

Ziraat Participation Bank A.Ş.

**Publicly Announced Consolidated Financial Statements  
Together with Independent Auditor's Report at 31 December 2016**

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

# Independent Auditor's Report



**To the Board of Directors of Ziraat Katılım Bankası A.Ş.;**

## **Report on the Consolidated Financial Statements**

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

### *Management's Responsibility for the Consolidated Financial Statements*

Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Independent Auditor's Responsibility*

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

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 consolidated financial statements present fairly, in all material respects, the financial position of Ziraat Katılım Bankası A.Ş. and its subsidiary as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

### **Report on Other Responsibilities Arising From Regulatory Requirements**

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

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

### **Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Haluk Yalçın, SMMM  
Partner

Istanbul, 17 February 2017

Ziraat Participation Bank A.Ş.

## Consolidated Financial Report of Ziraat Katılım Bankası A.Ş. As of and for the Year End 31 December 2016

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
Hayri Efendi Cad. Bahçekapı No: 12 34112 Fatih/İSTANBUL  
Phone: (212) 404 11 00  
Facsimile: (212) 404 10 81  
Website: www.ziraatkatilim.com.tr  
E-mail: bilgi@ziraatkatilim.com.tr

The consolidated year-end financial report in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows;

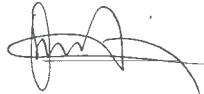
### SUBSIDIARIES

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

The consolidated financial reports, and explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and annexes interpretations thereof and are denominated as TL thousand unless otherwise specified, are held to subject to independent audit and presented enclosed.



Hüseyin AYDIN  
Chairman of the Board



Osman ARSLAN  
Member of the Board,  
CEO



Feyzi ÇUTUR  
Member of the Board,  
Member of the Audit Committee



Metin ÖZDEMİR  
Member of the Board,  
Member of the Audit Committee



Hakan AYDOĞAN  
Financial Coordination and Human Resources  
Deputy General Manager



Osman ÇETİNER  
Vice President  
of Financial Reporting

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

Name-Surname/Position : Tuncay KAMIŞ/Financial Reporting Manager  
Telephone : 0 212 404 13 35  
Facsimile : 0 212 404 10 81

# Contents

	Page Number
<b>SECTION ONE</b>	
<b>General Information about the Group</b>	
I. History of The Parent Bank Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status:	179
II. Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control Over The Management and Supervision of The Parent Bank and The Disclosures on Any Related Changes in The Current Period, If Any and Information About The Group That The Parent Bank Belongs To:	179
III. Explanations on The Titles of Chairman and Members of The Board of Directors, Members of The Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in The Parent Bank:	180
IV. Information About The Persons and Institutions That Have Qualified Shares Attributable to The Parent Bank:	180
V. Explanations of The Parent Bank's Services and Field of Operations:	181
VI. Differences Between The Communique on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About The Entities Subject to Full Consolidation or Proportional Consolidation and Entities Which Are Deducted From Equity or Entities Which Are Not Included in These Three Methods	181
VII. Existing or Potential, Actual or Legal Obstacles to Immediate Transfer of Shareholder's Equity or Repayment of Debt Between The Parent Bank and its Subsidiaries	181
<b>SECTION TWO</b>	
<b>Consolidated Financial Statements</b>	
I. Consolidated balance sheet	182
II. Consolidated statement of off-balance sheet commitments	184
III. Consolidated income Statement	185
IV. Consolidated statement of profit and loss accounted for under equity	186
V. Consolidated statement of cash flows	187
VI. Consolidated statement of changes in shareholders' equity	188
VII. Consolidated statement of profit distribution	190
<b>SECTION THREE</b>	
<b>Accounting Principles</b>	
I. Explanations on Basis of Presentation	191
II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions	192
III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures	192
IV. Explanations on Forward and Option Contracts and Derivative Instruments	194
V. Explanations on Profit Share Income and Expense	194
VI. Explanations on Fees and Commission Income and Expenses	194
VII. Explanations on Financial Assets	194
VIII. Explanations on Impairment of Financial Assets	196
IX. Explanations on Offsetting of Financial Assets and Liabilities	196
X. Explanations on Sales and Repurchase Agreements and Lending of Securities	196
XI. Information on Assets Held For Sale and Discontinued Operations and Explanations on Liabilities Related with These Assets	197
XII. Explanations on Goodwill and Other Intangible Assets	197
XIII. Explanations on Tangible Assets	197
XIV. Explanations on Leasing Transactions	198
XV. Explanations on Provisions and Contingent Liabilities	198
XVI. Explanations on Liabilities Relating to Employee Benefits	199
XVII. Explanations on Taxation	200
XVIII. Explanations on Additional Disclosures on Borrowings	201
XIX. Explanations on Issuance of Share Certificates	201
XX. Explanations on Avalized Drafts and Acceptances	201
XXI. Explanations on Government Grants	202
XXII. Explanation on Cash and Cash Equivalents	202
XXIII. Explanation on Segment Reporting	202
XXIV. Explanations on Other Matters	202

# Contents

	Page Number
<b>SECTION FOUR</b>	
<b>Information on Financial Structure</b>	
I. Explanations on Shareholders' Equity	202
II. Explanations on Credit Risk	208
III. Explanations on Countercyclical Capital Buffer Calculations Risk	217
IV. Explanations on The Currency Risk	218
V. Equity Share Position Risk on Banking Accounts	220
VI. Explanations on The Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio	220
VII. Explanations on Leverage Ratio	224
VIII. Explanations on Securitization Positions	225
IX. Explanations on Risk Management	225
X. Explanations on Hedge Transactions	234
XI. Explanation on Counterparty Credit Risk	234
XII. Explanations on Consolidated Operating Segments	239
XIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value	241
XIV. Explanations on Activities Carried Out on Behalf and Account of Other Parties	242
<b>SECTION FIVE</b>	
<b>Explanations and Notes Related to the Consolidated Financial Statements</b>	
I. Explanations and Notes Related to Consolidated Assets	243
II. Explanations and Notes Related to Consolidated Liabilities	256
III. Explanations and Notes Related to The Consolidated Off-Balance Sheet Accounts	263
IV. Explanations and Notes Related to The Consolidated Income Statement	267
V. Explanations and Notes Related to Changes in Shareholders' Equity	271
VI. Explanations and Notes Related to Statement of Cash Flows	272
VII. Explanations and Notes Related to The Risk Group of The Parent Bank	272
VIII. Significant Events and Matters Arising Subsequent to Balance Sheet Date	273
IX. Information on The Bank's Domestic and Foreign Branches and Foreign Representatives of The Bank	274
<b>SECTION SIX</b>	
<b>Other Explanations and Notes</b>	
I. Other Explanations on The Group's Operations	275
II. Explanations on Banks Credit Notes from Credit Rating Agencies	275
<b>SECTION SEVEN</b>	
<b>Explanations on the Independent Auditor's Report</b>	
I. Explanations on The Independent Auditor's Report	275
II. Explanations and Notes Prepared by The Independent Auditors	275

# Ziraat Participation Bank A.Ş.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE GROUP

#### I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS:

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TL 675,000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Parent Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Parent Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on April 29, 2016, the paid-in capital of the Parent Bank has been raised from TL 675,000 to TL 747,000 by increasing the amount of cash by TL 72,000 and registered on May 18, 2016. Governance body of the bank is in Istanbul.

Main operation field of the Parent Bank is gathering funds by the accounts named as "Private Current Accounts" and "Participation Accounts to Profit and Loss" from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

The Parent Bank can carry out every kind of banking, economic, trade and financial operation within the limits of permissions given by the Banking Regulation and Supervision Agency ("BRSA") within the scope of Participation Banking fundamentals.

The Parent Bank's main partner T.C Ziraat Bankası A.Ş has been transferred to the Turkey Asset Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

#### II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE PARENT BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE PARENT BANK BELONGS TO:

As of 31 December 2016 and 31 December 2015, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2016		31 December 2015	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş.	746,999,996	99.9999996	674,999,996	99.9999996
Ziraat Sigorta A.Ş.	1	0.0000001	1	0.0000001
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	0.0000001
Ziraat Teknoloji A.Ş.	1	0.0000001	1	0.0000001
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	0.0000001
<b>Total</b>	<b>747,000,000</b>	<b>100.00</b>	<b>675,000,000</b>	<b>100,00</b>

(\*) All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred to the Turkey Asset Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### III. EXPLANATIONS ON THE TITLES OF CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS AND THEIR SHAREHOLDINGS IN THE PARENT BANK:

Name	Title
<b>Board of Directors</b>	
Hüseyin AYDIN	Chairman
Osman ARSLAN	General Manager and Member of the BOD
Yusuf DAĞCAN	Executive Vice President and Member of the BOD
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Salim ALKAN	Member
<b>Member of Audit Committee</b>	
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
<b>Assistant General Manager <sup>(*)</sup></b>	
Hakan AYDOĞAN <sup>(*)</sup>	Financial Coordination and Human Resources
Mustafa AKIN <sup>(**)</sup>	Marketing
Tahir DEMİRKIRAN <sup>(***)</sup>	Loan Allocation and Management

<sup>(\*)</sup> As of 19 April 2016 was transferred to Financial Coordination and Human Resources Assistant General Manager.

<sup>(\*\*)</sup> As of 19 April 2016 was transferred to Marketing Assistant General Manager.

<sup>(\*\*\*)</sup> As of 27 January 2016 was transferred to Loan Allocation and Management Assistant General Manager.

Chairman and members of the Board of Directors have no Bank's share capital.

### IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK:

Name/Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş.	746,999,996	99.9999996	746,999,996	-
Ziraat Sigorta A.Ş.	1	0.0000001	1	-
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	-
Ziraat Teknoloji A.Ş.	1	0.0000001	1	-
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	-
<b>Total</b>	<b>747,000,000</b>	<b>100.00</b>	<b>747,000,000</b>	

As of 31 December 2016, the main shareholder of the bank is the Undersecretariat of Treasury, which is also the only shareholder of Ziraat Bank A.Ş. All of the shares of the Parent of the Bank, T.C Ziraat Bankası A.Ş has been transferred to the Turkey Asset Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.



## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **V. EXPLANATIONS OF THE PARENT BANK'S SERVICES AND FIELD OF OPERATIONS:**

Operation field of the Parent Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

Parent Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, three months, six months and annually).

Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

Parent Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

The Parent Bank and subsidiaries consolidated with the Parent Bank are together referred as the "Group".

As of 31 December 2016, Group operates with 655 workers.

### **VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS**

There is no difference for Ziraat Katılım Bank from consolidated financial statements of Banks and Turkish Accounting Standards. Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş is consolidated within the scope of full consolidation.

### **VII. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF SHAREHOLDER'S EQUITY OR REPAYMENT OF DEBT BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES**

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated balance sheet
- II. Consolidated statement of off-balance sheet commitments
- III. Consolidated income Statement
- IV. Consolidated statement of profit and loss accounted for under equity
- V. Consolidated statement of cash flows
- VI. Consolidated statement of changes in shareholders' equity
- VII. Consolidated statement of profit distribution

## Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five I)	THOUSAND OF TURKISH LIRA		
			Current Period (31/12/2016)		
ASSETS			TL	FC	Total
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	633,389	567,909	1,201,298
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	7	1,152	1,159
2.1	Financial Assets Held for Trading		7	1,152	1,159
2.1.1	Public Sector Debt Securities		-	-	-
2.1.2	Securities Representing a Share in Capital		-	-	-
2.1.3	Derivative Financial Assets Held for Trading		7	1,152	1,159
2.1.4	Other Marketable Securities		-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.2.1	Public Sector Debt Securities		-	-	-
2.2.2	Securities Representing a Share in Capital		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	BANKS	(3)	6,561	461,893	468,454
IV.	MONEY MARKET PLACEMENTS		-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	407,515	7,168	414,683
5.1	Securities Representing a Share in Capital		4,719	-	4,719
5.2	Public Sector Debt Securities		-	-	-
5.3	Other Marketable Securities		402,796	7,168	409,964
VI.	LOANS AND RECEIVABLES	(5)	4,949,028	608,914	5,557,942
6.1	Loans and receivables		4,942,377	608,914	5,551,291
6.1.1	Loans to Risk Group of the Bank		505,998	52,926	558,924
6.1.2	Public sector debt securities		-	-	-
6.1.3	Other		4,436,379	555,988	4,992,367
6.2	Non-performing loans		10,483	-	10,483
6.3	Specific provisions (-)		3,832	-	3,832
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-
8.1	Accounted with Equity Method		-	-	-
8.2	Unconsolidated Associates		-	-	-
8.2.1	Financial investments		-	-	-
8.2.2	Non-financial investments		-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-
9.1	Unconsolidated financial subsidiaries		-	-	-
9.2	Unconsolidated non-financial subsidiaries		-	-	-
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-
10.1	Consolidated under equity method		-	-	-
10.2	Unconsolidated		-	-	-
10.2.1	Financial subsidiaries		-	-	-
10.2.2	Non-financial subsidiaries		-	-	-
XI.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	221,373	-	221,373
11.1	Finance Lease Receivables		265,785	-	265,785
11.2	Operating Lease Receivables		-	-	-
11.3	Other		-	-	-
11.4	Unearned Income (-)		44,412	-	44,412
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE	(11)	-	-	-
12.1	Fair Value Hedges		-	-	-
12.2	Cash Flow Hedges		-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-
XIII.	TANGIBLE ASSETS (Net)	(14)	43,643	-	43,643
XIV.	INTANGIBLE ASSETS (Net)	(15)	22,905	-	22,905
14.1	Goodwill		-	-	-
14.2	Other		22,905	-	22,905
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-
XVI.	TAX ASSET	(16)	4,876	-	4,876
16.1	Current Tax Asset		-	-	-
16.2	Deferred Tax Asset		4,876	-	4,876
XVII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	-	-	-
17.1	Held for Sale		-	-	-
17.2	Held from Discontinued Operations		-	-	-
XVIII.	OTHER ASSETS	(17)	22,980	143	23,123
<b>TOTAL ASSETS</b>			<b>6,312,277</b>	<b>1,647,179</b>	<b>7,959,456</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Consolidated Balance Sheet (Statement of Financial Position) As of 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	THOUSAND OF TURKISH LIRA		
			Current Period (31/12/2016)		
LIABILITIES AND EQUITY			TL	FC	Total
<b>I.</b>	<b>FUND COLLECTED</b>	(1)	<b>3,776,737</b>	<b>1,859,209</b>	<b>5,635,946</b>
1.1	Fund Collected Held By the Risk Group of the Bank		1,785	11	1,796
1.2	Other		3,774,952	1,859,198	5,634,150
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	-	-	-
<b>III.</b>	<b>FUNDS BORROWED</b>	(3)	-	<b>1,185,762</b>	<b>1,185,762</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>	(3)	<b>133,668</b>	-	<b>133,668</b>
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	(3)	<b>101,459</b>	-	<b>101,459</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>13,217</b>	<b>3,809</b>	<b>17,026</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	(4)	<b>45,594</b>	<b>933</b>	<b>46,527</b>
<b>VIII.</b>	<b>FINANCE LEASE PAYABLES</b>	(5)	-	-	-
8.1	Finance Lease Payables		-	-	-
8.2	Operating Lease Payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-
<b>IX.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>	(6)	-	-	-
9.1	Fair Value Hedges		-	-	-
9.2	Cash Flow Hedges		-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-
<b>X.</b>	<b>PROVISIONS</b>	(7)	<b>62,750</b>	<b>1,824</b>	<b>64,574</b>
10.1	General Provisions		52,263	-	52,263
10.2	Restructuring Provisions		-	-	-
10.3	Employee Benefits Provisions		2,169	-	2,169
10.4	Insurance Technical Reserves (Net)		-	-	-
10.5	Other Provisions		8,318	1,824	10,142
<b>XI.</b>	<b>TAX LIABILITY</b>	(8)	<b>9,873</b>	-	<b>9,873</b>
11.1	Current Tax Liability		9,873	-	9,873
11.2	Deferred Tax Liability		-	-	-
<b>XII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-
12.1	Held for Sale		-	-	-
12.2	Held from Discontinued Operations		-	-	-
<b>XIII.</b>	<b>SUBORDINATED LOANS</b>	(10)	-	-	-
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(11)	<b>764,728</b>	<b>(107)</b>	<b>764,621</b>
14.1	Paid-in Capital		747,000	-	747,000
14.2	Capital Reserves		(963)	(107)	(1,070)
14.2.1	Share Premium		-	-	-
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Marketable Securities Valuation Differences		(963)	(107)	(1,070)
14.2.4	Tangible Assets Revaluation Reserves		-	-	-
14.2.5	Intangible Assets Revaluation Reserves		-	-	-
14.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-
14.2.7	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-
14.2.8	Hedging Funds (Effective Portion)		-	-	-
14.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
14.2.10	Other Capital Reserves		-	-	-
14.3	Profit Reserves		-	-	-
14.3.1	Legal Reserves		-	-	-
14.3.2	Statutory Reserves		-	-	-
14.3.3	Extraordinary Reserves		-	-	-
14.3.4	Other Profit Reserves		-	-	-
14.4	Profit or Loss		18,691	-	18,691
14.4.1	Prior Years Profit/Loss		(11,982)	-	(11,982)
14.4.2	Net Period Profit/Loss		30,673	-	30,673
			-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>4,908,026</b>	<b>3,051,430</b>	<b>7,959,456</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Consolidated Statement of Off-Balance Sheet Commitments As of 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	THOUSAND OF TURKISH LIRA Current Period (31/12/2016)		
		TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>1,380,632</b>	<b>2,435,507</b>	<b>3,816,139</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>1,341,334</b>	<b>2,166,635</b>	<b>3,507,969</b>
1.1 Letters of Guarantee		1,329,163	1,443,571	2,772,734
1.1.1 Guarantees Subject to State Tender Law		7,214	603,083	610,297
1.1.2 Guarantees Given for Foreign Trade Operations		1,208,028	-	1,208,028
1.1.3 Other Letters of Guarantee		113,921	840,488	954,409
1.2 Bank Acceptances		-	7,484	7,484
1.2.1 Import Letter of Acceptance		-	7,484	7,484
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		-	188,475	188,475
1.3.1 Documentary Letters of Credit		-	188,475	188,475
1.3.2 Other Letters of Credit		-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Other Guarantees		12,000	520,131	532,131
1.7 Other Collaterals		171	6,974	7,145
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>39,298</b>	<b>9,200</b>	<b>48,498</b>
2.1 Irrevocable Commitments		39,298	9,200	48,498
2.1.1 Forward asset purchase commitments		4,023	9,200	13,223
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment commitment for checks		34,817	-	34,817
2.1.7 Tax and Fund Liabilities from Export Commitments		458	-	458
2.1.8 Commitments for Credit Card Limits		-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		-	-	-
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>-</b>	<b>259,672</b>	<b>259,672</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-
3.2 Held for trading transactions		-	259,672	259,672
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	259,672	259,672
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	130,412	130,412
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	129,260	129,260
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>6,580,645</b>	<b>334,443</b>	<b>6,915,088</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>197,945</b>	<b>103,513</b>	<b>301,458</b>
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		1,167	-	1,167
4.3 Checks Received for Collection		185,546	2,162	187,708
4.4 Commercial Notes Received for Collection		11,232	190	11,422
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		-	47,704	47,704
4.8 Custodians		-	53,457	53,457
<b>V. PLEDGES RECEIVED</b>		<b>6,382,700</b>	<b>230,930</b>	<b>6,613,630</b>
5.1 Marketable Securities		6,979	-	6,979
5.2 Guarantee Notes		572,824	22,136	594,960
5.3 Commodity		419,001	-	419,001
5.4 Warranty		-	-	-
5.5 Properties		4,855,316	-	4,855,316
5.6 Other Pledged Items		528,580	208,794	737,374
5.7 Pledged Items-Depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>7,961,277</b>	<b>2,769,950</b>	<b>10,731,227</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Consolidated Income Statement For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

III. CONSOLIDATED INCOME STATEMENT		Note (Section Five IV)	THOUSAND OF TURKISH LIRA	
			Current Period	01/01-31/12/2016
<b>INCOME AND EXPENSE ITEMS</b>				
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(1)</b>		<b>390,742</b>
1.1	Profit share on loans			356,285
1.2	Profit share on reserve deposits			4,359
1.3	Profit share on banks			353
1.4	Profit share on money market placements			-
1.5	Profit share on marketable securities portfolio			24,499
1.5.1	Held-for-trading financial assets			-
1.5.2	Financial assets at fair value through profit and loss			-
1.5.3	Available-for-sale financial assets			24,101
1.5.4	Investments held-to-maturity			398
1.6	Finance lease income			4,973
1.7	Other profit share income			273
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>	<b>(2)</b>		<b>180,885</b>
2.1	Expense on profit sharing accounts			148,335
2.2	Profit share expense on funds borrowed			25,052
2.3	Profit share expense on money market borrowings			7,498
2.4	Expense on securities issued			-
2.5	Other profit share expense			-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>			<b>209,857</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>			<b>14,205</b>
4.1	Fees and commissions received			20,587
4.1.1	Non-cash loans			12,749
4.1.2	Other			7,838
4.2	Fees and commissions paid			6,382
4.2.1	Non-cash loans			1
4.2.2	Other			6,381
<b>V.</b>	<b>DIVIDEND INCOME</b>			<b>-</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>(3)</b>		<b>7,030</b>
6.1	Capital market transaction gains/(losses)			-
6.2	Gains/(losses) from derivative financial instruments	<b>(4)</b>		10,675
6.3	Foreign exchange gains/(losses)			(3,645)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>		<b>1,739</b>
<b>VIII.</b>	<b>NET OPERATING INCOME (III+IV+V+VI+VII)</b>			<b>232,831</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>		<b>51,770</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>		<b>140,579</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>			<b>40,482</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>			<b>-</b>
<b>XIII.</b>	<b>GAIN/(LOSS) ON EQUITY METHOD</b>			<b>-</b>
<b>XIV.</b>	<b>GAIN/(LOSS) ON NET MONETARY POSITION</b>			<b>-</b>
<b>XV.</b>	<b>PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>		<b>40,482</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (-)</b>	<b>(9)</b>		<b>(9,809)</b>
16.1	Current Tax Provision			(14,349)
16.2	Deferred Tax Provision			4,540
<b>XVII.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>		<b>30,673</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>			<b>-</b>
18.1	Income on assets held for sale			-
18.2	Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)			-
18.3	Income on other discontinued operations			-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>			<b>-</b>
19.1	Loss from assets held for sale			-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)			-
19.3	Loss from other discontinued operations			-
<b>XX.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>			<b>-</b>
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>			<b>-</b>
21.1	Current tax provision			-
21.2	Deferred tax provision			-
<b>XXII.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>			<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(11)</b>		<b>30,673</b>
23.1	Group's Profit/Loss			30,673
23.2	Minority Shareholder Profit/Loss			-
Earnings per share income/loss (full TL)				0.0426

The accompanying explanations and notes form an integral part of these financial statements.

## Consolidated Statement of Profit and Loss Items Accounted Under Shareholders' Equity for the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period 01/01 - 31/12/2016
CONSOLIDATED PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(3,228)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V.	PROFIT OR LOSS ON CASH FLOW HEDGE-DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	646
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(2,582)
XI.	CURRENT YEAR PROFIT/LOSS	30,673
11.1	Net change in fair value of marketable securities (transfer to profit/loss)	-
11.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-
11.4	Other	30,673
<b>XII.</b>	<b>TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>28,091</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Consolidated Statement of Cash Flow For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

		Note (Section Five)	THOUSAND OF TURKISH LIRA Current Period 01/01-31/12/2016
<b>VI. CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating profit before changes in operating assets and liabilities		(82,076)
1.1.1	Profit share income received		197,015
1.1.2	Profit share expense paid		(161,638)
1.1.3	Dividend received		-
1.1.4	Fees and commissions received		20,587
1.1.5	Other income		10,480
1.1.6	Collections from previously written off loans		54
1.1.7	Payments to personnel and service suppliers		(65,101)
1.1.8	Taxes paid		(16,340)
1.1.9	Others		(67,133)
1.2	Changes in operating assets and liabilities		1,108,717
1.2.1	Net (increase)/decrease in held for trading financial assets		(417)
1.2.2	Net (increase) decrease in fair value through profit/loss financial assets		-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(488,504)
1.2.4	Net (increase) decrease in loans		(3,892,066)
1.2.5	Net (increase) decrease in other assets		(91,363)
1.2.6	Net increase (decrease) in bank deposits		-
1.2.7	Net increase (decrease) in other deposits		4,365,509
1.2.8	Net increase (decrease) in funds borrowed		1,016,741
1.2.9	Net increase (decrease) in due payables		-
1.2.10	Net increase (decrease) in other liabilities		198,817
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>1,026,641</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(305,963)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		-
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-
2.3	Fixed assets purchases		(15,724)
2.4	Fixed assets sales		-
2.5	Cash paid for purchase of financial assets available for sale		(286,056)
2.6	Cash obtained from sale of financial assets available for sale		-
2.7	Cash paid for purchase of investment securities		-
2.8	Cash obtained from sale of investment securities		-
2.9	Other		(4,183)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>101,459</b>
3.1	Cash obtained from funds borrowed and securities issued		-
3.2	Cash used for repayment of funds borrowed and securities issued		-
3.3	Marketable Securities Issued		101,459
3.4	Dividends paid		-
3.5	Payments for finance leases		-
3.6	Other		-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>146,984</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>		<b>969,121</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	(1)	<b>145,137</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	(1)	<b>1,114,258</b>

The accompanying explanations and notes form an integral part of these financial statements.

## Consolidated Statement of Changes in Shareholders Equity For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Current Period 1 January 2016 - 31 December 2016	Note (Section Five)	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves
<b>I.</b>	<b>Balances at beginning of the period</b>		675,000	-	-	-	-	-
	Changes During the Period		-	-	-	-	-	-
<b>II.</b>	<b>Increase/Decrease Related to Merger</b>		-	-	-	-	-	-
<b>III.</b>	<b>Marketable Securities Valuation Differences</b>		-	-	-	-	-	-
<b>IV.</b>	<b>Hedging Funds (Active Part)</b>		-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
<b>V.</b>	<b>Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-
<b>VI.</b>	<b>Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-
<b>VII.</b>	<b>Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Joint vent.)</b>		-	-	-	-	-	-
<b>VIII.</b>	<b>Foreign Exchange Differences</b>		-	-	-	-	-	-
<b>IX.</b>	<b>Changes Resulted from Disposal of Assets</b>		-	-	-	-	-	-
<b>X.</b>	<b>Changes Resulted from Reclassification of Assets</b>		-	-	-	-	-	-
<b>XI.</b>	<b>Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity</b>		-	-	-	-	-	-
<b>XII.</b>	<b>Increase in Capital</b>		72,000	-	-	-	-	-
12.1	Cash		72,000	-	-	-	-	-
12.2	From Internal Resources		-	-	-	-	-	-
<b>XIII.</b>	<b>Issuance of Share Certificates</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>Share Cancellation Profits</b>		-	-	-	-	-	-
<b>XV.</b>	<b>Inflation adjustment to paid-in capital</b>		-	-	-	-	-	-
<b>XVI.</b>	<b>Other</b>		-	-	-	-	-	-
<b>XVII.</b>	<b>Net Profit or Losses</b>		-	-	-	-	-	-
<b>XVIII.</b>	<b>Profit Distribution</b>		-	-	-	-	-	-
18.1	Dividend Distributed		-	-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-
	<b>Balance at the end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>747,000</b>	-	-	-	-	-

The accompanying explanations and notes form an integral part of these financial statements.



	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 Assets of Disc. Op.	Total Equity Except from Minority Interest	Minority Interest	Total Equity
	-	-	-	(11,982)	1,512	-	-	-	-	664,530	-	664,530
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(2,582)	-	-	-	-	(2,582)	-	(2,885)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	72,000	-	72,000
	-	-	-	-	-	-	-	-	-	72,000	-	72,000
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	30,673	-	-	-	-	-	-	30,673	-	30,673
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	30,673	(11,982)	(1,070)	-	-	-	-	764,621	-	764,621

## Consolidated Statement of Profit Distribution For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

VII. STATEMENT OF PROFIT DISTRIBUTION		Current Period <sup>(1)</sup> (31/12/2016)
<b>I.</b>	<b>DISTRIBUTION OF THE CURRENT YEAR INCOME</b>	
1.1	Current Year Income (Loss)	40,482
1.2	Taxes and Duties Payable (-) <sup>(2)</sup>	14,349
1.2.1	Corporate Tax (Income Tax)	14,349
1.2.2	Income withholding tax	-
1.2.3	Other taxes and duties	-
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>26,133</b>
1.3	Prior Year Losses (-)	-
1.4	First Legal Reserves (-)	-
1.5	Other Statutory Reserves (-)	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	
1.6	First Dividend to Shareholders (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of Privileged Shares	-
1.6.3	To Owners of Preferred Shares	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-
1.7	Dividends to Personnel (-)	-
1.8	Dividends to Board of Directors (-)	-
1.9	Second Dividend to Shareholders (-)	-
1.9.1	To Owners of Ordinary Shares	-
1.9.2	To Owners of Privileged Shares	-
1.9.3	To Owners of Preferred Shares	-
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-
1.10	Second Legal Reserves (-)	-
1.11	Statutory Reserves (-)	-
1.12	Extraordinary Reserves	-
1.13	Other Reserves	-
1.14	Special Funds	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>	
2.1	Appropriated Reserves	-
2.2	Second Legal Reserves (-)	-
2.3	Dividends to Shareholders (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of Privileged Shares	-
2.3.3	To Owners of Preferred Shares	-
2.3.4	To Profit Sharing Bonds	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-
2.4	Dividends to Personnel (-)	-
2.5	Dividends to Board of Directors (-)	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>	
3.1	To Owners of Ordinary Shares	0.0349
3.2	To Owners of Ordinary Shares (%)	3.4984
3.3	To Owners of Privileged Shares	-
3.4	To Owners of Privileged Shares (%)	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	
4.1	To Owners of Ordinary Shares	-
4.2	To Owners of Ordinary Shares (%)	-
4.3	To Owners of Privileged Shares	-
4.4	To Owners of Privileged Shares (%)	-

<sup>(1)</sup> Profit distribution is decided by the General Assembly. As of reporting date, General Assembly meeting has not been held yet on the profit distribution for the year 2016.

