



2016 Annual Report

# Content

### **PART I - Introduction**

- 2 Our Mission and Our Vision
- 3 Our Strategies
- 4 Corporate Profile
- 5 2016 Highlights
- 6 Key Financial Indicators
- 6 The Shareholding Structure
- 6 Milestones in the History of Ziraat Participation
- 10 Chairman's Assessment
- 12 CEO's Assessment
- 14 Highlights in 2016
- 18 Macroeconomic Outlook
- 24 An Assessment of 2016: Strategies, Developments and Future Goals
- ?? Ziraat Participation's Shareholders in 2016
- 36 Changes in the Articles of Association in 2016
- 37 The Report on Compliance of Annual Report

### PART II - Management and Corporate Governance Practices

- 42 Ziraat Participation Board of Directors
- 46 Ziraat Participation Senior Management
- 48 Summary Report by the Board of Directors
- 49 Information on the Activities of the Committees
- 50 Human Resources Practices and Policies and the Expectations Regarding 2017
- 51 Transactions Carried out with Ziraat Participation's Risk Group
- 51 Companies from which Support Services Are Obtained

### PART III - Financial Information and Risk Management

- 52 Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems
- 55 Ziraat Participation's Financial Standing, Profitability and Solvency
- 55 Ratios
- 56 Information about Risk Management Policies and Activities According to Type of Risk
- 58 Summary Balance Sheet and Income Statement
- 59 Consolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2016
- 175 Consolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2016

280 Contact Information

# **PART I - Introduction**

# **Our Mission and Our Vision**

# **Our Mission**

Our mission is to become a participation bank that understands the expectations and needs of its customers in the best way possible and offering most reliable solutions and value propositions through the most appropriate channel, carries out its activities with worldclass sustainable profitability and efficiency being aware of principles of participation banking and ethics, facilitates access to financial services focusing onto the customer satisfaction.

# **Our Vision**

At Ziraat Participation Bank, our vision is to become a global, reputable and leading participation bank that strengthen participation banking not only in Turkey, but in the region, constantly generates value, offers customers more the more as they share at every stage.

# **Our Strategies**

# **To be an effective Participation Bank**

- To allocate resources to investments that will create value with the financing it provides,
- To be fair and transparent in profit sharing,
- To create customer-centric processes in order to achieve operational excellence.

# To run Participation Banking for everyone

- To be the "Moral Participation Bank" with which customers and personnel feel a sense of peace and are happy to work with or for,
- To offer services which meet universal service standards with the same high quality wherever they are,
- To manage the financing of production and trade in a manner that adds value.

# **To improve Participation Banking**

- To integrate into the international participation banking financial architecture,
- To contribute to the development of the participation banking sector in our country,
- To be a pioneer in the participation banking sector by developing new products and services.

# **Corporate Profile**

# Ziraat Participation offers its customers individual and corporate banking with its experienced staff, effective distribution channels, digital platforms and technological infrastructure.

Ziraat Participation was launched as our country's first publicly funded participation bank at the Eminönü Branch on 29 May 2015. Ziraat Participation offers its customers individual and corporate banking with its experienced staff, effective distribution channels, digital platforms and technological infrastructure.

Backed by the synergy of its parent, Ziraat Finans Group and the power of the 153-year old Ziraat brand, Ziraat Participation contributes to the goals of Turkey in the region where Turkey is located and its goals at the global scale. It continues on its way with sure steps within the framework of "Achieving More by Sharing" principle.

Ziraat Participation focuses on carrying out work that will add value to all its stakeholders and society, not only for its customers and shareholders and focuses on supporting the development of participation banking. As a visionary participation bank aiming to grow together, the volume of Ziraat Participation's assets increased by 266% YoY. It directly contributed to production and employment with TL 9 billion of cash and non-cash financing support in the first year of its operations.

Working to a goal of sustainable profitability and productivity and creates business models in line with the principle of "Achieving More by Sharing", Ziraat Participation demonstrated a successful performance in 2016, writing a net profit of TL 30.7 million.

Establishing a branch network in the regions, which represent 70% of our national income, Ziraat Participation doubled its branch network to 44 branches with 22 new branches opened in the country in 2016, while further improving its geographical spread.

Ziraat Participation will continue to provide superior quality services to its customers with its 655 experienced and competent staff, the internet branch, the mobile branch and the call center and will increasingly contribute to the country's economy going forward.

# 2016 Highlights

# Total Assets

TL 7,960 million

Loans

# TL 5,558 million

Number of Branches



As of 2015 year-end, the number of branches of Ziraat Participation, which was 22, reached 44 at the end of 2016.

# Number of Employees

# **Number of Employees**

As of 2015 year-end, the number of employees of Ziraat Participation, which was 458, as of 2016 yearend reached 655 as a result of organic growth.

# **Digital products**



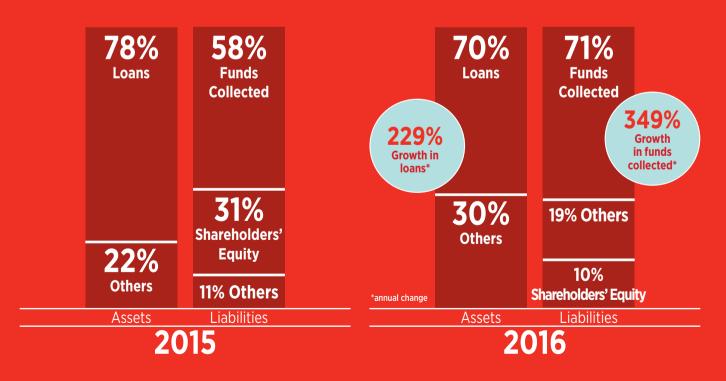
655



# **Internet Banking**

The Ziraat Participation Mobile Banking application was made available for iOS operating system users with the "Participation Mobile" brand on 17 December 2016.

# The Breakdown of 2016 Balance Sheet



# **Key Financial Indicators**

(TL Million)	2015	2016	Change (%)
Total Liabilities	2,177,435	7,959,507	266
Liquid Assets and Banks	279,641	1,669,752	497
Securities Portfolio	129,893	415,842	220
Loans	1,690,106	5,557,942	229
Funds Collected	1,256,305	5,636,002	349
Shareholders' Equity	664,530	764,621	15
Profit Shares Income	86,425	390,742	352
Profit Shares Expense	17,976	180,885	906
Income Before Tax	(11,708)	40,482	446
Net Profit/Loss	(11,982)	30,673	356

# **The Shareholding Structure**

The main shareholder of Ziraat Participation is Ziraat Bank.

The TL 747,000,000 capital of Ziraat Participation was fully paid by Undersecretariat of Treasury. Ziraat Participation's capital is divided into 747,000,000 shares, each valued at TL 1.00. The Chairman and members of the Board, members of the Audit Committee, General Manager and Assistant General Managers do not own shares.

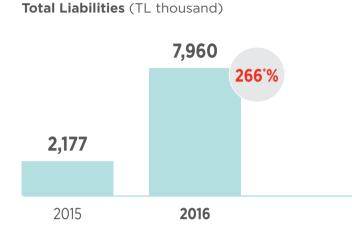
# **Milestones in the History Ziraat Participation**

# 2015

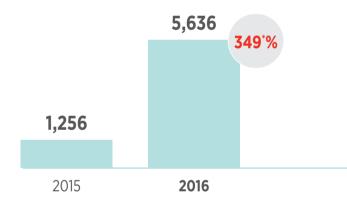
- As the first publicly funded participation bank, the Bank began operations on 29 May 2015, in a grand opening with the participation of President Recep Tayyip Erdoğan.
- Our Bank became the first participation bank in the sector to obtain the Participation Banking Activity Ratification Certificate, approving the general framework of our operations in compliance with the Principles of Participation Banking.

# 2016

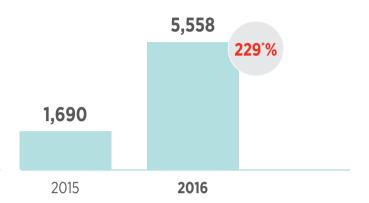
- Ziraat Participation proudly completed its first year, a full of firsts, with a net profit of TL 30.7 million.
- The first profit-loss sharing partnership was carried out in different sectors.
- The first Sukuk issuance was undertaken by establishing an Asset Leasing company.
- The first Murabaha Syndication took place.
- Our Bank became the first participation bank in the sector to obtain the Participation Banking Activity Ratification Certificate, which approves the general framework of our operations in compliance with the Principles of Participation Banking.



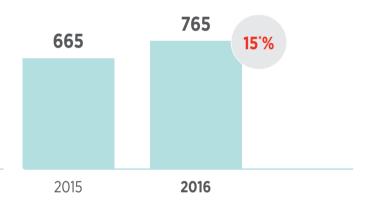
Funds Collected (TL thousand)



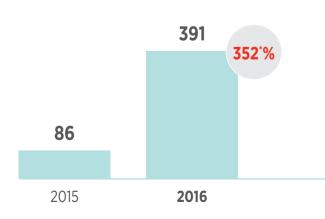




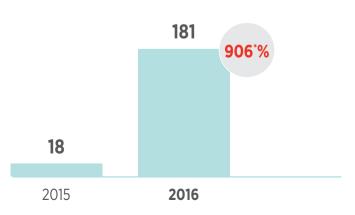
Shareholders' Equity (TL thousand)



Profit Shares Income (TL thousand)



Profit Shares Expense (TL thousand)



\*Annual rate of change



# What is sharing?

For us, sharing sometimes means to give what you feel in your heart, and sometimes to give from one heart to another.

# **Chairman's Assessment**



The year 2016 was shaped by the monetary policy implemented by the US Federal Reserve (Fed), the presidential elections in the USA, the British vote to leave the EU in the Brexit referendum, the fall of local currencies in emerging markets and the significant volatility in commodity prices and bond yields. In 2016, the US dollar climbed high against the currencies of both other developed countries and developing countries.

Despite the stronger than expected employment figures in the USA in 2016, the Fed acted with caution on interest rate hikes as inflation remained slightly lower than the targets. The signs of stagnation observed in the global economy in the first half of the year took bond yields to historic lows, especially in developed countries. However, this trend was broken by the announcement of a fall in the rate of unemployment in the USA to below 5% and Trump's win in the US Presidential election and a sharp rise in USA bond yields ensued, as Trump had promised the implementation of expansionary fiscal policies. Contrary to its earlier projection of four rate hikes, the Fed raised interest

# **Our Sector**

### maintained its asset quality.

rates only once in 2016, with a 25 basis point hike in the last quarter of the year, while signaling a faster pace of interest rate hikes for the future. Although the Fed is likely to raise interest rates three more times in 2017, a lot will depend on Trump's economic policies and the course of the US economy during the year.

One of the most important factors affecting the European economy in 2016 was Brexit. The European Central Bank (ECB) aimed to stimulate European economies by increasing bond purchases, reducing deposit interest and implementing an expansionary monetary policy, while taking precautionary measures aimed at containing the risk from Brexit. With elections this year in Germany, the Eurozone's largest economy and in France during 2017, the ECB has extended the period of its asset acquisition program until the end of the year.

Developing countries suffered a flood of capital outflows, due in large part to plunging commodity prices in early 2016. The capital outflows continued, albeit at a milder pace, for the rest of the year. China lost about 9% of its reserves during the year due to the slowdown in growth rates in the economy and structural problems in the country. At the same time, as the world's largest importer of commodities, the slowdown in China precipitated a sharp decline in commodity prices while also paving the way for a widening in budget deficits and a worsening in the current accounts of commodity exporters. Unless China can restore its earlier growth rates as it undergoes the transition from an export-based growth model to one based on domestic consumption-based growth, the downward trend in commodity prices and deterioration in the economic outlook of commodity exporters is set to continue.

The increase in geopolitical risks in 2016, higher volatility in the global economy and the monetary policy imposed by the Fed caused volatility in Turkey, as well as in other emerging economies. After a faster than expected growth rate in the first half of the year, a combination of the extraordinary political developments experienced in the second half of the year and volatility in foreign markets led to weaker growth in the second half of the year. However, in a global context, Turkey's growth rate could still be considered strong despite the negativity. Domestic demand contributed more to economic growth, while the contribution of net foreign trade was limited.

# Ziraat Participation, which rounded off its first year of operation in 2016, was the first publicly funded participation bank in the sector.

However, the continued recovery in Europe is expected to stimulate the Turkish economy towards a better performance in 2017 than in 2016 with an increased contribution from foreign trade in 2017.

With the increase in oil prices towards the end of the year and the exchange rate impact, inflation in Turkey ended 2016 at 8.53%, exceeding expectations. The fallout of these developments is expected to continue in the first quarter of 2017, but with inflation then expected to decrease with the contribution of a higher base effect from the second quarter of the year.

The tourism sector failed to meet its targets due to the political crisis with Russia in 2016. Geopolitical risks and mounting concerns over economic growth in the world also curtailed exports during the year. Despite this, Turkey's foreign trade deficit continued to contract during the year thanks to lower commodity prices (especially oil) when compared to the previous year. Even through the Fed's tight monetary policies in the coming period look set to precipitate an increase in capital outflows, a combination of improving relations with Russia and steps to ease geopolitical risks with dialogue are likely to be reflected positively to Turkey's current account deficit.

# **The Fed**

continued to increase interest rates.

BREXIT

The EU's future is questioned.

Within the framework of the simplification steps implemented in its monetary policy, the Central Bank of the Republic of Turkey (CBRT) sharply discounted its lending rate in response to the downward trend in inflation. However, after continued cuts in interest rates until the last quarter of the year, the Central Bank increased its policy interest rate by 50 basis points towards the end of the year in a bid to support the Turkish Lira, to reflect the change in global economic conditions. The steps taken by the CBRT to support the economy are expected to support investment and consumption spending.

Despite the high volatility seen in the global economy in 2016, the Turkish banking sector grew in line with its targets, maintaining its asset quality thanks to its professional management ability and effective supervision mechanisms. The sector's profitability was higher than in the previous year due to the effect of falling funding costs.

Ziraat Participation, which rounded off its first year of operation in 2016, was the first publicly funded participation bank in the sector. Ziraat Participation increased its market share by branching rapidly during the year and the Bank's asset volume more than tripled in 2016. With its competitive and innovative structure, Ziraat Participation supported the sector's growth by growing in a way which would contribute to the more effective and efficient operation of the sector.

On behalf of myself and our Board of Directors, I would like to express our gratitude to our team, the architects of our successful performance, for their devoted efforts and to our customers for the confidence they have placed in Ziraat Participation.

Hüseyin AYDIN Chairman of the Board

# **CEO's Assessment**



# Like our country, Ziraat Participation achieved significant success in 2016.

We are delighted and excited to have successfully completed 2016, a year when Ziraat Participation, the first publicly funded participation bank, celebrated the first anniversary of its foundation.

Like our country, Ziraat Participation achieved great success in 2016, which was a challenging year due to the geopolitical developments in our region, the volatility in the world economy and the extraordinary developments experienced in our country. Our total assets tripled YoY to TL 8 billion during 2016.

# TL 8 billion

total assets (at year-end 2016)

# We extended an increasing amount of financial support to the country's economy.

Ziraat Participation achieved rapid growth in 2016, focusing on the financing of the real sector, in line with its goal of creating value for all stakeholders and society, not just for its customers and shareholders. Its cash financing amounted to TL 5.5 billion in 2016 with growth of 229%, while its non-cash financing reached TL 3.5 billion, marking growth of 778%. The Bank disbursed a total of TL 9 billion in financing support to the real sector. Taking into account the amounts that were matured and closed, the total financial support that we extended to the national economy stood at TL 12 billion.

Ziraat Participation will continue to support the Turkish economy, particularly the real sector, with cash financing that has a 70% share in its balance sheet. In spite of working to a balance sheet strategy focused on financial growth and customers, the Bank's non-performing loan ratio of 0.2% is well below the sector average.

As of the end of 2016, the total volume of assets in current and participation accounts increased by 349% YoY to reach TL 5.6 billion. Within the framework of increasing and expanding the diversity of resources, funds were provided from domestic and foreign banks and within this scope, our first Murabaha syndication of USD 155 million was successfully completed with the participation of international banks. In addition, we carried out our first Sukuk issuance amounting to TL 100 million through Ziraat Katılım Varlık Kiralama A.Ş., which we established during the year. The issuance was renewed three times on the redemption dates.

# In our first year, we were able to record a profit.

As a result of the services we offer within the framework of sustainability and efficiency with our service understanding that places priority on customer satisfaction, we were able to record a profit in our first year despite the ongoing establishment and growth investments and completed 2016 with a net profit of TL 30.7 million.

# As of the end of 2016, the total volume of assets in current and participation accounts increased by 349% YoY to reach TL 5.6 billion.

A look at Ziraat Participation's overall customer portfolio shows that most of customers are also working with conventional banks and have begun to actively use participation banking products through Ziraat Participation. This is a reflection of our success in our target of expanding participation banking and reaching out to all segments of society.

In 2016, our first profit-loss partnership project was implemented, with new product development efforts continuing to contribute to the development of participation banks. We provided SMEs with access to affordable financing the use of funds from the World Bank.

### We have further expanded our geographical spread.

We opened 22 new branches in 2016, bringing our customer focused branch network to 44, located in areas which generate 70% of our national income, while further expanding our geographical spread. We expanded our reach by offering applications, which enable access to Ziraat Participation through the Internet and mobile applications. In addition, we provided our customers with the opportunity to reach Ziraat Participation from all Ziraat Bank branches and ATMs within the framework of our correspondence agreement with Ziraat Bank. As our country's first public participation bank, we were proud to have rounded off the year 2016 by achieving our target of realizing these important developments in a short space of time.

In our journey to become a leading and respected participation bank, we will continue;

- To provide a contribution to the real sector and the economy within the framework of interest-free finance principles,
- To increase the share of participation banking in the sector as a visionary participation bank aiming to grow together, with the power and synergy we receive from the Ziraat Finance Group,
- To create value for all of our stakeholders with the principle of "Achieving More by Sharing".

While we move to the future with confident steps, I would like to thank our shareholders, whose support we have always felt, our customers, our business partners and our employees.

Osman ARSLAN <sup>1</sup> Board Member and General Manager

TL 9 billion

financing support to the real sector (at year-end 2016)

70%

share of cash financing in the balance sheet (at year-end 2016)

# **Highlights in 2016**

# Effie Awards for Our Commercials

Commercials entitled "To share, Fortune and Capital" were shown in 2015 during the launch activities during the initiation of Ziraat Participation's activities. Ziraat Participation was rewarded with Silver Award on the category Bank and Card Payment Systems In 2016 Effie Turkey, where the Golden Award is not given, with its launch campaign named "What is sharing?".





# **Our Branch Openings are Ongoing**

With the participation of the Minister of National Education İsmet Yılmaz, the Opening Ceremony of our Sivas Branch was held on 18 November 2016.



# Ziraat Participation: National Brand of the Year

Ziraat Participation received the "National Brand of the Year" award at Anatolia Media Awards Ceremony organized by Anatolia Publishers Association.



# Our Certificate of Ratification was Renewed

Certificate of Ratification, signed by our Advisory Board in 2015, was renewed in 2016.

# First Establishment Anniversary Event

Ziraat Participation celebrated its first establishment anniversary with an event on 29 May 2016. The event was held in the Grand Cevahir Hotel. This event gathered Ziraat Participation's employees in the head office and branches. The CEO of Ziraat Participation, Osman Arslan, provided the opening speech in the event where he summarized Ziraat Participation's sustainable growth in its first year by telling his audience; **"You are the real owners of this enterprise. Our nation itself is the real owner of this enterprise. We are delighted and proud to celebrate the first anniversary of our establishment. We would like to thank all of our stakeholders for the tremendous value we have created in our first year of activity as they have placed their trust in us."** 

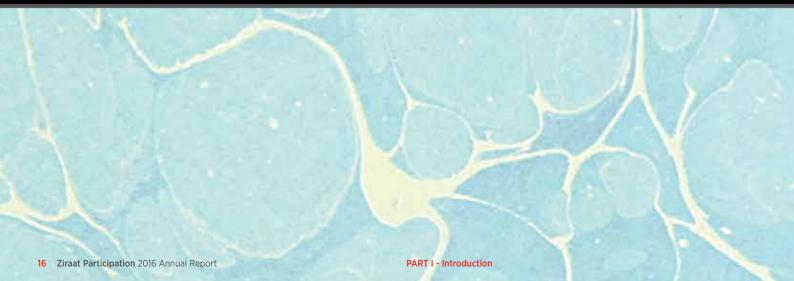












# What is saving?

For us, saving means sharing happiness as well.

# Macroeconomic Outlook

The World Economy

In 2016, the Federal Reserve (Fed) increased interest rates by 25 basis points, stating that recovery in the US economy was proceeding at the desired rate. Conversely, emerging markets, particularly China, suffered slowing economies or even recession, again raising concerns over the future of the world economy.

The main expectations for 2016 was that the recovery in the US economy would continue and that the Fed would raise interest rates, European and Japanese central banks would maintain their expansionary monetary policies, oil producing countries would reach an agreement on oil production and that there would be a slowdown in the rate of growth of the Chinese economy.

The Fed continued to apply monetary tightening at the end of the year by taking into account the recovery in the US economy. The ECB declared that it would continue to implement an expansionary monetary policy, citing low oil prices and declaring that the recovery in the economy had not yet reached the desired level. The trend of deceleration observed in the global economy started deepens considerably in China, where the growth rate declined to 6.5%. As in 2015, a slowing global economy set the stage for bigger budget deficits in those countries exporting commodities, especially oil and some countries were tipped into recession. Against this backdrop, oil producers agreed to cut production in order to support oil prices. However, the move did not lead to a meaningful recovery in oil and commodity prices due to the Fed's tight monetary policy and interest rate hikes and there was a slowdown in capital inflows into emerging market economies.

# Expansionary

monetary policies were continued.

With close to full employment in the US labor market during 2016 and the relative increase in inflation rates, confidence in the economic policy being implemented in the US increased. In a bid to prevent overheating going forward, the Fed hiked interest rates once again by 25 basis points in 2016, in addition to the interest rate hike in 2015. The US 10-year government Treasury bond yield also rose rapidly in the last guarter of the year, reflecting the Fed's interest rate hikes in prices. The expectation that Trump, who won the US presidential elections, would implement expansionary fiscal policies in line with his election promises was another factor supporting the rapid rise in Treasury yields in the US. The Fed's rate hike and the surge in 10-year Treasury bond yields set the stage for a rise in the USD in international markets, with vields rising across the globe. It is expected that the Fed's monetary policy will depend on Trump's economic policies and the state of the US economy, although there has been some speculation that the Fed could raise interest rates three times in the coming period.

While the recovery in the European Union (EU) remained moderate in 2016, the Brexit vote with the UK voting to leave the EU in a referendum presented new risks to the future of the EU. In this vein, the ECB continued to implement an expansionary monetary policy to support EU countries by taking into account market dynamics. However, the uncertainties observed in the global economy, rising interest rates and the failure to achieve the desired pace of recovery in the EU prevented the ECB from reaching its inflation targets. In addition, high rates of unemployment in many European countries and heavy debt stock are also a source of concern for the Eurozone economies. In addition to the negative impact of the Brexit vote on the EU's economy, its political fallout may also be significant with the possibility of contagion with countries in the Union potentially demanding separation.

# In 2016, the Federal Reserve (Fed) hiked interest rates by 25 basis points, stating that recovery in the US economy was proceeding at the desired rate.

The bond-purchasing program implemented by the ECB is expected to be completed by March 2017. The program was extended to EUR 60 billion per month from April to December, with a declaration that the duration and the volume of the purchases could be extended further, if necessary. In this context, it is thought that the ECB will continue to implement the expansionary monetary policy for a longer period of time amid continuing problems in the EU economy and sub-target inflation levels.

Leading the events affecting developing countries in 2016. there was a sharp decline in commodity prices, especially oil prices, mainly due to declining demand in the global economy, although this was later followed by a rapid increase. The slowdown in China's growth rates was also negatively reflected to the world economy and affected commodity prices. In the first month of the year, oil prices fell to USD 25/bbl, while commodity exporters such as Saudi Arabia, Russia and Brazil suffered from high budget deficits resulting from low oil and commodity prices, which plunged many of these countries into recession, even though oil balanced at over USD 50/bbl later in the year. Despite the steps taken by OPEC members to reduce oil production, oil prices are well below their 5 year average levels. Although the prices of copper and similar raw materials increased in the last quarter in response to Trump's election promise to boost infrastructure investments, rising interest rates limited this increase. The revision in trade contracts announced by Trump, another of his election promises, is expected to have negatively effect on the economies of some developing country economies, particularly China and Mexico.

