-
Options	79,405	65,200	53,751	16,872
Other	-	-	-	-
<b>Total</b>	<b>787,810</b>	<b>154,782</b>	<b>466,161</b>	<b>53,286</b>

**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	148,425	223,203	171,262	157,925
From Foreign Banks, Institutions and Funds	-	12,467,428	1,071,804	10,193,746
<b>Total</b>	<b>148,425</b>	<b>12,690,631</b>	<b>1,243,066</b>	<b>10,351,671</b>

As of 31 December 2016, the Bank has borrowings from its related parties amounting to TL6,733,737 (31 December 2015: TL5,391,148).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	148,425	9,412,527	1,180,832	7,677,800
Medium and long-term	-	3,278,104	62,234	2,673,871
<b>Total</b>	<b>148,425</b>	<b>12,690,631</b>	<b>1,243,066</b>	<b>10,351,671</b>

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

The 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 Liabilities (continued)**

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

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

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) Information on debt securities issued:

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

**4. Funds provided through repurchase transactions:**

Information on funds provided through repurchase transactions:

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

**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 TL213,218 (31 December 2015: TL201,508) 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 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	-	-	-	-
<b>Total</b>	<b>284,492</b>	<b>-</b>	<b>158,539</b>	<b>677</b>

According to cash flow hedges terminated by the Bank, accumulated valuation differences negatively amounted TL1,063 as of 31 December 2016 is recorded under equity 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	6,936	8,175
<b>Total</b>	<b>683,893</b>	<b>698,089</b>

b) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: The 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 and employee termination benefits and health expense:

As of 31 December 2016, TL15,373 (31 December 2015: TL17,761) unused vacation provision, TL123,536 (31 December 2015: TL97,727) employee termination benefit provision, TL106,396 (31 December 2015: TL89,251) 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 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 Liabilities (continued)**

**8. Information on provisions: (continued)**

d.1) Movement of employee termination benefits:

	<b>Current Period</b>	<b>Prior Period</b>
As of January 1	97,727	97,662
Service cost	11,769	13,060
Interest cost	9,915	8,306
Settlement cost	5,803	3,287
Actuarial loss	11,498	(14,332)
Benefits paid	(13,176)	(10,256)
<b>Total</b>	<b>123,536</b>	<b>97,727</b>

(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. XVI “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 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;

<b>Transferrable Retirement and Health Liabilities:</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
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

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

**8. Information on provisions: (continued)**

(ii) Retirement Benefits: (continued)

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

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

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
Discount Rate	10.15%	10.30%
Expected Inflation Rate	5.00%	5.00%

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 use.

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:

	<b>Current Period</b>	<b>Prior Period</b>
Provision for potential loan risk	-	112,421
Provision for legal cases	52,687	41,339
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	46,259
<b>Total</b>	<b>204,009</b>	<b>248,983</b>

(\*) 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 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 2015, the Bank’s corporate tax provision is TL108,653. (31 December 2016: None)

As of 31 December 2016, the Bank’s total tax and premium liability is TL137,780. (31 December 2015: TL230,946)

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

**9. Explanations on taxes payable: (continued)**

b) Information on current tax liability:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	-	108,653
Taxation on Securities	38,963	42,538
Property Tax	2,304	2,208
Banking Insurance Transaction Tax (BITT)	44,153	43,930
Foreign Exchange Transaction Tax	34	35
Value Added Tax Payable	5,077	3,733
Other (*)	17,762	16,304
<b>Total</b>	<b>108,293</b>	<b>217,401</b>

(\*) Others include income taxes deducted from wages amounting to TL15,026 (31 December 2016: TL13,885) and stamp taxes payable amounting to TL1,337 (31 December 2015: TL1,388).

c) Information on premiums:

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	12,590	5,705
Social Security Premiums-Employer	14,019	6,538
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	1,100	500
Unemployment Insurance-Employer	1,778	802
Other	-	-
<b>Total</b>	<b>29,487</b>	<b>13,545</b>

d) Explanations on deferred tax liabilities, if any: Bank has no deferred tax liabilities 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 Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

The 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 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.

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

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

The 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 semi annually 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 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.

The 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 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 Bank has possessed the right to amortize this instrument before its maturity, but the 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 Bank as well as utilizing long term fundings.