<sup>(2)</sup> Deferred tax related to current year, amount of TL 4,540 is not subject to profit distribution.

The accompanying explanations and notes form an integral part of these financial statements.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### SECTION THREE

#### ACCOUNTING PRINCIPLES

##### I. EXPLANATIONS ON BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards ("TFRS") and related appendices and interpretations (referred as "Turkish Accounting Standards" or "TAS") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") ("all referred as BRSA Principles").

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Hence Ziraat Varlık Kiralama A.Ş. was founded in the recent year, consolidated financial statements and related footnote could not be given comparatively. In the upcoming periods related tables and notes will be given comparably.

Unless otherwise specified, all balances in the financial statements and footnotes are expressed in thousand Turkish Lira ("TL").

The preparation of consolidated financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management's best judgment, actual results can vary from these estimates. Judgements and estimates are explained in related notes.

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the Parent's bank accounting policies, financial position and performance. The amendments of TAS and TFRS will be effective as of 1 January 2018, except TFRS 9 Financial Instruments, will have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Parent Bank has started works in order to comply with TFRS 9 Financial Instruments Standard.

The accounting policies and valuation principles applied in the preparation of these consolidated financial statements are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained in Notes II. to XXIV.

#### Additional paragraph for convenience translation into English:

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

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank's main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Parent Bank resources consists of shareholders equity. Bank evaluates its resources with commodity transactions, lease certificates and credits in high-yield and short-term. The Parent Bank's liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

The Parent Bank is monitoring risks of liquidated receivables, doubtful fees, commission and other receivables with loans have the characteristics of loss and participation accounts make loan available risk belong to bank that are monitored in other receivables accounts with equities and make loans available special current accounts that are foreign currency and balance receivables, on the date of transition exchange to TL. Foreign currency credits make loans that are participation accounts and foreign exchange loans, risk that is belong to participation accounts appreciate with current accounts to exchange differences monitoring on the foreign exchange transactions profit or loss.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Bank.

### III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

#### a. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated 8 November 2006 and the "Consolidated Financial Statements" ("TFRS 10").

#### 1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary.

# Ziraat Participation Bank A.Ş.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Address (City/Country)	Main Activities	31 December 2016	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Turkey	Rent Certificate Issue	100	100

Ziraat Katılım Varlık Kiralama A.Ş was established and registered to the trade registry in January 22, 2016 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Ziraat Katılım Varlık Kiralama A.Ş has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 07.06.2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette.

### 2. Consolidation principles of associates and joint ventures:

An Associate is a partnership with which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as it is not proved otherwise, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount in the associate participating shareholder's equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

As of the date of 31 December 2016, there is no jointly controlled subsidiaries.

### 3. Principles applied during share transfer, merger and acquisition: None.

### 4. Transactions with minority shareholders: None.

### b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

Turkish lira denominated unconsolidated associates and subsidiaries are booked at cost value, less any impairment if any, in accordance with "Consolidated Financial Statements" ("TFRS 10") are recognized in the consolidated financial statements.

When the cost of investments, associates and share certificates which are classified under available for sale portfolio is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value if any, considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

There is no subsidiaries and associates within the scope of The Parent's Bank consolidation.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

The Parent Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements.

The Parent Bank's derivative transactions mostly include currency and precious metal swaps and foreign currency forward contracts in line with TAS 39 "Financial Instruments: Recognition and Measurement". The Bank has no embedded derivative instruments separated from the articles of association.

Derivative instruments are recognized at fair value on contractual date and subsequently re-valued at their fair values and associated with the income statement. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Financial Assets at Fair Value through Profit or Loss" in "Trading Derivative Financial Assets" and if the fair value difference is negative, it is disclosed under "Financial Liabilities at Fair Value through Profit or Loss" in "Trading Derivative Financial Liabilities". Fair value changes are recorded under "Derivative Financial Transactions Gains/Losses" in income statement.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

### **V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE**

Profit share income and expenses are recognized on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" came into force after being published in the Official Gazette numbered 26333 dated 1 November 2006, no profit share income accrual is calculated for non-performing loans. Realized profit share accruals calculated for non-performing loans and recognized as income are reversed and profit share income related to these loans is recognized as profit only when collected.

The Parent Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

### **VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES**

Commission income from banking, agency, and intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash and non-cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

### **VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial assets mainly constitute the parent bank's commercial activities and operations. Sales and purchase transactions of financial assets are accounted for using the settlement date basis and financial assets are classified as investments held-to-maturity, loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### a. Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss have two sub categories: "trading financial assets" and "financial assets through at fair value through profit/loss at initial recognition".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Parent Bank does not have any financial assets classified as "financial assets at fair value through profit or loss" other than those held for trading purposes.

### b. Financial assets available for sale:

Available-for-sale financial assets refer to financial assets other than the ones classified as "loans and receivables", "held-to-maturity assets" or "financial assets at fair value through profit or loss".

Available for sale assets are initially recognized at cost value. The cost of the securities is recognized as fair value.

Available-for-sale financial assets are presented in financial statements with their fair value following their recognition.

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as "Marketable Securities Value Increase Fund". When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortized cost using the internal rate of return method or appropriate valuation methods.

### c. Loans and receivables:

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method. Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (UCA) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira ("TL") accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **d. Held to maturity financial assets:**

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted in the profit and loss table as profit share income gained by securities.

Held to maturity assets are initially recognized at cost value.

### **VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

If revalued amounts of financial assets at fair value through profit/loss is less than the prior revalued amounts, initially, value of prior records regarding the value increase are adjusted according to the recent value and if the impairment loss is more than the prior value increase, difference is reflected to "Impairment Expense for Marketable Securities". If there is an increase in value, initially recognized impairment loss is reversed.

If financial assets available for sale are subject to permanent impairment, the amount is charged to "Impairment Expense for Marketable Securities" account in accordance with the related Turkish Accounting Standard.

Loans and other receivables are classified and make provisions and specific provisions in accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans, Other Receivables, and Allocation of Provisions" published in the Official Gazette numbered 26333 and dated 1 November 2006.

The provisions released in the same year are accounted by crediting the provision expenses account and the released parts of the previous years' provisions are recorded to the "collections from prior year's expense" account.

### **IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when, and only when the Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

### **X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES**

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS

Tangible assets acquired in consideration of receivables are accounted in accordance with the requirements of the Communiqué on "Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovable obtained in Return of Receivables" published in the Official Gazette numbered 26333 and dated 1 November 2006 and these assets are subject to revaluation by no means. Fixed assets resulted from the Bank's receivables reflected in the held for sale account if they have concrete selling plan.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as a held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

A discontinued operation is a part of a parent bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement.

As of the 31 December 2016, the Parent Bank has no assets held for sale and tangibles corresponding discontinuing operations.

### XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the parent bank has no goodwill within the financial statements.

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

The Group recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

### XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied annual depreciation rates are as follows;

Buildings:	2%
Vehicles and Fixtures:	2 - 20%

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

Gains or losses emerging from the disposal of tangible assets are recognized in the profit or loss account as difference between net revenue of a related intangible asset and its net book value.

There is no tangible assets that are held for sale.

### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

#### *Group's Transactions as a Lessee*

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized. As of 31 December 2016, the parent bank does not contain any financial leasing transactions.

The Parent Bank records financial lease payments made for branches as equal expense amounts within the lease period.

#### *Group's Transactions as a lessor*

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

### XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 "Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding".

The Group provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

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 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 in which the change occurs.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### XVI. EXPLANATIONS ON LIABILITIES RELATING TO EMPLOYEE BENEFITS

#### a. Defined contribution plans:

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits".

Under the Turkish legislation, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling).

The Parent bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. These assumptions are reviewed yearly. As of 31 December 2016, the Parent Bank's employee termination benefit is TL 780.

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2016 the Parent Bank unused vacation liability is TL 1,389.

The Group is not employing its personnel by means of limited-period contracts.

#### b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2016 the number of beneficiaries of the Fund from the Bank (except the dependents), is 639.

Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws" ("Renewed Law"), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SSI, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

According to the 58th And the temporary 7th Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization's personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20<sup>th</sup> Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

Based on the Council of Ministers' decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

Lastly, 51<sup>st</sup> article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20<sup>th</sup> article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20<sup>th</sup> article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4<sup>th</sup> article of this Law.

The technical balance sheet report as of 31 December 2016 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

### XVII. EXPLANATIONS ON TAXATION

#### a. Current Tax

"Corporate Tax Law" No. 5520 was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. Many clauses of the "New Tax Law" are effective from 1 January 2006. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% as of 1 January 2006. The corporate tax rate is calculated on the total income of the parent bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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 in accordance with Corporate Tax Law or held in a special account under shareholders' equity for five years.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their finding.

### **b. Deferred Tax**

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax”, the Parent Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized as deferred tax liability or asset if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized and reflected in the statement of income as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

### **XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS**

The Group records borrowings in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. Borrowings, are recognized using the internal rate of return method in the following periods after the initial recognition. The Parent Bank has no borrowing that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the parent bank. The Parent Bank has issued borrowings as Sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş., these Sukuk issuances are provided to the qualified investors without being released through an IPO and the parent bank takes place during this operation as a fund user.

### **XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

Since the Group does not have issued shares, there are no transaction costs related to share issue in the current period.

### **XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

Commitments regarding bill guarantees and acceptances of the Group are presented in the “Off-Balance Sheet” commitments.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **XXI. EXPLANATIONS ON GOVERNMENT GRANTS**

There are no government incentives utilized by the group as of the balance sheet date.

### **XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values.

For the purposes of the cash flow statement, "Cash" includes cash, effectives, gold, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

### **XXIII. EXPLANATION ON SEGMENT REPORTING**

Information about operating segments which are determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note XII. of Section Four.

### **XXIV. EXPLANATIONS ON OTHER MATTERS**

There are no necessary other issues except that accounting policy above-stated.

## **SECTION FOUR**

### **EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**

#### **I. EXPLANATIONS ON SHAREHOLDERS' EQUITY**

As of the 31 December 2016, current period equity balance of the Group is TL 706,161 and capital adequacy standard ratio is 12.46%.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### Information Related To The Consolidated Components of Shareholders' Equity:

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	747,000	
Share issue premiums	-	
Reserves	-	
Gains recognized in equity as per TAS	-	
Profit	30,673	
Current Period Profit	30,673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>777,673</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	13,052	
Improvement costs for operating leasing	16,001	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	13,742	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>42,795</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>734,878</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)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>	<b>-</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	<b>-</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 Banks' Own Funds (-)	9,162	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
<b>Total Deductions From Additional Tier I Capital</b>	<b>9,162</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)</b>	<b>725,716</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	17,287	
<b>Tier II Capital Before Deductions</b>	<b>17,287</b>	
<b>Deductions From Tier II Capital</b>	<b>-</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>17,287</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>743,003</b>	
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	36,842	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	<b>-</b>	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub- paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
<b>TOTAL CAPITAL</b>		
Total Capital	706,161	
Total risk weighted amounts	5,666,714	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12.97	
Tier 1 Capital Adequacy Ratio	12.81	
Capital Adequacy Ratio	12.46	
<b>BUFFERS</b>		
Total Tier I Capital Ratio (%)	3.13	
Capital conservation buffer requirement	0.63	
Bank specific counter-cyclical buffer requirement	2.50	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	8.47	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	17,287	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	17,287	

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 <sup>(*)</sup>
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 January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

### Information related to the debt instruments which will be included in the calculation of equity:

None.

### Information on reconciliation between balance sheet balances and the items of the total capital and equity table:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provisions. In the calculation of Total Capital, general provision up to 1.25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovable properties that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from total capital.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **II. EXPLANATIONS ON CREDIT RISK**

The Credit risk states the debtor or institution's probability of loss which may decrease in credit standing partially or completely and prevent the requirements of the engagement liabilities on the time due to any reason.

Loan allocation authorization belongs to Board of Directors however relying on the authorization given by the Board of Directors, limits of credit customers determined within the scope of General Management's Credit Committee and the authorization limits which was given by Board of Directors. Financial and non-financial information, credit needs, sectoral and identical features which belongs to credit customers evaluates accordingly allocate the limits.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. Debtors and debtor groups are monitored weekly within the scope of risk limitation appetite.

The limits which is identified as related credit portfolio approved by the Board of Directors and revised when required. The identified limits will be distributed by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

After the allocation of limit within the commercial portfolios, firms are continued to be monitored and the changes in the financial structures and market relations of the credit firms are followed.

Documents required to be received are clearly stated by the regulations in the application of funds and limit allocation, and these topic documents are evidently mentioned in regularity that received or not received which is controlled by audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and good security, the Bank's credit risk expected to be significantly decline.

The Parent Bank applies internal ratings processes as a decision support system for analyzing credit standing and determining credit allocation for Corporate/Entrepreneur consumer loans.

## Ziraat Participation Bank A.Ş.

### **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

The Parent Bank makes provision as proposed with the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

Identification of limits for domestic and foreign banks provide allocation which is determined by considering the needs of both clients and departments, with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are executed by monetary transactions.

The Parent Bank calculate specific provisions which is classified as an illiquid claim considering with related deposits received from customers as stated in "Methods and Principles for the Determination of Loans and other Receivables to be Reserved for and Allocation for Reserves".

The receivable of the Parent Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is 57.63% and 67.30%.

The receivable of the Parent Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 74.75% and 87.76%.

The receivable of the Parent Bank from its top 100 and 200 cash and non-cash receivables loan customers share in total cash and non-cash receivables loans ratio is 64.19% and 75.14.