# **Oil price**

was balanced around USD 50. (at year-end 2016)

# USD

USD gained value.

# Macroeconomic Outlook

# **The Turkish Economy**

In contrast with commodity exporting countries. Turkey was positively affected by the fall in commodity prices, especially oil prices, thanks to having an economic structure of importing commodities but exporting finished and semi-finished goods. Turkey demonstrated an economic performance, which exceeded expectations in 2016, despite the geopolitical risks in its region, higher than expected inflation and the extraordinary political developments that took place at the middle of the year. Despite the uncertainty observed in the global economy, Turkey is expected to demonstrate a better growth performance in 2017 thanks to the authorities' ability to reach quick decisions, the strength of the basic building blocks in the economy and the government's experience in managing the economy.

In 2016, the steps that would be taken by the Fed in raising interest rates had an important bearing on determining capital movements in emerging markets. After concluding its quantitative easing program, the Fed increased its policy rate by 25 basis points in 2015 in what was the first rate hike in the last ten years. The Fed's announcement at the beginning of 2016 that it could raise interest rates four times during the year precipitated a rise in financing costs for countries burdened by a high current account deficit, giving rise to a higher risk perception for Turkey. In the event, however, the Fed only raised interest rates once during 2016, by 25 basis points, suggesting that the Fed will not be able to realize its projection

# 8.53%

# inflation rate (at year-end 2016)

of raising interest rates three times during 2017, helping to soften attitudes to Turkish markets as well as other emerging economies.

Turkey's current account deficit continued to narrow in 2016 due to the depreciation of the TL against other currencies in the developed world, especially the US dollar and commodity prices trended at low levels during the year. The lion's share of Turkey's export revenues are denominated in Euros, given that the EU continues to account for the largest share of Turkey's export market, while Turkey's import expenditures are generally based US dollars. In particular, the fall of the Euro against the USD in the last guarter of the year had a negative impact on Turkey's export performance in money terms. In addition, the problems experienced in Iraq, our main export market, due to low oil prices and geopolitical problems, along with the political tensions with Russia exerted pressure on Turkey's export and tourism revenues. Nevertheless, Turkey succeeded in increasing its export performance in other markets and was still able to round of the year with an increase in exports when compared with the previous year. On the other hand, low commodity prices took some of the pressure off imports compared to last vear. As a result, there was a modest decline in the current account deficit, with the ratio of the current account deficit to GDP falling to below 5%. While net exports did not contribute to growth in 2016, domestic demand driven growth was close to expectations and it is this, which drove the growth of the overall economy.

The rate of inflation came in at 8.53% in 2016, exceeding expectations on the back of the weaker Turkish Lira in the last three months of the year, when the currency depreciated by about 20% against the US dollar-Euro basket and the high trend in prices of some food products throughout the year. While exchange rate impact is expected to continue in the first quarter of the year, inflation is then expected to decrease thanks to the base effect from the second quarter of the year.

The slowdown observed in the global economy in the first half of 2016 was reversed in the last quarter of the year and bond yields rose sharply from historic lows.

# 50 bps

rise in policy rate

# **5%**

the ratio of the current account deficit to GDP

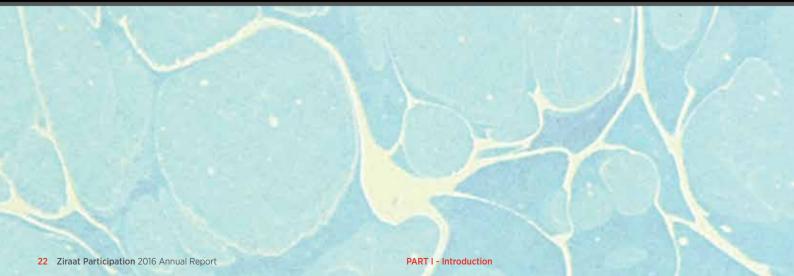
The CBRT announced that it would simplify the monetary policy that it had implemented in the second half of 2015 and carried out a significant reduction in the lending rate in 2016 in view of the global economic conditions and the downward trend in inflation. However, in the last quarter of the year, as global economic conditions changed, the Central Bank raised its policy rate by 50 basis points, implementing a tight monetary policy towards the end of the year with the aim of supporting the Turkish Lira. The steps taken by the CBRT to support the economy are expected to positively boost consumption and investment expenditures.

Despite the high debt ratios seen in the world, particularly in developed countries and the spending on the refugees residing in our country, Turkey was able to keep public debt low during 2016 thanks to its fiscal discipline. The same determination is expected to continue in 2017.

The slowdown observed in the global economy in the first half of 2016 was reversed in the last quarter of the year and bond yields rose sharply from historic lows. The US economy, in particular, began to recover in the second half of the year as the tightening steps taken by the Fed led to higher yields in the world. This precipitated a fall in the currencies of developing countries, including the TL. The sharp decline in commodity prices, particularly oil, in the first quarter of the year was partially offset by the actual intervention of oil and commodity exporter countries in the rest of the year. Nevertheless, current price levels make it impossible for these countries to attain balanced budgets. Although Turkey has a different economic structure than these countries, it too is adversely affected by this situation because of its inclusion in the developing country category. The Brexit decision aroused doubts over the future of the EU and began to exert pressure on the EU economy, which failed to achieve the expected economic recovery. In this context, the ECB declared that it would continue to implement an expansionary monetary policy in 2017. A potential recovery in the EU economy could have a positive impact on Turkey's exports. On the other hand, the steps taken towards structural reforms will contribute to sustainable growth by shaping Turkey's macroeconomic structure for the year 2017 and beyond.







# What is capital?

For us, capital means sharing the experience as well.

# An Assessment of 2016: Strategies, Developments and Future Goals

# Celebrating its first year of operation in the sector, Ziraat Participation is proceeding resolutely towards the goals of its road map, step by step.

Offering products and services that are of high added value for its customers and fully compliant with the principles of participation banking, Ziraat Participation continued to support individual banking customers as well as the real sector throughout 2016, backed by the power of the Ziraat brand.

Ziraat Participation is constantly increasing the quality of its services and provides the best source of financing to its stakeholders with new products and services that will contribute to the development of participation banking.

Operating with the aim of being a leader and a respectable participation bank, not only in our country but also in our region, Ziraat Participation will provide an ever-greater contribution to the real sector and the country's economy within the framework of Turkey's 2023 targets.

# **Corporate and Entrepreneurial Banking**

# Ziraat Participation aims to increase the share of participation banking in the sector by acquiring new customers and diversifying its product range.

As a result of systematic efforts carried out in 2016, Ziraat Participation reached customers in many regions of the country in the corporate and entrepreneurial segments and established strong cooperation with its customers by providing appropriate solutions for their different needs.

Aiming to bring a breath of fresh air to the sector, Ziraat Participation implemented the first profit-loss partnership project by bringing existing applications to a new sector in 2016.

# **SMEs**

proving low-cost financing to SMEs

# PSC

**Pre-shipment Export Credit** 

Ziraat Participation began the disbursement of World Bank originated funds in line with efforts carried out to provide SMEs with access to low-cost financing.

Within the scope of Türkiye İhracat Kredileri Bankası A.Ş. (Export Credits Bank of Turkey) originated credits, in 2016, disbursements were made in USD terms under the heading of Pre-shipment Export Credit (PSC).

Ziraat Participation plans the following in 2017;

- To continue to implement its practices in different sectors with profit-loss partnerships,
- To carry out disbursements under the Portfolio Guarantee System in addition to equity and Treasury-backed disbursements by renewing the contract entered into with the Credit Guarantee Fund which has the stated aim of supporting SMEs,
- To carry out disbursements of Pre-shipment Export Credits in EUR and TL terms as well as US dollar terms.

# Ziraat Participation aims to increase the share of participation banking in the sector by acquiring new customers and diversifying its product range.



# meeting the needs of customers

# **Retail Banking**

Aiming to meet customer expectations by providing the right products and services in a timely manner, Ziraat Participation took important steps in attracting individual customers in 2016 and achieved a successful performance.

Within the framework of participation banking principles, Ziraat Participation continues to support its customers and to meet the needs of customers 7 days a week, 24 hours a day with the most appropriate solutions and through the most appropriate channels such as the branches, ATMs, the Internet and Mobile Banking applications and the Call Centre.

Ziraat Participation in 2016;

- Began to offer State subsidized Dowry Participation Account, Housing Account and Investment Fund products to customers.
- Began to carry Social Security Institution (SSI) Revenue / Monthly Payment transactions for pensioners through the Bank, by completing the protocol processes of 14 different institutions by the end of 2016.
- By the end of the year, the risk balance for individual loans surpassed TL 750 million. In addition, the number of contracted housing projects rose to 55 and the Bank began to meet the financing needs of its customers from the related projects.
- Continued to enter physical POS (point of sale machine) allocation agreements with business establishments and began to sign contracts with cash register POS / payment registers companies.

- Increased the rate of rollout in the allocation of physical POS and cash register POS / payment registers.
- In the second quarter of the year, the Bank offered its customers the Individual Financing Card product.
- The Bank rapidly increased the number of Ziraat Participation cards in circulation to 40,000 by the end of the year.

Within the scope of the "Correspondent Banking" project, anyone who wants to become a Ziraat Participation customer can open a Ziraat Participation account through any Ziraat Bank branch and apply for a Ziraat Participation Bank Card. Users of the Bank card are also able to inquire their balance and withdraw money from any Ziraat Bank ATM free of charge.

In 2017, the Retail Banking targets are:

- Physical POS will continue to be distributed in the allocation of cash register POS / payment registers, while the member businesses will be offered the Virtual POS product. There are planned to be 1,400 POS machines in the field by the end of 2017.
- Work on the Legal Financing Card product, which aims to meet the financing needs of legal customers and on the Ziraat Participation Credit Card product for individual customers, will continue.
- The Quick Bank Card product, which provides immediate card allocation from the branches, will be rolled out more widely in the field.

# An Assessment of 2016: Strategies, Developments and Future Goals

# **64%**

### increase in active ATMs (at year-end 2016)

# **Channel Management**

Adopting the multi-channel strategy, Ziraat Participation offers its customers effective and high-quality services through branches as well as through electronic service channels. The results achieved in this area in 2016 are listed below.

# **ATMs**

- As of the end of 2016, the number of active Ziraat Participation ATMs increased by 64% when compared to the previous year, with transaction volume amounting to TL 225 million.
- The process of depositing money into accounts can be conducted in Turkish, English, German, Arabic and Russian from all ATMs.
- The card copying security application is used in all ATMs to ensure that customers are not exposed to ATM fraud.

The Bank aims to offer a better service from ATMs in 2017 following customer experience analysis, with improvements in customer service by informing those managing the ATMs, closer liaising with organizations in electronic and mobile media through the automatic breakdown and maintenance status follow up service and an increase the number of ATMs.

### **Customer Communication Centre and Central Banking Branch**

- In 2016, a total of 106,000 customer calls were received and 48,000 informative SMS and 107,000 informative e-mails were sent from the Customer Communication Center.
- The Interactive Voice Response system (IVR) was put into practice with English and Arabic language options.
- The Call Center was ranked third among 33 call centers, by evaluating Customer Communication Center calls.
- The Central Banking Branch entered operation to provide services to customers who are correspondent and using the web.
- The Solution Support Center, which serves the customers of the Central Banking Branch, entered operations.

# **Internet Banking**

- Ziraat Participation's Internet Banking transaction functions were expanded so that customers can perform all their banking transactions from the branchless channel.
- Both the number of Internet Banking customers and transaction volumes more than doubled, with the total number of customers reaching 58,000, including 52,000 Individuals and 6,000 Corporate Users.
- The total volume of the 363,000 transactions conducted through Internet Banking channel stood at TL 2 billion.
- The "Instant Account Opening" option for applications was introduced to allow potential customers of the Bank to be an instant customer, by logging in from the desired media.
- The opportunity to switch from individual internet banking to the E-Government Gateway, which provides access to the services offered by the public institutions and organizations in electronic media from a single point, was provided without the need for an e-government password.

Ziraat Participation expanded its financing opportunities from domestic and foreign banks in Turkish Lira and foreign currency terms in 2016, in accordance with the principles of participation banking.

# Participation Mobile app

### was launched.

Ziraat Participation aims to support the lives of its customers by ensuring the integration of its products and services with nonbranch digital channels and by spreading the use of non-branch channels, mainly the mobile channel.

In 2017, the Internet Banking channel is planned to be redesigned to enhance the Internet Banking experience for customers, to offer a flawless and easy design and to meet different customer needs.

### **Mobile Banking**

The Ziraat Participation Mobile Banking application was made available for iOS operating system users with the "Participation Mobile" brand on 17 December 2016, with the aim of helping customers with its innovative and customer oriented digital strategy. The application had been downloaded by 3,000 customers by the end of 2016.

Many banking transactions such as accounts, account movements, money transfers, bill payments and password transactions can be performed with the Participation Mobile.

In 2017, the Participation Mobile application will offered to customers using the Android operating system and users will be able to logon to the application with Mobile Approval, which will be enabled with new function developments.

### **Customer Satisfaction**

In 2016, a total of 1,108 of the total of 5,317 incidences of feedback that were resolved in the Ziraat Participation Customer Satisfaction Unit were customer complaints.

The average resolution time for items of feedback was 1.13 days during the year and the average resolution time for complaints stood at 1.70 days. In the sector, where the average response time is between 5-7 working days, Ziraat Participation was positioned among the fastest banks in this field.

In 2016, Ziraat Participation was awarded the ISO 10002: 2014 Customer Satisfaction Management System quality certificate, an indicator that customer feedback is being responded to well and also of continuous improvement in accordance with international standards.

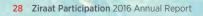
### **Treasury Management and International Banking**

Ziraat Participation succeeded in more than tripling its asset volume in 2016 in line with the growth strategy of placing weight on the real sector and the financing of foreign trade.

Ziraat Participation's Basic Liability Management Strategy envisages the extension of the participation fund base and to manage these pools in the most efficient way. Within the scope of resource diversification and low cost resource utilization, Ziraat Participation, which also uses resources outside the participation fund, expanded its financing opportunities from domestic and foreign banks in Turkish Lira and foreign currency terms in 2016, in accordance with the principles of participation banking.







PART I - Introduction

# What is investment?

For us, investment means sharing the knowledge as well.

# An Assessment of 2016: Strategies, Developments and Future Goals

# Lease certificate

### issuance approval was obtained. (2016)

In 2016, Ziraat Participation met the need for financing from participation funds and the resources that have longer term than participation funds, other resources that are in line with the principles of participation banking and the equity by taking into account the risk-return balance. Moreover, despite the rapid growth in liabilities in the balance sheet, it diversified resources for the financing of the real sector, creating liabilities in the balance sheet by considering optimal cost and maturity.

Ziraat Participation effectively used interbank borrowing and financing products to fulfill the required reserve liability, to meet the liquidity needs in line with the participation banking principles and to assess the surplus.

Completing its first year in 2016, Ziraat Participation rapidly expanded its product range to respond to the needs of its customers as soon as it entered operation. The infrastructure and modular systems required for customers to invest in the lease certificates in the Ziraat Participation portfolio were established and customers were offered the opportunity to purchase and sell foreign currency for hedging purposes. In addition, in accordance with the principles of participation banking, the activities for the sale of investment (mutual) funds to customers were completed and in this context, the related funds started to be sold to customers in 2016.

### **Correspondent Relations**

In 2016, Ziraat Participation established a swift correspondent relationship with a significant number of banks by completing the legislative compliance process and began to quickly meet the requests in the foreign trade field. Completing account correspondence agreements with correspondent banks in different currencies, in 2016 Ziraat Participation signed a mutual Wakala / Murabaha contract with several banks.

Within the framework of these contracts, foreign resources aimed at increasing the diversity of the resources with interbank Murabaha and Wakala transactions were provided.

In 2016, Ziraat Participation also successfully completed a USD 155 million Murabaha syndication performed with the participation of international banks.

Ziraat Participation, which plays an active role in capital markets as a part of its strategy of enriching the resource structure, obtained issuance approval with a TL 1.5 billion ceiling from the Capital Markets Board in order to issue TL denominated lease certificate in the local market with its affiliate, Ziraat Katılım Varlık Kiralama A.Ş. In this framework, issuances were made in batches of TL 100 million.

In 2016, Ziraat Participation provided long termed resources from various development banks, mainly the World Bank, for financing SMEs and foreign trade financing and maintained its financing support for SMEs and the real sector.

Ziraat Participation aims the following in 2017;

- Significantly increasing the number of correspondent banks and the level of foreign trade volume,
- Renewing the existing Murabaha syndication with a higher amount in order to ensure borrowing diversification outside participation funds and to extend maturity structures on the resource side,
- · Continuing to issue lease certificates in the domestic market,
- Adding depth to the capital markets by carrying out corporate lease certificate issuances in favor of third parties other than Ziraat Participation, through a new asset leasing company to be established,
- Providing increasing support to the real sector by maintaining a supply of resources from international institutions for the financing of SMEs and foreign trade.

The infrastructure and modular systems required for customers to invest in the lease certificates in the Ziraat Participation portfolio were established and were started to purchase and sell foreign currency for hedging purposes.

### **Operational Transactions**

In 2016, Ziraat Participation implemented an array of operational measures to facilitate and accelerate the process of the participation banking product and service offering.

- Within the scope of the protocol signed with the Social Security Institution (SSI), the required studies were completed and SSI premiums started to be carried out through the Bank channel.
- SSI pension payments started to be carried out through the Bank.
- Studies on the "QR Coded Cheques", carried out in coordination with the Credit Registration Bureau (CRB) and which will provide significant support to the operation and security of our country's cheque market, were completed and customers started to receive QR Coded Cheques.
- The tests being conducted by Ziraat Participation and the Interbank Check Clearing House regarding the "Video Electronic Cheque Processing and Clearing" (GEÇİŞ-Transition) Project, which was developed to allow cheque images to be transferred in electronic media and be viewed by all member banks, were completed successfully and the project was into practice.
- Certification tests for customs duty collections were completed and as a result of the tests conducted with the Revenue Administration Department, customs duty payments could be collected through the Bank channel.
- Tests for carrying out money group demands through the "Ziraat Money Demand" application were completed and the work was put into practice. Thus, a traceable, controllable and time-saving structure was established.
- Bill payments for Türk Telekom, Vodafone and Turkcell started to be conducted through the Bank.
- Bill payments for İGDAŞ, Türksat, Dicle Electricity, Meram Electricity, KOSKİ and Aksaray Water started to be conducted through the Bank.
- The Bank started to process Hajj and Umrah payments.
- The E-distraint Integration project carried out jointly between the Savings Deposit Insurance Fund and the Bank was completed, paving the way for savings in manpower and time thanks to the automatized processes.

# **QR Coded Cheques**

# began to be offered to customers.

### Information Technology

Bringing innovative products into operation at the right time is an indispensable goal for Ziraat Participation, which it achieved by using the most up-to-date technological infrastructures in line with customers' needs.

In 2016, in the field of Information Technologies;

- In addition to 30 projects completed within the scope of business development activities, work of 38 projects is ongoing.
- Integration with TROY, Turkey's national payment method, was carried out.
- The Central Banking branch infrastructure was established and put into service within the framework of Digital Banking and Branchless Banking activities.
- The Financing Limited Card product, for financing individual needs, was offered to customers.
- The Profit Loss Partnership project was commissioned in order to finance projects.
- The video cheque clearing infrastructure was established.
- Within the scope of business continuity infrastructure improvement activities, tests on the Disaster Center were completed and basic banking operations were made to work in the Disaster Center.
- The back-up and load balancing infrastructure were prepared by adding more banking application servers, thereby bringing the opportunity to provide uninterrupted service to customers.
- "Network Performance Monitoring" and "Application Performance Monitoring" tools, which are for monitoring the performance of the IT infrastructure, were adapted with the aim of enabling monitoring of the service performance on a 24/7 basis.
- The automatic shutdown of computers after work was implemented, ensuring energy savings throughout the Bank.
- E-billing and e-notebook applications were put into effect.
- Work on the transition to Windows 10 was completed.

# As of the end of 2016, Ziraat Participation was serving its customers with 655 employees and 44 branches.

### **Human Resources**

In line with its strategies and targets, Ziraat Participation's practices in the field of human resources are focused on creating a happy and productive work environment and contributing to the development of employees' performance by guiding employees in partnership with their units and branches.

As of the end of 2016, Ziraat Participation was serving its customers with 655 employees from 44 branches.

Ziraat Participation, which continued to improve its operational and financial performance during 2016, its first year of its operations, also accelerated its efforts focused on the development of its employees.

In line with its plans to transform into an internally fed structure, Ziraat Participation strengthened the sense of corporate loyalty and belonging of its employees by presenting career opportunities primarily to its own personnel.

In 2016, with the cooperation of Ziraat Participation and Istanbul Commerce University, a promotion examination was held in Ankara and Istanbul for personnel with the necessary competencies and successful personnel were promoted to a title one level superior.

Ziraat Participation aims to enrich the youthful and dynamic structure of human resources as well as creating jobs for new generations when planning the future. For this purpose, the examination for the Service Representative position was held in six different provinces and in seven locations across the country with the help of Anadolu University. A total of 42,500 applications were received for the examination and recruitment processes are continuing for 200 candidates who passed the exam in line with Ziraat Participation's needs.

In 2016, Ziraat Participation expanded its personnel's access to health benefits by completing the transition into "the MEMBERS of T.C. ZIRAAT BANKASI A.Ş. and T. HALKBANKASI A.Ş. PENSION AND ASSISTANCE FOUNDATION (TZHEMSAN). Employees were then covered for treatment in both public hospitals and private hospitals and health care facilities, either free of charge or by paying a reduced contribution. Ziraat Participation aims to create a common business culture; in 2016, the Bank completed the "More by Sharing Business Culture Principles" project, which it launched in 2015. After this date, the personnel who started to work in the Bank received business culture lessons from the Bank's own internal lecturers as part of the orientation program.

This project aims to help those coming from different banking or institutional cultures learn about the Ziraat Participation Culture and adopt these principles by practicing on the job. With the business culture to be created, employees will work towards realizing the corporate goals and objectives and increasing their corporate loyalty.

A total of 114 training programs were organized for employees of the Bank in 2016. The employees, who underwent an intensive training program, received 6.9 days of training per person.

36 Bank employees took part in the eight-day "Islamic Economy and Participation Banking Certificate Program" organized by the Sabahattin Zaim University, in accordance with Bank's aim of being the best at learning about and teaching participation banking.

# **Ziraat Participation's First Partnership**

Ziraat Katılım Varlık Kiralama A.Ş., which was Ziraat Participation's first partnership with a subsidiary status, was established on 22 January 2016 with a capital of TL 50.000.

# Ziraat Katılım Varlık Kiralama A.Ş.

Ziraat Katılım Varlık Kiralama A.Ş. was established on 22 January 2016 with a capital of TL 50,000, paid entirely by Ziraat Participation with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Market Board (CMB) to issue exclusively lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is in located in Fatih, Istanbul.

As of 30 September 2016, the company had no personnel.

Lease certificates (Sukuk), issued by Ziraat Katılım Varlık Kiralama A.Ş. and for which the payment was made, with a nominal value of TL 100,000,000, a maturity of 86 days and an amortization date of 12 August 2016, were issued within the framework of the authorization of the General Directorate of the Stock Exchange on 24 March 2016. The periodic profit share return rate is 2.49753% and the annual compound profit share rate is 11.04%.

Lease certificates, issued by Ziraat Katılım Varlık Kiralama A.Ş. and for which the payment was made, with a nominal value of TL 100,000,000, a maturity of 89 days and an amortization date of 9 November 2016, were issued within the framework of the authorization of the General Directorate of the Stock Exchange dated 24 March 2016. The periodic profit share return rate is 2.4383% and the annual compound profit share rate is 10.38%.