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

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

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
<b>Total</b>	-	<b>2,299,885</b>	-	<b>1,940,036</b>

**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, 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.

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

The 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 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	(51,156)	(819)	(60,958)	59,523
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(51,156)</b>	<b>(819)</b>	<b>(60,958)</b>	<b>59,523</b>

**13. Information on minority shares: None (31 December 2015: None)**

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

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

**1. Information on off-balance sheet liabilities:**

a) Nature and amount of irrevocable loan commitments:

	<b>Current Period</b>	<b>Prior Period</b>
Commitments for Credit Card Expenditure Limits	4,648,912	4,580,727
Loan Granting Commitments	4,234,093	4,306,849
Asset Purchase and Sale Commitments	2,309,458	2,260,921
Payment Commitments for Cheques	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	332,938	483,781
<b>Total</b>	<b>14,052,088</b>	<b>13,230,256</b>

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of Credit	1,720,120	1,406,746
Bank Acceptances	40,100	48,830
Other Commitments	3,618,744	2,642,207
Other Contingencies	515,750	533,908
<b>Total</b>	<b>5,894,714</b>	<b>4,631,691</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total</b>	<b>11,625,411</b>	<b>9,867,130</b>

c) Total amount of non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
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	16,839,383	14,003,640
<b>Total</b>	<b>17,520,125</b>	<b>14,498,821</b>

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

**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	21.82	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	17.26	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	0.58	67,134	0.67	-	-	763,591	9.29
<b>Total</b>	<b>7,440,755</b>	<b>100.00</b>	<b>10,079,370</b>	<b>100.00</b>	<b>6,275,583</b>	<b>100.00</b>	<b>8,223,238</b>	<b>100.00</b>

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

Non-cash loans	I st Group		II nd 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	2,674,728	1,368	-
<b>Total</b>	<b>7,342,157</b>	<b>10,051,122</b>	<b>98,598</b>	<b>28,248</b>

The Bank provided a reserve of TL86,870 (31 December 2015: TL63,229) for non-cash loans not indemnified net amounting to TL48,515 (31 December 2015: TL37,680).



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

**2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):	93,139,508	61,043,860	-	-
Forward transactions	10,860,451	9,743,982	-	-
Swap transactions	61,561,424	38,106,856	-	-
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	-	-
<b>A.Total trading derivative transactions (I+II+III+IV)</b>	<b>96,777,894</b>	<b>65,786,639</b>	-	-
<b>Types of hedging transactions</b>				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	14,413,286	14,258,638
Net investment hedges	-	-	-	-
<b>B. Total hedging related derivatives</b>	-	-	<b>14,413,286</b>	<b>14,258,638</b>
<b>Total Derivative Transactions (A+B)</b>	<b>96,777,894</b>	<b>65,786,639</b>	<b>14,413,286</b>	<b>14,258,638</b>

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.

i) Derivative instruments for fair value hedging purposes:

In 2015, the 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 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.

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL14,413,286 and 1-90 days of maturity deposit portfolio together with 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) credit in the financial statements. In 2015, 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
	<b>14,413,286</b>	<b>195,320</b>	<b>284,492</b>	<b>14,258,638</b>	<b>58,309</b>	<b>159,216</b>

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

**4. Explanations on contingent liabilities and assets:**

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Bank'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 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 Bank by Tax Supreme Court. In this context, the 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 Bank between the years 2003 and 2006. 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 Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the 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 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 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 Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The 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 1<sup>st</sup> Tax Court.

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

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

b) Accounting and presentation of contingent assets and liabilities in the financial statements: (continued)

The investigation conducted by the Turkish Competition Authority to determine whether Article 4 of Law on the Protection of Competition No. 4054 was violated by 12 banks operating in Turkey by agreeing to act together in the fields of deposit, loans, and credit card services was completed on 08 March 2013. As a result of the investigation an administrative fine amounting TRY 10,669 was imposed on the bank as a result of a majority vote, along with the right to file an annulment action in the Ankara Administrative Court. Three fourths of the administrative fine, TRY 8,002, was paid on 16 August 2013 as per Article 17 of Misdemeanor Law No. 5326 after the reasoned judgement was announced on 22 July 2013. On 19 September 2013, an annulment action was filed in the Ankara Administrative Court against the Turkish Competition Authority’s ruling imposing an administrative fine on the bank, and the case was dismissed based on file No. 2014/7E of the Ankara 2nd Administrative Court authorized upon the relevant decision. The dismissal decision was appealed in due time, and the Supreme Court approved the decision. An action was filed to revise 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 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 Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

**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**

<b>View</b>	Stable
<b>Revised Loan Valuation</b>	ba1
<b>Foreign Currency Deposits</b>	Ba2