The Parent Banks general loan loss provision amount for its credit risk is TL 52,263.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables
<b>Current Period</b>							
Domestic	1,482,353	-	8,680	-	-	752,133	4,659,408
European Union Countries	-	-	-	-	-	233,710	-
OECD Countries <sup>(1)</sup>	-	-	-	-	-	449	-
Off-shore Banking Regions	-	-	-	-	-	3	-
USA, Canada	-	-	-	-	-	8	-
Other Countries	-	-	-	-	-	2,952	-
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-
<b>Total</b>	<b>1,482,353</b>	<b>-</b>	<b>8,680</b>	<b>-</b>	<b>-</b>	<b>989,255</b>	<b>4,659,408</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(2)</sup> Consists of assets and liabilities that cannot be distributed according to a consistent framework.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	264,899	801,553	4,102	-	-	-	-	-	73,713	8,046,841
	-	-	-	-	-	-	-	-	-	233,710
	-	-	-	-	-	-	-	-	-	449
	-	-	-	-	-	-	-	-	-	3
	-	-	-	-	-	-	-	-	-	8
	-	-	-	-	-	-	-	-	-	2,952
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	<b>264,899</b>	<b>801,553</b>	<b>4,102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,713</b>	<b>8,283,963</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### Risk Profile by Sectors or Counterparties

	Risk Classes						
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	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	Conditional and unconditional corporate receivables
<b>Current Period</b>							
<b>Sectors/Counter Parties</b>							
Agriculture	-	-	-	-	-	-	36,258
Farming and Stockbreeding	-	-	-	-	-	-	29,916
Forestry	-	-	-	-	-	-	6,170
Fishing	-	-	-	-	-	-	172
Manufacturing	-	-	6,489	-	-	-	2,089,278
Mining and Quarrying	-	-	-	-	-	-	46,840
Production	-	-	6,489	-	-	-	1,918,055
Electric, Gas and Water	-	-	-	-	-	-	124,383
Construction	-	-	-	-	-	-	853,759
Services	1,482,353	-	-	-	-	989,255	1,631,954
Wholesale and Retail Trade	-	-	-	-	-	-	981,203
Hotel Food and Beverage Services	-	-	-	-	-	-	88,373
Transportation and Telecommunication	-	-	-	-	-	-	338,699
Financial Institutions	1,482,353	-	-	-	-	989,255	55,072
Real Estate and Leasing Services	-	-	-	-	-	-	144,163
Self-Employment Services	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	11,396
Health and Social Services	-	-	-	-	-	-	13,048
Other	-	-	2,191	-	-	-	48,159
<b>Total</b>	<b>1,482,353</b>	<b>-</b>	<b>8,680</b>	<b>-</b>	<b>-</b>	<b>989,255</b>	<b>4,659,408</b>



Risk Classes

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	3,565	6,267	40	-	-	-	-	-	-	46,029	101	46,130
	2,341	1,877	40	-	-	-	-	-	-	34,073	101	34,174
	1,219	4,390	-	-	-	-	-	-	-	11,779	-	11,779
	5	-	-	-	-	-	-	-	-	177	-	177
	72,612	240,146	615	-	-	-	-	-	-	1,300,865	1,108,275	2,409,140
	3,595	11,177	-	-	-	-	-	-	-	57,458	4,154	61,612
	68,625	228,755	615	-	-	-	-	-	-	1,118,418	1,104,121	2,222,539
	392	214	-	-	-	-	-	-	-	124,989	-	124,989
	16,810	118,737	-	-	-	-	-	-	-	673,378	315,928	989,306
	58,270	115,516	1,277	-	-	-	-	-	-	2,851,402	1,427,223	4,278,625
	44,011	68,550	1,277	-	-	-	-	-	-	768,276	326,765	1,095,041
	2,910	260	-	-	-	-	-	-	-	33,583	57,960	91,543
	2,269	441	-	-	-	-	-	-	-	141,304	200,105	341,409
	401	1,801	-	-	-	-	-	-	-	1,735,977	792,905	2,528,882
	7,267	33,387	-	-	-	-	-	-	-	142,087	42,730	184,817
	-	-	-	-	-	-	-	-	-	-	-	-
	87	10,991	-	-	-	-	-	-	-	15,716	6,758	22,474
	1,325	86	-	-	-	-	-	-	-	14,459	-	14,459
	113,642	320,887	2,170	-	-	-	-	-	73,713	521,149	39,613	560,762
	<b>264,899</b>	<b>801,553</b>	<b>4,102</b>	-	-	-	-	-	<b>73,713</b>	<b>5,392,823</b>	<b>2,891,140</b>	<b>8,283,963</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

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

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	891,879	25,698	-	88,862	282,644
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	6,489	2,191
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	968,004	21,226	-	-	25
Conditional and unconditional exposures to corporates	163,633	412,913	747,932	1,166,577	2,165,353
Conditional and unconditional retail exposures	8,243	17,839	30,974	49,755	154,445
Conditional and unconditional exposures secured by real estate property	6,656	11,335	23,727	47,760	711,565
Past due receivables	4,102	-	-	-	-
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	-	-	-	-	-
<b>Grand Total</b>	<b>2,042,517</b>	<b>489,011</b>	<b>802,633</b>	<b>1,359,443</b>	<b>3,316,223</b>

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on "Measurement and Assessment of Capital Adequacy of Banks". Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as "gradeless" and take risk weight suited for "gradeless" category in relevant risk class.

## Ziraat Participation Bank A.Ş.

### Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

Rating Scores are used in the following risk classes;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating.

#### Exposures by risk weights:

	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Exposures before Credit Risk Mitigation	1,230,850	-	751,914	424,545	939,104	264,899	4,675,108	-	-	-	-	38,906
2	Exposures after Credit Risk Mitigation	1,265,394	-	814,326	424,545	1,026,216	259,381	4,494,101	-	-	-	-	38,906

Prepared with the amounts after conversion rate to credit.

#### Information on Significant Sectors or Counterparty Based:

**Impaired Credits;** are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits "Special Provision" calculation is made within the scope of Regulation on Provisions.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

**Past Due Credits;** are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment for these credits "General Provision" calculation is made within the scope of Regulation for Provisions.

	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture				
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	1,114	8,453	172	1,114
Mining and Quarrying	-	-	-	-
Production	1,114	8,453	172	1,114
Electricity, Gas and Water	-	-	-	-
Construction		3,456	78	
Services	4,409	16,445	329	2,098
Wholesale and Retail Trade	1,204	6,089	122	483
Accommodation and Dining	1,185	-	-	597
Transportation and Telecom.	2,020	-	-	1,018
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	859	17	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	9,497	190	-
Other	4,960	1,261	25	620
<b>Total</b>	<b>10,483</b>	<b>29,615</b>	<b>604</b>	<b>3,832</b>

### Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1 Specific Provisions	-	3,832	-	-	<b>3,832</b>
2 General Provisions	13,939	38,897	573	-	<b>52,263</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

The table below shows the maximum exposure to credit risk for the components of the financial statements.

	<b>Current Period</b>
Financial Assets at Fair Value Through Profit/Loss	1,159
Banks	468,454
Interbank Money Market Placements	-
Available-for-sale Financial Assets	414,683
Held-to-maturity Investments	-
Loans	5,557,942
Receivables From Leasing Transactions	221,373
Other Assets	-
<b>Total credit risk exposure of balance sheet items</b>	<b>6,663,611</b>
Financial Guarantees	3,507,969
Commitments	48,498
<b>Total credit risk exposure of off-balance sheet items</b>	<b>3,556,467</b>
<b>Total credit risk exposure</b>	<b>10,220,078</b>

### Information about credit quality per class of financial assets:

	<b>Current Period</b>		<b>Total</b>
	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	
<b>Financial Assets</b>			
Banks	468,454	-	468,454
Financial Assets at Fair Value Through Profit or Loss	1,159	-	1,159
Loans:	5,521,127	30,164	5,551,291
Corporate/Entrepreneurial Loans	4,763,415	28,884	4,792,299
Consumer Loans	757,712	1,280	758,992
Specialized Loans	-	-	-
Available-for-sale Financial Assets	414,683	-	414,683
Held-to-maturity Investments	-	-	-

### III. EXPLANATIONS ON COUNTERCYCLICAL CAPITAL BUFFER CALCULATIONS RISK

According to the Board resolution of BRSA, the transactions made between the banks are not involved to the counter-cyclical buffer ratio calculation. Within this scope as of 31 December 2016 the Parent Bank does not have any receivables from abroad apart from the Banks, however the Parent Bank discretely uses the uppermost ratio determined by BRSA, which is 2.5%.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### IV. EXPLANATIONS ON THE CURRENCY RISK

**a) Whether the Parent Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:**

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR is calculated for daily foreign exchange position and reported to the related departments.

Moreover, dealer's positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

**b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:**

None.

**c) Management policy for foreign currency risk:**

"Liquidity Gap Analysis" are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

**d) Current foreign exchange bid rates of the Parent Bank for the last 5 business days prior to the financial statement date:**

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
26.12.2016	3.5000	3.6574	2.4930	0.4877	0.3770	3.3762	2.5636	0.3988	4.2842	0.9237	2.9600
27.12.2016	3.5172	3.6733	2.5035	0.4894	0.3768	3.3852	2.5715	0.3997	4.2938	0.9278	2.9620
28.12.2016	3.5352	3.6712	2.5090	0.4893	0.3802	3.3969	2.5778	0.4010	4.2981	0.9325	2.9730
29.12.2016	3.5247	3.6835	2.5120	0.4908	0.3822	3.4043	2.5775	0.4024	4.2955	0.9303	2.9890
30.12.2016	3.5137	3.7044	2.5139	0.4936	0.3840	3.4204	2.5904	0.4039	4.3315	0.9269	2.9790

**e) Simple arithmetic average of the Parent Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:**

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
3.4842	3.6671	2.5307	0.4885	0.3743	3.3792	2.583	0.4022	4.3252	0.9193	2.9699

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### Information on the foreign currency risk of the Group:

	EUR	USD	Other FC <sup>(4)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	156,976	410,865	68	567,909
Banks	238,794	166,583	56,516	461,893
Financial Assets at Fair Value Through Profit and Loss <sup>(3)</sup>	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	7,168	-	7,168
Loans <sup>(1)</sup>	1,078,088	929,001	-	2,007,089
Subsidiaries, Associates, Entities Under Common, Control (Joint Ventures)	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	5	138	-	143
<b>Total Assets</b>	<b>1,473,863</b>	<b>1,513,755</b>	<b>56,584</b>	<b>3,044,202</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	22,273	196	-	22,469
Current and profit sharing accounts FC	922,187	859,665	54,888	1,836,740
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	477,620	708,142	-	1,185,762
Marketable securities issued	-	-	-	-
Miscellaneous payables	46	3,763	-	3,809
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	590	2,167	-	2,757
<b>Total liabilities</b>	<b>1,422,716</b>	<b>1,573,933</b>	<b>54,888</b>	<b>3,051,537</b>
<b>Net balance sheet position</b>	<b>51,147</b>	<b>(60,177)</b>	<b>1,696</b>	<b>(7,334)</b>
<b>Net off-balance sheet position</b>	<b>(129,260)</b>	<b>130,412</b>	<b>-</b>	<b>1,152</b>
Financial derivative assets	-	130,412	-	130,412
Financial derivative liabilities	129,260	-	-	129,260
<b>Non-cash Loans</b>	<b>930,417</b>	<b>1,200,728</b>	<b>35,490</b>	<b>2,166,635</b>
<b>Prior Period</b>				
Total Assets	-	-	-	-
Total Liabilities	-	-	-	-
<b>Net Balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Off-Balance Sheet Position <sup>(2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
<b>Non-cash Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> TL 479,940 equivalent of USD loans and TL 918,235 equivalent of EUR loans are originated as foreign currency indexed loan.<sup>(2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.<sup>(3)</sup> Derivative Financial Assets and Derivative Financial Liabilities are not included to the table.<sup>(4)</sup> Of the foreign currencies presented in the other foreign currency column of assets 94% is Gold, 2% is GBP, 2% is DKK and the remaining 2% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 96% is Gold, 2% is GBP, and the remaining 2% is other foreign currencies.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 4,719 all of which are 100% risk weighted.

### VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

In the Parent Bank general principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs "Remaining Maturity Analysis" for the observation of the maturity structure of the balance sheet, "Liquidity Gap" and "Structural Liquidity Gap Analysis" for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA on monthly consolidated and weekly consolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

#### 1) Liquidity Risk:

##### a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts.

The Parent Bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

### **c) The Parent Bank's internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the parent bank.

### **d) Evaluation of the Parent Bank's cash flow rates and its sources:**

The Parent banks main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

## **2) Liquidity Coverage Ratio:**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Parent Bank's main fund source, is provided from numerous customers.

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

	Consideration Ratio Not Applied		Consideration Ratio Applied Total	
	Total Value <sup>(*)</sup>		Value <sup>(*)</sup>	
Current Period	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>880,253</b>	<b>559,751</b>	<b>705,398</b>	<b>385,323</b>
High quality liquid assets	-	-	705,398	385,323
<b>CASH OUTFLOWS</b>	<b>6,260,670</b>	<b>2,337,819</b>	<b>1,527,873</b>	<b>635,354</b>
Real person deposits and retail deposits	2,293,909	791,038	222,430	79,104
Stable deposit	139,215	-	6,961	-
Deposit with low stability	2,154,694	791,038	215,469	79,104
Unsecured debts except real person deposits and retail deposits	2,028,558	788,795	1,129,676	446,343
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	2,028,558	788,795	1,129,676	446,343
Secured debts	-	-	-	-
Other cash outflows	1,938,203	757,986	175,767	109,907
Derivative liabilities and margin obligations	69,556	62,399	69,556	62,399
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	51,114	50,912	15,334	15,274
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	1,817,533	644,675	90,877	32,234
<b>TOTAL CASH OUTFLOW</b>	<b>-</b>	<b>-</b>	<b>1,527,873</b>	<b>635,354</b>
<b>CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Secured receivables	-	-	-	-
Unsecured claims	1,200,669	336,832	1,008,206	333,107
Other cash inflows	71,005	59,692	71,005	59,692
<b>TOTAL CASH INFLOWS</b>	<b>1,271,674</b>	<b>396,524</b>	<b>1,079,211</b>	<b>392,799</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL High quality liquid asset STOCK</b>	<b>-</b>	<b>-</b>	<b>705,398</b>	<b>385,323</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>493,665</b>	<b>257,730</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>186</b>

<sup>(\*)</sup> The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed <sup>(*)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1,201,298	-	-	-	-	-	-	1,201,298
Banks	468,454	-	-	-	-	-	-	468,454
Financial Assets at Fair Value Through Profit and Loss	-	401	758	-	-	-	-	1,159
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	38,459	88,862	282,643	-	-	414,683
Loans Given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	5,246	-	2,061	88,803	118,614	101,196	315,920
<b>Total Assets</b>	<b>1,674,471</b>	<b>666,343</b>	<b>342,551</b>	<b>1,445,320</b>	<b>3,105,341</b>	<b>624,234</b>	<b>101,196</b>	<b>7,959,456</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	3,890	18,531	-	-	-	-	-	22,421
Current and Participation Accounts	829,114	3,749,936	715,251	317,985	1,239	-	-	5,613,525
Funds Provided from Other Financial Instruments	-	72,429	292,286	664,570	156,477	-	-	1,185,762
Money Market Borrowings	-	133,668	-	-	-	-	-	133,668
Issued Marketable Securities	-	-	101,459	-	-	-	-	101,459
Sundry Creditors	-	-	-	-	-	-	17,027	17,027
Other Liabilities *	-	-	-	-	-	-	885,594	885,594
<b>Total Liabilities</b>	<b>833,004</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	<b>-</b>	<b>902,621</b>	<b>7,959,456</b>
<b>Liquidity Gap</b>	<b>841,467</b>	<b>(3,308,221)</b>	<b>(766,445)</b>	<b>462,765</b>	<b>2,947,625</b>	<b>624,234</b>	<b>(801,425)</b>	<b>-</b>

(\*) Fixed assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets and shareholders' equity in the liabilities are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### Presentation of liabilities according to their remaining maturities:

Current Period <sup>(1)</sup>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Current account and funds collected from banks via participation accounts	18,531	-	-	-	-	18,531
Other current and profit sharing accounts	3,749,936	715,251	317,985	1,239	-	4,784,411
Funds borrowed from other financial institutions	72,429	393,745	664,570	156,477	-	1,287,221
Funds borrowed from Interbank money market	133,668	-	-	-	-	133,668
<b>Total</b>	<b>3,974,564</b>	<b>1,108,996</b>	<b>982,555</b>	<b>157,716</b>	<b>-</b>	<b>6,223,831</b>

<sup>1)</sup> In liabilities, the amount for funds is not included in the table because it cannot be decomposed according to the residuals.