Lease certificates, issued by Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 100,000,000, a maturity of 91 days and an amortization date of 8 February 2016 were issued within the framework of the authorization of the General Directorate of Stock Exchange on 24 March 2016. Since 11 November 2016, the certificates started to be traded only among qualified investors in the Borrowing Instruments Market, Outright Purchases and Sales Market. The periodic profit share return rate is 2.51808% and the annual compound profit share rate is 10.49%.

Issuer	Ziraat Katılım Varlık Kiralama A.Ş / Ziraat Katılım Bankası A.Ş	
Issuance limit approved by CMB and approval date	TL 1,500,000,000 / 23.03.2016	
The nominal amount of Ziraat VK\$ Lease Certificates in circulation	TL 100,000,000	
Sale Type	Sale To Qualified Investor (outside the stock exchange)	
Record Date	8 November 2016 Tuesday	
Settlement and Maturity Starting Date	9 November 2016 Wednesday	
Туре	Lease certificate (based on management agreements)	
Issue Amount (nominal)	TL 100,000,000	
Maturity	91 days	
Redemption Date	8 February 2017 Wednesday	
Simple Yield	10.10%	
Compound Yield	10.49%	
Amount	TL 1	
Amortization method	Principal and return payment will be paid at the end of the maturity.	
Date of transaction	11 November 2016 Friday - BİAŞ (Borsa İstanbul A.Ş.) Debt Securities Market	





# What is success?

For us, success means to faithfully and tactfully go ahead with accomplishments that we set our heart on and to share its excitement.

## **Changes in the Articles of Association in 2016**

Pursuant to a resolution passed at the annual general assembly of Ziraat Participation Bank held on 29 April 2016, the bank's paid-in capital was increased to 747 million Turkish liras by means of a cash injection in the amount of 72 million Turkish liras, all of which was provided by the Treasury Undersecretariat, and this increase was registered on 18 May 2016. The section of the bank's articles of association concerning this action was revised as indicated below.

## DRAFT AMENDMENT SHOWING THE OLD AND NEW FORMS OF THE SECTIONS OF ZİRAAT KATILIM BANKASI AŞ'S ARTICLES OF ASSOCIATION THAT ARE TO BE CHANGED.

OLD VERSION		NEW VERS	SION	
Article 6		Article	6	
The nominal value of the company's capital is TRL 675,000,000.00. This capital is divided into 675,000,000 shares, each of which has a par value of one Turkish lira.	The nominal value of 747,000,000.00. The each of which has a	nis capital is divid	ed into 747,000	,000 shares,
<ul> <li>TRL 674,999,996.00 of this amount corresponding to 674,999,996 shares was subscribed to in cash by TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI ANONİM ŞİRKETİ;</li> <li>TRL 1.00 of this amount corresponding to 1 share was subscribed to in cash by ZİRAAT SİGORTA ANONİM ŞİRKETİ;</li> </ul>	The entire TRL 675, cash in a manner fr The entire 72 millio to by T.C. Ziraat Ban registration.	ee from collusion n Turkish liras cas	and unlawful co	onduct. subscribed
<ul> <li>TRL 1.00 of this amount corresponding to 1 share was subscribed to in cash by ZİRAAT HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ;</li> </ul>	The bank's ownersh	nip structure is as	follows:	
<ul> <li>TRL 1.00 of this amount corresponding to 1 share was subscribed to in cash by ZİRAAT TEKNOLOJİ ANONİM</li> </ul>	Name	Share amount (TL)	Share percentage	Number of shares
ŞİRKETİ; • TRL 1.00 of this amount corresponding to 1 share was	T.C. Ziraat Bankası A.Ş.	746,999,996	99.9999996	746,999,996
subscribed to in cash by ZIRAAT YATIRIM MENKUL	Ziraat Sigorta A.Ş.	1	0.0000001	1
DEĞERLER ANONİM ŞİRKETİ.	Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1
All of the foregoing amounts were paid in full before the registration date.	Ziraat Teknoloji A.Ş.	1	0.0000001	1
Share transfers and establishments of rights thereon shall	Ziraat Yatırım Menkul Değerler	1	0.0000001	1

A.Ş.

Total

share transfers and establishments of rights thereon shall take place after they have been authorized by the bank's general assembly of shareholders. Such assignments shall be effected in accordance with the provisions of the Turkish Commercial Code and of other applicable laws, regulations, and administrative provisions.

Shares are registered in the name of their bearers.

Share transfers and establishments of rights thereon shall take place after they have been authorized by the bank's general assembly of shareholders. Such assignments shall be effected in accordance with the provisions of the Turkish Commercial Code and of other applicable laws, regulations, and administrative provisions.

100

747,000,000

747,000,000

Shares are registered in the name of their bearers.

## The Report on Compliance of Annual Report



# **Convenience Translation into English of Independent Auditor's Report on the Board of Directors' Annual Report Originally Issued in Turkish**

## To the Board of Directors of Ziraat Katılım Bankası A.Ş.

Auditor's Report on the Board of Directors' Annual Report within the Scope of Independent Audit Standards

We have audited the annual report of Ziraat Katılım Bankası A.Ş. (the "Bank") and its consolidated subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2016.

## Board of Directors' responsibility for the Annual Report

The Bank management is responsible for the fair preparation of the annual report and its consistency with the consolidated and unconsolidated financial statements ("financial statements") which are issued in accordance with the "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No. 26333 dated 1 November 2006 and Article 514 of Turkish Commercial Code ("TCC") No. 6102 and "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 the annual report.

## Independent Auditor's Responsibility

Our responsibility is to express an opinion on whether the financial information in this annual report is consistent with the Bank's financial statements and reflects the truth, based on our independent audit of the Bank's annual report within the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 and article 397 of the TCC.

Our independent audit was conducted in accordance with Independent Auditing Standards ("ISA") 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 independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the financial statements.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mensis Numersmuz 0-1460-0224-0500015



An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

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

## Opinion

Based on our opinion, the financial information in the annual report of the Board of Directors of Ziraat Katılım Bankası A.Ş. is consistent with the audited financial statements and presented fairly, in all material.

Other Responsibilities Arising from Regulatory Requirements

Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Ziraat Katılım Bankası A.Ş. to continue its operations for the foreseeable future.

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

Haluk Yalçın, SMMM Partner

Istanbul, 17 February 2017

## **PART II - Management and Corporate Governance Practices**

- 42 Ziraat Participation Board of Directors
- 46 Ziraat Participation Senior Management
- 48 Summary Report by the Board of Directors
- 49 Information on the Activities of the Committees
- 50 Human Resources Practices and Policies and the Expectations Regarding 2017
- 51 Transactions carried out with Ziraat Participation's Risk Group
- 51 Companies from which Support Services Are Obtained

## **PART III - Financial Information and Risk Management**

- 52 Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance and Risk Management Systems
- 00 Unconsolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2016
- 55 Ziraat Participation's Financial Standing, Profitability and Solvency
- 55 Ratios
- 56 Information about Risk Management Policies and Activities According to Type of Risk
- 58 Summary Balance Sheet and Income Statement
- 175 Consolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2016
- 280 Contact Information

## **PART II - Management and Corporate Governance Practices**

## **Ziraat Participation Board of Directors**



Hüseyin AYDIN Chairman of the Board of Directors



Yusuf DAĞCAN Vice Chairman of the Board of Directors



**Osman ARSLAN** Member of the Board of Directors, CEO



**Cemalettin BAŞLI** Member of the Board of Directors



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



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



Salim ALKAN Member of the Board of Directors

## Ziraat Participation Board of Directors

#### **Hüseyin AYDIN**

Chairman of the Board of Directors

Hüseyin Aydın graduated from the Faculty Economics, Ankara Economics and Business Sciences Academy in 1981. He began his career as an assistant inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board Member at Halkbank, as a Board Member at Pamukbank and as Vice Chairman at Ziraat Bank, he served as Chief Executive of Halkbank between 31 May 2005 - 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey. Hüseyin Aydın is assigned as the Chairman of the Board of Directors of our Bank since 18 February 2015.

## Yusuf DAĞCAN

## Vice Chairman of the Board of Directors

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. He worked as an Assistant Inspector, Inspector and Branch Manager at Vakifbank from 1977 through 2001. He held a seat on the Board of Directors of TAIB Yatırım Bank A.S. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the Chairman of the Board of Directors of Halk Leasing, a Board Member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Continuing his works as Vice President of the Board of Ziraat Bank since April 2012, Yusuf Dağcan is also a Credit Committee Member of Ziraat Bank and Supervisory Board Member at Ziraat Bank Bosnia d.d. Since 18 February 2015, Yusuf Dağcan has been serving as the Vice Chairman of the Board of Directors and Chairman of Credit Committee at our Bank.

#### **Osman ARSLAN**

Member of the Board of Directors, CEO

Osman Arslan graduated from the Statistics Department of the Middle East Technical University, Faculty of Arts and Sciences. He completed his postgraduate degree at the Economic and Administrative Sciences at the same university. Osman Arslan started working at Ziraat Bank in 1995 and hold management positions at various private sector banks between 1998-2004. He continued his career as Department Manager. Head of Department and Deputy Chief Executive at Halkbank, then as Chief Executive Officer at Arab Turkish Bank between 2004-2012. In March 2012, he took up the position of Deputy Chief Executive responsible for Financial Management at Ziraat Bank. In January 2013, he became the Deputy Chief Executive for International Banking and Partnerships, and Deputy General Manager of Information Technologies Management in August 2014; then on 18 February 2015 Osman Arslan was appointed as Founding Chief Executive Officer of our Bank. He is still carrying on the duty of Credit Committee President and Corporate Governance Committee member.

#### **Cemalettin BAŞLI**

#### Member of the Board of Directors

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as Air Traffic Controller at General Directorate of State Airports Authority in 1977. Mr. Baslı who worked as Assistant to Financial analyst at VakıfBank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk Inc. between 1991-1998, as Credits and Central Branch Manager at Faisal/ Family Finance Inc. between 1998-2002, as Deputy General Manager at Haliç Financial Leasing Inc. between 2004-2006, as Deputy General Manager at Ziraat Bank-Moscow between 2009-2012, as member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012-2014 serves as a Member of the Board of Ziraat Bank since June 2014. Since 18 February 2015, Cemalettin Baslı has been a Member of the Board of Directors and Credit Committee at our Bank.

## Feyzi ÇUTUR

Member of the Board of Directors

Feyzi Cutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. After working in managerial positions at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager, Deputy General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board Member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board Member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Ziraat Bank's Board of Directors since April 2012, Mr. Çutur is a member of the Ziraat Bank's Audit Committee and Remuneration Committee, an alternate member of the Credit Committee. He is currently working as a Member of the Board, Credit Committee and Audit Committee members at Ziraat Participation Bank A.Ş. and as a Member of the Board at Ziraat Bank BH d.d.

## Metin ÖZDEMİR

#### Member of the Board of Directors

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He is currently pursuing his graduate studies in the Department of Economics at Marmara University, Institute of Middle East Studies. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004-2014. Being a member of the Ziraat Bank's Board of Directors since April 2012, Mr. Özdemir is also a member of the Ziraat Bank's Remuneration Committee and alternate member of Credit Committee. Since 18 February 2015, Metin Özdemir has been serving as a member of the Board of Directors, Audit and Remuneration Committees and as an alternate member of the Credit Committee at our Bank.

## Salim ALKAN

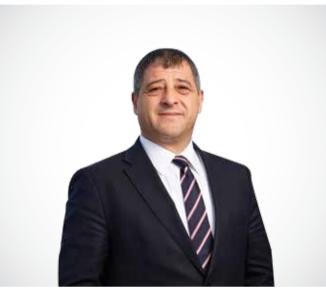
Member of the Board of Directors

Salim Alkan graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration). He worked as an inspector, branch and department manager and assistant general manager at various banks from 1971. After functioning as Vice President of the Savings Deposit Insurance Fund (SDIF), Advisor to the Chairman of the SDIF, and general manager, board member and chairman of various banks taken over by the SDIF from 2005 to 2010, he held a seat on the Board of Directors of Halkbank from 24 May 2010 until 18 April 2012, as well as on the boards of Halk Gayrimenkul Yatırım Ortaklığı A.Ş., and Halk Yatırım Menkul Değerler A.Ş. Serving as a member of the Ziraat Bank's Board of Directors starting from April 2012, he is also Chairman of the Supervisory Board in Ziraat Bank BH d.d. and a member of the Ziraat Bank's Credit Committee. Since 18 February 2015, Salim Alkan has been serving as a member of the Board of Directors, Corporate Governance and Remuneration Committees, also he is a substitute member of Credit Committee at our Bank.

## **Ziraat Participation Senior Management**



Hakan AYDOĞAN Executive Vice President - Financial Coordination and Human Resources



Mustafa AKIN Executive Vice President - Marketing



 Tahir DEMİRKIRAN

 Executive Vice President - Loan Allocation and Management



**Mehmet Said GÜL** Group Director – Information Technologies and Operational Transaction

## Hakan AYDOĞAN

Executive Vice President - Financial Coordination and Human Resources

Born in 1979 in Ankara, Hakan Aydoğan graduated from Middle East Technical University's Department of Political Science and Public Administration. Beginning his carrier as an Inspector at Halkbank in 2004. Mr. Aydoğan worked as a manager in the Commercial Loans Department Management and at various branches of the Bank since 2009. In 2013, he was appointed manager in the Foreign Transactions Operations Department. Appointed to Ziraat Katılım Bankası A.Ş. on 18 February 2015, and held office as the Deputy General Manager in charge of Operational Processes and Deputy General Manager in charge of Marketing, respectively. Assigned as the Deputy General Manager in charge of Financial Coordination and Human Resources as of 19 April 2016 and is still carrying out the duty.

#### **Mustafa AKIN**

Executive Vice President - Marketing

Born in 1963 in Erzincan, Mustafa Akın graduated from the Department of Economics at Anadolu University's Faculty of Economics and Administrative Sciences. Mr. Akın started working at Pamukbank in 1986, before moving to Halkbank, where he was a manager in various departments, then he joined Ziraat Bank in December 2011 as Corporate Loans Group President, later acting as Group President for the Supply and Management of Retail Loans. On 18 February 2015, he was appointed EVP in charge of Loan Facility and Management at Ziraat Participation. Assigned as the Deputy General Manager in Marketing as of 19 April 2016 and is still carrying out the duty.

#### Tahir DEMİRKIRAN

Executive Vice President - Loan Allocation and Management Born in 1967 in İstanbul, Tahir Demirkıran graduated from Istanbul University Faculty of Economics, Department of Economics.

Mr. Demirkıran started to work in Vestel Paz. A.Ş. as a Sales Representative in 1991. He was appointed as a Manager in Pamukbank in 1995. Mr. Demirkıran served in positions at Halkbank and Ziraatbank as the Head of various departments between 2004-2016. He was appointed as Executive Vice President responsible for Loan Allocation and Management in Ziraat Participation on 27 January 2016.

#### Mehmet Said GÜL

Group Director – Information Technologies and Operational Transaction Born in 1973 in Kahramanmaraş, Mehmet Said Gül graduated from Hacettepe University Department of Computer Engineering in 1995. He started his banking career at Anadolu Finans Kurumu in 1997. He headed for many years the Information Systems Coordination Unit at Türkiye Finans, following the merger of Family Finans and Anadolu Finans. Mr. Gül who was appointed as a consultant at Ziraat Bank in 2014, has been serving since the establishment of Ziraat Participation. In October 2015, he was appointed as the Group Director of the Operational Transaction at Ziraat Participation.

## **Summary Report by the Board of Directors**

#### Summary Report by the Board of Directors

Ziraat Participation was founded to carry out activities that would create value not only for its customers and shareholders, but also for the society and all stakeholders by adopting the "Achieving More by Sharing" principle with the aim of being a leading and well-respected participation bank. The Bank was justifiably proud to have completed 2016 so successfully.

The main factors that affected the Turkish economy in 2016 were geopolitical risks, extraordinary situations, the volatility in the global economy and the uncertainty in neighboring countries. Accordingly, there was some deviation in Turkey's main economic indicators. However, when these indicators are evaluated alongside those of developed and developing countries, it is seen that Turkey completed 2016 with a fair measure of success, and various measures were taken by those responsible for running the economy for the year 2017.

Ziraat Participation also successfully completed 2016 in line with the developments, which took place in our country. The Bank took important steps to bring participation banking to a larger mass. Ziraat Participation reached an asset size of TL 8 billion, the majority of which is composed of fund utilization. Funds collected and extended are broadly balanced in our balance sheet, standing at TL 5.6 billion and TL 6 billion, respectively. Ziraat Participation realized the first Murabaha syndication of USD 155 million by actively involving capital and money markets. The Bank completed the first lease certificate issuance in Turkey, amounting to TL 100 million, and renewed it at three times at its redemption dates.

Our mobile banking application and "Profit-Loss Partnership", "Debit Card with Financing Limit" and "State subsidized House and Dowry Accounts" products, which were designed in 2016 in line with the principles of participation banking, were offered to customers.

Within the framework of the principle of sustainable profitability and efficiency, among Ziraat Finance Group's key standards, Ziraat Participation completed 2016 with a profit of TL 30.7 million. In 2017, Ziraat Participation will continue to contribute to participation banking with its balance sheet structure which is centered around the customer and is of high asset quality, its diversified resource structure which is spread to the base, and its experienced 655 employees.

Hüseyin AYDIN Chairman of the Board

Osman ARSLAN Board Member and CEO

## Information on the Activities of the Committees

## **The Credit Committee**

Composed of the Bank's General Manager and at least two members to be elected from the Board of Directors who fulfill the requirements for the General Manager (except time); the Credit Committee is established to perform the duties regarding credits, which will be granted by the Board of Directors. Two alternate members are elected among the Board members who fulfill the requirements for the General Manager (except time) to serve in place of a member of the Credit Committee who cannot participate in any meeting. The Board may delegate its powers for the credit allocation to the Credit Committee or to the General Directorate.

## Chairman

Osman ARSLAN Member of the Board and CEO

**Members** Feyzi ÇUTUR Member of the Board

Cemalettin BAŞLI Member of the Board

## **Alternate Members**

Salim ALKAN Member of the Board

Metin ÖZDEMİR Member of the Board

The Credit Committee took 308 decisions in 25 meetings held in 2016.

## **The Audit Committee**

The Board of Directors appoints at least two members of the Board who do not have executive responsibilities and whose qualifications are determined by the Banking Regulation and Supervision Agency (BRSA) to form the Audit Committee to assist the fulfillment of the Board's audit and supervision activities.

## Members

Feyzi ÇUTUR Member of the Board

Metin ÖZDEMİR Member of the Board

The Audit Committee took 31 decisions in 11 meetings held in 2016.

## The Corporate Governance Committee

The Corporate Governance Committee is formed under the Presidency of a member of the Board who will be determined by the Board of Directors. The main task of the committee is to monitor the compliance of the Bank's corporate governance principles, to carry out improvement activities in this regard and to provide recommendations to the Board of Directors.

#### Members

Salim ALKAN Member of the Board and Chairman of the Corporate Governance Committee

Osman ARSLAN Member of the Board and CEO

The Corporate Governance Committee has not held a meeting in 2015 and 2016.

## **The Remuneration Committee**

The Remuneration Committee consists of at least two members who will be determined by the Board of Directors.

The Committee monitors and audits remuneration practices on behalf of the Board of Directors. In addition, the Committee performs the tasks specified in the relevant regulations issued by the Banking Regulation and Supervision Agency (BRSA).

## Members

Metin ÖZDEMİR Member of the Board

Salim ALKAN Member of the Board

The Remuneration Committee took 1 decision in 1 meeting held in 2016.

## The Number of the Board Meetings

The Board of Directors took 183 decisions in 20 meetings held in 2016.

## Human Resources Practices and Policies and the Expectations Regarding 2017

Ziraat Participation believes competent human resources who are open to development and work in a customer oriented way are the most important sources of value in achieving sustainable growth.

In line with its strategies and targets, Ziraat Participation's practices in the field of human resources are focused on creating a happy and productive work environment and contributing to the development of employees' performance by guiding employees in partnership with their units and branches.

Ziraat Participation always places the utmost priority on the requests and needs of its customers when it comes to its services. The Bank carries out its activities with an approach that places innovation at its heart. The Bank conducts these activities with its qualified human resources, which the Bank treats as its biggest source of support. Ziraat Participation believes the proper management of human resources is finding the right person to do the right job at the right time. The Bank utilizes modern human resources processes to realize this aim.

With its extensive branch network throughout Turkey, Ziraat Participation aims to providing a better service to its customers and touching every customer. From this point of view, Ziraat Participation plans to press ahead unabated with its branch expansion activities throughout the country in 2017, in line with Turkey's growth. With its branch expansion program, Ziraat Participation will continue to work to the principle of effectiveness and efficiency by developing its organizational structure in both the Head Office and its branches. Within this scope, the Bank initiated a review of the business descriptions of current units and founded new business units in the required areas, which are aimed at carrying out tasks rapidly and more effective positioning of decision taking points in processes. By doing so, Ziraat Participation will gain the flexibility to bringing the highest quality of service to its customers in the shortest space of time.

Ziraat Participation aims to raise managers of the future within the Bank. The Bank plans to launch the Management Development Program to develop the careers of its employees. Employees having previously set criteria will be involved in this program and a manager pool will be formed with this purpose. Various competencies such as leadership, time management, stress management and acting in line with targets will be developed for employees who participate in the Management Development Program. The aim is that these employees will meet the bulk of the Bank's requirement for managers. Thus, Ziraat Participation aims to adopt raising today's and the future's managers, providing equal opportunities to the employees and giving priority to in-house human resources for career opportunities.

## **Transactions Carried out with Ziraat Participation's Risk Group**

Ziraat Participation's relations with the institutions involved in the risk group in which it is included covers all types of banking transactions compliant with the Banking Law and within the framework of regular bank-customer relation and within the market conditions. The transactions consist primarily of lending, current and participation accounts. The amounts of the transactions that Ziraat Participation carried out with its risk group in 2016 and the explanations regarding this matter are mentioned in the footnote numbered VII of the fifth section of the year-end financial statements, which take place within the annual report.

## **Companies from which Support Services Are Obtained**

- The Banking and Peripheral Systems Software and Infrastructure Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Ziraat Teknoloji A.Ş., Intertech Bilgi ve Pazarlama Tic. A.Ş.
- 2. The Swift Transactions and Black List Control Application Services from Fineksus Bilişim Ticaret A.Ş.
- 3. The Securities Buying and Selling Application Services from Active Bilgisayar Hizm. Tic. Ltd. .
- 4. The Card and Printing Office Services and the Card Payment Systems Services from Provus A.Ş.
- 5. The Security Services from Ekol Grup Güvenlik Koruma ve Eğitim Hizm. Ltd. .
- 6. The Customer Relations Center from Plaza Peyzaj Taahhüt ve San. Tic. A.Ş.

- 7. The Check Printing Service from Güzel Sanatlar Basım Ltd. .
- 8. The Support Service for Card and Printing Office Services from Bilesim Alternatif Dağıtım Kanalları ve Hizmetleri A.S.
- 9. The Support Service for Card Payment Systems from Master Card Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.
- 10. The Printing Card Password Service from Austria Card Turkey Kart Operasyonları A.Ş.
- 11. The Courier and Delivery Services from Aktif ve Kurye Hizmetleri A.Ş., Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.
- 12. The Mortgage Processing and Registration Services from Uz Gayrimenkul Yatırım Danışmanlık A.Ş., AVI Gayrimenkul Yatırım Danışmanlık A.Ş. and FU Gayrimenkul Yatırım Danışmanlık A.Ş.

## **PART III - Financial Information and Risk Management**

## Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The activities of internal audit, internal control and risk management in our Bank are carried out respectively by the Supervisory Board, Directorate of the Internal Control and Compliance Department and Directorate of the Risk Management Department.

The following is aimed with our organization that is established in a way to include all units and branches:

- To continue banking operations in a secure manner in line with the legislation, policy, principles and objectives,
- To achieve periodical profit targets, to perform the financial and administrative reporting in a timely and secure manner,
- To define Ziraat Participation's legal, nominal and financial risks, to measure, report, and monitor the risks and to minimize the concerned risks by controlling them.

## The Functioning of Internal Audit

The Supervisory Board controls whether the operations carried out by the Bank's all units and branches are in accordance with the law and other relevant legislation and the Bank's strategies, policies, principles and objectives; the effectiveness of internal control and risk management systems within the framework of risk-based audit approach.