**Fitch Ratings: February 2017**

<b>Foreign Currency Commitments</b>	
Long term	BBB-
Short term	F3
View	Stable
<b>Turkish Lira Commitments</b>	
Long term	BBB-
Short term	F3
View	Stable
National	AAA (tur)
View	Stable
<b>Individual Rating</b>	bb+
<b>Support Points</b>	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 Statement of Income**

**1. Explanations on Interest Income**

a) Information on interest income on loans

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest income on loans (*)</b>				
Short term loans	2,917,166	158,457	2,850,325	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	-	-	-	-
<b>Total</b>	<b>6,232,152</b>	<b>398,936</b>	<b>5,381,584</b>	<b>337,092</b>

(\*) 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	18,243	665	30,756	202
Foreign banks	3,643	4,070	3,766	1,755
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>21,886</b>	<b>6,779</b>	<b>34,522</b>	<b>1,957</b>

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	392,443	750	339,496	520
Held-to-Maturity Investments	28,855	-	27,748	-
<b>Total</b>	<b>466,348</b>	<b>2,012</b>	<b>388,736</b>	<b>1,128</b>

d) Interest Income on Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	223	136

**2. Explanations on Interest Expense**

a) Information on interest expense on funds borrowed (\*):

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
The Central Bank of Turkey	-	-	-	-
Domestic banks	10,158	3,057	10,983	3,563
Foreign banks	30,098	219,055	68,807	182,574
Branches and head office abroad	-	-	-	-
Other financial institutions	-	14,781	-	14,896
<b>Total</b>	<b>40,256</b>	<b>236,893</b>	<b>79,790</b>	<b>201,033</b>

(\*) 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 Statement of Income (continued)**

**2. Explanations on Interest Expense (continued)**

b) Information on interest expense on associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,560	1,326

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	37,705	54	41,321	1,751
<b>Total</b>	<b>37,705</b>	<b>54</b>	<b>41,321</b>	<b>1,751</b>

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

Account Name	Current Period							Accumulated Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Time Deposits		
<b>TL</b>									
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	-	125,777	599,388	64,575	3,511	55	-	-	793,306
Other Deposits	-	3,249	199,472	107,539	83,759	12	-	-	394,031
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>534,945</b>	<b>2,079,873</b>	<b>234,525</b>	<b>91,156</b>	<b>1,820</b>	<b>-</b>	<b>-</b>	<b>2,942,319</b>
<b>FC</b>									
Foreign Currency Deposits	72	47,220	218,900	2,599	2,747	2,191	-	-	273,729
Bank Deposits	-	16	30	-	-	-	-	-	46
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	383	3,366	573	2,002	-	-	-	6,324
<b>Total</b>	<b>72</b>	<b>47,619</b>	<b>222,296</b>	<b>3,172</b>	<b>4,749</b>	<b>2,191</b>	<b>-</b>	<b>-</b>	<b>280,099</b>
<b>Grand Total</b>	<b>72</b>	<b>582,564</b>	<b>2,302,169</b>	<b>237,697</b>	<b>95,905</b>	<b>4,011</b>	<b>-</b>	<b>-</b>	<b>3,222,418</b>

Account Name	Prior Period							Accumulated Deposits	Total
	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Time Deposits		
<b>TL</b>									
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	-	111,447	482,506	52,654	182	311	-	-	647,100
Other Deposits	-	2,708	241,595	94,069	91,668	8	-	-	430,048
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>539,866</b>	<b>1,570,927</b>	<b>186,204</b>	<b>94,196</b>	<b>3,062</b>	<b>-</b>	<b>-</b>	<b>2,394,255</b>
<b>FC</b>									
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
<b>Total</b>	<b>-</b>	<b>38,240</b>	<b>189,088</b>	<b>5,131</b>	<b>2,143</b>	<b>3,884</b>	<b>-</b>	<b>-</b>	<b>238,486</b>
<b>Grand Total</b>	<b>-</b>	<b>578,106</b>	<b>1,760,015</b>	<b>191,335</b>	<b>96,339</b>	<b>6,946</b>	<b>-</b>	<b>-</b>	<b>2,632,741</b>

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**IV. Explanations and Disclosures Related to the 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	19,944	19,559
<b>Total</b>	<b>20,742</b>	<b>20,671</b>

**4. Information on trading income / (loss) (Net):**

	Current Period	Prior Period
<b>Income</b>	<b>15,992,802</b>	<b>18,979,333</b>
Gains on capital market operations	60,301	51,277
Gains on derivative financial instruments (*)	6,155,946	6,310,203
Foreign exchange gains (**)	9,776,555	12,617,853
<b>Losses (-)</b>	<b>16,373,789</b>	<b>19,532,836</b>
Losses on capital market operations	57,196	49,164
Losses on derivative financial instruments (*)	5,747,973	5,539,150
Foreign exchange losses (**)	10,568,620	13,944,522

(\*) Foreign exchange net gain on hedging transactions is TL174,058 (31 December 2015: TL76,196 profit).