### VII. EXPLANATIONS ON LEVERAGE RATIO

As of the 31 December 2016, the leverage ratio of the Group was calculated from the arithmetic average of the last three months is 6.9%. This ratio is above the required minimum rate.

#### Leverage ratio disclosure as follows:

	Current Period <sup>(1)</sup>
<b>Balance sheet assets</b>	
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	7,131,391
(Assets deducted from main capital)	(50,794)
Total risk amount of the balance sheet assets	7,080,597
<b>Derivative financial instruments and credit derivatives</b>	
Replacement cost of derivative financial instruments and credit derivatives	1,737
Potential credit risk amount of derivative financial instruments and credit derivatives	1,191
Total risk amount of derivative financial instruments and credit derivative	2,928
<b>Security or secured financing transactions</b>	
Risk amount of security or secured financing transactions (Except balance sheet)	65,628
Risk amount due to intermediated transactions	-
Total risk amount of security or secured financing transactions	65,628
<b>Off-balance sheet transactions</b>	
Gross nominal amount of off-balance sheet transactions	3,340,325
(Adjustment amount resulting from multiplying by credit conversion rates)	-
Risk amount of the off-balance sheet transactions	3,340,325
<b>Equity and total risk</b>	
Main capital	720,194
Total risk amount	10,489,478
<b>Leverage ratio</b>	
Leverage ratio	6.9

<sup>(1)</sup> Amounts in the table are obtained on the basis of three-month weighted average.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **VIII. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

### **IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the "Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks" that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (IRB) have not been presented.

Within the scope of risk management, there are many risks that affect our bank's financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers' financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in our bank.

Our bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 1. Explanations on Risk Management and Risk-weighted Assets

#### a. Overview of Risk-weighted Assets

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	5,513,200	-	441,056
2	Standardized approach (SA)	5,513,200	-	441,056
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1,290	-	103
5	Standardized approach for counterparty credit risk (SA-CCR)	1,290	-	103
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach <sup>(*)</sup>	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	20,700	-	1,656
17	Standardized approach (SA)	20,700	-	1,656
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	131,473	-	10,518
20	Basic Indicator Approach	131,473	-	10,518
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>5,666,663</b>	<b>-</b>	<b>453,333</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 2. Linkages Between Financial Statements and Regulatory Exposures

#### a) 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	1,201,298	1,201,298	-	-	-
Financial assets held for trading	1,159	-	1,159	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	468,454	468,454	-	-	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	414,683	414,683	193,272	-	-
Loans and receivables	5,557,942	5,557,942	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	221,373	221,373	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	43,643	27,642	-	-	16,001
Intangible assets (net)	22,905	-	-	-	22,905
Investment properties (net)	-	-	-	-	-
Tax assets	4,876	4,876	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-
Other assets	23,123	23,123	-	-	-
<b>Total Assets</b>	<b>7,959,456</b>	<b>7,919,391</b>	<b>194,431</b>	<b>-</b>	<b>38,906</b>
<b>Liabilities</b>					
Deposits	5,635,946	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-
Loans	1,185,762	-	-	-	-
Debt to money markets	133,668	-	133,668	-	-
Debt securities in issue	101,459	-	-	-	-
Funds	-	-	-	-	-
Various Debts	17,027	-	-	-	-
Other Debts	46,526	-	-	-	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedge	-	-	-	-	-
Provisions	64,574	-	-	-	-
Tax liability	9,873	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Equity	764,621	-	-	-	-
<b>Total Liabilities</b>	<b>7,959,456</b>	<b>-</b>	<b>133,668</b>	<b>-</b>	<b>-</b>

(<sup>1</sup>) Indicating the Parent Bank's consolidated financial statements.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) 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	Total
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>7,959,456</b>	<b>7,919,391</b>	-	<b>194,431</b>	-
Liabilities carrying value amount under regulatory scope of consolidation	133,668	-	-	133,668	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>7,825,788</b>	<b>7,919,391</b>	-	<b>60,763</b>	-
Off-balance sheet amounts	3,816,139	3,543,244	-	272,895	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3. Explanations on Credit Risk

#### 3.1) General information about credit risk

##### a) General qualitative information about credit risk

Effective management of credit risk is one of the key elements of a comprehensive approach to risk management. Corporate, individual and SME loans, finance lease receivables, other elements constituting the bank's assets and non-cash transactions constitute the basis of the items which constitute credit risk, which are used depending on the activities of our bank. Taking into consideration the risk appetite of our bank in the activities carried out in this direction is important in terms of enabling the effective management of credit risk.

Credit risk limits has been designed in accordance with the level of risk that the Bank may be exposed to, its activities and the size and complexity of its products and services and is determined by taking the views and recommendations of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly monitored periodically, and adapting to changes in market conditions, the Bank's strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance has been audited and a policy has been developed in line with the Bank's strategies and targets.



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

Credit risk calculations are carried out carefully and meticulously and controls are carried out in accordance with the legislation. In the present case, calculations are made using the standard method and infrastructure studies are continuing to use advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit departments, taking into account legal requirements at each stage.

Detailed reporting including the relationship with credit risk and other risks exposed to the Board of Directors and Senior Managers is periodically shared and the credit risk is monitored effectively by the risk management unit.

### b) Credit quality of assets

	Defaulted exposures	Non-defaulted exposures	Provisions/Amortization and impairment	Net value
Loans	10,483	5,817,250	48,418	5,779,315
Debt instruments	-	410,212	248	409,964
Off-balance sheet receivables	-	3,540,291	29	3,540,262
<b>Total</b>	<b>10,483</b>	<b>9,767,753</b>	<b>48,695</b>	<b>9,729,541</b>

<sup>(1)</sup> Financial Lease amount of TL 221,373 is included to the table.

### c) Default receivables and change in debt instrument stock

1	Prior report period default loans and debt instrument amount	-
2	Default credits and debt instruments since the last reporting period	10,483
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>10,483</b>

### d) Additional disclosures about the credit quality of assets

#### i. The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes

The Bank provides special and general provisions for loans and other receivables in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks for Loans and Other Receivables and the Provisions to be made".

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

The Bank automatically transfers the loans that are over 90 days past due to the provisions of the Provisions Regulation to the follow-up accounts and allocates the counterparty of the related class.

#### iii. Definitions of methods used when setting the allowance

Within the framework of the Provisions Regulation and related provisions, the Bank allocates general provision at 20%, 50% and 100% special allowances for receivables over 90 days, at the ratios specified in the regulation for the receivables specified in the regulation.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### iv. The Banks own definition of a restructured exposure

As of 31 December 2016, the Bank has no restructured exposure (31 December 2015: None).

### v. Breakdown of receivables according to geographical areas, breakdown by sector and remaining demand, geographical segments and sectoral provision amount and related provisions and write-offs:

	Loans and Receivables	Loan Under Follow Up	Special Provision	Total
Domestic	5,551,291	10,483	3,832	5,557,942
European countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other foreign countries	-	-	-	-
<b>Total</b>	<b>5,551,291</b>	<b>10,483</b>	<b>3,832</b>	<b>5,557,942</b>

	Loans and Receivables	Loans under follow up	Special Provisions	Total
Agriculture	71,378	-	-	71,378
Farming and Stockbreeding	42,965	-	-	42,965
Forestry	28,231	-	-	28,231
Fishery	182	-	-	182
Manufacturing	2,516,232	1,114	1,114	2,516,232
Mining and Quarrying	82,093	-	-	82,093
Production	1,770,917	1,114	1,114	1,770,917
Electricity, Gas and Water	129,937	-	-	129,937
Construction	533,285	-	-	533,285
Services	2,180,203	4,409	2,098	2,182,514
Wholesale and Retail Trade	1,088,436	1,204	483	1,089,157
Accommodation and Dining	29,903	1,185	597	30,491
Transportation and Telecom	228,703	2,020	1,018	229,705
Financial Institutions	598,510	-	-	598,510
Real Estate and Rental Services	197,236	-	-	197,236
Professional Services	-	-	-	-
Educational Services	15,320	-	-	15,320
Health and Social Services	22,095	-	-	22,095
Other	783,478	4,960	620	787,818
<b>Total</b>	<b>5,551,291</b>	<b>10,483</b>	<b>3,832</b>	<b>5,557,942</b>

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
<b>Current Period</b>								
Loans given	-	660,696	303,334	1,354,397	2,733,895	505,620	-	5,557,942

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### vi. Aging analysis for past due receivables

Past due but not impaired loans aging analysis based on credit class as follows:

Current Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables	-	-	-	-
Corporate/Entrepreneurial Loans	20,818	13,208	6,835	40,861
Consumer loans	3,723	829	-	4,552
Special loans	-	-	-	-
<b>Total</b>	<b>24,541</b>	<b>14,037</b>	<b>6,835</b>	<b>45,413</b>

### 3.2) Credit risk mitigation

#### a) Qualitative disclosure requirements related to credit risk mitigation techniques

It is taken into consideration that the collateralization process of the bank's lending processes may create a risk. In the bank guarantee policy, residual risks are managed by observing all the risks such as not being able to get the collateral received on time or turning it into cash, the guarantor refusing or delaying the payment, insufficient legal documents of the legal documents for obtaining the desired legal result.

The transactions that the bank makes in the context of market risk are not covered.

Financial collaterals are taken into consideration in mitigating credit risk in the Bank and as a rule, real estate mortgages are not considered as collateral. Mortgage-backed receivables are a separate risk class and the financial collateral used in the Bank consists of cash blockage, public guarantee fund and borrowing of public debts.

#### b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	5,561,520	217,795	143,466	182,737	133,399	-	-
Debt instruments	409,964	-	-	-	-	-	-
<b>Total</b>	<b>5,971,484</b>	<b>217,795</b>	<b>143,466</b>	<b>182,737</b>	<b>133,399</b>	<b>-</b>	<b>-</b>
Default	10,483	-	-	-	-	-	-

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 3.3) Credit risk under standardized approach

#### a) Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The Bank uses the ratings issued by Fitch Ratings International Rating Agency in its risk classes for Receivables from Central Government or Central Banks, Receivables from Regional and Local Governments and Administrative Units and Non-Commercial. Receivables from Banks in the risk category, Fitch Ratings notes are used for receivables from resident banks and no rating agency notes are used for receivables from domestic resident banks. Country Notes used for Receivables from Central Government or Central Banks, Receivables from Regional or Local Governments and Administrative Units and Non-Commercial Enterprises are 3 in the Credit Quality Level, while the notes used in the risk classes of Banks and Intermediary Institutions are from 1 to 6 matched with credit quality levels.

#### b) Standard Approach - Exposure to credit risk and credit risk mitigation effects

Risk classes	The credit conversion rate and the credit amount before the credit risk reduction		The credit conversion rate and the credit amount after the credit risk reduction		Risk weighted amount and risk weighted amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Exposures to central governments or central banks	1,482,353	-	1,607,492	12,506	193,786	12%
Exposures to regional governments or local authorities	-	-	8,260	541	4,400	50%
Exposures to public sector entities	8,072	1,218	8,072	609	8,666	100%
Exposures to multilateral development Banks	-	-	-	-	-	0%
Exposures to international organizations	-	-	-	-	-	0%
Exposures to institutions	986,326	5,485	986,252	3,003	274,337	28%
Exposures to corporates	2,332,332	3,360,695	2,200,566	2,314,028	4,455,761	99%
Retail exposures	220,294	100,639	218,661	44,605	194,848	74%
Exposures secured by residential property	423,884	4,548	423,884	1,513	149,017	35%
Exposures secured by commercial Real Estate	315,158	73,162	315,158	60,998	188,078	50%
Past-due loans	4,102	-	4,102	-	3,145	77%
Higher-risk categories by the Agency Board	-	-	-	-	-	0%
Exposures in the form of covered Bonds	-	-	-	-	-	0%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
Other assets	73,763	-	73,763	-	41,213	56%
Investments in equities	-	-	-	-	-	0%
<b>Total</b>	<b>5,846,284</b>	<b>3,545,747</b>	<b>5,846,210</b>	<b>2,437,803</b>	<b>5,513,251</b>	<b>67%</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### c) Standard Approach: Receivables based on risk classes and risk weighted

Risk classes/Risk Weight	0%	10%	20%	35% (secured by real estate) <sup>(*)</sup>	50% (secured by real estate) <sup>(*)</sup>	50% <sup>(*)</sup>	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
Exposures to regional governments or local authorities	1,198,300	-	56,876	-	-	364,822	-	-	-	-	-	1,619,998
Exposures to regional governments or local authorities	-	-	2	-	-	8,799	-	-	-	-	-	8,801
Exposures to public sector entities	15	-	-	-	-	-	-	8,665	-	-	-	8,680
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	739,142	-	-	247,209	-	2,904	-	-	-	989,255
Exposures to corporates	32,205	-	16,745	-	-	26,463	-	4,439,181	-	-	-	4,514,594
Retail exposures	2,324	-	1,561	-	-	-	259,381	-	-	-	-	263,266
Exposures secured by residential property	-	-	-	424,546	-	852	-	-	-	-	-	425,398
Exposures secured by commercial real estate	-	-	-	-	376,156	-	-	-	-	-	-	376,156
Past-due loans	-	-	-	-	-	1,915	-	2,187	-	-	-	4,102
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	32,550	-	-	-	-	-	-	41,163	-	-	-	73,713
<b>Total</b>	<b>1,265,394</b>	<b>-</b>	<b>814,326</b>	<b>424,545</b>	<b>376,156</b>	<b>650,060</b>	<b>259,381</b>	<b>4,494,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,283,963</b>

<sup>(\*)</sup> Shows all receivables excluding the line "Claims secured by commercial real estate mortgage" and reaching 50% risk weight receivables.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### X. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while Parent Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives' offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexity of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Bank, TL and FC liquidity risks are limited due to the committed transactions.

#### 4) Credit Risks under the IRB (based on internal ratings)

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB - Credit risk amounts on the basis of Portfolio and Default Probability (DP)

IRB - The effect of the credit derivatives used as Credit Risk Reduction (CRR) on the Risk Weighted Amounts (RWA)

The conversion table of the RWA under the approach of IRB

IRB - Back testing every Default Probability (DP) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach

### XI. EXPLANATION ON COUNTERPARTY CREDIT RISK

#### a) Qualitative disclosures about counterparty credit risk

In order to establish the counterparty credit risk that the bank may face, it is essential that risk measurement and monitoring activities are carried out and their results are taken into account in the strategic decision making process.

Within the scope of management of counterparty credit risk; monitoring and control functions of the counterparty credit risk in line with the structure, size and complexity of the products and activities of the counterparty.

The counterparty of the counterparty will ensure that the credit risk level is above the minimum limits set in the legal regulations style directing is essential.

Bank risk measurement system takes measures to ensure that the work is carried out in accordance with legal regulations, in a manner that is consistent with its fields of activity and product range, is reliable. In this context, counterparty credit risk measurement and monitoring activities for at least; calculation of counterparty credit risk weighted asset and legal capital liability and monitoring of Bank's compliance level with allocated limits is done.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Evaluation of counterparty credit risk according to measurement methods

		Replacement cost	Potential future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (For Derivatives)	1,160	1,370		1.4	2,531	1,243
2	Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6</b>	<b>Total</b>						<b>1,243</b>

<sup>(\*)</sup> Effective expected position amount

### c) Capital requirement for loan valuation adjustments

		EAD post-CRM	Risk Weighted Amounts
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardized CVA capital charge	2,531	47
<b>4</b>	<b>Total subject to the CVA capital charge</b>	<b>2,531</b>	<b>47</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk <sup>(*)</sup>
Claims from central governments and central banks	193,272	-	-	-	-	-	-	-	-
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	-	-	74	2,457	-	-	-	-	1,243
Corporates	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-
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 <sup>(**)</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>193,272</b>	<b>-</b>	<b>74</b>	<b>2,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,243</b>

<sup>(\*)</sup> Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

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



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### d) Risk classification and counterparty credit risk on the basis of Default Probability (DP) (IRB)

None.