The Supervisory Board continues to work in such a manner to contribute to the decision-making processes by informing the Bank's senior management.

The Supervisory Board assessed the accuracy, effectiveness and efficiency of the operational steps that comprise of primary and secondary processes by auditing the Bank activities' compliance with the processes which they are subjected to in accordance with the provisions of "Regulation on the Bank Information Systems and Banking Processes Audit to be Realized by External Audit Institutions" and "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes".

The branch, unit and process audits were fully and timely completed in accordance with the Audit Plan prepared to be implemented in 2016. The 2017 Audit Plan preparation works are still ongoing by taking into consideration the risks carried by the branches and units and in a manner compliant with the Bank objectives and policies. The Management's Declaration pertaining to the 2016 operations, which is prepared in order to present assurance about the effectiveness, adequacy and compliance of internal controls on the information systems and banking processes, was prepared in time by adding the reports regarding the audits of the companies from which information systems processes audits and support services are procured.

The Supervisory Board closely monitored the changes stipulated by the legislative regulations, the Banking Regulation and Supervision Agency decisions, the Bank's Senior Management and the Headquarters units, and regularly revised the audit points.

## The Functioning of Internal Control System

The purpose of Internal Control activities is to ensure the protection of the Bank's assets, effective and efficient conduct of the operations, unity and reliability of the accountancy and reporting system and timely access to the information.

Within the scope of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", Internal Control activities were configured in a way to cover the branches' and the Headquarters units' operations.

The branch controls are carried out within the framework of the control programs prepared according to the opening dates of new branches, most recent reporting dates and periodical risk situations of current branches.

The control periods of Headquarters units were determined by taking into consideration of the functions of the units, the risks they carry, job descriptions and the units' effect on the Bank's balance sheet and were revised in accordance with the needs.

Within our Bank, Internal Control activities were carried out on the following topics: functional segregation of duties; division of responsibilities; establishment of the accountancy and reporting system, the information system and the Bank's internal communication channels in a manner that they will operate effectively; the creation of work flow charts in which the controls on the Bank's work processes and work steps are indicated. Internal Control activities were conducted in compliance with the Bank's main goals and strategies within the framework of law, other relevant legislation, the Bank's internal policies and rules, and common banking practices. Moreover, while carrying out the activities, a proactive approach was adopted to make sure that the compliance to changing strategy, risk perception and conditions is provided without wasting time.

Internal Control system contributed to the carrying out of the Bank's operations in compliance with the domestic and international legislations and competition conditions through the control matrixes that are prepared pursuant to the adopted proactive manner and regularly revised based on the possible changes.

R&D studies were conducted in order to carry out technologyfocused, central, and real-time internal control activities, and to help the relevant business units to take a rapid action against the common shortcomings.

The findings revealed as a result of all these activities were periodically conveyed to the Bank's relevant business units and to the Senior Management.

Information Notes were prepared for the issues which are identified during the Internal Control activities carried out in the Headquarters units and the branches and which are considered being in need of rapid action taken and the notes were quickly shared with the relevant units and/or the Senior Management.

Recommendation reports were prepared for the improvement of processes regarding the operations carried out in the Bank and the establishment of control points on these processes, which will be complied and implemented by the personnel from all levels, increasing the effectiveness of the controls on the processes, prevention of possible risks, ensuring customer satisfaction and taking cost reducing measures.

#### **Banks' Internal System and Intrinsic Capital Adequacy**

Within the framework of 18<sup>th</sup> article of Assessment Processes, compliance controls were carried out. In this context, all the operations that the Bank performs or plans to perform with the new transactions and products were controlled in terms of their compliance to law and other relevant legislation, the Bank's internal policies and rules and the banking practices.

The compliance program was formed in accordance with the "Communiqué on Compliance with Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism". Activities aimed at preventing the laundering of proceeds of crime have been carried out in line with national and international regulations. The Bank's policy regarding the prevention of laundering the proceeds of crime and financing of terrorism was shared with the public on the Bank's website. Moreover, the Bank's employees are provided with training regarding the prevention of laundering proceeds of crime and financing of terrorism.

#### The Functioning of Risk Management System

The main purpose of Ziraat Participation risk management system is to ensure the definition, measurement, monitoring and control of the risks, to which the Bank is exposed, through the policies and the limits determined to monitor, control, and when necessary to change the operations' nature and level in relation to the risk-return structure that the future cash flows will include.

The main approach in the risk management activities, instilling risk culture across the Bank in accordance with the provisions of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", to execute the risk management function with best practices by continuously improving the system and the human resources. The activities carried out within the framework of risk management system are given care to be carried out simultaneously with the contributions of the units that are included in the business line with which each risk type is related.

## Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The risk management activities cover the basic headings of credit risk, market risk, operational risk, liquidity risk and other risks. The final objective is to comply with the best practices.

Within the framework of credit risk management activities, the activities for the definition, measurement, monitoring and reporting of the credit risk by using the methods in compliance with Basel II. In this context, the calculation of the amount subject to credit risk, which began legally as of 1 July 2012, is monthly reported to the BRSA in solo basis. Due to the fact that our Bank became operational in May 2015, there is not adequate data for the measurement of credit worthiness in relation to the advance measurement methods.

The credit risk limits approved by the Board are monitored; the activities to carry out scenario analysis and stress test regarding the credit portfolios are ongoing. Also, the compliance activities with the Basel III regulations and the regulations revised by the BRSA within the framework of Basel are continuing.

Operational risk management activities comprise the definition, classification, measurement, and analysis of the operational risks. These activities are carried out as part of the Bank's "Operational Risk Management Regulation" that is prepared in accordance with the arrangements issued on 28 June 2012 by the BRSA to comply with Basel II. The compliance with the operational risk limits approved by the Board, which are determined in order to manage operational risks, is periodically monitored. The risks stem from information technologies and the actions taken are also monitored. The risk assessments are carried out for the companies from which support services are procured within the framework of the BRSA's regulations that are currently in effect. As part of operational risk, media analysis reports relevant to reputation risk and provided daily from the Bank's Corporate Communication Service are examined.

Within the scope of market and liquidity risks management, measurement, analysis, limiting, reporting and monitoring activities are carried out pertaining to liquidity risk and dividend rate risk stemming from banking calculations. The analyses conducted are supported with stress test. The compliance to the market and liquidity risk limits, which are approved by the Board and determined to manage the concerned risks, is periodically monitored. Also, Value at Risk is calculated daily with the internal models regarding exchange risk as part of market risk and retrospective test analyses are carried out for these models.

The results of the analyses carried out within the scope of risk management activities and risk indicators are reported annually to the Board of Directors, at three months periods to the Audit Committee, at weekly and daily periods to the operational units.

In order to increase the internal systems personnel's individual and occupational development, the personnel was ensured to attend internal and external training, conference and seminars, thus, their practical knowledge level is constantly being developed.

## Ziraat Participation's Financial Standing, Profitability and Solvency

Ziraat Participation starting operations in 2015, with the principle of "Achieving More by Sharing", in parallel with the strategy of increasing the share of participation banking from the sector, total assets tripled YoY to TL 8 billion compared to the previous year.

Ziraat Participation has a balance sheet structure mainly composed of loans. Cash loans have a 70% share in the Bank's balance sheet. When compared to previous year, cash loans increased by TL 4 billion while non-cash loans increased by TL 3 billion. Ziraat Participation has a qualified loan portfolio. The Bank's non-performing loan ratio stands at just 0.2%.

Ziraat Participation rounded off 2016 with current and participation accounts of TL 6 billion, marking an increase of

349%, in line with its aim of obtaining low cost resources spread to the base. Current and participation accounts had a 71% share in the balance sheet at the end of 2016 while other resources had an 18% share.

Despite its ongoing establishment costs, the Bank completed 2016 with a profit of TL 30.7 million by working within the principles of steady growth, sustainable profitability and efficiency. By doing so, Ziraat Participation increased its net profit share income from TL 69 million in 2015 to TL 210 million in 2016.

The lion's share of the profit is composed of profit shares received from funds extended. Profit given to funds collected and other operating expenses were the biggest cost items.

## Ratios

%	December 2015	December 2016
Capital		
Capital Adequacy Ratio	47.4	12.5
Shareholders' Equity/Total Assets	30.5	9.6
Shareholders' Equity/(Total Assets+Non-cash Loans)	25.8	6.7
Shareholders' Equity/(Funds Collected+Other Funds)	45.2	10.8
Asset Quality		
Total Loans/Total Assets	77.6	69.8
NPL (Gross)/Cash Loans	0.0	0.2
NPL (Gross)/(Total Loans)	0.0	0.2
Securities Portfolio/Total Assets	6.0	5.2
FC Assets/FC Liabilities	70.5	54.0
Other Assets/Total Assets	3.6	4.0
Liquidity		
Liquid Assets/Total Assets	12.8	21.0
Liquid Assets/(Funds Collected+Other Funds)	19.0	23.7
Liabilities Structure		
Current Deposit/Total Deposit	12.2	14.8
Loans/Funds Collected	134.5	98.6
Profitability		
Net Profit (Loss)/Average Total Assets	-0.6	0.6
Net Profit (Loss)/Average Shareholders' Equity	-1.8	4.3
Net Profit (Loss)/Average Paid-in Capital	-1.8	4.3
Income-Expense Structure		
Profit Shares Income/Profit Shares Expense	480.8	216.0
Non-Profit Shares Incomes/Non-Profit Shares Expenses	6.0	14.8
Total Incomes/Total Expenses	88.7	110.7
Profit Shares Incomes/Total Incomes	94.4	93.0
Non-Profit Shares Incomes/Total Incomes	5.6	6.9
Profit Shares Expenses/Total Expenses	17.4	47.7
Non-Profit Shares Expenses/Total Expenses	82.6	52.4

# Information about Risk Management Policies and Activities According to Type of Risk

Ziraat Participation risk management activities are continued under the basic approach of aligning the risk management function with the best practices by means of instilling risk culture, continuously improvement of the system and the human resources.

The risk management activities cover the main headings of credit risk, market risk, operational risk and balance sheet risks. Policy and application procedures regarding the aforementioned risks are governed by regulations approved by the Board of Directors on the basis of each risk type. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Within the scope of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", an Intrinsic Capital Adequacy Assessment Process was formulated. The purpose of this process is to identify the required capital to cover the exposed/to be exposed risks and to set up a system that will enable the assessment of the capital requirements and levels compatible with strategic goals and the continuity of this system. Analyses are performed in line with BRSA principles and are further supported by means of risk-specific stress tests and scenario analyses.

Compliance to Basel III regulations are carried out within the framework of "Regulation on Measurement and Assessment of Banks' Leverage Level" and "Regulation on the Capital Conservation Buffer and Loop Capital". Additionally, the compliance efforts to the regulation amendments made within the scope of Basel by the BRSA and thirteen "Best Practice Guides" published on the Institution's web site are ongoing.

As part of Basel III liquidity criteria, the Liquidity Coverage Ratio Report is prepared within the scope of "Regulation on the Calculation of Banks' Liquidity Coverage Ratio" and conveyed to the BRSA.

## **Credit Risk**

Credit risk management consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks. The legal reports are prepared by using the standard approach method within the framework of "Regulation on Measurement and Assessment of Banks' Capital Adequacy". In this context, Ziraat Participation's credit risk exposure is monthly reported to the BRSA on solo basis.

The Leverage Ratio is conveyed to the BRSA and the CBRT in three-month periods.

The Company Assessment System is used in order to evaluate the credit worthiness of the customers who are in Ziraat Participation's commercial portfolio. Credit risk limits and trigger values on the basis of risk groups and customer segments, which are approved by the Board of Directors, as well as limits and trigger values of non-performing loan ratio have been calculated. All these values are monitored on a weekly basis.

## **Market Risk**

Risk measurement and monitoring activities are carried out in order to reveal the market risks to which Ziraat Participation may be exposed. The results of these activities are taken into account in the Bank's strategic decision-making processes. The market risks and potential effects of the factors that create the risks are measured and regularly reported to the BRSA by Ziraat Participation.

The Standardized Approach methodology is used to calculate the Bank's exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Within the context of market risk, exchange risk is also calculated on a daily basis using a VaR-based internal model. The effectiveness of the models being used is also analyzed by means of back testing.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect Ziraat Participation's financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

## **Operational Risk**

Works for monitoring operational risks through the Operational Risk Loss Database are ongoing. The mandatory capital needed to cover the Ziraat Participation's operational risk exposure is calculated using the Basic Indicator Approach methodology. In order to create a basic integrated risk framework, IT-associated risks and the actions taken are also monitored.

As part of the Business Continuity Plan, "Business Impact Analyses" works are completed in order both to identify the risks that might arise if the Bank's operations are interrupted and to determine their potential consequences. In 2016, the Disaster Center tests were conducted at the Bank and test results were negotiated by link to the report.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of "Regulation on the Outsourcing of Support Services by Banks" issued by the BRSA.

#### **Balance Sheet Risks**

Risk measurement and monitoring activities are carried out in order to reveal the balance sheet risks to which Ziraat Participation may be exposed on account both of its liquidity risks and of its profit share rate risks arising from its banking business accounts. The results of these activities are taken into account in the Bank's strategic decision-making processes.

Compliance with mandatory ratios pertaining to liquidity and profit share rate risks arising from banking business accounts is also monitored. When carrying out the liquidity risk control; funding and lending maturity mismatches, assets' and liabilities' re-pricing as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank's normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements are monitored. In addition to the foregoing, scenario and sensitivity analyses regarding liquidity risk are performed.

Signal values are followed and risk levels are limit as part of early warning process to prevent the Bank's financial strength from increased volatility in the markets and mismatch that can be seen on cash inflows and outflows while carrying out daily activities.

## **Summary Balance Sheet and Income Statement**

## Summary Balance Sheet and Income Statement (TL Thousand)

Assets	December 2015	December 2016	Change (%)
Liquid Assets	279,641	1,669,752	497
Securities Portfolio	129,893	415,842	220
Loans	1,690,106	5,557,942	229
Other Assets	77,795	315,970	306
Total Assets	2,177,435	7,959,507	266
Liabilities			
Funds Collected	1,256,305	5,636,002	349
Other Funds	212,441	1,420,889	569
Other Liabilities	44,159	137,995	213
Shareholders' Equity	664,530	764,621	15
Total Liabilities	2,177,435	7,959,507	266
Selected Income/Expenses			
Profit Shares Income	86,425	390,742	352
Profit Shares Expense	17,976	180,885	906
Profit Shares Income/Expense (net)	68,449	209,857	207
Fees and Commissions Income/Expense (net)	(74)	14,205	19,296
Trading Income/Loss (net)	2,998	7,030	135
Other Operating Income	37	1,739	4,600
Other Operating Expense	68,089	140,579	107
Provisions for Loans and Other Receivables	15,029	51,770	245
Income Before Tax	(11,708)	40,482	446
Tax Provision	(274)	(9,809)	3,480
Net Profit/Loss	(11,982)	30,673	356

## Publicly Announced Unconsolidated 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 Unconsolidated Financial Statements**

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

#### Management's Responsibility for the Unconsolidated Financial Statements

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

#### Independent Auditor's Responsibility

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

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by bank's management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

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

## Report on Other Responsibilities Arising From Regulatory Requirements

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

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

## Additional Paragraph for Convenience Translation

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

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

Haluk Yalçın, SMMM Partner Istanbul, 17 February 2017

## Unconsolidated 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 unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

The unconsolidated 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

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

Osman ARSLAN Member of the Board, CEO

Hakan AYDOĞAN FFinancial Coordination and Human Resources Deputy General Manager

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

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

## SECTION ONE

Gener	ral Information about The Bank	
Ι.	History of The Bank Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status	65
II.	Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control Over the Management	
	and Supervision of the Bank and the Disclosures on any Related Changes in the Current Period, if any and	
	Information About the Group that the Bank Belongs to	65
111.	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 Bank	66
IV.	Information About the Persons and Institutions that have Qualified Shares Attributable to The Bank	66
V.	Explanations of The Bank's Services and Field of Operations	67
VI.	Current or Likely Actual Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between	
	Parent Bank and Its Subsidiaries	67

## SECTION TWO

## The Bank's Unconsolidated Financial Statements

Ι.	Balance Sheet	68
11.	Statement of Off-Balance Sheet Commitments	70
III.	Income Statement	71
IV.	Statement of Profit and Loss Accounted for Under Equity	72
V.	Cash Flows Statement	73
VI.	Statement of Changes in Shareholders' Equity	74
VII.	Statement of Profit Distribution	78

## SECTION THREE

## Accounting principles

I.	Basis of Presentation	79
II.	Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions	80
III.	Explanations on Investments in Associates and Subsidiaries	80
IV.	Explanations on Forward and Option Contracts and Derivative Instruments	80
V.	Explanations on Profit Share Income and Expense	81
VI.	Explanations on Fees and Commission Income and Expenses	81
VII.	Explanations on Financial Assets	81
VIII.	Explanations on Impairment of Financial Assets	83
IX.	Explanations on Offsetting of Financial Assets and Liabilities	83
Х.	Explanations on Sales And Repurchase Agreements and Lending of Securities	83
XI.	Explanations on Assets Held For Sale and Discontinued Operations and Related Liabilities	84
XII.	Explanations on Goodwill And Other Intangible Assets	84
XIII.	Explanations on Tangible Assets	84
XIV.	Explanations on Leasing Transactions	85
XV.	Explanations on Provisions and Contingent Liabilities	85
XVI.	Explanations on Obligations Related to Employee Rights	86
XVII.	Explanations on Taxation	87
XVIII.	Explanations on Additional Disclosures on Borrowings	88
XIX.	Explanations on Share Certificates Issued	89
XX.	Explanations on Acceptances	89
XXI.	Explanations on Government Incentives	89
XXII.	Explanation on Cash and Cash Equivalents	89
	Explanation on Segment Reporting	89
XXIV.	Explanations on Other Matters	89

## Contents

		Page Number
SECT	ION FOUR	
Expla	anations Related to the Financial Position and Risk Management of the Bank	
Ι.	Explanations on Shareholder's Equity	89
11.	Explanations on Credit Risk	97
III.	Explanations on Counter-Cyclical Capital Buffer Calculations Risk	107
IV.	Explanations on The Currency Risk	108
V.	Equity Share Position Risk On Banking Accounts	110
VI.	Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio	110
VII.	Explanations on Leverage Ratio	116
VIII.	Explanations on Securitization Positions	117
IX.	Explanations on Risk Management	117
Х.	Explanations on Hedge Transactions	126
XI.	Explanation on Counterparty Credit Risk	126
XII.	Explanations on Operating Segments	131
XIII.	Explanations Related To Presentation of Financial Assets and Liabilities at Fair Value	134
XIV.	Explanations on Activities Carried Out on Behalf And Account of Other Parties	136
SECT	ION FIVE	

## Explanations and notes related to unconsolidated financial statements

Ι.	Explanations and Notes Related to Assets	136
II.	Explanations and Notes Related to Liabilities	150
III.	Explanations and Notes Related to The Off-Balance Sheet Accounts	158
IV.	Explanations and Notes Related to The Income Statement	163
V.	Explanations and Notes Related to Changes in Shareholders' Equity	168
VI.	Explanations and Notes Related to Statement of Cash Flows	168
VII.	Explanations and Notes Related to The Risk Group of The Bank	169
VIII.	Significant Events And Matters Arising Subsequent to Balance Sheet Date	171
IX.	Information on The Bank's Domestic And Foreign Branches and Foreign Representatives of The Bank	171
SECT	ION SIX	

## Other Explanations and Notes

Ι.	Other Explanations on The Bank's Operations	172
П.	Explanations on Banks Credit Notes From Credit Rating Agencies	172

## SECTION SEVEN

Expla	anations on the Independent Auditor's Report	
Ι.	Explanations on the Independent Auditor's Report	172
11.	Other Footnotes and Explanations Prepared by the Independent Auditors	172

## Notes To The Unconsolidated 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 BANK**

## I. HISTORY OF THE 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 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 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 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 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 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.

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.

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

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

	31 December 2016		31 December 2015	
Name of Shareholders	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	0.000001
Ziraat Hayat ve Emeklilik A.Ş.	1	0.0000001	1	0.000001
Ziraat Teknoloji A.Ş.	1	0.0000001	1	0.000001
Ziraat Yatırım Menkul Değerler A.Ş.	1	0.0000001	1	0.000001
Total	747,000,000	100.00	675,000,000	100,00

<sup>(1)</sup> 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 Unconsolidated 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 BANK

Name	Title
Board of Directors	
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
Member of Audit Committee	
Feyzi ÇUTUR	Member
Metin ÖZDEMİR	Member
Assistant General Manager	
Hakan AYDOĞAN (*)	Financial Coordination and Human Resources
Mustafa AKIN (**)	Marketing
Tahir DEMİRKIRAN (***)	Loan Allocation and Management

<sup>(2)</sup> As of 19 April 2016 was transferred to Financial Coordination and Human Resources Assistant General Manager.

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

(\*\*\*) 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 BANK

	Share Amount	Shareholding	Paid	Unpaid	
Name/Trade Name	(Nominal)	Percentage	Shares	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	-	
Total	747,000,000	100.00	747,000,000	-	

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.

Ziraat Participation Bank A.Ş.

## Notes To The Unconsolidated 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 BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of 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.

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, 3 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.

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.

As of 31 December 2016 Bank operates with 44 local branches (31 December 2015: 22 local branches), and 655 employees (31 December 2015: 307).

Bank has no branches abroad.