(\*\*) Foreign exchange net gain on derivative financial transactions are TL488,303 (31 December 2015: TL199,345).

**5. Information on other operating income:**

Other operating income of the bank consists of reversals of specific provisions which are booked in earlier periods amount to TL208,749 (31 December 2015: TL146,653) and amount 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	33,978	98,371
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	338	73,195
<b>Total</b>	<b>1,106,846</b>	<b>934,057</b>

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

**7. Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses	966,737	895,874
Reserve for employee termination benefits	14,311	14,397
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	94,625	93,077
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	41,379	32,019
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	818,394	770,003
Operating lease expenses	213,128	201,508
Maintenance expenses	20,665	22,055
Advertisement expenses	91,035	78,696
Other expenses	493,566	467,744
Loss on sales of assets	3,828	1,646
Other (*)	397,517	326,422
<b>Total</b>	<b>2,338,714</b>	<b>2,135,481</b>

(\*) Included in other TL64,790 (31 December 2015: TL58,352) is premiums paid to the Saving Deposit Insurance Fund, TL91,729 (31 December 2015: TL 92,178) is other taxes and duties paid.

**8. Information of the profit/loss on continued and discontinued operations:**

a) Profit before tax consists of net interest income amounting to TL3,437,284 (31 December 2015: TL3,074,161) and net fee and commission income amounting to TL977,715 (31 December 2015: TL1,016,655) while operational expenses are TL2,338,714 (31 December 2015: 2,135,481 TL).

b) Information of the profit/(loss) on discontinued operations:

The 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 that the sales revenue has collected after procedures are completed on 11 December 2015. These transactions amounting to TL285,514 is shown under "Income from discontinued operations" in financial statements.

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

a) As of 31 December 2016, the current tax charge is TL176,761 (31 December 2015: TL206,921). Deferred tax charge is TL63,403 (31 December 2015: TL27,074 deferred tax benefit) and there is no current and deferred tax benefit/charge from discontinued operations. (31 December 2015: TL14,276 current tax charge)

b) Deferred tax charge on temporary differences resulted from continued operations is TL63,403 (31 December 2015: TL27,074 deferred tax benefit).

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

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

c) Tax reconciliation:

	Current Period	Prior Period
<b>Profit before tax</b>	<b>1,181,963</b>	<b>1,076,576</b>
<b>Additions</b>	<b>46,849</b>	<b>133,640</b>
Nonallowable expenses	61,495	45,848
General loan loss provision	(14,646)	87,792
<b>Deductions</b>	<b>(27,339)</b>	<b>(217,367)</b>
Dividend income	(20,531)	(20,584)
Other (*)	(6,808)	(196,783)
<b>Taxable Profit/ (Loss)</b>	<b>1,201,473</b>	<b>992,849</b>
Corporate tax rate	20%	20%
<b>Tax calculated</b>	<b>240,295</b>	<b>198,570</b>
<b>Effect of the correction of prior period’s corporate tax</b>	<b>(131)</b>	<b>(4,447)</b>
<b>Tax charge</b>	<b>240,164</b>	<b>194,123</b>

(\*) It consists of tax exception amounting to TL214,136 arising from sale of a subsidiary.

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

As of 31 December 2016, the Bank’s net profit from continued operations is TL941,799 (31 December 2015: TL611,215)  
As of 31 December 2015, net profit from discontinued operations is TL271,238 (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 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/ loss attributable to minority interest: None (31 December 2015: None).