### e) Collaterals for counterparty credit risk

	Collateral used in derivative transactions				Other transaction guarantees	
	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	-	-	-	-	133,668	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	193,272
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,668</b>	<b>193,272</b>

### f) Credit Derivatives

None.

### g) Risk Weighted Amounts (RWA) of the Counterparty Credit Risks within the scope of Internal Model Method

None.

### h) Risks to the Central Counterparty

None.

## 5. Securitization Explanations

As of 31 December 2016, there is no securitization position in the Bank.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 6. Explanations on Market risk

#### a) Qualitative information to be disclosed to the public regarding market risk

The Bank ensures effective management of the risk of concentration in the market due to market risk and market risk components in line with the volume, nature and complexity of its operations, taking into account the best practices, within the framework of BRSA regulations.

The Bank ensures that measurement, monitoring, limiting, stress testing and scenario analysis work in compliance with the structure and complexity of its positions with respect to the management of the market risk, and report the results. Evaluation of new products and services in terms of market risk is essential.

In this context, as a minimum;

- The accounts and positions of the bank exposed to market risk and the market developments affecting the value of these accounts and positions are monitored on a minimum daily basis,
- Calculation of the amount subject to market risk of the Bank under the purchase and sale accounts,
- Analysis of the effects of ordinary and extraordinary up and down movements in the markets on the Bank's accounts and positions exposed to market risk,
- Retrospective test analysis of internal models used for monitoring purposes in the calculation of the amount subject to market risk,
- Regular calculation and follow-up of risk limits in relation to market risk.

In the Parent Bank, the Board of Directors, the Audit Committee and the General Manager fulfill the duties, powers and responsibilities within the scope of market risk management in the framework defined in the legislation. All units, including those within the scope of Internal Systems, fulfill their duties, powers and responsibilities within the framework of market risk management within the framework of the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process and their Regulations.

In order to be able to demonstrate the market risk that the bank may face, it is essential that the implementation and results of risk measurement and monitoring activities be taken into account in the Parent Bank's strategic decision-making process.

In the framework of these principles, the following minimum analyzes shall be made for measurement and monitoring activities.

As a minimum under Market Risks:

- Standard Method: Market Risk Reporting Set published by BRSA in accordance with the disclosures.
- Risk Exposure Value Analysis: Historical Simulation, Parametric, EWMA or using a different method deemed appropriate by the Bank.
- Internal Capital Requirement: The parameters, which are determined by BRSA and/or by the Bank, and which could affect the financial power of the Bank and the stress tests and/or scenario analysis related to these parameters and the capital level that compensates the risks that the Bank has been exposed or would be exposed are calculated with a predictive perspective with the appropriate methods.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Standard Approach

		Risk Weighted Amounts
	Outright products	-
1	Interest rate risk (general and specific)	4,663
2	Equity risk (general and specific)	-
3	Foreign exchange risk	16,037
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
<b>9</b>	<b>Total</b>	<b>20,700</b>

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of market risks:

Quantitative information for public disclosure for the banks using Internal Model Approach

Market Risk RWA (Risk Weighted Amounts) Conversion Table for the Internal Model Approach

Internal Model Approach for commerce account

The comparison between Value at Risk expectations and Profit and Loss

### 7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Bank is calculated on an annual basis by the Basic Indicator Method. In the Basic Indicator Method, the parameter that determines the operational risk base amount is gross. Annual gross income consists of net profit share income, dividend income from net fees and commissions income, shares other than subsidiaries and participation shares, addition of trading income/loss (net) and other operating income, Profit/loss, extraordinary income and insurance compensations.

	31.12.2013	31.12.2014	31.12.2015	Total/Number of positive gross income years	Rate (%)	Total
Gross income	-	-	70,119	70,119	15	10,518
Amount subject to Operational Risk						131,473

## XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments".

The Parent Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### Table for Segment Reporting:

	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>Current Period</b>					
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	51,842	304,443	29,211	5,246	390,742
Profit Shares from Loans	51,842	304,443	-	-	356,285
Profit Shares from Banks	-	-	353	-	353
Profit Shares from Securities	-	-	24,499	-	24,499
Other Profit Shares	-	-	4,359	5,246	9,605
<b>Profit Shares Expense</b>	83,476	64,859	32,550	-	180,885
Profit Shares Expense on Participation Funds	83,476	64,859	-	-	148,335
Profit Shares Expense on Funds Borrowed	-	-	25,052	-	25,052
Profit Shares Expense on Money Market Transactions	-	-	7,498	-	7,498
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	-	-
<b>Net Profit Shares Income/Expense</b>	(31,634)	239,584	(3,339)	5,246	209,857
<b>Net Fees and Commission Income/Expense</b>	3,528	12,749	-	(2,072)	14,205
Fees and Commissions Received	3,528	12,749	-	4,310	20,587
Fees and Commissions Paid	-	-	-	6,382	6,382
<b>Dividend Income</b>	-	-	-	-	-
<b>Trading Income/Loss (Net)</b>	-	-	7,030	-	7,030
<b>Other Operating Income</b>	-	-	-	1,739	1,739
<b>Provision for Loans or Other Receivables Losses</b>	3,473	39,372	-	8,925	51,770
<b>Other Operating Expense</b>	-	16	-	140,563	140,579
<b>Income Before Tax</b>	(31,579)	212,945	3,691	(144,575)	40,482
<b>Tax Provision</b>	-	-	-	(9,809)	(9,809)
<b>Net Profit/Loss</b>	-	-	-	30,673	30,673
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	1,159	-	1,159
Banks and Other Financial Institutions	-	-	468,454	-	468,454
Financial Assets Available for Sale (Net)	-	-	414,683	-	414,683
Loans	411,111	4,661,275	485,556	-	5,557,942
Held to Maturity Investments (Net)	-	-	-	-	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	1,517,218	1,517,218
<b>TOTAL SEGMENT ASSETS</b>	411,111	4,661,275	1,369,852	1,517,218	7,959,456
<b>SEGMENT LIABILITIES</b>					
Funds Collected	3,501,006	2,134,940	-	-	5,635,952
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	1,185,762	-	1,185,762
Securities Issued (Net)	-	-	133,668	-	133,668
Money Market Funds	-	-	101,459	-	101,459
Provisions	-	-	-	64,574	64,574
Other Liabilities	-	-	-	73,426	73,426
Shareholders' Equity	-	-	-	764,621	764,621
<b>TOTAL SEGMENT LIABILITIES</b>	3,501,006	2,134,940	1,420,889	902,621	7,959,456
<b>OTHER SEGMENT ITEMS</b>					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	11,998	11,998
Restructuring Costs	-	-	-	-	-

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### XIII. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

#### a) Information regarding the fair value of financial assets and liabilities:

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>6,441,079</b>	<b>-</b>	<b>6,441,079</b>	<b>-</b>
Due from Interbank Money Market	-	-	-	-
Banks	468,454	-	468,454	-
Available-for-sale Financial Assets	414,683	-	414,683	-
Held-to-maturity Investments	-	-	-	-
Loans	5,557,942	-	5,557,942	-
<b>Financial Liabilities</b>	<b>6,940,193</b>	<b>-</b>	<b>6,940,193</b>	<b>-</b>
Current account and funds collected from banks via participation accounts	22,421	-	22,421	-
Other current and profit sharing accounts	5,613,525	-	5,613,525	-
Funds Borrowed from Other Financial Institutions	1,185,762	-	1,185,762	-
Issued Marketable Securities	101,459	-	101,459	-
Miscellaneous Payables	17,026	-	17,026	-

Due from Interbank Money Market, Banks and Banks deposits considered to be equal to carrying values of their fair values because Due from Interbank Money Market, Banks and Banks deposits mostly consist from short term transactions.

Market price differences are considered on determining the available for sale financial assets book value and fair value. If the price formation does not occur within the active market conditions, indicator prices calculated by Central Bank are considered instead.

The fair value of financial assets held to maturity is determined based on quoted market prices for marketable securities of the same quality in terms of market prices or other terms such as when the price cannot be determined.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 "Financial Instruments: Explanations" Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank's balance sheet, are presented with respect to such basis of classification in the table below.

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial Assets at FV Through P/L</b>	<b>1,159</b>	-	-	<b>1,159</b>
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	1,159	-	-	1,159
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Available-for-Sale Financial Assets</b>	<b>409,964</b>	<b>4,719</b>	-	<b>414,683</b>
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	409,964	-	-	409,964
<b>Total Assets</b>	<b>411,123</b>	<b>4,719</b>	-	<b>415,842</b>
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	-	-	-

#### XIV. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

##### 1. Transactions, Custody, Management and Consultancy Services of the Bank on behalf of Third Parties:

The Parent Bank provides custody services for purchases and sales of government bonds on behalf of real and legal persons, intermediates in repurchase and sale transactions, and provides safe deposit box services. The Bank does not provide consultancy and management services.

##### 2. Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under scope of fiduciary transactions and effects of such services to the financial position of the Bank:

The Parent Bank does not make a fiduciary transaction agreements.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

##### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

##### 1. a) Information on cash and balances with Central Bank of the Republic of Turkey:

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	18,396	14,154
Central Bank of the Republic of Turkey	614,993	553,755
Other	-	-
<b>Total</b>	<b>633,389</b>	<b>567,909</b>

##### 1. a.1) Information on required reserves:

Banks, which were established in Turkey and opened with the aim of opening branches in Turkey, were tied to the Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. The items on the Communiqué, based on the accounting standards and recording forms of the banks and the firms, except for the liabilities to the CBRT, Undersecretariat of Treasury, domestic banks and the Turkey headquarters and branches of the banks established by international agreements; forms the liabilities that require to maintain reserves.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 10,5%; for deposits up to 6-months maturity 7,5%; for deposits up to 1-year maturity 5,5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10,5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; according to CBRT's Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12,5%; for FC deposit accounts with 1-year and longer maturity 8,5%, for FC liabilities other than deposits up to 1-year maturity 24,5%; for FC liabilities other than deposits up to 2-years maturity 19,5%; for FC liabilities other than deposits up to 3-years maturity 14,5%; for FC liabilities other than deposits up to 5-years maturity 6,5%; and for FC liabilities other than deposits more than 5-years maturity 4,5%.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Information on the account of the Central Bank of the Republic of Turkey:

	Current Period	
	TL	FC
Unrestricted Demand Deposit	613,239	15
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	-
Required Reserves <sup>(1)</sup>	1,754	553,740
<b>Total</b>	<b>614,993</b>	<b>553,755</b>

<sup>(1)</sup> TL 197,419 of the current period's FC required reserve is the part of the TL required reserves that are held in FC.

### 2. a) Information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements:

There is no information on financial assets at fair value through profit and loss given or blocked as collateral or subject to repurchase agreements.

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

	Current Period	
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	7	1,152
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>7</b>	<b>1,152</b>

### 3. a) Information on banks and other financial institutions:

	Current Period	
	TL	FC
Banks		
Domestic Banks	6,561	227,676
Foreign Banks	-	234,217
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>6,561</b>	<b>461,893</b>



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Information on foreign banks accounts:

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	233,717	-	-	-
USA, Canada	8	-	-	-
OECD Countries <sup>(1)</sup>	442	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	50	-	-	-
<b>Total</b>	<b>234,217</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD countries except EU countries, USA and Canada

### 4. a) Explanation regarding the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

	Current Period
Assets Subject to Repurchase Agreements	173,569
Assets Blocked/Given as Collateral	13,311
<b>Total</b>	<b>186,880</b>

### b) Information on financial assets available for sale:

	Current Period
Debt Securities	410,212
Quoted in Stock Exchange	403,044
Not Quoted in Stock Exchange	7,168
Share Certificates	4,719
Quoted in Stock Exchange	-
Not Quoted in Stock Exchange	4,719
Provision for Impairment (-)	248
<b>Total</b>	<b>414,683</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 5. Information related to loans:

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

	Current Period	
	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	480,455	-
Legal Entities	480,455	-
Individuals	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-
<b>Loans Granted to Employees</b>	441	-
<b>Total</b>	480,896	-

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms	Other
<b>Cash Loans</b>						
Loans						
Exports Loan	191,589	-	-	-	-	-
Imports Loans	318,373	-	-	-	-	-
Enterprise Loans	3,442,101	-	-	24,923	-	-
Consumer Loans	754,030	-	-	1,261	-	-
Credit Cards	-	-	-	-	-	-
Loans Given to Financial Sector	486,016	-	-	-	-	-
Other	123,038	-	-	3,431	-	-
Directed Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Profit Share Income						
Accruals and Rediscount	205,980	-	-	549	-	-
<b>Total</b>	<b>5,521,127</b>	<b>-</b>	<b>-</b>	<b>30,164</b>	<b>-</b>	<b>-</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

As of 31 December 2016, there are no loans and other receivables with revised contract terms.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>No. of extensions</b>		
1 or 2 Times Extended	-	-
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
<b>Total</b>	-	-

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Extension Periods</b>		
0 - 6 Months	-	-
6 Months - 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and Over	-	-
<b>Total</b>	-	-

### c) Breakdown of Cash-loans based on maturity:

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables Under Close Monitoring <sup>(1)</sup>	
	Loans and other receivables	Loans and other receivables with revised contract terms	Loans and other receivables	Loans and other receivables with revised contract terms
Short term loans and other receivables	1,734,186	-	13,966	-
Loans	1,734,186	-	13,966	-
Other Receivables	-	-	-	-
Medium and Long-term loans and other receivables	3,580,961	-	15,649	-
Loans	3,580,961	-	15,649	-
Other receivables	-	-	-	-

<sup>(1)</sup> TL 206,529 accrual and rediscount amounts are not included related to loans in the table.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>2,115</b>	<b>752,736</b>	<b>754,851</b>
Housing Loans	923	699,936	700,859
Vehicle Loans	874	32,634	33,508
Consumer Loans	318	20,166	20,484
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>			
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>			
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>			
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>			
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>45</b>	<b>395</b>	<b>440</b>
Housing Loans	-	-	-
Vehicle Loans	11	18	29
Consumer Loans	34	377	411
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>			
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>			
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>			
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>			
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>			
<b>Overdraft Account-FC (Real Person)</b>			
<b>Total <sup>(1)</sup></b>	<b>2,160</b>	<b>753,131</b>	<b>755,291</b>

<sup>(1)</sup> Dividend rediscount amounting to TL 3,700 not included in the table.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### d) Information on commercial installment loans and corporate credit cards:

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>3,092</b>	<b>86,859</b>	<b>89,951</b>
Business Loans	-	24,914	24,914
Vehicle Loans	3,092	61,945	65,037
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>-</b>	<b>13,426</b>	<b>13,426</b>
Business Loans	-	-	-
Vehicle Loans	-	13,426	13,426
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,092</b>	<b>100,285</b>	<b>103,377</b>

### e) Breakdown of domestic and international loans:

	Current Period
Domestic Loans	25,000
Foreign Loans	5,319,762
Interest Income Accruals of Loans	206,529
<b>Total</b>	<b>5,551,291</b>

### f) Breakdown of domestic and foreign loans:

	Current Period
Domestic Loans	5,344,762
Foreign Loans	-
Profit Share Income Accruals and Rediscount	206,529
<b>Total</b>	<b>5,551,291</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### g) Loans Granted to Subsidiaries and Participations:

As of 31 December 2016, Parent bank has no loans granted to subsidiaries.