# VI. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

## **SECTION TWO**

## THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

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

## Unconsolidated 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. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)					F TURKISH LIRA		
	ACCETC	(Section		Period (31/1		Prior Period (31/12/		
	ASSETS	Five I)	TL	FC	Total	TL	FC	Total
Ι.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	633,389	567,909	1,201,298	29,239	137,837	167,076
п.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	7	1,152	1,159	2,870	1	2,871
2.1	Financial Assets Held for Trading		7	1,152	1,159	2,870	1	2,871
2.1.1	Public Sector Debt Securities	7	- [	-	-	-	-	-
2.1.2	Securities Representing a Share in Capital		- [	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		7	1,152	1,159	2,870	1	2,871
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	17,979	94,586	112,565
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	407,515	7,168	414,683	120,973	6,049	127,022
5.1	Securities Representing a Share in Capital		4,719	-	4,719	4,719	-	4,719
5.2	Public Sector Debt Securities		-	-	-	-	-	-
5.3	Other Marketable Securities		402,796	7,168	409,964	116,254	6,049	122,303
VI.	LOANS AND RECEIVABLES	(5)	4,949,028	608,914	5,557,942	1,442,397	247,709	1,690,106
6.1	Loans and receivables		4,942,377	608,914	5,551,291	1,442,395	247,709	1,690,104
6.1.1	Loans to Risk Group of the Bank		505,998	52,926	558,924	323,118	14,608	337,726
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		4,436,379	555,988	4,992,367	1,119,277	233,101	1,352,378
6.2	Non-performing loans		10,483	-	10,483	2	-	2
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)	50	-	50	-	-	-
9.1	Unconsolidated financial subsidiaries		50	-	50	-	-	-
9.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
Х.	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	8,854	-	8,854
11.1	Finance Lease Receivables		265,785	-	265,785	11,217	-	11,217
11.2	Operating Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income (-)		44,412	-	44,412	2,363	-	2,363
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	38,788	-	38,788
XIV.	INTANGIBLE ASSETS (Net)	(15)	22,905	-	22,905	20,996	-	20,996
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		22,905	-	22,905	20,996	-	20,996
XV.	REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	-	-	-	-	-	-
XVI.	TAX ASSET	(16)	4,876	-	4,876	3,272	-	3,272
16.1	Current Tax Asset		-	-	-	3,272	-	3,272
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)	22,981	143	23,124	5,860	25	5,885

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

## Unconsolidated 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)

	II. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)					TURKISH LIRA		
		(Section	***************************************	Period (31/1			eriod (31/12/	
	LIABILITIES AND EQUITY	Five II)	TL	FC	Total	TL	FC	Total
I.	FUND COLLECTED	(1)	3,776,793	1,859,209	5,636,002	735,731	<b>520,57</b> 4	1,256,305
1.1	Fund Collected Held By the Risk Group of the Bank		1,785	11		889	2	891
1.2	Other		3,775,008	1,859,198		734,842	520,572	1,255,414
п.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	-	-	-	-	-
ш.	FUNDS BORROWED	(3)	101,459	1,185,762	1,287,221	-	163,905	163,905
IV.	MONEY MARKET BALANCES	(3)	133,668	-	133,668	48,536	-	48,536
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
VI.	MISCELLANEOUS PAYABLES		13,218	3,809	17,027	15,246	4,513	19,759
VII.	OTHER LIABILITIES	(4)	45,594	932	46,526	5,955	284	6,239
VIII.	FINANCE LEASE PAYABLES	(5)	-	-	-	-	-	-
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operating Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
9.1	Fair Value Hedges		-	-	-	-	-	-
9.2	Cash Flow Hedges		-	-	-	-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
х.	PROVISIONS	(7)	62,750	1,824	64,574	14,960	39	14,999
10.1	General Provisions		52,263	-	52,263	13,939	-	13,939
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	1,021	39	1,060
XI.	TAX LIABILITY	(8)	9,868	-	9,868	3,162	-	3,162
11.1	Current Tax Liability		9,868	-	9,868	2,510	-	2,510
11.2	Deferred Tax Liability		-	-	-	652	-	652
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
12.1	Held for Sale		-	-	-	-	-	-
12.2	Held from Discontinued Operations		-	-	-	-	-	-
XIII.	SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XIV.	SHAREHOLDERS' EQUITY	(11)	764,728	(107)	764,621	664,609	(79)	664,530
14.1	Paid-in Capital		747,000	-	747,000	675,000	-	675,000
14.2	Capital Reserves		(963)	(107)	(1,070)	1,591	(79)	1,512
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Differences		(963)	(107)	(1,070)	1,591	(79)	1,512
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							
14 2 10	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 14.4	Other Profit Reserves		10 001	-	10 001	(11.002)	-	(11.000)
14.4 14.41	Profit or Loss		18,691	-	18,691	(11,982)	-	(11,982)
14.4.1 14.4.2	Prior Years Profit/Loss Net Period Profit/Loss		(11,982) 30,673	-	(11,982)	(11 002)	-	(11 000)
14.4.2			30,073	-	30,673	(11,982)	-	(11,982)
	TOTAL LIABILITIES AND EQUITY		4,908,078	7 051 420	7,959,507	1,488,199	689,236	2,177,435

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

## Unconsolidated 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)

		Note	THOUSAND OF TURKISH LIRA Current Period (31/12/2016) Prior Period (31/12/2015)						
II. STA	FEMENT OF OFF-BALANCE SHEET COMMITMENTS	(Section Five III)	Current TL	Period (31/12/20 FC	5) Total	Prior Pe TL	riod (31/12/2015 FC	) Total	
	BALANCE SHEET COMMITMENTS (I+II+III)	(1)	1,380,632	2,435,507	3,816,139	151,050	411,327	562,377	
I.	GUARANTEES AND WARRANTIES		1,341,334	2,166,635	3,507,969	82,420	317,140	399,560	
1.1 1.1.1	Letters of Guarantee Guarantees Subject to State Tender Law		1,329,163 7,214	1,443,571 603,083	2,772,734 610,297	82,420 80	286,028 107,915	368,448 107,995	
1.1.2	Guarantees Subject to State fender Law		1,208,028		1.208,028	77.238	107,915	77,238	
1.1.2	Other Letters of Guarantee		113,921	840,488	954,409	5.102	178,113	183,215	
1.2	Bank Acceptances			7,484	7,484	5.102	-	-	
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	-	31,112	31,112	
1.3.1	Documentary Letters of Credit		-	188,475	188,475	-	31,112	31,112	
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 II.	Other Collaterals COMMITMENTS	(1)	171	6,974	7,145	2 200	1	z 200	
<b>II.</b> 2.1	Irrevocable Commitments	(1)	<b>39,298</b> 39,298	<b>9,200</b> 9,200	<b>48,498</b> 48,498	<b>3,208</b> 3,208	_	<b>3,208</b> 3,208	
2.1	Forward asset purchase commitments		4,023	9,200	48,498	3,200		3,208	
2.1.1	Share Capital Commitments to Associates and Subsidiaries		4,023	5,200	13,223	_	_		
2.1.2	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	3,181	-	3,181	
2.1.7	Tax and Fund Liabilities from Export Commitments		458	-	458	27	-	27	
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 DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	259,672	259,672	- 65,422	04 197	- 159,609	
3.1	Derivative financial instruments for hedging purposes	(2)		259,072	239,072	05,422	94,187	159,609	
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	65,422	94,187	159,609	
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	259,672	259,672	65,422	94,187	159,609	
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	130,412	130,412	65,422	15,920	81,342	
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	129,260	129,260	-	78,267	78,267	
3.2.2	Other Forward Buy/Sell Transaction		-	-	-	-	-	-	
3.3	Other		-	-	-	-	-	-	
В.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		6,580,645	334,443	6,915,088	663,443	44,080	707,523	
IV.	ITEMS HELD IN CUSTODY		197,945	103,513	301,458	31,043	10,939	41,982	
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	28,019	2,069	30,088	
4.4	Commercial Notes Received for Collection		11,232	190	11,422	3,024	9	3,033	
4.5	Other Assets Received for Collection Assets Received for Public Offering		_		_				
4.6 4.7	Other Items Under Custody		_	47,704	47,704		6,603	6,603	
4.8	Custodians		_	53,457	53,457	_	2,258	2,258	
V.	PLEDGES RECEIVED		6,382,700	230,930	6,613,630	632,400	33,141	665,541	
5.1	Marketable Securities		6,979		6,979	1,803		1,803	
5.2	Guarantee Notes		572,824	22,136	594,960	43,667	303	43,970	
5.3	Commodity		419,001	-	419,001	86,792		86,792	
5.4	Warranty		-		-	-		-	
5.5	Properties		4,855,316	-	4,855,316	482,182	-	482,182	
5.6	Other Pledged Items		528,580	208,794	737,374	17,956	32,838	50,794	
5.7	Pledged Items-Depository		-	-	-	-	-	-	
	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-	
VI.	÷								

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

# Unconsolidated 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)

		Note	THOUSAND OF TU	JRKISH LIRA
		(Section	Current Period	Prior Period
III. INC	OME AND EXPENSE ITEMS	Five IV)	01/01-31/12/2016	16/02-31/12/2015
l.	PROFIT SHARE INCOME	(1)	390,742	86,425
1.1	Profit share on loans		356,285	57,897
1.2	Profit share on reserve deposits		4,359	330
1.3	Profit share on banks		353	7,943
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		24,499	20,206
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	4,937
1.5.4	Investments held-to-maturity		398	15,269
1.6	Finance lease income		4,973	49
1.7	Other profit share income		273	-
П.	PROFIT SHARE EXPENSE	(2)	180,885	17,976
2.1	Expense on profit sharing accounts		148,335	17,054
2.2	Profit share expense on funds borrowed		25,052	229
2.3	Profit share expense on money market borrowings		7,498	693
2.4	Expense on securities issued		-	-
2.5	Other profit share expense		-	
III.	NET PROFIT SHARE INCOME (I - II)		209,857	68,449
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		14,205	(74)
4.1	Fees and commissions received		20,587	2,097
4.1.1	Non-cash loans		12,749	602
4.1.2	Other		7,838	1,495
4.2	Fees and commissions paid		6,382	2,171
4.2.1	Non-cash loans		1	1
4.2.2	Other		6,381	2,170
V.	DIVIDEND INCOME	(3)	-	-
VI.	NET TRADING INCOME		7,030	2,998
6.1	Capital market transaction gains/(losses)		-	-
6.2	Gains/(losses) from derivative financial instruments	(4)	10,675	2,839
6.3	Foreign exchange gains/(losses)		(3,645)	159
VII.	OTHER OPERATING INCOME	(5)	1,739	37
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		232,831	71,410
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	51,770	15,029
Х.	OTHER OPERATING EXPENSES (-)	(7)	140,579	68,089
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		40,482	(11,708)
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN/(LOSS) ON EQUITY METHOD		-	-
XIV.	GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI++XIV)	(8)	40,482	(11,708)
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(9,809)	(274)
16.1	Current Tax Provision		(14,349)	-
16.2	Deferred Tax Provision		4,540	(274)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	30,673	(11,982)
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		-	-
19.3	Loss from other discontinued operations		-	-
XX.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS			
	(XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(11)	30,673	(11,982)
			0.0.402	/0.01703
	Earnings per share income/loss (full TL)		0.0426	(0.0178)

# Unconsolidated 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)

		Current Period	Prior Period
PRO	FIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	01.01-31/12/2016	16.02-31/12/2015
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM THE		
	AVAILABLE FOR SALE FINANCIAL ASSETS	(3,228)	1,890
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
Ш.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY 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 Differences)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.			
	EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	646	(378)
Х.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY		
	(I+II++IX)	(2,582)	1,512
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	-
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	28,091	1,512

# Unconsolidated 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	THOUSAND OF TU	
		(Section	Current Period	Prior Period
VI. STA A.	TEMENT OF CASH FLOWS	Five)	01/01 - 31/12/2016	16/02 - 31/12/2015
А.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities(Loss)		(82,076)	(11,108)
1.1.1	Profit share income received		197,015	69,016
1.1.2	Profit share expense paid		(161,638)	(14,654)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		20,587	2,097
1.1.5	Other income		10,480	165
1.1.6	Collections from previously written off loans		54	-
1.1.7	Payments to personnel and service suppliers		(65,101)	(30,060)
1.1.8	Taxes paid		(16,340)	(1,723)
1.1.9	Others		(67,133)	(35,949)
1.2	Changes in operating assets and liabilities		1,210,226	352,389
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)	(130,105)
1.2.4	Net (increase)/decrease in loans		(3,892,066)	(1,684,553)
1.2.5	Net (increase)/decrease in other assets		(91,363)	(4,043)
1.2.6	Net increase/(decrease) in bank deposits		(31,303)	(4,043)
1.2.7	Net increase/(decrease) in other deposits		4,365,565	1,252,983
1.2.8				
	Net increase/(decrease) in funds borrowed		1,118,200	163,905
1.2.9	Net increase/(decrease) in due payables	-	100.011	-
1.2.10	Net increase/(decrease) in other liabilities		198,811	754,202
I.	Net cash provided from banking operations		1,128,150	341,281
В.	CASH FLOWS FROM INVESTING ACTIVITIES			
П.	Net cash provided from investing activities		(306,013)	(188,085)
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries		(50)	
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries		(50)	
2.2	* · · · · · · · · · · · · · · · · · · ·		(15 724)	(41.906)
2.5	Fixed assets purchases Fixed assets sales		(15,724)	(41,896)
2.4	Cash paid for purchase of financial assets available for sale		(286,056)	(124,010)
			(280,050)	(124,018)
2.6 2.7	Cash obtained from sale of financial assets available for sale			-
	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities Other		(4107)	-
2.9	Utiler		(4,183)	(22,171)
С.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		-	-
71	Cash obtained from funds borrowed and securities issued			
3.1			-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Marketable Securities Issued			-
3.4	Dividends paid			-
3.5	Payments for finance leases			-
3.6	Other		-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		146,984	(8,059)
V.	Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		969,121	145,137
VI.	Cash and cash equivalents at the beginning of the period	(1)	145,137	-

# Unconsolidated Statement of Changes in Shareholders Equity For the Period of 1 January - 31 December 2015

(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. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Prior Period 16 February -31 December 2015	(Section Five) Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits		Statutory reserves	
l. II.	Balances at beginning of the period Corrections According to TAS 8		-	-	-	-	-	-	
			-	-	-	-	-	-	
2.1 2.2	The Effect of Corrections of Errors		-		-	-	-	-	
	The Effect of Changes in Accounting Policy	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)		-	-	-	-	-	-	
	Changes in Period		-	-	-	-	-	-	
IV.	Increase/Decrease Related to Merger		-	-	-	-	-	-	
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	
VI.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	
6.1	Cash-Flow Hedge		-	-	-	-	-	-	
6.2	Foreign Net Investment Hedge		-	-	-	-	-	-	
VII.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	
VIII.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	
IX.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-	-	-	
Х.	Foreign Exchange Differences		-	-	-	-	-	-	
XI.	The Disposal of Assets		-	-	-	-	-	-	
XII.	The Reclassification of Assets		-	-	-	-	-	-	
XIII.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	
XIV.	Capital Increase		675,000	-	-	-	-	-	
14.1	Cash		675,000	-	-	-	-	-	
14.2	Internal Sources		-	-	-	-	-	-	
XV.	Share Premium		-	-	-	-	-	-	
XVI.	Share Cancellation Profits		-	-	-	-	-	-	
XVII.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	
XVIII.	Other		-	-	-	-	-	-	
XIX.	Period net Profit/(Loss)		-	-	-	-	-	-	
XX.	Profit Distribution		-	-	-	-	-	-	
20.1	Dividends Distributed		-	-	-	-	-	-	
20.2	Transfers to Reserves		-	-	-	-	-	-	
20.3	Other		-	-	-	-	-	-	
	Balance at the end of the period								
	(I+II+III++XVI+XVII+XX)		675,000	-	-	-	-	-	

Tot	Asset held for sale and disc. op. valuation fund.	Hedging	Bonus shares from investments	Tangible and intangible assets revaluation fund	revaluation	Prior period	Current period net income/ (loss)	Other Reserve	Extra-ordinary reserve
	_	-	_	_	_		_	_	
	_	_	_	_	_	_	_	_	_
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
1,5	-	-	-	-	-	-	-	-	-
1,0	_	-	-	_	1,512	-	-	_	
	_	-	-	-	-	_	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	_		-	-	_	_
	_	-	_	_	-	_	_	-	_
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<mark>675,00</mark> 675,00	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	_	_	-	_	_		-	_	
	[	_	_	[	_		_	_	_
(11,98	-	-	-	-	-	-	(11,982)	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	_	-
	-	-	-	-	-	-	-	-	-
									-
664,	-	-	-	-	1,512	-	(11,982)	-	-

# Unconsolidated 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. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Current Period 1 January - 31 December 2016	(Section Five) Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	
I.	Balances at beginning of the period		675,000	-	-	-	-	-	
	Changes During the Period		-	-	-	-	-	-	- - - - - - - - - - - - - - - - - - -
П.	Increase/Decrease Related to Merger		-	-	-	-	-	-	
111.	Marketable Securities Valuation Differences		-	-	-	-	-	-	
IV.	Hedging Funds (Active Part)		-	-	-	-	-	-	
4.1	Cash-Flow Hedge		-	-	-	-	-	-	
4.2	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-	
V.	Revaluation Differences of Tangible Assets	7	-	-	-	-	-	-	
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Joint vent.)		-	-	-	-	-	-	
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-	-	
х.	Changes Resulted from Reclassification of Assets		-	-	-	-	-	-	
XI.	Effect of Changes in Shareholders' Equity of Associates to the Bank's Shareholders Equity		-	-	-	-	-	-	
XII.	Increase in Capital		72,000	-	-	-	-	-	
12.1	Cash		72,000	-	-	-	-	-	
12.2	From Internal Resources		-	-	-	-	-	-	
XIII.	Issuance of Share Certificates		-	-	-	-	-	-	
XIV.	Share Cancellation Profits		-	-	-	-	-	-	
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	
XVI.	Other		-	-	-	-	-	-	
XVII.	Net Profit or Losses		-	_	-	-	-	-	
XVIII.	Profit Distribution		-	_	-	-	-	-	
18.1	Dividend Distributed		-	-		-	-	-	
18.2	Transfers to Legal Reserves		-	-	-	-	-	-	
18.3	Other		-	-	-	-	-	-	
	Balance at the end of the period ( +  +   ++XV +XV  +XV  )		747,000		_				

Total equity	Asset held for sale and disc.op. valuation fund.	Hedging reserves	Bonus shares from investments	Tangible and intangible assets revaluation fund	Marketable securities revaluation reserve	Prior period net income/ (loss)	Current period net income/ (loss)	Other reserve	Extra-ordinary reserve
664,530	-	-	-	-	1,512	(11,982)	-	-	-
-	-	-	-	-	-	-	-	-	-
- (2,582)	-	-	-	-	- (2,582)	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	- -	-
-		-	-	-	-	-	-	_	
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
- 72,000	-	- -	-	-	-	-	-	-	-
72,000		- -	- -	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	- -	
30,673 -	-	-	-	-	-	-	30,673 -	-	-
-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
764,621	-	-	_	-	(1,070)	(11,982)	30,673	_	_

# **Unconsolidated 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. STAT	EMENT OF PROFIT DISTRIBUTION	Current Period (1) (31/12/2016)	Prior Period (2) (31/12/2015	
I.	DISTRIBUTION OF THE CURRENT YEAR INCOME			
1.1	Current Year Income (Loss)	40,482	(11,708)	
	Taxes and Duties Payable (-) <sup>(3)</sup>	14,349	274	
	Corporate Tax (Income Tax)	14,349		
	Income withholding tax		-	
	Other taxes and duties	-	274	
Α.	NET INCOME FOR THE YEAR (1.1-1.2)	26,133	(11,982)	
1.3	Prior Year Losses (-)	-	-	
1.4	First Legal Reserves (-)		-	
1.5	Other Statutory Reserves (-)	-	-	
В.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]			
1.6	First Dividend to Shareholders (-)	-	-	
1.6.1	To Owners of Ordinary Shares		-	
1.6.2	To Owners of Privileged Shares	-	-	
1.6.3	To Owners of Preferred Shares	-	-	
	To Profit Sharing Bonds	-	-	
	To Holders of Profit and Loss Sharing Certificates		-	
	Dividends to Personnel (-)	-	-	
	Dividends to Board of Directors (-)	-	-	
÷	Second Dividend to Shareholders (-)		-	
	To Owners of Ordinary Shares		-	
	To Owners of Privileged Shares	-	-	
	To Owners of Preferred Shares	-	-	
	To Profit Sharing Bonds To Holders of Profit and Loss Sharing Certificates	1	-	
	Second Legal Reserves (-)		-	
	Second Legal Reserves (-)			
	Extraordinary Reserves		-	
	Other Reserves	1	-	
	Special Funds	-	-	
н.	DISTRIBUTION OF RESERVES			
2.1	Appropriated Reserves	-	-	
	Second Legal Reserves (-)		-	
2.3	Dividends to Shareholders (-)		-	
2.3.1	To Owners of Ordinary Shares	-	-	
	To Owners of Privileged Shares		-	
	To Owners of Preferred Shares	-	-	
	To Profit Sharing Bonds	-	-	
	To Holders of Profit and Loss Sharing Certificates	-	-	
	Dividends to Personnel (-) Dividends to Board of Directors (-)		-	
	EARNINGS PER SHARE			
3.1	To Owners of Ordinary Shares	0.0349	(0.0178)	
	To Owners of Ordinary Shares (%)	3.4984	(1.7752)	
7	To Owners of Privileged Shares			
	To Owners of Privileged Shares (%)	-	-	
IV.	DIVIDEND PER SHARE			
4.1	To Owners of Ordinary Shares	-	-	
4.2	To Owners of Ordinary Shares (%)	-	-	
	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> As of yearend 2015, profit distribution has not been made because of the loss arising from establishment expenses according to General Assembly meeting dated 29 April 2016.

<sup>(3)</sup> Deferred tax related to current year, amount of TL 4.540 is not subject to profit distribution.

(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. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking 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 unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", 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.

As of the date of 31 December 2016, balance sheet and off-balance sheet liabilities tables are comparatively given with December 31, 2015 audited balances and income statement, profit and loss accounted for under equity, cash flows and changes in shareholders' equity tables are comparatively given with the accounting period beginning on February 16, 2015 and ending on December 31, 2015.

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

The preparation of 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 Group's 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 Bank. The 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 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

(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 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.

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 equity's 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 AND SUBSIDIARIES**

Based on the TAS 27 "Turkish Accounting Standard for Consolidated and Separate Financial Statements", Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş was established as a subsidiary.

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

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

The 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 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.

(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 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 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 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.

### 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 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.

(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. 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.

#### 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.

(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 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 prior 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.

(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. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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 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 31 December 2016 the bank has no assets held for sale and tangibles corresponding discontinuing operations. (31 December 2015: None).

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

As of the balance sheet date, the 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 Bank 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%

Ziraat Participation Bank A.Ş.

# Notes To The Unconsolidated 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

#### Transactions as a Leasee

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 Bank does not contain any financial leasing transactions.

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

#### Transactions as a Lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The 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 Bank 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.

(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 OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

### a. Employment Termination and Vacation Benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits", and liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

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 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 Bank's employee termination benefit is TL 780. (31 December 2015: None).

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 unused vacation liability of the Bank is TL 1,389 (31 December 2015: None).

The Bank 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. Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th 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 reassurance 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 20th 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 4th 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 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.

(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 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 Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The 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 bank takes place during this operation as a fund user.

### Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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)

#### XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

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

#### **XX. EXPLANATIONS ON ACCEPTANCES**

Commitments regarding bill guarantees and acceptances of the Bank are presented in the "Off-Balance Sheet" commitments.

#### XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank 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, 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**

According to the decision of the Ordinary General Assembly Meeting of the Bank for the year 2015 held on 29 April 2016, there was no profit distribution due to the period loss at the end of 2015.

#### SECTION FOUR

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

#### I. EXPLANATIONS ON SHAREHOLDER'S EQUITY

As of 31 December 2016 current period capital amount of the Bank is TL 706,161 and capital adequacy standard ratio is 12.46%. As of 31 December 2015 capital amount of the Bank is TL 636,430 and capital adequacy standard ratio is 47.41%.

(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 Components of Shareholders' Equity:

COMMON EQUITY TIER 1 CAPITAL	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 (*)
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	-	
Common Equity Tier 1 Capital Before Deductions	777,673	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance		
with TAS	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	-	

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

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 (*)
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	42,795	
Total Common Equity Tier 1 Capital	734,878	
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	_	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	_	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	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 (-)		
Total Deductions From Additional Tier I Capital	9,162	
Total Additional Tier I Capital Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	725,716	

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

	Current Period	Amounts related to treatment before 1/1/2014 (*)
TIER II CAPITAL	51.12.2010	
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	
Tier II Capital Before Deductions	17,287	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of		
equity issued by financial institutions with the conditions		
declared in Article 8	-	
Portion of the total of net long positions of investments made in equity items		
of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or less of the issued common share capital exceeding 10% of		
Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I		
Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding		
10% of Common Equity of the Bank	_	
Other items to be defined by the BRSA (-)	_	
Total Deductions from Tier II Capital		
Total Tier II Capital	17,287	
Total Capital (The sum of Tier I Capital and Tier II Capital)	743,003	
Total of Original Capital and Supplementary Capital (Total Capital)	740,000	
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	
In transition from Total Core Capital and Supplementary Capital (the capital) to		
Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance		
entities that are outside the scope of regulatory consolidation, where the		
bank does not own more than 10% of the issued common share capital of the		
entity which will not deducted from Common Equity Tier 1 capital, Additional		
Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the		
Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital		
and Tier 2 capital of banking, financial and insurance entities that are outside		
the scope of regulatory consolidation, where the bank does not own more than		
10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation		
on Banks' Own Funds (-)		

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

	Current Period 31.12.2016	Amounts related to treatment before 1/1/2014 (*)
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	_	
TOTAL CAPITAL		
Total Capital	706,161	
Total risk weighted amounts	5,666,714	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12.97	
Tier 1 Capital Adequacy Ratio (%)	12.81	
Capital Adequacy Ratio (%)	12.46	
BUFFERS		
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	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
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	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(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 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 unconsolidated 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.