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

	Current Period	Prior Period
<b><u>Other fees and commissions received</u></b>		
Card Fee and Commissions	571,229	623,544
Insurance Commissions	117,832	131,070
Intelligence Fee and Commissions	68,422	86,816
Settlement Expense Provision, Eft, Swift, Agency Commissions	29,830	33,423
Fund Management Fees	19,421	19,815
Transfer Commissions	13,778	28,831
Commissions and Fees Earned from Correspondent Banks	2,929	3,146
Other	351,235	343,037
<b>Total</b>	<b>1,174,676</b>	<b>1,269,682</b>
<b><u>Other fees and commissions paid</u></b>		
Credit Cards Commissions and Fees	235,912	279,059
Settlement Expense Provision, Eft, Swift, Agency Commissions	15,520	23,905
Commissions and Fees Paid to Correspondent Banks	13,175	11,428
Other	81,439	64,362
<b>Total</b>	<b>346,046</b>	<b>378,754</b>



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**V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity**

- a) Shareholders' equity increased TL63,282 after resulting from revaluation of financial assets available for sale (31 December 2015: TL21,720 decreased) and change effect to deferred tax is TL12,742 (31 December 2015: TL4,344).

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 amounting TL32,143 income (31 December 2015: TL44,362).

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 income (31 December 2015: TL22,640 expense).

- b) Increase in cash flow risk hedging items:

The Bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in 2016 decreased by TL63,044 (31 December 2015: TL176,327 increased) and the effect of this change to deferred tax is TL12,610 (31 December 2014: 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.
- 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 TL44,123 in 2016 (31 December 2015: TL31,128).

- h) Information on shares issued:

The Bank has not recorded any shares issued in “Share Premium” account in the current period.

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**VI. Explanations and Disclosures Related to Statement of 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 TL3,438,729 (31 December 2015: TL3,577,531) 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 TL856,817 (31 December 2015: TL311,632) 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 TL279,009 (31 December 2015: TL749,386) consists of changes in sundry debtors, blocked reserved deposits and other assets.

“Other items” amounting to TL72,685 (31 December 2015: TL27,953) 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 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: TL288,054).

**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:

<b>Beginning of the period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>2,597,682</b>	<b>1,994,317</b>
Cash in TL/Foreign Currency	771,522	766,643
Central Bank – Unrestricted amount	1,766,219	1,193,759
Other	59,941	33,915
<b>Cash equivalents</b>	<b>1,282,447</b>	<b>1,315,849</b>
Banks	1,282,447	765,849
Money market placements	-	550,000
<b>Total cash and cash equivalents</b>	<b>3,880,129</b>	<b>3,310,166</b>
<b>End of the period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>3,831,531</b>	<b>2,597,682</b>
Cash in TL/Foreign Currency	814,303	771,522
Central Bank – Unrestricted amount	2,933,540	1,766,219
Other	83,688	59,941
<b>Cash equivalents</b>	<b>3,568,598</b>	<b>1,282,447</b>
Banks	1,568,598	1,282,447
Money market placements	2,000,000	-
<b>Total cash and cash equivalents</b>	<b>7,400,129</b>	<b>3,880,129</b>

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**VII. Explanations and Disclosures Related to Risk Group of the Bank**

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

Balance sheet and income/expense items of previous periods are presented as of 31 December 2015.

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	-	1,113	20,568	300,347	31,734	62,332
Balance at End of Period	79,163	942	240,153	188,104	104,280	124,716
Interest and Commission Income	223	87	2,365	12	1,408	217

Direct and indirect shareholders of the Bank balance above includes TL240,153 and other entities included in the risk group balance above includes TL102,164 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	10,603	8,029	73,403	175,997	14,491	97,560
Balance at end of Period	-	1,113	20,568	300,347	31,734	62,332
Interest and Commission Income	136	162	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	18,228	21,928	1,274,893	964,366	284,029	1,170,598
Balance at End of Period	21,472	18,228	1,355,438	1,274,893	1,095,132	284,029
Interest on Deposits	1,560	1,326	54,734	33,855	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	75,663	-	10,144,450	9,765,298	408,011	255,599
End of Period	78,862	75,663	25,275,220	10,144,450	247,304	408,011
Total Profit/loss	3,116	1,799	153,947	90,754	382	(20,406)
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 benefits provided for the senior management of the Bank is TL27,929 (31 December 2015: TL26,717).

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**VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches**

**1. Explanations on the 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 Bank opened 8 branches, closed 25 branches.

**IX. Explanations and Disclosures Related to Subsequent Events**

None.

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Explanations on Other Activities of Bank**

None.

**SECTION SEVEN**

**INDEPENDENT AUDITOR’S REPORT**

**I. Explanations on the Independent Auditor’s Report**

The unconsolidated financial statements of the Bank were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 7 February 2016 is presented preceding the financial statements.

**II. Other Footnotes and Explanations Prepared by the Independent Auditors**

None.

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