### h) Specific Provisions Provided Against Loans:

	Current Period
Loans and receivables with limited collectability	82
Loans and receivables with doubtful collectability	2,635
Uncollectible loans and receivables	1,115
<b>Total</b>	<b>3,832</b>

### i) Information on non-performing receivables (net):

#### Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:

As of 31 December 2016 the Bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

### j) Information on the movement of total non-performing loans:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Ending balance of prior period</b>	2	-	-
Additions in the current period (+)	4,473	4,964	1,098
Transfers from other categories of non-performing loans (+)	-	4,013	17
Transfers to other categories of non-performing loans (-)	4,013	17	-
Collections in the current period (-)	54	-	-
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>408</b>	<b>8,960</b>	<b>1,115</b>
Specific provisions (-)	82	2,635	1,115
<b>Net balance at the balance sheet</b>	<b>326</b>	<b>6,325</b>	<b>-</b>

### k) Information on foreign currency non-performing loans:

As of 31 December 2016, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### l) Gross and net amounts of non-performing receivables according to user groups:

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>326</b>	<b>6,325</b>	
Loans to Real Persons and Legal Entities (Gross)	408	8,929	1,115
Specific Provisions (-)	82	2,604	1,115
Loans to Real Persons and Legal Entities (Net)	326	6,325	-
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	31	-
Specific Provisions (-)	-	31	-
Other Loans and Receivables (Net)	-	-	-

### m) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of the Parent Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Parent Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

### n) Explanations on write-off policy:

The Parent Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

### o) Other explanations and disclosures:

Current Period	Commercial/ Corporate	Consumer	Specialized	Total
Neither Past Due nor Impaired Loans	4,763,416	757,712	-	5,521,127
Past Due but not Impaired Loans	28,883	1,280	-	30,164
Impaired Loans	5,523	4,960	-	10,483
<b>Total</b>	<b>4,797,822</b>	<b>763,952</b>	<b>-</b>	<b>5,561,774</b>
Specific Provisions of Impaired Loans (-)	3,212	620	-	3,832
<b>Net Loan Amount</b>	<b>4,794,610</b>	<b>763,332</b>	<b>-</b>	<b>5,557,942</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

With respect to the classes of loans, the aging analysis of the loans that are past due but not impaired are as follows:

Current Period	Up to 1 Month	1-2 Months	2-3 Months	Over 3 Months	Total
Loans and Receivables	-	-	-	-	-
Commercial Loans	20,818	13,208	6,835	-	40,861
Consumer Loans	3,723	829	-	-	4,552
Specialized Loans	-	-	-	-	-
<b>Total</b>	<b>24,541</b>	<b>14,037</b>	<b>6,835</b>	<b>-</b>	<b>45,413</b>

### 6. Information on held-to-maturity investments:

#### a) Information on comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/ blocked:

As of 31 December 2016, the Bank has no comparative net values of held-to-maturity investments subject to repo transactions and given as a collateral/blocked.

#### b) Information on held-to-maturity government bonds and treasury bills:

As of 31 December 2016, Parent Bank has no held-to-maturity government bonds.

#### c) Information on held-to-maturity investments.

None.

#### d) Movements of held-to-maturity investments:

	Current Period	Prior Period
<b>Beginning Balance</b>	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	7,896	-
Disposals through Sales and Redemptions	7,896	-
Provision for Impairment (-)	-	-
<b>Period End Balance</b>	<b>-</b>	<b>-</b>

### 7. Information on subsidiaries (Net):

As of 31 December 2016, there are no subsidiary of the parent bank.

### 8. Information on joint ventures (net):

#### a) Information on unconsolidated associates:

As of 31 December 2016, there are no unconsolidated associates.



## Ziraat Participation Bank A.Ş.

### Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

#### b) Information on consolidated subsidiaries:

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/TURKEY	100.00	100.00

Ziraat Katılım Varlık Kiralama A.Ş. was established as of 22 January 2016 by approval of Banking Regulations and Supervision Agency and Capital Market Board on purpose of issuing lease certificate according to no. 28760 Gazette, Lease Certificate Announcement of Capital Market Board(III-61.1) dated 7 June 2013.

	Total Assets <sup>(1)</sup>	Shareholders Equity <sup>(1)</sup>	Total Fixed Assets <sup>(1)</sup>	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/loss	Fair Value	Needed shareholders' Equity
1	101,515	51	-	6,395	-	1	-	-	-

<sup>(1)</sup> Unaudited financial statements used.

#### c) Information on consolidated subsidiaries:

	Current Period
<b>Balance at the beginning of the year</b>	-
<b>Movements during the year</b>	-
Included in the scope of consolidation	50
Purchases	-
Bonus Share	-
Dividends from current year income	-
Transfers to available for sale financial assets	-
Sales	-
Revaluation increase	-
Specific provision for impairment(-)	50
<b>Balance at the end of the year</b>	-
Capital commitments	-
Share percentage at the end of the year (%)	-

<sup>(1)</sup> Paid Capital Increases made during the period are classified under "Purchases" account.

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

	Current Period
Ziraat Katılım Varlık Kiralama A.Ş.	50

#### e) Subsidiaries that are quoted on the stock exchange:

As of 31 December 2016, there are no subsidiaries that are quoted on the stock exchange.

#### 9. Information on entities under common control (joint ventures):

As of 31 December 2016, there are no entities under common control of the bank.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 10. Information on finance lease receivables:

	Current Period	
	Gross	Net
Up to 1 year	30,000	29,769
1-4 years	115,828	106,645
Over 4 years	119,957	84,959
<b>Total</b>	<b>265,785</b>	<b>221,373</b>

### 11. Information on derivative financial assets for hedging purposes:

As of 31 December 2016, the group has no derivative financial assets for hedging purposes.

### 12. Information on investment property:

As of 31 December 2016, the group has no investment property.

### 13. Information on assets held for sale and tangibles corresponding discontinuing operations:

As of 31 December 2016, the group has no assets held for sale and tangibles corresponding discontinuing operations.

### 14. Explanations on property and equipment:

	Immovable	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>						
Cost	-	-	-	13,021	27,683	40,704
Accumulated Depreciation (-)	-	-	-	1,136	780	1,916
<b>Net Book Value</b>	-	-	-	11,885	26,903	38,788
<b>Current Period End:</b>						
Net Book Value at the Beginning of the Period	-	-	-	11,885	26,903	38,788
Change During the Period (Net)	-	-	-	7,586	8,138	15,724
Amortization Amount (Net) (-)	-	-	-	3,470	7,399	10,869
Depreciation (Net) (-)	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	-	-	-	20,607	35,821	56,428
Accumulated Depreciation at Period End (-)	-	-	-	4,606	8,179	12,785
<b>Closing Net Book Value</b>	-	-	-	<b>16,001</b>	<b>27,642</b>	<b>43,643</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 15. Information on intangible assets:

	Current Period		
	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-
Establishment Costs	-	-	-
Goodwill	-	-	-
Intangible Rights	26,357	3,452	22,905
<b>Total</b>	<b>26,357</b>	<b>3,452</b>	<b>22,905</b>

### 16. Information on deferred tax asset:

The Parent Bank's deferred tax asset is calculated as TL 6,410 however it's reflected on the financial statements as TL 4,876 by offsetting with deferred tax liability.

	Current Period
Deferred tax asset	6,410
Deferred tax liability	1,534
Net deferred tax asset	4,876
Net deferred tax income/loss	4,540

	Current Period
Severance pay	156
Short-term employee rights	114
Revaluation of financial assets	1,099
Other	3,507
<b>Net deferred tax asset</b>	<b>4,876</b>

	Current Period
<b>As of January 1</b>	<b>(652)</b>
Deferred tax Income/(Loss) (Net)	4,540
Deferred Tax Accounted for Under Equity	988
<b>Deferred tax asset</b>	<b>4,876</b>

### 17. Information on other assets:

As of 31 December 2016, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

#### 1. a) Information on funds collected:

##### a.1) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	117,874	-	-	-	-	-	-	-	117,874
II. Real persons profit sharing accounts TL	-	187,577	1,323,135	25,311	-	15,106	47,811	-	1,598,940
III. Other current accounts-TL	389,920	-	-	-	-	-	-	-	389,920
Public sector	79,305	-	-	-	-	-	-	-	79,305
Commercial sector	300,725	-	-	-	-	-	-	-	300,725
Other institutions	9,890	-	-	-	-	-	-	-	9,890
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	151,803	1,403,895	93,307	-	7,249	13,761	-	1,670,015
Public sector	-	103,874	463,565	32,036	-	-	-	-	599,475
Commercial sector	-	46,674	696,543	30,357	-	6,167	11,944	-	791,685
Other institutions	-	1,255	243,787	30,914	-	1,082	1,817	-	278,855
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	58,097	-	-	-	-	-	-	-	58,097
VI. Real persons profit sharing accounts-FC	-	62,655	605,255	38,679	-	26,531	51,688	-	784,808
VII. Other current accounts-FC	243,408	-	-	-	-	-	-	-	243,408
Commercial residents in Turkey	239,462	-	-	-	-	-	-	-	239,462
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	3,946	-	-	-	-	-	-	-	3,946
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	3,946	-	-	-	-	-	-	-	3,946
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	27,383	588,263	104,768	-	-	-	-	720,414
Public sector	-	290	1,389	-	-	-	-	-	1,679
Commercial sector	-	27,090	475,748	104,768	-	-	-	-	607,606
Other institutions	-	3	92,595	-	-	-	-	-	92,598
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	18,531	-	-	-	-	-	18,531
IX. Precious metal funds	23,705	-	27,239	289	-	856	381	-	52,470
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>833,004</b>	<b>429,418</b>	<b>3,947,787</b>	<b>262,354</b>	<b>-</b>	<b>49,742</b>	<b>113,641</b>	<b>-</b>	<b>5,635,946</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### a.2) Exceeding Amounts of Insurance Limit:

#### i) Information's on current and profit share accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving Deposit
	Current Period	Current Period
Real persons current and profit sharing accounts that are not subject to commercial activities	1,273,216	1,337,842
TL accounts	1,014,137	702,666
FC accounts	259,079	635,176
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-

#### Amounts which are not within the scope of insurance:

#### ii) Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Current Period
Foreign branches' profit sharing accounts and other accounts	
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	263
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-

## 2. Information on derivative financial liabilities held for trading:

### a) Negative differences table regarding to derivative financial liabilities held for trading:

None.

### 3. a) Information on banks and other financial institutions:

	Current Period	
	TL	FC
Borrowings from CBRT	-	-
Domestic Banks and Institutions	-	477,478
Foreign Banks, Institutions and Funds	-	708,284
<b>Total</b>	<b>-</b>	<b>1,185,762</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Information on maturity structure of borrowings:

	Current Period	
	TL	FC
Short-term	-	400,611
Medium and Long-Term	-	785,151
<b>Total</b>	<b>-</b>	<b>1,185,762</b>

### c) Further information is disclosed for the areas of the Group's liability concentrations. Main liability concentration areas are fund suppliers, sector groups or other risk concentration criteria:

64% of the Group's liabilities consist of current and share profit account.

### d) Funds provided under repurchasing agreements:

	Current Period	
	TL	FC
<b>Domestic</b>	<b>133,668</b>	<b>-</b>
Financial Institutions	133,668	-
Other Institutions	-	-
Real Persons	-	-
<b>Abroad</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-
Other Institutions	-	-
Real Persons	-	-
<b>Total</b>	<b>133,668</b>	<b>-</b>

### e) Information on securities issued:

As of 31 December 2016, Group has a TL 101,459 securities issued.

### 4. If other liabilities exceed 10% of the balance sheet total, name and amount of sub-accounts constituting at least 20% of these liabilities:

Other liabilities component do not exceed 10% of total balance sheet.

### 5. Information on Financial Lease Obligations:

None.

### 6. Information on hedging derivative financial liabilities:

The parent bank has no hedging derivative financial liabilities.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 7. Information on provisions:

#### a) Information on general provisions:

	Current Period
<b>General Provisions</b>	<b>52,263</b>
I. For Loans and Receivables in Group I (Total)	47,667
Profit Sharing Accounts' Share	34,600
The Bank's Share	13,067
Other	-
I. Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
II. Loans and Receivables in Group II (Total)	595
Profit Sharing Accounts' Share	376
The Bank's Share	219
Other	-
II. Additional Provision for Loans and Receivables with Extended Maturities	-
Profit Sharing Accounts' Share	-
The Bank's Share	-
Other	-
Provisions for Non Cash Loans	1,457
Other	2,544

#### b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 174.

#### c) Information on special provisions related with uncompensated and non- liquidated non-cash loans:

Specific provisions for unindemnified non-cash loans amount to TL 29.

#### d) Information on other provisions:

##### d.1) Information on free provisions for possible risks:

None.

##### d.2) the names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:

The balance which forms the other provisions part, amount of TL 6,918 represents the separated provisions from profit share amount of the participation accounts.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### e) Information on provisions for employee benefits:

#### e.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2016, the amount payable consists of one month's salary limited to a maximum of TL 4,426 (full amount) (31 December 2015: - None) for each year of service.

In the Group's financial statements according to TAS 19 - provisions were made for the employee benefits over the payables of non-discounted amounts as a return of services provided during the one accounting period.

Bank uses actuary method in the calculation and recognition of severance pay with in the standard of TAS 19 - "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	<b>Current Period</b>
Discount Rate (%)	4.02
Entitled to pension possibility (%)	98

Movements in the reserve for employment termination benefits during period are as follows:

	<b>Current Period</b>
Balance at the 1 January	-
Changes during the period	859
Paid during the period	-
Actuarial Loss/(Gain)	(79)
<b>Balance at the end of the period</b>	<b>780</b>

As of the date of 31 December 2016, Bank has a TL 1,389 short-run employees' rights provision.

### 8. Explanations on tax liability:

#### a) Explanations on current tax liability:

##### a.1) Information on tax provisions:

As of 31 December 2016, the Group's corporate income tax liability is TL 2,886 after deducting temporary taxes paid during the period from the tax provisions.



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### a.2) Information on taxes payable:

	Current Period
Corporate Tax Payable	2,886
Taxation on Income From Securities	3,389
Property Tax	88
Banking Insurance Transactions Tax (BITT)	2,312
Foreign Exchange Transactions Tax	-
Value Added Tax Payable	236
Other	841
<b>Total</b>	<b>9,752</b>

### a.3) Information on premiums:

	Current Period
Social Security Premiums - Employee	6
Social Security Premiums - Employer	9
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	34
Unemployment Insurance - Employer	67
Other	-
<b>Total</b>	<b>116</b>

### b) Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 1,534 and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 4,876 is presented in the financial statements.