	Prior Period
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	675,000
Share Premium	-
Share Cancellation Profits	-
Reserves	-
Income recognized under equity in accordance with TAS	1,512
Profit	(11,982)
Current Period's Profit	(11,982)
Prior Period's Profit	-
Free Provisions for Possible Risks	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Common Equity Tier 1 Capital Before Deductions	664,530
Deductions from Common Equity Tier 1 Capital	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	-
Leasehold Improvements on Operational Leases (-)	11,885
Goodwill and intangible asset and the related deferred tax liability (-)	8,398
Net Deferred Tax Asset/Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	

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

	Prior Period
Investments in the capital of banking, financial and insurance entities that are outside the scope of	
regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) (-)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from Common Equity Tier 1 Capital	20,283
Total Common Equity Tier 1 Capital	644,247
ADDITIONAL TIER 1 CAPITAL	<u> </u>
Premiums that are not included in Common Equity Tier 1 Capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Additional Tier 1 Capital before Deductions	-
Deductions from Additional Tier 1 Capital	-
Bank's direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 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 Determined by BRSA (-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-
Total Deductions from Additional Tier 1 Capital	-
Total Additional Tier 1 Capital	-
Deductions From Tier 1 Capital	12,598
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	12,598
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	631,648
TIER 2 CAPITAL	
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
Pledged assets of the shareholders to be used for the Bank's capital increases	-
General Provisions	4,782
Tier 2 Capital Before Deductions	4,782
Deductions From Tier 2 Capital	
Bank's direct or indirect investment in Tier 2 capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	

(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)

	Prior Period
Other Items Determined by BRSA (-)	-
Total Tier 2 Capital	-
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	4,782
Shareholder's Equity	636,430
Loan granted to Customer against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Immovable Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-
Other items to be defined by BRSA (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%, but exceeding 10% of Common Equity Tier 1 not deducted from Common Equity Tier 1, Tier 1 or Tier 2 (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of the bank (-)	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%, but exceeding 10% of bank (-)	-
TOTAL CAPITAL	636,430
Amounts below deduction thresholds	-
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	-
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	-

#### Summary information on capital adequacy standard ratio:

	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	106,819
Capital Requirement for Market Risk (CRMR)	576
Capital Requirement for Operational Risk (CROR)	-
Shareholders' Equity	636,430
Shareholders' Equity/((CRCR+CRMR+CROR)*12.5)*100	47.41
Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	47.05
Common Equity Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	47.99

(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 informations, 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.

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

The 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 monitory transactions.

The 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 Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is 57.63% and 67.30% (31 December 2015: 76.21% and 83.92%).

The receivable of the Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 74.75% and 87.76% (31 December 2015: 98.58% and 100%).

The receivable of the 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% (31 December 2015: 80.48% and 86.99%).

The Banks general loan loss provision amount for its credit risk is TL 52,263 (31 December 2015: TL 13,939).

(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)

	receivables from central	Conditional and unconditional receivables from regional or local	receivables from administrative units and non-	receivables from multilateral	unconditional receivables from	receivables from banks and	unconditional	
Current Period								
Domestic	1,482.353	-	8,680	-	-	752,133	4,659,408	
European Union Countries	-	-	-	-	-	233,710	-	
OECD Countries (1)	-	-	-	-	-	449	-	
Off-shore Banking Regions	-	-	-	-	-	3	-	
USA, Canada	-	-	-	-	-	8	-	
Other Countries	-	-	-	-	-	2,952	-	
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	
Total	1,482.353	-	8,680	-	-	989,255	4,659,408	

	receivables from central	receivables from regional or local	receivables from administrative units and non- commercial	Conditional and unconditional receivables from multilateral	receivables from	Conditional and unconditional receivables from banks and brokerage houses		
Prior Period								
Domestic	290,692	-	64,065	-	-	439,903	1,088,424	
European Union Countries	-	-	-	-	-	25,014	-	
OECD Countries (1)	-	-	-	-	-	2	-	
Off-shore Banking Regions	-	-	-	-	-	3	-	
USA, Canada	-	-	-	-	-	2	-	
Other Countries	-	-	-	-	-	-	-	
Subsidiaries, Associates and Joint Ventures	_	-	-	-	-	-	-	
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-	-	
Total	290,692	-	64,065	-	-	464,924	1,088,424	

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

 $^{\scriptscriptstyle (1)}$  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.

Total	Other receivables	Investments similar to collective investment funds		Securitization	collateralized		Past due receivables	unconditional receivables secured by	Conditional and unconditional retail receivables
							1100	001557	001000
8,046,841	73,713	-	-	-	-	-	4,102	801,553	264,899
233,710	-	-	-	-	-	-	-	-	-
449	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-	-	-
2,952	-	-	-	-	-	-	-	-	-
50	50	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,284,013	73,763	-	-	-	-				264,899

\_\_\_\_\_

Total	Other receivables	Investments similar to collective investment funds	Short-term receivables from banks, brokerage houses and corporates		collateralized			Conditional and unconditional receivables secured by mortgages	Conditional and unconditional retail receivables
2,064,084	49,401	-	-	-	-	12,688	2	106,831	12,078
25,014	-	-	-	-	-	-	-	-	-
202	-	-	-	-	-	-	-	-	200
3	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
2,089,305	49,401	-	-	-	-	12,688	2		12,278

(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 Class	es				
Current Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	unconditional receivables from administrative units and non-	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	Conditional and unconditional retail receivables	
Sectors/Counter Parties									
Agriculture	-	-	-	-	-	-	36,258	3,565	
Farming and Stockbreeding	-	-	-	-	-	-	29,916	2,341	
Forestry	-	-	-	-	-	-	6,170	1,219	
Fishing	-	-	-	-	-	-	172	5	
Manufacturing	-	-	6,489	-	-	-	2,089,278	72,612	
Mining and Quarrying	-	-	-	-	-	-	46,840	3,595	
Production	-	-	6,489	-	-	-	1,918,055	68,625	
Electric, Gas and Water	-	-	-	-	-	-	124,383	392	
Construction	-	-	-	-	-	-	853,759	16,810	
Services	1,482,353	-	-	_	-	989,255	1,631,954	58,270	
Wholesale and Retail Trade	-	-	-	-	-	-	981,203	44,011	
Hotel Food and Beverage Services	-	-	-	-	-	-	88,373	2,910	
Transportation and Telecommunication	-	-	-	-	-	-	338,699	2,269	
Financial Institutions	1,482,353					989,255	55,072	401	
Real Estate and Leasing Services	-	-	-	-	-	-	144,163	7,267	
Self-Employment Services	-	-	-	-	-	-	-	-	
Education Services	-	-	-	-	-	-	11,396	87	
Health and Social Services	-	-	-	-	-	-	13,048	1,325	
Other	-	-	2,191	-	-	-	48,159	113,642	
Total	1,482,353	-	8,680	-	-	989,255	4,659,408	264,899	

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

					sses Classes	Risk Cla				
Total	FC	TL	Other receivables	Investments similar to collective investment funds	Short-term from banks, brokerage houses and corporates	Securitization positions	Securities collateralized by mortgages		Past due receivables	Conditional and unconditional receivables secured by mortgages
46,130	101	46,029	-	-	-	-	-	-	40	6,267
34,174	101	34,073	-	-	-	-	-	-	40	1,877
11,779	-	11,779	-	-	-	-	-	-	-	4,390
177	-	177	-	-	-	-	-	-	-	-
2,409,140	1,108,275	1,300,865	-	-	-	-	-	-	615	240,146
61,612	4,154	57,458	-	-	-	-	-	-	-	11,177
2,222,539	1,104,121	1,118,418	-	-	-	-	-	-	615	228,755
124,989	-	124,989	-	-	-	-	-	-	-	214
989,306	315,928	673,378	-	-	-	-	-	-	-	118,737
4,278,675	1,427,223	2,851,452	50	-	-	-	-	-	1,277	115,516
1,095,041	326,765	768,276	-	-	-	-	-	-	1,277	68,550
91,543	57,960	33,583	-	-	-	-	-	-	-	260
341,409	200,105	141,304	_	_	_	_	_	-	_	441
5 11, 105	200,100	111,001								
2,528,932	792,905	1,736,027	50	-	-	-	-	-	-	1,801
184,817	42,730	142,087	-	-	-	-	-	-	-	33,387
-	-	-	-	-	-	-	-	-	-	-
22,474	6,758	15,716	-	-	-	-	-	-	-	10,991
14,459	-	14,459	-	-	-	-	-	-	-	86
560,762	39,613	521,149	73,713	-	-	-	-	-	2,170	320,887
8,284,013	2,891,140	5,392,873	73,763	-	-	-	-	-	4,102	801,553

(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 Class	es				
Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	unconditional	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	Conditional and unconditional retail receivables	
Sectors/Counter									
Parties							70 507		
Agriculture	-	-	-	-	-	-	30,583	-	
Farming and Stockbreeding	-	-	-	-	-	-	30,583	-	
Forestry	-	-	-	-	-	-	-	-	
Fishing	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-		-	-	441,042	231	
Mining and Quarrying	-	-	-	-	-	-	2,854	-	
Production	-	-	-	-	-	-	436,288	231	
Electric, Gas and Water	-	-	-	-	-	-	1,900	-	
Construction	-	-	-	-	-	-	125,882	6	
Services	290,692	-	64,065	-	-	464,924	490,534	765	
Wholesale and Retail Trade	-	-	-	-	-	-	343,466	616	
Hotel Food and Beverage Services	-	-	-	-	-	-	3,420	-	
Transportation and Telecommunication	-	-	-	-	-	-	78	-	
Financial Institutions	290,692	-	64,065	-	-	464,924	80,881	-	
Real Estate and Leasing Services	-	-	-	-	-	-	57,042	149	
Self-Employment Services	-	-	-	-	-	-	-	-	
Education Services	-	-	-	-	-	-	1,674	-	
Health and Social Services	-	-	-	-	-	-	3,973	-	
Other	-	-	-	-	-	-	382	11,275	
Total	290,692	-	64,065	-	-	464,924	1,088,424	12,278	

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

 			******	Ris	k Classes					
Conditional and unconditional receivables secured by mortgages				Securitization positions		Investments similar to collective investment	Other receivables	TL	FC	Tota
 -	-	-	-	-	-	-	-	30,461	122	30,583
_	_	_	_		_	_	_	30,461	122	30,583
 _	-	-	-		-	-	-	- 50,401	-	
 -	-	-	-	-	-	-	-	-	-	
 3,915	-	-	-	-	-	-	-	82,422	362,766	445,188
								6	2,848	2,854
 - 3,915	-		-	-	-	-	-	82,416	2,848 358,018	2,854 440,434
 5,515								02,110	555,515	110,101
 -	-	-	-	-	-	-	-	-	1,900	1,900
 18,588	-	-	-	-	-	-	-	77,148	67,328	144,476
 22,974	2	-	-	-	-	-	-	935,368	398,586	1,333,954
13,112	2	-	-	-	-	-	-	202,993	154,202	357,195
8,533	-	-	-	-	-	-	-	8.833	3,120	11,953
754								831		831
/54	-		-	-	-	-	-	001	-	031
 -	-	-	-	-	-	-	-	695,633	204,929	900,562
 575	-		-	-	-	-	-	21,431	36,335	57,766
-	-	-	_	-	-	-	_	-	_	_
 -	-	-	-	-	-	-	-	1,674	-	1,674
-	-	-	-	-	-	-	-	3,973	-	3,973
 61,355	-	12,688	-	-	-	-	49,401	131,365	3,737	135,102
106,831	2	12,688	-	-	-	-	49,401	1,256,763	832,540	2,089,304

(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:

	Term to Maturity							
				6-12				
	1 Month	1-3 Months	3-6 Months	Months	Over 1 Year			
Exposure Classifications								
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	-	-	-	-	-			
Grand Total	2,042,517	489,011	802,633	1,359,443	3,316,223			

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 Unconsolidated 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
	Exposures before Credit Risk Mitigation	1,230,850	-	751,914	424,545	939,104	264,899	4,675,158	-	-	-	-	38,906
2	Exposures after Credit Risk Mitigation	1,265,394	-	814,326	424,545	1,026,216	259,381	4,494,151	-	-	-	-	38,906

Prepared with the numbers 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.

(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			
Total	10,483	29,615	604	3,832			

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

		Opening Balance	Provision for Period	Provision Reversals		Closing Balance
1	Specific Provisions	-	3,832	-	-	3,832
2	General Provisions	13,939	38,897	573	-	52,263

(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.

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit/Loss	1,159	2,871
Banks	468,454	112,565
Interbank Money Market Placements	-	-
Available-for-sale Financial Assets	414,683	127,022
Held-to-maturity Investments	-	-
Loans	5,557,942	1,690,106
Receivables From Leasing Transactions	221,373	8,854
Other Assets	-	-
Total credit risk exposure of balance sheet items	6,663,611	1,941,418
Financial Guarantees	3,507,969	399,560
Commitments	48,498	3,208
Total credit risk exposure of off-balance sheet items	3,556,467	402,768
Total credit risk exposure	10,220,078	2,344,186

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

	Curr	ent Period		Prior Period			
Financial Assets	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total	
Banks	468,454	-	468,454	112,565	-	112,565	
Financial Assets at Fair Value Through Profit or Loss	1,159	-	1,159	2,871	-	2,871	
Loans	5,521,127	30,164	5,551,291	1,688,732	1,372	1,690,104	
Corporate/Entrepreneurial Loans	4,763,415	28,884	4,792,299	1,570,892	1,372	1,572,264	
Consumer Loans	757,712	1,280	758,992	117,840	-	117,840	
Specialized Loans	-	-	-	-	-	-	
Available-for-sale Financial Assets	414,683	-	414,683	127,022	-	127,022	
Held-to-maturity Investments	-	-	-	-	-	-	

### **III. EXPLANATIONS ON COUNTER-CYCLICAL 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 Bank does not have any receivables from abroad apart from the Banks, however the Bank discretely uses the uppermost ratio determined by BRSA, which is 2.5%.

(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 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 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 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

(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 Bank:

	EUR	USD	Other FC (4)	Total
Current Period				
Assets				
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	-	-	-	-
Investments Held-to-Maturity	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	5	138	-	143
Total Assets	1,473,863	1,513,755	56,584	3,044,202
Liabilities				
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	2,166	-	2,756
Total liabilities	1,422,716	1,573,932	54,888	3,051,536
Net balance sheet position	51,147	(60,177)	1,696	(7,334)
Net off-balance sheet position	(129,260)	130,412	1,050	1,152
Financial derivative assets	(129,200)	130,412		130,412
Financial derivative liabilities	120.260	130,412	-	129,260
Non-cash Loans	129,260 930,417	1,200,728	35,490	2,166,635
Prior Period				
Total Assets	376,882	371,246	5,087	753,215
Total Liabilities	312,219	372,411	4,606	689,236
Net Balance Sheet Position	64,663	(1,165)	481	63,979
Net Off-Balance Sheet Position (2)	(63,676)	1,329	-	(62,347)
Financial Derivative Assets	-	15,920	-	15,920
Financial Derivative Liabilities	63,676	14,591	-	78,267
Non-cash Loans	170,200	146,940	-	317,140

<sup>(1)</sup> TL 479,940 equivalent of USD loans, and TL 918,235 equivalent of EUR loans are originated as foreign currency indexed loans.

<sup>(2)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(3)</sup> Derivative Financial Assets held for trading and liabilities are not included in 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 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.

(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

# Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

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 RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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 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 weekly unconsolidated 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 Banks 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. Therefore, the assets and the liabilities of the bank and the dividend ratios correspond to each other.

The 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.

Ziraat Participation Bank A.Ş.

## Notes To The Unconsolidated 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 banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:

Although 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 Bank.

#### d) Evaluation of the banks cash flow rates and its sources:

The Bank's 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.

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.

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

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

(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	Consideration R Applied Total		Consideration Ratio Applied Total Value (*)		
	TL+FC	FC	TL+FC	FC	
HIGH QUALITY LIQUID ASSETS	880,253	559,751	705,398	385,323	
High quality liquid assets			705,398	385,323	
CASH OUTFLOWS	6,260,670	2,337,819	1,527,873	635,354	
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	
TOTAL CASH OUTFLOW	-	-	1,527,873	635,354	
CASH INFLOWS	1,271,674	396,524	1,079,211	392,799	
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	
TOTAL CASH INFLOWS	1,271,674	396,524	1,079,211	392,799	
Applied maximum rate values	-	-	-	-	
TOTAL High quality liquid asset STOCK	-	-	705,398	385,323	
TOTAL NET CASH OUTFLOWS	_	-	493,665	257,730	
LIQUIDITY COVERAGE RATIO (%)	-	-	153	186	

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

(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)

Prior Period	Consideration R Applied Total \		Consideration Applied Total V	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	231,296	118,093	206,286	93,083
High quality liquid assets			206,286	93,083
CASH OUTFLOWS	1,135,164	469,911	423,172	145,558
Real person deposits and retail deposits	471,661	198,665	47,145	19,862
Stable deposit	417	91	21	5
Deposit with low stability	471,244	198,574	47,124	19,857
Unsecured debts except real person deposits and retail deposits	613,116	228,781	345,055	98,510
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	613,116	228,781	345,055	98,510
Secured debts	-	-	-	-
Other cash outflows	50,387	42,465	30,972	27,186
Derivative liabilities and margin obligations	27,640	25,435	27,640	25,435
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	18,589	12,872	3,124	1,543
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	4,158	4,158	208	208
TOTAL CASH OUTFLOW	-	-	423,172	145,558
CASH INFLOWS	709,241	85,222	672,931	82,498
Secured receivables	-	-	-	-
Unsecured claims	680,858	82,714	644,548	79,989
Other cash inflows	28,383	2,508	28,383	2,509
TOTAL CASH INFLOWS	709,241	85,222	672,931	82,498
Applied maximum rate values				
TOTAL High quality liquid asset STOCK	231,296	118,093	206,286	93,083
TOTAL NET CASH OUTFLOWS	-	-	105,793	65,561
LIQUIDITY COVERAGE RATIO (%)	-	-	199	175

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

(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 (*)	Total
Current Period								
Assets								
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	101.247	315,971
Total Assets	1,674,471	666,343	342,551	1,445,320	3,105,341	624,234	101.247	7,959,507
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	3,946	18,531	-	-	-	-	-	22,477
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	393,745	664,570	156,477	-	-	1,287,221
Money Market Borrowings	-	133,668	-	-	-	-	-	133,668
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	17,027	17,027
Other Liabilities (*)	-	-	-	-	-	-	885,589	885,589
Total Liabilities	833,060	3,974,564	1,108,996	982,555	157,716	-	902,616	7,959,507
Liquidity Gap	841,411	(3,308,221)	(766,445)	462,765	2,947,625	624,234	(801,369)	-

<sup>(1)</sup> 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.

(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:

	_	Up to 1	1-3	3-12		5 Years		
	Demand	Month	Months	Months	1-5 Years	and Over	Undistributed (*)	Total
Prior Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	167,076	_	_	_	-	-	-	167,076
Banks	95,425	17,140	-	-	-	-	-	112,565
Financial Assets at Fair Value Through Profit and Loss	-	2,871	-	-	-	-	-	2,871
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	4,719	-	-	-	122,303	-	-	127,022
Loans Given	-	442,977	161,820	466,791	551,230	67,287	1	1,690,106
Investments Held-to- Maturity	-	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	6,475	-	71,320	77,795
Total Assets	267,220	462,988	161,820	466,791	680,008	67,287	71,321	2,177,435
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	145	31,850	-	-	-	-	-	31,995
Current and Participation Accounts	153,163	822,467	189,454	53,956	5,270	-	-	1,224,310
Funds Provided from Other Financial Instruments	-	49,029	85,697	29,179	-	-	-	163,905
Money Market Borrowings	-	48,536	-	-	-	-	-	48,536
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	19,759	19,759
Other Liabilities (*)	-	-	-	-	-	-	688,930	688,930
Total Liabilities	153,308	951,882	275,151	83,135	5,270	-	708,689	2,177,435
Liquidity Gap	113,912	(488,894)	(113,331)	383,656	674,738	67,287	(637,368)	-

<sup>(2)</sup> 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.

(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:

	Up to	1-3	3-12	1-5	Over	
Current Period <sup>(1)</sup>	1 Month	Months	Months	Years	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
Total	3,974,564	1,108,996	982,555	157,716	-	6,223,831
Prior Period <sup>(1)</sup>	31,850	-	-	-	-	31,850
Current account and funds collected from banks via participation accounts	822,467	189,454	53,956	5,270	-	1,071,147
Other current and profit sharing accounts	48,950	85,986	29,881	-	-	164,817
Funds borrowed from other financial institutions	48,594	-	-	-	-	48,594
Funds borrowed from Interbank money market						
Total	951,862	275,440	83,837	5,269	-	1,316,408

<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 31 December 2016, leverage ratio of the Bank 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	Prior
Balance sheet assets	Period (*)	Period (*)
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	7,131,442	1,939,123
(Assets deducted from main capital)	(50,794)	(39,101)
Total risk amount of the balance sheet assets	7,080,648	1,900,022
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	1,737	2,789
Potential credit risk amount of derivative financial instruments and credit derivatives	1,191	779
Total risk amount of derivative financial instruments and credit derivative	2,928	3,568
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	65,628	1,304
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	65,628	1,304
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	3,340,325	368,050
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	3,340,325	368,050
Equity and total risk		
Main capital	720,194	637,696
Total risk amount	10,489,529	2,305,292
Leverage ratio		
Leverage ratio	6.9	27.97

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

(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.

(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

	Overview of RWA	Risk We	ighted Amount	Minimum capital requirement
		Current Period	Prior Period	<b>Current Period</b>
1	Credit risk (excluding counterparty credit risk) (CCR)	5,513,251	1,335,241	441,060
2	Standardized approach (SA)	5,513,251	1,335,241	441,060
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1,290	788	103
5	Standardized approach for counterparty credit risk (SA-CCR)	1,290	788	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	-	-	-
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	6,412	1,656
17	Standardized approach (SA)	20,700	6,412	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	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	5,666,714	1,342,441	453,337

<sup>(1)</sup> Due to the fact that the bank was established in the year 2015, operational risk is not calculated for 31 December 2015.

(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

		Carryiı	ng values of ite	ms in accord	
	Carrying values under scope of regulatory consolidation	Subject to credit risk	counterparty credit risk		Not subject to capital requirements or subject to deduction from capital
Assets			0 		
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)	50	50	-	-	-
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	23,124	23,124	-	-	-
Total Assets	7,959,507	7,919,442	194,431	-	38,906
Liabilities					
Deposits	5,636,002	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-
Loans	1,287,221	-	-	-	-
Debt to money markets	133,668	-	133,668	-	-
Debt securities in issue	-	-	-	-	-
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	9,868	-	-	-	-
Liabilities included in disposal groups classified as held for sale					
(net) Subordinated Debts	-	-	-	-	-
Equity	- 764,621	-	-	-	-

(\*) Indicating Bank's unconsolidated financial statements.

(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

#### b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to credit risk framework	credit risk	Items subject to market risk framework	Total
Asset carrying value amount under scope of regulatory consolidation	7,959,507	7,919,442	-	194,431	-
Liabilities carrying value amount under regulatory scope of consolidation	133,668	-	-	133,668	-
Total net amount under regulatory scope of consolidation	7,825,839	7,919,442	-	60,763	-
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	-	-	-	-	-
Exposure amounts considered for regulatory			-		
purposes	-	-	-	-	-

### 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.

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.

(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) 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
Total	10,483	9,767,753	48,695	9,729,541

<sup>(\*)</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
2 Default credits and debt instruments since the last reporting period	10,481
3 Non re-defaulted receivables	-
4 Write-offs	-
5 Other changes	-
6 Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)	10,483

#### 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.

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

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

(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. 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	Loans 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	-	-	-	-
Total	5,551,291	10,483	3,832	5,557,942

	Loans and	Loans under		Tatal
	Receivables	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
Total	5,551,291	10,483	3,832	5,557,942

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

(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	-	-	-	-
Total	24,541	14,037	6,835	45,413

### 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	protected by financial	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	-	-	-	-	-	-
Total	5,971,484	217,795	143,466	182,737	133,399	-	-
Default	10,483	-	-	-	-	-	-

(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 Central Government or Central Banks, 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

	The credit co and the cre before the reduc	dit amount credit risk	The credit co and the cre after the c reduc	dit amount credit risk	Risk weighte and risk weigh densi	ted amount
Risk classes	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%
Total	5,846,284	3,545,747	5,846,210	2,437,803	5,513,251	<b>67%</b>

(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				35% (secured by real	50% (secured by real							Total credit risk exposure amount (after CCF and
Weight	0%	10%	20%	estate) (°)	estate) (*)	<b>50%</b> <sup>(*)</sup>	75%	100%	150%	200%	Others	CRM)
Exposures to regional governments or local												
authorities	1,198,300		56,876			364,822						1,619,998
	1,190,300	-	50,070	-	-	304,022	-	-	-	-	-	1,019,990
Exposures to regional												
governments or local authorities			2			0 700						0.001
	-	-	Z	-	-	8,799	-	-	-		-	8,801
Exposures to public	15							0.000				0.001
sector entities	15	-	-	-	-	-	-	8,666	-	-	-	8,681
Exposures to												
multilateral												
development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to												
international												
organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to												
banks and financial			770142			247200		2004				000 255
intermediaries	-	-	739,142	-	-	247,209	-	2,904	-	-	-	989,255
Exposures to	72.205		10 745			20 407		4 470 101				4 514 50 4
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						050						405 707
residential property	-	-	-	424,545	-	852	-	-	-	-	-	425,397
Exposures secured by					770 150							770 150
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	-	-	-	-	-	-	41,213	-	-	-	73,763
Total	1,265,394	-	814,326	424,545	376,156	650,060	259,381	4,494,151	-	-	-	8,284,013

<sup>(2)</sup> Shows all receivables excluding the line "Claims secured by commercial real estate mortgage" and reaching 50% risk weight receivables.

(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

In order to ensure that the Bank is not significantly affected by the adverse effects of its operations, it is essential that the risk levels be limited to limits consistent with the risk profile and risk tolerance.

Risk limits are determined by the General Manager, the Audit Committee and relevant Senior Managers, and approved by the Board of Directors.

Risk limits have been determined in accordance with the level of risk that the Bank may have, its activities, the size and complexity of its products and services. Limits are regularly monitored and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are being carried out in the Bank and the risk of FX and TL liquidity is limited by the transactions carried out.

### 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 Backtesting 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.

(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 (°)	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					-	-
6	Total						1,243

(\*) 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
4 Total subject to the CVA capital charge	2,531	47

(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 (*)
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	-	-	-	-	-	-	-	-	-
Total	193,272	-	74	2,457	-	-	-	-	1,243

° Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

(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
	Segregated	Unsegregated	Segregated	Unsegregated	received	collateral								
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								
Total	-	-	-	-	133,668	193,272								

### 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.

#### 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.

(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)

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 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 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 Riske Reporting Set published by BRSA in accordance with the disclosures.
- Riske 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.

### 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	-
9	Total	20,700

Ziraat Participation Bank A.Ş.

## Notes To The Unconsolidated 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)

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.

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

#### **XII. EXPLANATIONS ON OPERATING SEGMENTS**

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

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

(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	•	Treasury/ Investment	Other/	
Current Period	Banking	Banking	Banking	Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	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
Profit Shares Expense	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	-	-	-	-	-
Net Profit Shares Income/Expense	(31,634)	239,584	(3,339)	5,246	209,857
Net Fees and Commission Income/Expense	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
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	7,030	-	7,030
Other Operating Income	_	-	-	1,739	1,739
Provision for Loans or Other Receivables Losses	3,473	39,372	-	8,925	51,770
Other Operating Expense		16	_	140,563	140,579
Income Before Tax	(31,579)	212,945	3,691	(144,575)	40,482
Tax Provision	(31,373)	212,345	3,031	(9,809)	(9,809)
Net Profit/Loss	-	-	-	30,673	30,673
SEGMENT ASSETS					
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	_	_	50	_	50
Other Assets	_	_	-	1,517,219	1,517,219
Total Segment Assets	411,111	4,661,275	1,369,902	1,517,219	7,959,507
SEGMENT LIABILITIES					
Funds Collected	3,501,012	2,134,990	-	-	5,636,002
Derivative Financial Liabilities Held for Trading	-		-	-	
Funds Borrowed	_	_	1,287,221	_	1,287,221
Money Market Funds	_	_	133 668	_	
Securities Issued (Net)	_		155,000	_	133,668
Provisions			-	61 571	- 61571
Other Liabilities	-	-	-	64,574 73,421	64,574 73,421
	-	-	-	·····	
Shareholders' Equity Total Segment Liabilities	- 3,501,012	2,134,990	1,420,889	764,621 <b>902,616</b>	764,621 <b>7,959,507</b>
OTHER SEGMENT ITEMS					
Capital Investment	_	_	_	_	_
Amortization Expense	_	_	_	11,998	11,998
Restructuring Costs				11,330	11,330

(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:

Prior Period	Retail	Corporate/ Entrepreneurial	Treasury/ Investment	Other/	
16 February - 31 December 2015	Banking	Banking	Banking	Undistributed	Total
OPERATING INCOME/EXPENSE	Daning	Duning	Duning	Undistributed	lota
31 December 2015					
Profit Shares Income	2,430	55,467	28,479	49	86,425
Profit Shares from Loans	2,430	55,467	-	-	57,897
Profit Shares from Banks		-	7,943	-	7,943
Profit Shares from Securities	-	-	20,206	-	20,206
Other Profit Shares	-	-	330	49	379
Profit Shares Expense	7,684	9,370	922	-	17,976
Profit Shares Expense on Participation Funds	7,684	9,370	-	-	17,054
Profit Shares Expense on Funds Borrowed	-	-	229	-	229
Profit Shares Expense on Money Market Transactions	-	-	693	-	693
Profit Shares Expense on Securities Issued	-	-	-	-	
Other Profit Shares Expense	-	-	-	-	-
Net Profit Shares Income/Expense	(5,254)	46,097	27,557	49	68,449
Net Fees and Commission Income/Expense	-	602	-	(676)	(74)
Fees and Commissions Received		602		1,495	2,097
Fees and Commissions Paid	_	-	_	2,171	2,037
Dividend Income	_	_	_	2,171	
Trading Income/Loss (Net)		_	2,998	_	2,998
Other Operating Income	_	_	2,550	37	2,550
Provision for Loans or Other Receivables Losses	994	13,260	_	775	15,029
Other Operating Expense		31	_	68,058	68,089
Income Before Tax	(6,248)	33,408	30,555	(69,423)	(11,708)
Tax Provision	(0,240)			(274)	(1,700) (274)
Net Profit/Loss	(6,248)	33,408	30,555	(69,697)	(11,982)
SEGMENT ASSETS					
31 December 2015					
Financial Assets at FV Through P/L	-	-	2,871	-	2,871
Banks and Other Financial Institutions	-	-	112,565	-	112,565
Financial Assets Available for Sale (Net)	-	-	127,022	-	127,022
Loans	117,840	1,572,266	-	-	1,690,106
Held to Maturity Investments (Net)	-	-	-	-	
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	244,871	244,871
Total Segment Assets	117,840	1,572,266	242,458	244,871	2,177,435
SEGMENT LIABILITIES				-	
31 December 2015					
Funds Collected	619,412	636,893	-	-	1,256,305
Derivative Financial Liabilities Held for Trading	-	-	-	-	-
Funds Borrowed	-	-	163,905	-	163,905
Money Market Funds	-	-	48,536	-	48,536
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	14,999	14,999
Other Liabilities	-	-	-	29,160	29,160
Shareholders' Equity	-	-	-	664,530	664,530
Total Segment Liabilities	619,412	636,893	212,441	708,689	2,177,435
OTHER SEGMENT ITEMS					
Capital Investment	-	-	-	-	-
Amortization Expense	-	-	-	4,284	4,284
Restructuring Costs	-	-		-	-

(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 Va	alue	Fair Value		
	Current Period	Prior Period	Current Period	Prior Period	
Financial Assets	6,441,079	1,929,693	6,441,079	1,929,693	
Due from Interbank Money Market	-	-	-	-	
Banks	468,454	112,565	468,454	112,565	
Available-for-sale Financial Assets	414,683	127,022	414,683	127,022	
Held-to-maturity Investments	-	-	-	-	
Loans	5,557,942	1,690,106	5,557,942	1,690,106	
Financial Liabilities	6,940,250	1,439,969	6,940,250	1,439,969	
Current account and funds collected from banks via participation accounts	22,477	31,995	22,477	31,995	
Other current and profit sharing accounts	5,613,525	1,224,310	5,613,525	1,224,310	
Funds Borrowed from Other Financial Institutions	1,287,221	163,905	1,287,221	163,905	
Issued Marketable Securities	-	-	-	-	
Miscellaneous Payables	17,027	19,759	17,027	19,759	

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.

(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
Financial Assets at FV Through P/L	1,159	-	-	1,159
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	1,159	-	-	1,159
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	409,964	4,719	-	414,683
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	409,964	-	-	409,964
Total Assets	411,123	4,719	-	415,842
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	2,871	-	-	2,871
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	2,871	-	-	2,871
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	-	127,022	-	127,022
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	-	122,303	-	122,303
Total Assets	2,871	127,022	-	129,893
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities				

Ziraat Participation Bank A.Ş.

## Notes To The Unconsolidated 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)

### 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 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:

None.

#### **SECTION FIVE**

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

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

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

	Current I	Prior Peri	Prior Period		
	TL	FC	TL	FC	
Cash in TL/Foreign Currency	18,396	14,154	5,164	3,459	
Central Bank of the Republic of Turkey	614,993	553,755	24,075	134,378	
Other	-	-	-	-	
Total	633,389	567,909	29,239	137,837	

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

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

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 3-years maturity 14,5%; for FC liabilities other than deposits up to 3-years maturity 14,5%; for FC liabilities other than deposits up to 5-years maturity 19,5%; for FC liabilities other than deposits up to 3-years maturity 4,5%; 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%.

(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 P	Prior Period		
	TL	FC	TL	FC
Unrestricted Demand Deposit	613,239	15	24,075	12
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves <sup>(1)</sup>	1,754	553,740	-	134,366
Total	614,993	553,755	24,075	134,378

<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		Prior I	Prior Period	
	TL	FC	TL	FC	
Derivative Financial Assets Held-for-Trading					
Forward Transactions	7	1,152	2,870	1	
Swap Transactions	-	-	-	-	
Futures Transactions	-	-	-	-	
Options	-	-	-	-	
Other	-	-	-	-	
Total	7	1,152	2,870	1	

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

	Current	Current Period		Period
	TL	FC	TL	FC
Banks				
Domestic Banks	6,561	227,676	17,979	69,565
Foreign Banks	-	234,217	-	25,021
Foreign Head Office and Branches	-	-	-	-
Total	6,561	461,893	17,979	94,586

(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 Am	Free Amount		Amount
	Current Period	<b>Prior Period</b>	Current Period	Prior Period
European Union Countries	233,717	24,873	-	-
USA, Canada	8	-	-	-
OECD Countries (1)	442	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	50	148	-	-
Total	234,217	25,021	-	-

<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	Prior Period
Assets Subject to Repurchase Agreements	173,569	-
Assets Blocked/Given as Collateral	13,311	50,246
Total	186,880	50,246

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

	Current Period	Prior Period
Debt Securities	410,212	122,413
Quoted in Stock Exchange	403,044	116,254
Not Quoted in Stock Exchange	7,168	6,159
Share Certificates	4,719	4,719
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	4,719	4,719
Provision for Impairment (-)	248	110
Total	414,683	127,022

(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 bank:

	Current Period		Prior Peri	iod
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	480,455	-	337,726	-
Legal Entities	480,455	-	337,726	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	441	-	62	-
Total	480,896	-	337,788	-

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

		andard Loans and ther Receivables			d Other Receivables Close Monitoring	5
	Loans and Other Receivables		ctured or	Loans and Other Receivables		ctured or
Cash Loans		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms	Other
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	-	-
Total	5,521,127	-	-	30,164	-	-

As of 31 December 2016, there are no loans and other receivables with revised contract terms (31 December 2015: None).

(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)

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

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

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

	Standard Loans and Other Receivables (1)		Loans and Other Receivable Under Close Monitoring (1)	
	Loans and other receivables		receivables	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.

(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
Consumer Loans -TL	2,115	752,736	754,851
Housing Loans	923	699,936	700,859
Vehicle Loans	874	32,634	33,508
Consumer Loans	318	20,166	20,484
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans -TL	45	395	440
Housing Loans	-	-	-
Vehicle Loans	11	18	29
Consumer Loans	34	377	411
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	
With Installment	-	-	-
Without Installment	_	-	-
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account FC (Real Person)	_	_	-
Total (0	2,160	753,131	755,291

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

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

#### e) Loans according to types of borrowers:

	Current Period	<b>Prior Period</b>
Public	25,000	336,591
Private	5,319,762	1,339,106
Profit Share Income Accruals and Rediscount	206,529	14,407
Total	5,551,291	1,690,104

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

	Current Period	Prior Period
Domestic Loans	5,344,762	1,675,697
Foreign Loans	-	-
Profit Share Income Accruals and Rediscount	206,529	14,407
Total	5,551,291	1,690,104

## Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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, the bank has no loans granted to subsidiaries and participations (31 December 2015: None).

#### h) Specific Provisions Provided Against Loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	82	-
Loans and receivables with doubtful collectability	2,635	-
Uncollectible loans and receivables	1,115	-
Total	3,832	-

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

#### i.1) 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.

#### i.2) Information on the movement of total non-performing loans:

	Group III:	Group IV:	Group V:	
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables	
Ending balance of prior period	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	-	-	-	
Ending balance of the current period	408	8,960	1,115	
Specific provisions (-)	82	2,635	1,115	
Net balance at the balance sheet	326	6,325	-	

#### j.3) Non-performing loans and other receivables in foreign currencies:

As of 31 December 2016, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2015: None).

(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)

#### k) Gross and net non-performing loans and other receivables per customer categories:

	Group III:	Group IV:	Group V:	
	Loans and receivables	Loans and receivables	Uncollectible loans and	
	with limited	with doubtful		
	collectability	collectability	receivables	
Current Period (Net)	326	6,325	-	
Loans to individuals and corporates (Gross)	408	8,929	1,115	
Specific provision (-)	82	2,604	1,115	
Loans to individuals and corporates (Net)	326	6,325	-	
Banks (Gross)	-	-	-	
Specific provision (-)	-	-	-	
Banks (Net)	-	-	-	
Other loans and receivables (Gross)	-	31	-	
Specific provision (-)	-	31	-	
Other loans and receivables (Net)	-	-	-	
Prior Period (Net)	-	-	-	
Loans to individuals and corporates (Gross)	2	-	-	
Specific provision (-)	-	-	-	
Loans to individuals and corporates (Net)	2	-	-	
Banks (Gross)	-	-	-	
Specific provision (-)	-	-	-	
Banks (Net)	-	-	-	
Other loans and receivables (Gross)	-	-	-	
Specific provision (-)	-	-	-	
Other loans and receivables (Net)	-	-	-	

#### I) 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 Bank's. During this process, tangible guarantees constituting guarantees of receivables of the 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.

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

The 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.

(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)

#### n) Other explanations and disclosures:

Current Period	Commercial/ Corporate	Consumer	Specialized	Total
Neither Past Due nor Impaired Loans	4,763,415	757,712	-	5,521,127
Past Due but not Impaired Loans	28,884	1,280	-	30,164
Impaired Loans	5,523	4,960	-	10,483
Total	4,797,822	763,952	-	5,561,774
Specific Provisions of Impaired Loans (-)	3,212	620	-	3,832
Net Loan Amount	4,794,610	763,332	-	5,557,942

Prior Period	Commercial/ Corporate	Consumer	Specialized	Total
Neither Past Due nor Impaired Loans	1,570,892	117,840	-	1,688,732
Past Due but not Impaired Loans	1,372	-	-	1,372
Impaired Loans	2	-	-	2
Total	1,572,266	117,840	-	1,690,106
Specific Provisions of Impaired Loans (-)	-	-	-	-
Net Loan Amount	1,572,266	117,840	-	1,690,106

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	-	-	-	-	-
Total	24,541	14,037	6,835	-	45,413

Prior Period	Up to 1 Month	1-2 Months	2-3 Months	Over 3 Months	Total
Loans and Receivables	-	-	1,372	-	1,372
Commercial Loans	-	-	1,372	-	1,372
Consumer Loans	-	-	-	-	-
Specialized Loans	-	-	-	-	-
Total	-	-	1,372	-	1,372

#### 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. (31 December 2015: None).

Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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 held-to-maturity government bonds and treasury bills:

As of 31 December 2016, Bank has no held-to-maturity government bonds (31 December 2015: None).

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

None.

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

	Current Period	Prior Period
Beginning Balance	-	-
Foreign Currency Differences on Monetary Assets	-	-
Purchases During the Year	7,896	100,754
Disposals through Sales and Redemptions	7,896	100,754
Provision for Impairment (-)	-	-
Period End Balance	-	-

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

As of 31 December 2016, there are no subsidiary of the bank. (31 December 2015: None).

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

#### a) Information on unconsolidated associates:

As of 31 December 2016 there are no unconsolidated associates (31 December 2015: None).

#### b) Information on consolidated subsidiaries:

			Bank's share percentage - if different voting	Risk share percentage of other shareholders
	Name	Address (City/Country)	percentage (%)	(%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/TÜRKİYE	100	100

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.

						Current			
				Dividend or	Income from	Period	<b>Prior Period</b>		Needed
	Total	Shareholder's	<b>Total fixed</b>	profit share	marketable	Income/	Income/	Fair Value	shareholders'
	Assets <sup>(1)</sup>	Equity <sup>(1)</sup>	assets (1)	income <sup>(1)</sup>	securities <sup>(1)</sup>	Loss <sup>(1)</sup>	Loss <sup>(1)</sup>	(1)	Equity
1	101,515	51		6,395	-	1	-	-	-

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

(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) Information on consolidated subsidiaries:

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

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

	Current Period	111011101104
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50	-

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

As of 31 December 2016, the Bank has no subsidiaries that are quoted on the stock Exchange. (31 December 2015: None).

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

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

(31 December 2015: None).

#### 10. Information on finance lease receivables:

	Current Perio	d	Prior Period		
	Gross	Net	Gross	Net	
Up to 1 year	30,000	29,769	-	-	
1-5 Years	115,828	106,645	2,723	2,109	
More than 5 Years	119,957	84,959	8,494	6,745	
Total	265,785	221,373	11,217	8,854	

Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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)

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

As of 31 December 2016, the bank has no derivative financial assets for hedging purposes. (31 December 2015: None).

#### 12. Information on investment property:

As of 31 December 2016, the bank has no investment property (31 December 2015: None).

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

As of 31 December 2016, the bank has no assets held for sale and tangibles corresponding discontinuing operations (31 December 2015: None).

#### 14. Explanations on property and equipment:

	Immovable	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:						
Cost	-	-	-	13,021	27,683	40,704
Accumulated Depreciation (-)	-	-	-	1,136	780	1,916
Net Book Value	-	-	-	11,885	26,903	38,788
Current Period End:						
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 (Net) (-)	-	-	-	3,470	7,399	10,869
Provision for Impairment (-)	-	-	-	-	-	-
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
Closing Net Book Value	-	-	-	16,001	27,642	43,643

(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			Prior Period			
	Book value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value	
Leasehold Improvements	-	-	-	-	-	-	
Establishment Costs	-	-	-	-	-	-	
Goodwill	-	-	-	-	-	-	
Intangible rights	26,357	3,452	22,905	22,173	1,177	20,996	
Total	26,357	3,452	22,905	22,173	1,177	20,996	

#### 16. Information on deferred tax asset:

The Bank's deferred tax asset is TL 6,410 (31 December 2015: TL 1,043) and to be netting with the deferred tax liability and reflect as TL 4,876 in the financial statements as of 31 December 2016. (31 December 2015: TL 652 deferred tax liability)

	Current Period	<b>Prior Period</b>
Deferred tax asset	6,410	1,043
Deferred tax liability	1,534	1,695
Net deferred tax asset	4,876	(652)
Net deferred tax income/loss	4,540	(274)

	Current Period	Prior Period
Severance pay	156	-
Short-term employee rights	114	-
Revaluation of financial assets	1,099	339
Other	3,507	(991)
Net deferred tax asset	4,876	(652)

	<b>Current Period</b>	<b>Prior Period</b>
As of January 1	(652)	-
Deferred tax Income/(Loss) (Net)	4,540	(274)
Deferred Tax Accounted for Under Equity	988	(378)
Deferred tax asset	4,876	(652)

#### 17. Information on other assets:

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

(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 LIABILITIES**

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

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

	_	Up to 1		Up to 6	Up to 9	Up to	1 year and	Accumulated profit sharing	
Current Period	Demand	Month	Months	months	months	1 year	over	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	389,976	-	-	-	-	-	-	-	389,976
Public sector	79,305	-	-	-	-	-	-	-	79,305
Commercial sector	300,781	-	-	-	-	-	-	-	300,781
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	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
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	5,540		_						3,340
Others			_						_
VIII. Profit sharing accounts- FC		27,383	588,263	104.768					720,414
Public sector		27,303	1,389	-					1,679
Commercial sector		27,090	475,748	104,768					607,606
Other institutions		27,090	92,595	104,700					92,598
Commercial and other institutions.		3	92,393		-			-	92,390
*****	-	-	10 571	-	-	-	-	-	- 10 571
Banks and participation banks IX. Precious metal funds	- 23,705	-	18,531	- 289	-	- 856	- 701	-	18,531 52,470
	23,705		27,239	289	-	020	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	-	-	-	-	-	-	-	-	-
Total (I+II++IX+X+XI)	833,060	429,418	3,947,787	262,354	-	49,742	113,641	-	5,636,002

(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)

		Up to 1	Up to 3	Up to 6	Up to 9	Up to 1	1 year	•	
Prior Period	Demand	month	months	months	months	year	and over	accounts	Total
I. Real persons current accounts-TL	29,651	-	-	-	-	-	-	-	29,651
II. Real persons profit sharing accounts TL	-	39,096	275,312	7,636	-	3,161	19,375	-	344,580
III. Other current accounts-TL	48,147	-	-	-	-	-	-	-	48,147
Public sector	3,675	-	-	-	-	-	-	-	3,675
Commercial sector	43,391	-	-	-	-	-	-	-	43,391
Other institutions	1,081	-	-	-	-	-	-	-	1,081
Commercial and other institutions.	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Other	-		-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	107,385	188,489	3,154	-	4,082	10,243	-	313,353
Public sector	-	90,197	46,839	-	-	-	-	-	137,036
Commercial sector	-	15,662	98,519	2,520	-	4,082	10,243	-	131,026
Other institutions	-	1,526	43,131	634	-	-	-	-	45,291
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	40,876	-	-	-	-	-	-	-	40,876
VI. Real persons profit sharing accounts-FC	-	20,332	151,365	13,350	-	5,166	13,828	-	204,041
VII. Other current accounts-FC	33,578	-	-	-	-	-	-	-	33,578
Commercial residents in Turkey	33,432	-	-	-	-	-	-	-	33,432
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	146	-	-	-	-	-	-	-	146
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	146	-	-	-	-	-	-	-	146
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	45,050	194,316	791	-	-	-	-	240,157
Public sector	-	-	1,423	-	-	-	-	-	1,423
Commercial sector	-	45,050	156.819	791	-	-	-	-	202.660
Other institutions	-	-	4,224	-	-	-	-	-	4,224
Commercial and other institutions	-	-	-	-	-	-	-	-	
Banks and participation banks	-	31,850	-	-	_	-	-	-	31,850
IX. Precious metal funds	1,058	-	840	13	_	11	-	-	1,922
X. Profit sharing accounts special funds - TL	1,000			-	_		-	_	-
Residents in Turkey	_		-		-	_	-	_	
Residents Abroad	-		-	-		-	-	-	-
	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	167 710	-	-	-	-	-	47 440	-	1 250 705
Total (I+II++IX+X+XI)	153,310	211,863	810,322	24,944		12,420	43,446	-	1,256,305

(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 Current Period	Under the guarantee of saving deposit insurance	Exceeding the	Exceeding the limit of saving Deposit Prior Period
		Prior Period		
Real persons current and profit sharing accounts that are not subject to commercial activities	1,273,216	274,733	1,337,842	345,526
TL accounts	1,014,137	212,912	702,666	161,862
FC accounts	259,079	61,821	635,176	183,664
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

#### ii. Amounts which are not under the guarantee of insurance:

#### Profit Share Accounts of the real persons who are not under the guarantee of Saving Deposits Insurance Fund:

	Current Period	Prior 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	136
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:

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

None (31 December 2015: None).

(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. Information on funds borrowed

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

	Guilent	Period	Prior I	Prior Period		
	TL	FC	TL	FC		
Borrowings from CBRT	-	-	-	-		
Domestic Banks and Institutions	101,459	477,478	-	94,308		
Foreign Banks, Institutions and Funds	-	708,284	-	69,597		
Total	101,459	1,185,762	-	163,905		

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

	Current Pe	riod	Prior Period		
	TL	FC	TL	FC	
Short-term	101,459	400,611	-	134,686	
Medium and Long-Term	-	785,151	-	29,219	
Total	101,459	1,185,762	-	163,905	

#### c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

71% of liabilities consist of current and share profit account.