### 9. Information on payables for assets held for sale and discontinued operations:

The Group does not have any payables for assets held for sale and discontinued operations.

### 10. Explanations on subordinated debts:

The Group does not have any subordinated debts.

### 11. Information on shareholders' equity:

#### a) Presentation on paid-in capital:

	Current Period
Common stock	747,000
Preferred stock	-

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

The Group does not have a registered capital system.

### c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

Accordingly to the decision of the Bank's ordinary meeting of the general assembly, which took place on 29 April 2016, the Bank's paid capital has been raised 72.000 TL from 675.000 TL to 747.000 TL and it is registered on 18 May 2016.

### d) Information on additions from capital reserves to capital in the current period:

None.

### e) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

There is no capital commitment for the last financial year and the end of the following interim period.

### f) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:

The group has no any uncertainty related to profitability and liquidity for the previous period.

### g) Information on preferred shares:

As of 31 December 2016, the group has no preferred shares.

### h) Information on marketable securities value increase fund:

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
From Available for Sale Marketable Securities	(963)	(107)
Revaluation Difference	(1,573)	(107)
Deferred Tax Effect	610	-
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(963)</b>	<b>(107)</b>

### i) Information on minority shareholder:

None.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

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

##### a) Nature and amount of irrevocable loan commitments:

	Current Period
Commitments for Credit Card Expenditure Limits	-
Other Irrevocable Commitments	-
Payment Commitments for Cheques	34,817
Loan Granting Commitments	-
Asset Purchase Commitments	13,223
Promotion Campaigns Commitments Relating to Credit Card and Bank Services	458
<b>Total</b>	<b>48,498</b>

##### b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

The Parent Bank has no possible losses arising from the off-balance sheet items.

##### b1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits:

	Current Period
Guarantee Letters	2,772,734
Letter of Credits	188,475
Bank Acceptances	7,484
Other Contingencies	539,276
<b>Total</b>	<b>3,507,969</b>

##### b.2) certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period
Letters of Temporary Guarantees	400,357
Letters of Certain Guarantees	1,031,833
Letters of Advance Guarantees	386,135
Letters of Guarantees given to Customs Offices	32,197
Other Letters of Guarantees	922,212
<b>Total</b>	<b>2,772,734</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b.3) Total non-cash loans:

	Current Period
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>922,212</b>
With Original Maturity of One Year or Less	-
With Original Maturity of More than One Year	922,212
<b>Other Non-Cash Loans</b>	<b>2,585,757</b>
<b>Total</b>	<b>3,507,969</b>

### c) Information on sectoral risk concentrations of non-cash loans:

	Current Period			
	TL	(%)	FC	(%)
Agricultural	3,518	-	-	-
Farming and Raising Livestock	3,518	-	-	-
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	154,819	12	1,056,107	49
Mining and Quarrying	10,562	1	2,986	-
Production	144,257	11	1,053,121	49
Electric, Gas and Water	-	-	-	-
Construction	699,949	52	501,191	23
Services	362,391	28	510,134	24
Wholesale and Retail Trade	329,458	25	275,016	13
Hotel, Food and Beverage Services	9,531	1	62,561	3
Transportation and Telecommunication	22,768	2	172,557	8
Financial Institutions	-	-	-	-
Real Estate and Leasing Services	55	-	-	-
Self-employment Services	-	-	-	-
Education Services	89	-	-	-
Health and Social Services	490	-	-	-
Other	120,657	8	99,203	4
<b>Total</b>	<b>1,341,334</b>	<b>100</b>	<b>2,166,635</b>	<b>100</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>1,341,334</b>	<b>2,164,232</b>	<b>-</b>	<b>2,403</b>
Letters of Guarantee	1,329,163	1,443,571	-	-
Bank Acceptances	-	7,484	-	-
Letters of Credit	-	186,072	-	2,403
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	12,171	527,105	-	-

### 2. Explanations on derivative transactions:

	Current Period
<b>Types of Trading Transactions</b>	
Foreign Currency Related Derivative Transactions: (I)	259,672
Forward Transactions	259,672
Swap Transactions	-
Futures Transactions	-
Option Transactions	-
Interest Related Derivative Transactions (II)	-
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>259,672</b>
<b>Types of Hedging Derivative Transactions</b>	
Fair Value Hedges	-
Cash Flow Hedges	-
Foreign Currency Investment Hedges	-
<b>B. Total Hedging Derivative Transactions</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>259,672</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

The Parent bank has no derivative transaction held for cash flow hedges. There are no income and expenses before ex ante and accounted on the basis of this prediction; however operations that is inferred as not actualize and by the reason of unrelated with income statements in the current period.

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
<b>Financial assets for trading</b>						
Foreign Exchange derivatives:	394	758	-	-	-	1,152
- Addition	37,044	93,368	-	-	-	130,412
- Disposal	(36,650)	(92,610)	-	-	-	(129,260)
<b>Hedging Transactions</b>						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
<b>Total cash addition</b>	<b>37,044</b>	<b>93,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,412</b>
<b>Total cash disposal</b>	<b>(36,650)</b>	<b>(92,610)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129,260)</b>

### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts to TL 34,817.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

### 4. Explanations on services in the name of others:

The Bank provides safe deposit box services for real and legal persons. The Bank does not provide consultancy and management services.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

#### 1. a) Information on profit share received from loans:

	Current Period	
	TL	FC
<b>Profit share on loans <sup>(1)</sup></b>	<b>333,620</b>	<b>22,665</b>
Short term loans	149,469	4,033
Medium and long term loans	184,151	18,632
Profit share on non-performing loans	-	-
Premiums received from resource utilization support fund	-	-

<sup>(1)</sup> Includes fees and commissions income on cash loans

#### b) Information on profit share received from banks:

	Current Period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	353	-
Foreign Banks	-	-
Branches and head office abroad	-	-
<b>Total</b>	<b>353</b>	<b>-</b>

#### c) Information on profit share income from securities portfolio:

	Current Period	
	TL	FC
Financial Assets Held for Trading	-	-
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available-for-Sale	23,834	267
Investments Held-to-Maturity	398	-
<b>Total</b>	<b>24,232</b>	<b>267</b>

#### d) Information on profit share income received from associates and subsidiaries:

None.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 2. a) Information on profit share expense on borrowing:

	Current Period	
	TL	FC
Banks	2,065	11,617
Central Bank of the Republic of Turkey	-	-
Domestic Banks	2,065	6,405
Foreign Banks	-	5,212
Head Office and Branches	-	-
Other Institutions	6,395	4,975
<b>Total</b>	<b>8,460</b>	<b>16,592</b>

### b) Information on profit share expense given to associates and subsidiaries:

None.

### c) Information on profit share expense paid to securities issued:

None.

### d) Distribution of profit share on funds based on maturity of funds:

Current Period	Profit Sharing Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
<b>Account name</b>						
<b>TL</b>						
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-
Real person's non-trading profit sharing account	7,928	54,166	1,206	647	2,579	66,526
Public sector profit sharing account	1,753	11,610	3,034	2,080	-	18,477
Commercial sector profit sharing account	3,299	24,681	946	638	1,020	30,584
Other institutions profit sharing account	112	13,309	1,341	156	19	14,937
<b>Total</b>	<b>13,092</b>	<b>103,766</b>	<b>6,527</b>	<b>3,521</b>	<b>3,618</b>	<b>130,524</b>
<b>FC</b>						
Collected funds from banks through current and profit share accounts	374	334	145	-	-	853
Real person's non-trading profit sharing account	1,517	14,179	428	345	481	16,950
Public sector profit sharing account	-	-	-	-	-	-
Commercial sector profit sharing account	-	-	-	-	-	-
Other institutions profit sharing account	-	-	-	-	-	-
Precious Metal Accounts	8	-	-	-	-	8
<b>Total</b>	<b>1,899</b>	<b>14,513</b>	<b>573</b>	<b>345</b>	<b>481</b>	<b>17,811</b>
<b>General Total</b>	<b>14,991</b>	<b>118,279</b>	<b>7,100</b>	<b>3,866</b>	<b>4,099</b>	<b>148,335</b>

### 3. Information on dividend income:

None.



## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

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

	<b>Current Period</b>
<b>Income</b>	<b>1,170,436</b>
Foreign exchange gains	1,159,044
Gain on derivative financial instruments	11,392
Gain on capital market transactions	-
<b>Losses (-)</b>	<b>1,163,406</b>
Foreign exchange losses	1,162,689
Losses on derivative financial instruments	717
Losses on capital market transactions	-
<b>Net</b>	<b>7,030</b>

### 4. b.) Information on profit/loss on derivative financial operations:

	<b>Current Period</b>
Effect of the change in exchange rates on profit/loss	10,675
<b>Total</b>	<b>10,675</b>

### 5. Information on other operating income:

**Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income:**

There is no information on factors covering the recent developments which has significant effect on the banks income and the extent of effect on income.

### 6. Provision expenses for impairment on loans and other receivables:

	<b>Current Period</b>
Specific Provisions for Loans and Other Receivables	3,832
III. group loans and receivables	82
IV. group loans and receivables	2,603
V. group loans and receivables	1,147
General provision expenses	38,687
Provision expenses for possible losses	-
Impairment provision of marketable securities	142
Financial Assets at fair value through profit and loss	-
Investment securities available for sale	142
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other <sup>(*)</sup>	9,109
<b>Total</b>	<b>51,770</b>

<sup>(\*)</sup> The balance which forms the other item part, amount of TL 8,925 represents the separated profit share amount of the participation accounts.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### 7. Information on other operating expenses:

	<b>Current Period</b>
Personnel expenses	65,101
Reserve for Employee Termination Benefits	780
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	9,722
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	2,275
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Amortization Expenses of Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	42,824
Operational Leasing Expenses	12,291
Maintenance Expenses	392
Advertisement Expenses	10,823
Other Expenses	19,318
Loss on Sales of Assets	-
Other <sup>(1)</sup>	19,877
<b>Total</b>	<b>140,579</b>

<sup>(1)</sup> The balance which forms the other item part, TL 8,503 represents TMSF Premium amount and audit and consultancy fees and TL 11,374 represents taxes, fees and funds and other services expenses.

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

As of 31 December 2016, The Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	<b>Current Period</b>
Net Profit Share Income	209,857
Other Operating Expenses (-)	140,579
Provision for Loan or Other Receivables Losses (-)	51,770
Other Operating Income	1,739
Net Fees and Commissions Income	14,205
Dividend Income	-
Trading Income/Expense (Net)	7,030
<b>Income/(Loss) from Continuing Operations</b>	<b>40,482</b>

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

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

As of 31 December 2016, the Bank's total tax provision expense amounting to TL 9,809 is consisted from TL 14,349 of current tax expense, and TL 4,540 is deferred tax income.

### 10. Explanation on net income/loss for the period for continuing and discontinued operations:

The Group's net operating income after tax amounts to TL 30,673.

### 11. Information on net profit/loss:

#### a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Parent Bank utilizes its resources from equity capital, domestic current and participation accounts, as loan securities and interbank operations. Additionally, the parent bank generates an income from other banking operations.

#### b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

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

None.

## V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

### a) Explanations on inflation adjustment differences for equity items:

In the Ordinary General Assembly Meeting of the Bank in 2015 held on April 29, 2016, it was decided not to distribute profits as the year 2015 was closed for the period due to the establishment expenses.

The Bank plans to subject its profit to profit distribution in line with the Articles of Incorporation in 2016. However, as of the date of preparation of the financial statements, no decision on dividend distribution has been made.

### b) Explanations on Available For Sale Financial Assets:

Available for sale financial assets are not included in the current income statement, until their collections, disposals, sales or losses are realized and those assets are recognized under the "Marketable Securities Revaluation Fund" under equity. In accordance with TAS 39 and due to the change in the Bank's intention to hold the previously classified as available for sale securities to maturity the Bank has reclassified the securities under available for sale portfolio to held to maturity portfolio. The valuation differences of these securities is presented under shareholders' equity as a "Marketable Securities Valuation Differences" and transferred to profit/loss with subject to redemption with proportional to the maturity of security.

### c) Profit reserves:

As of balance sheet date, the Bank has no profit reserves.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

#### 1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

"Operating Profit before Changes in Operating Assets and Liabilities" amounting to TL 30,673 is composed mainly from interest received from loans and securities amounting to TL 390,741 and interest paid to deposit and money market operations which is amounting to TL 180,886. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is calculated approximately TL 146,984 as of 31 December 2016 (31 December 2015: TL (8,059)).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as "cash"; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as "cash equivalents".

#### Period opening and end cash and cash equivalents balance:

Period opening	Current Period
Cash in TL and in Foreign Currency	8,623
Central Bank of the Republic of Turkey and Other Banks	136,514
Money Market Operations	-
<b>Total Cash and Cash Equivalents</b>	<b>145,137</b>
Period End	Current Period
Cash in TL and in Foreign Currency	32,550
Central Bank of the Republic of Turkey and Other Banks	1,081,708
Money Market Operations	-
<b>Total Cash and Cash Equivalents</b>	<b>1,114,258</b>

### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

#### 1) a) Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	337,726	-	-	-
Balance at end of period	-	-	558,924	-	-	-
<b>Profit share and commission income</b>	-	-	<b>11,533</b>	-	-	-

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	891	-	-	-
Balance at the end of period	-	-	1,796	891	-	-
Profit share expense	-	-	2	-	-	-

### 2) Information on forward transactions, option agreements and similar transactions between the Bank's risk groups:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	159,609	-	-	-
Closing Balance	-	-	259,672	159,609	-	-
<b>Total Profit/Loss</b>	-	-	<b>10,675</b>	-	-	-
Risk Protection Oriented Processes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

### 3) Information on remunerations provided to group top management:

The group has paid TL 2,625 to top management.

## VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

All of the shares of the Parent of the Bank T.C Ziraat Bankası A.Ş has been transferred to the Turkey Asset Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

Referring to the Board of Directors Approval dated 16 November 2016 numbered 18/2, it has been decided that a new Varlık Kiralama A.Ş. will be founded, and the process regarding the establishment of a legal Corporation continues.

## Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### IX. INFORMATION ON THE BANK'S DOMESTIC AND FOREIGN BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

#### 1) Information on domestic and foreign branches and representatives of the Bank:

	Number	Number of Employees	Country of Incorporation	Total assets	Statutory Share Capital
Domestic Branch <sup>(1)</sup>	44	377			
Foreign Representative Office	-	-	-		
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

<sup>(1)</sup> The number of employees in Head Office are not included in the number of employees in domestic branches.

#### 2) Explanations on domestic and abroad branch and agency openings or closings, significantly organization altering of the Bank:

The Bank opened 22 domestic branches during the year 2016.

## **Notes To The Consolidated Financial Statements For the Period of 1 January - 31 December 2016**

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

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements Originally Issued in Turkish, See Note I. of Section Three)

### **SECTION SIX**

#### **OTHER EXPLANATIONS AND NOTES**

##### **I. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS**

None.

##### **II. EXPLANATIONS ON BANKS CREDIT NOTES FROM CREDIT RATING AGENCIES**

None.

### **SECTION SEVEN**

#### **EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT**

##### **I. EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT**

As of 31 December 2016, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Audit Report dated 17 February 2017 is presented preceding the financial statements.

##### **II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.