#### d) Information on funds that is provided open market operations:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	133,668	-	48,536	-
Financial Institutions	133,668	-	48,536	-
Other Institutions	-	-	-	-
Real Person	-	-	-	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Person	-	-	-	-
Total	133,668	-	48,536	-

# 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.

(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. Information on hedging derivative financial liabilities:

The bank does not have derivative financial liabilities for hedging purposes.

#### 7. Information on provisions:

#### a) Information on general provisions:

	Current Period	Prior Period
General Provisions	52,263	13,939
I. For Loans and Receivables in Group I (Total)	47,667	12,813
Profit Sharing Accounts' Share	34,600	9,134
The Bank's Share	13,067	3,679
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	26
Profit Sharing Accounts' Share	376	23
The Bank's Share	219	3
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	759
Other	2,544	341

# 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. (31 December 2015: TL 3,624).

#### 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. (31 December 2015: TL 2).

#### d) Information on other provisions:

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

None (31 December 2015: None).

Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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.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 9,810 represents separated provisions from profit share amount of the participation account.

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

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

Under the Turkish Labor Law, the 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 TL) (31 December 2015: TL 4,092 (full TL)) for each year of service.

The Bank uses actuarial 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.

	Current Period
Discount Rate (%)	4.02
Entitled to pension possibility (%)	98

#### e.2) Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
Balance at the 1 January	-	-
Changes during the period	859	-
Paid during the period	-	-
Actuarial loss/(gain)	(79)	-
Balance at the end of the period	780	-

As of 31 December 2016, the Bank has a TL 1,389 short-run employees' rights provision.

#### e.3) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest rate 9.8% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2016, no technical deficit has been reported.

#### 8. Explanations on tax liability:

#### a) Explanations on current tax liability:

#### a.1) Information on tax provisions:

As of 31 December 2016, the Bank's corporate income tax liability is TL 2,886 after deducting temporary taxes paid during the period from the tax provisions (31 December 2015: None).

(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	Prior Period
Corporate Tax Payable	2,886	-
Taxation on Income From Securities	3,389	678
Property Tax	88	48
Banking Insurance Transactions Tax (BITT)	2,312	713
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	236	-
Other	841	522
Total	9,752	1,961

#### a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	6	206
Social Security Premiums - Employer	9	299
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	15
Unemployment Insurance - Employer	67	29
Other	-	-
Total	116	549

#### b) Information on deferred tax liabilities, if any:

The Bank'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 Bank does not have any payables for assets held for sale and discontinued operations (31 December 2015: None).

#### 10. Explanations on subordinated debts:

The Bank does not have any subordinated debts (31 December 2015: None).

(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)

#### 11. Information on shareholders' equity:

#### a) Presentation on paid-in capital:

	Current Period	<b>Prior Period</b>
Common stock	747,000	675,000
Preferred stock	-	-

# b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

The Bank 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 (31 December 2015: 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 (31 December 2015: None).

# f) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:

The Bank has no any uncertainty related to profitability and liquidity for the prior period.(31 December 2015: None)

#### g) Information on preferred shares:

As of 31 December 2016, the Bank has no preferred stocks.

(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)

### h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Available for Sale Marketable Securities	(963)	(107)	1,591	(79)
Revaluation Difference	(1,573)	(107)	1,989	(99)
Deferred Tax Effect	610	-	(398)	20
Foreign Exchange Difference	-	-	-	-
Total	(963)	(107)	1,591	(79)

#### h) Information on minority shareholder:

None (31 December 2015: None).

### **III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS**

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

#### a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	-	-
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	34,817	3,181
Loan Granting Commitments	-	-
Asset Purchase Commitments	13,223	-
Tax and Funds Liabilities Arising From Export Commitments	458	27
Total	48,498	3,208

(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) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

The Bank has no possible losses arising from the off-balance sheet items (31 December 2015: None).

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

	Current Period	Prior Period
Guarantee Letters	2,772,734	368,448
Letter of Credits	188,475	31,112
Bank Acceptances	7,484	-
Other Contingencies	539,276	-
Total	3,507,969	399,560

#### b.2) certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Temporary Guarantees	400,357	23,994
Letters of Certain Guarantees	1,031,833	141,398
Letters of Advance Guarantees	386,135	19,840
Letters of Guarantees given to Customs Offices	32,197	28
Other Letters of Guarantees	922,212	183,188
Total	2,772,734	368,448

#### b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	922,212	183,188
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	922,212	183,188
Other Non-Cash Loans	2,585,757	216,372
Total	3,507,969	399,560

(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) Information on sectoral risk concentrations of non-cash loans:

		Current	Period			Prior P	eriod	
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	3,518	-	-	-	-	-	-	-
Farming and Raising Livestock	3,518	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	154,819	12	1,056,107	49	19,599	24	224,336	71
Mining and Quarrying	10,562	1	2,986	-	-	-	2,848	1
Production	144,257	11	1,053,121	49	19,599	24	221,488	70
Electric, Gas and Water	-	-		-	-	-	-	-
Construction	699,949	52	501,191	23	50,331	61	84,192	26
Services	362,391	28	510,134	24	12,410	15	8,612	3
Wholesale and Retail Trade	329,458	25	275,016	13	-	-	-	-
Hotel, Food and Beverage Services	9,531	1	62,561	3	-	-	6,241	2
Transportation and Telecommunication	22,768	2	172,557	8	-	-	2,371	1
Financial Institutions	-	-	-	-	-	-	-	-
Real Estate and Leasing Services	55	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	89	-	-	-	-	-	-	-
Health and Social Services	490	-		-	12,410	15	-	-
Other	120,657	8	99,203	4	80	-	-	-
Total	1,341,334	100	2,166,635	100	82,420	100	317,140	100

(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
Non-Cash Loans	1,341,334	2,164,232	-	2,403
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	Prior Period
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	259,672	159,609
Forward Transactions	259,672	159,609
Swap Transactions	-	-
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
A. Total Trading Derivative Transactions (I+II)	259,672	159,609
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	259,672	159,609

The 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.

(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)

	Up to 1	1-3	3-12	1-5	Over 5	
Current Period	month	Months	Months	Years	years	Total
Financial assets for trading						
Foreign Exchange derivatives:	394	758	-	-	-	1,152
- Addition	37,044	93,368	-	-	-	130,412
- Disposal	(36,650)	(92,610)	-	-	-	(129,260)
Hedging Transactions						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	37,044	93,368	-	-	-	130,412
Total cash disposal	(36,650)	(92,610)	-	-	-	(129,260)

	Up to 1	1-3	3-12	1-5	Over 5	
Prior Period	month	Months	Months	Years	years	Total
Financial assets for trading						
Foreign exchange derivatives:	139	1,963	-	-	-	-
- Addition	14,730	49,720	-	-	-	-
- Disposal	(14,591)	(47,757)	-	-	-	-
Hedging Transactions						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	14,730	49,720	-	-	-	-
Total cash disposal	(14,591)	(47,757)	-	-	-	-

#### 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. (31 December 2015: 3,181 TL).

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

(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. Explanations on services in the name of others:

The 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.

#### IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

#### 1. a) Information on profit share received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans (1)	333,620	22,665	55,266	2,631
Short term loans	149,469	4,033	44,916	1,316
Medium and long term loans	184,151	18,632	10,350	1,315
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		Prior	Prior Period	
	TL	FC	TL	FC	
The Central Bank of the Republic of Turkey	-	-	-	-	
Domestic Banks	353	-	7,788	155	
Foreign Banks	-	-	-	-	
Branches and head office abroad	-	-	-	-	
Total	353	-	7,788	155	

#### c) Information on profit share income from securities portfolio:

	Current Period		Prior	Prior Period	
	TL	FC	TL	FC	
Financial Assets Held for Trading	-	-	-	-	
Financial Assets at Fair Value through Profit and Loss	-	-	-	-	
Financial Assets Available-for-Sale	23,834	267	4,937	-	
Investments Held-to-Maturity	398	-	15,269	-	
Total	24,232	267	20,206	-	

#### d) Information on profit share income received from associates and subsidiaries:

None.

(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 P	Current Period		Prior Period	
	TL	FC	TL	FC	
Banks	2,065	11,617	17	212	
Central Bank of the Republic of Turkey	-	-	-	-	
Domestic banks	2,065	6,405	17	88	
Foreign banks	-	5,212	-	124	
Head Office and Branches	-	-	-	-	
Other Institutions	6,395	4,975	-	-	
<b>Fotal</b>	8,460	16,592	17	212	

#### b) Information on profit share expense given to associates and subsidiaries:

None (31 December 2015: None).

#### c) Information on profit share expense paid to securities issued:

None (31 December 2015: None).

#### d) Distribution of profit share on funds based on maturity of funds:

Current Period	Profit Sharing Accounts						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	Total	
TL							
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	
Total	13,092	103,766	6,527	3,521	3,618	130,524	
FC							
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	
Total	1,899	14,513	573	345	481	17,811	
General Total	14,991	118,279	7,100	3,866	4,099	148,335	

(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. Informations on dividend income:

None (31 December 2015: None).

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

	Current Period	Prior Period
Income	1,170,436	74,017
Foreign exchange gains	1,159,044	68,938
Gain on derivative financial instruments	11,392	5,079
Gain on capital market transactions	-	-
Losses (-)	1,163,406	71,019
Foreign Exchange losses	1,162,689	68,779
Losses on derivative financial instruments	717	2,240
Losses on capital market transactions	-	-
Net	7,030	2,998

#### b. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	10,675	2,839
Total	10,675	2,839

#### 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.

(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. Provision expenses for impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions on Loan and Other Receivables	3,832	-
Group III Loans and Receivables	82	-
Group IV Loans and Receivables	2,603	-
Group V Loans and Receivables	1,147	-
General Provision Expenses	38,687	13,939
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 (*)	9,109	1,090
Total	51,770	15,029

<sup>(1)</sup> The balance which forms the other item part, amount of TL 8,925 represents the separated profit share amount of the participation accounts.

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

	Current Period	Prior Period
Personnel expenses	65,101	30,060
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	3,108
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	2,275	1,176
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	26,915
Operational Leasing Expenses	12,291	4,272
Maintenance Expenses	392	656
Advertisement Expenses	10,823	14,457
Other Expenses	19,318	7,530
Loss on Sales of Assets	-	-
Other (*)	19,877	6,830
Total	140,579	68,089

<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.

Ziraat Participation Bank A.Ş.

## Notes To The Unconsolidated 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)

#### 8. Information on profit/loss from continued and discontinued operations before taxes:

As of 31 December 2016, The Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period	Prior Period
Net Profit Share Income	209,857	68,449
Other Operating Expenses (-)	140,579	68,089
Provision for Loan or Other Receivables Losses (-)	51,770	15,029
Other Operating Income	1,739	37
Net Fees and Commissions Income	14,205	(74)
Dividend Income	-	-
Trading Income/Expense (Net)	7,030	2,998
Income/(Loss) from Continuing Operations	40,482	(11,708)

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

As of 31 December 2016, the Bank's net profit from continued operations is TL 30,673 (31 December 2015: TL 11,982 net loss).

#### 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 Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, 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 (31 December 2015: None).

(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 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.

### 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".

(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)

#### Period opening and end cash and cash equivalents balance:

Period opening	<b>Current Period</b>	<b>Prior Period</b>
Cash in TL and in Foreign Currency	8,623	-
Central Bank of the Republic of Turkey and Other Banks	136,514	-
Money Market Operations	-	-
Total Cash and Cash Equivalents	145,137	-

Period End	<b>Current Period</b>	Prior Period
Cash in TL and in Foreign Currency	32,550	8,623
Central Bank of the Republic of Turkey and Other Banks	1,081,708	136,514
Money Market Operations	-	-
Total Cash and Cash Equivalents	1,114,258	145,137

#### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE 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:

#### **Current 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	-	-	-
Profit share and commission income	-	-	11,533	-	-	-

(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)

### **Prior 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	-	-	-	-	-	-
Balance at end of period	-	-	337,726	-	-	-
Profit share and commission income	_	-	3.095	-	-	-

#### 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 shareholders		Other Real and Legal Persons in the Risk Group		
Current and profit sharing accounts	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	
Balance at beginning of period	-	-	891	-	-	-	
Balance at 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 group:

Risk Group of the Bank	and Entities Un	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	-	-	
Total Profit/Loss	-	-	10,675	-	-	-	
Risk Protection Oriented Processes	-	-	-	-	-	-	
Opening Balance	-	-	-	-	-	-	
Closing Balance	-	-	-	-	-	-	
Total Profit/Loss	-	-	-	-	-	-	

Ziraat Participation Bank A.Ş.

### Notes To The Unconsolidated 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) Information on remunerations provided to top management:

The Bank has paid TL 2,582 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.

#### IX. INFORMATION ON THE BANK'S DOMESTIC AND FOREIGN BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

#### 1) Informations on domestic and foreign branches and representatives of the Bank:

	Number	Number of Employees			
Domestic Branch (1)	44	377			
			Country of Incorporation		
Foreign Representative Office	-	-	-		
				assets	Statutory Share Capital
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 (31 December 2015: 22 Branches) domestic branches during the year 2016.

Ziraat Participation Bank A.Ş.

# Notes To The Unconsolidated 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 BANK'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, unconsolidated 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. OTHER FOOTNOTES AND EXPLANATIONS PREPARED BY THE INDEPENDENT AUDITORS

None.

# 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

# **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.

Chairman of the Board

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

**Osman ARSLAN** Member of the Board, CEO

Hakan AYDOĞAN

Financial Coordination and Human Resources Deputy General Manager

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

)sman CETİNER 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 Facsimile

: 0 212 404 13 35 : 0 212 404 10 81

### Contents

	Page Nurr	nber
SECTI	ION ONE	
	ral Information about the Group	
I. II.	History of The Parent Bank Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status: 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	179
III.	Information About The Group That The Parent Bank Belongs To: 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:	179 180
IV. V.		180 180 181
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	
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
SECTI	ION TWO	
Consc	olidated Financial Statements	
I. II. IV. V. VI. VI.	Consolidated balance sheet Consolidated statement of off-balance sheet commitments Consolidated income Statement Consolidated statement of profit and loss accounted for under equity Consolidated statement of cash flows Consolidated statement of changes in shareholders' equity Consolidated statement of profit distribution	182 184 185 186 187 188 190
		150
	ION THREE	
	unting Principles	
Ι.	Explanations on Basis of Presentation	191
11.	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
Х.	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
		202

### Contents

**SECTION FOUR** 

Page Number

nation on Financial Structure	
Explanations on Shareholders' Equity	202
Explanations on Credit Risk	208
Explanations on Countercyclical Capital Buffer Calculations Risk	217
Explanations on The Currency Risk	218
Equity Share Position Risk on Banking Accounts	220
Explanations on The Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio	220
Explanations on Leverage Ratio	224
Explanations on Securitization Positions	225
Explanations on Risk Management	225
Explanations on Hedge Transactions	234
Explanation on Counterparty Credit Risk	234
Explanations on Consolidated Operating Segments	239
Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value	241
Explanations on Activities Carried Out on Behalf and Account of Other Parties	242
	Explanations on Shareholders' Equity Explanations on Credit Risk Explanations on Countercyclical Capital Buffer Calculations Risk Explanations on The Currency Risk Equity Share Position Risk on Banking Accounts Explanations on The Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio Explanations on Leverage Ratio Explanations on Securitization Positions Explanations on Risk Management Explanations on Risk Management Explanations on Hedge Transactions Explanation on Counterparty Credit Risk Explanations on Consolidated Operating Segments Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

### SECTION FIVE

### Explanations and Notes Related to the Consolidated Financial Statements

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	
SECTION SIX Other Explanations and Notes			

I.	Other Explanations on The Group's Operations	275
11.	Explanations on Banks Credit Notes from Credit Rating Agencies	275

### SECTION SEVEN

# Explanations on the Independent Auditor's Report

I.	Explanations on The Independent Auditor's Report	275
11.	Explanations and Notes Prepared by The Independent Auditors	275

(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:

		31 December 2016		
Name of Shareholders	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
Total	747,000,000	100.00	675,000,000	100,00

<sup>(2)</sup> 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.

(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		
Board of Directors			
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		
Member of Audit Committee			
Feyzi ÇUTUR	Member		
Metin ÖZDEMİR	Member		
Assistant General Manager (*)			
Hakan AYDOĞAN 🖤	Financial Coordination and Human Resources		
Mustafa AKIN (**)	Marketing		
Tahir DEMİRKIRAN (***)	Loan Allocation and Management		

<sup>(1)</sup> As of 19 April 2016 was transferred to Financial Coordination and Human Resources Assistant General Manager.

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

(\*\*\*) 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:

	Share Amount	Shareholding	Paid	Unpaid
Name/Trade Name	(Nominal)	Percentage	Shares	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	-
Total	747,000,000	100.00	747,000,000	

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.

(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		D OF TURKIS	
	ASSETS	(Section Five I)	Current Period (31/12/ TL FC		2016) Total
	A55E15	Five I)	16	FC.	IUta
I.	CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	633,389	567,909	1,201,298
П.	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		-	-	-
Ш.	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		-	-	-
х.	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	(10)	-	-	-
17.2	Held from Discontinued Operations		_	_	-
XVIII.	OTHER ASSETS	(17)	22,980	143	23,123
		(17)	,000	143	20,120

# **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	THOUSAI Current		
	LIABILITIES AND EQUITY	Five II)	TL	FC	Total
I.	FUND COLLECTED	(1)	3,776,737	1,859,209	5,635,946
1.1	Fund Collected Held By the Risk Group of the Bank	0	1,785	1,059,209	1,796
1.2	Other		3,774,952	1,859,198	5,634,150
I.Z	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	5,774,952	1,039,190	3,034,130
 III.	FUNDS BORROWED	(2)	_	1,185,762	1,185,762
IV.	MONEY MARKET BALANCES	(3)	133,668	-	133,668
V.	MARKETABLE SECURITIES ISSUED (Net)	(3)	101,459	_	101,459
VI.	MISCELLANEOUS PAYABLES		13,217	3,809	17,026
VII.	OTHER LIABILITIES	(4)	45,594	933	46,527
VIII.	FINANCE LEASE PAYABLES	(5)	-	-	-
8.1	Finance Lease Payables		-	-	-
8.2	Operating Lease Payables		-	-	-
8.3	Other		-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-
9.1	Fair Value Hedges		-	-	-
9.2	Cash Flow Hedges		-	-	-
9.3	Hedges for Investments Made in Foreign Countries		-	-	-
Х.	PROVISIONS	(7)	62,750	1,824	64,574
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
XI.	TAX LIABILITY	(8)	9,873	-	9,873
11.1	Current Tax Liability		9,873		9,873
11.2	Deferred Tax Liability		-	-	-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-
12.1	Held for Sale		-	-	-
12.2	Held from Discontinued Operations		-	-	-
XIII.	SUBORDINATED LOANS	(10)	-	-	-
XIV.	SHAREHOLDERS' EQUITY	(11)	764,728	(107)	764,621
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
			-	-	-

# **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)

		Note (Section		ND OF TURKISH I Period (31/12/20	
II. CONSOLIDAT	TED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Five III)	TL	FC	Total
	CE SHEET COMMITMENTS (I+II+III)	(1)	1,380,632	2,435,507	3,816,139
	ARANTEES AND WARRANTIES		1,341,334	2,166,635	3,507,969
	ers of Guarantee		1,329,163	1,443,571	2,772,734
	rantees Subject to State Tender Law		7,214	603,083	610,297
	rantees Given for Foreign Trade Operations	The second second second second second second second second second second second second second second second se	1,208,028	-	1,208,028
1.1.3 Oth	er Letters of Guarantee		113,921	840,488	954,409
1.2 Ban	k Acceptances		-	7,484	7,484
1.2.1 Imp	ort Letter of Acceptance		-	7,484	7,484
	er Bank Acceptances	-	-	-	-
-	ers of Credit		-	188,475	188,475
	umentary Letters of Credit	1	-	188,475	188,475
7	er Letters of Credit		-	-	-
	financing Given as Guarantee	-	-	-	-
-	lorsements		-	-	-
	lorsements to the Central Bank of the Republic of Turkey		-	-	-
	er Endorsements er Guarantees		12,000	520,131	- 532,131
7	er Collaterals	÷	12,000	6,974	7,145
	MITMENTS	(1)	39,298	9,200	48,498
-	vocable Commitments		39,298	9,200	48,498
	ward asset purchase commitments		4,023	9,200	46,496
7	re Capital Commitments to Associates and Subsidiaries		-,023	5,200	
-	n Granting Commitments			_	-
-	urities Issue Brokerage Commitments		_	_	-
	nmitments for Reserve Deposit Requirements		-	-	-
	ment commitment for checks		34,817	-	34,817
	and Fund Liabilities from Export Commitments	Ī	458	-	458
2.1.8 Con	nmitments for Credit Card Limits		-	-	-
2.1.9 Con	nmitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Rec	eivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Pay	ables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Oth	er Irrevocable Commitments		-	-	-
2.2 Rev	ocable Commitments		-	-	-
	ocable Loan Granting Commitments		-	-	-
	er Revocable Commitments		-	-	-
	RIVATIVE FINANCIAL INSTRUMENTS	(2)	-	259,672	259,672
÷	ivative financial instruments for hedging purposes		-	-	-
	value hedge	i i i i i i i i i i i i i i i i i i i	-	-	-
	h flow hedge		-	-	-
	lge of net investment in foreign operations	-	-	-	-
	d for trading transactions		-	259,672	259,672
	ward Foreign Currency Buy/Sell Transactions		-	259,672	259,672
	ward Foreign Currency Transactions-Buy ward Foreign Currency Transactions-Sell	ł		130,412 129,260	130,412 129,260
-	er Forward Buy/Sell Transaction			123,200	123,200
3.3 Oth			_	_	-
-	STODY AND PLEDGES RECEIVED (IV+V+VI)		6,580,645	334,443	6,915,088
	MS HELD IN CUSTODY		197,945	103,513	301,458
7	tomer Fund and Portfolio Balances		-		-
7	estment Securities Held in Custody		1,167	_	1,167
-	icks Received for Collection		185,546	2,162	187,708
	nmercial Notes Received for Collection		11,232	190	11,422
	er Assets Received for Collection		-	-	
7	ets Received for Public Offering	E. C. C. C. C. C. C. C. C. C. C. C. C. C.	-	-	-
	er Items Under Custody	Ē	-	47,704	47,704
	todians	Ē	-	53,457	53,457
V. PLE	DGES RECEIVED		6,382,700	230,930	6,613,630
5.1 Mar	ketable Securities		6,979	-	6,979
	arantee Notes		572,824	22,136	594,960
5.3 Con	nmodity		419,001	-	419,001
	rranty		-	-	-
÷	perties		4,855,316	-	4,855,316
	er Pledged Items		528,580	208,794	737,374
	dged Items-Depository		-	-	-
VI. ACC	CEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOT	TAL OFF-BALANCE SHEET COMMITMENTS (A+B)		7,961,277	2,769,950	10,731,227

# **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

			HOUSAND OF TURKISH LIRA
		(Section	Curre nt Period
INCOME . I.	AND EXPENSE ITEMS	Five IV)	01/01-31/12/2016
I.1	PROFIT SHARE INCOME Profit share on loans	(1)	<b>390,742</b> 356,285
1.2	Profit share on reserve deposits		4,359
1.2	Profit share on banks		4,333
.5 .4	Profit share on money market placements		
1.5	Profit share on marketable securities portfolio		24,499
.5.1	Held-for-trading financial assets		
.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
.6	Finance lease income		4,973
1.7	Other profit share income		273
II.	PROFIT SHARE EXPENSE	(2)	180,885
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		-
ш.	NET PROFIT SHARE INCOME (I - II)		209,857
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		14,205
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
V.	DIVIDEND INCOME		-
VI.	NET TRADING INCOME	(3)	7,030
6.1	Capital market transaction gains/(losses)		-
6.2	Gains/(losses) from derivative financial instruments	(4)	10,675
6.3	Foreign exchange gains/(losses)		(3,645)
VII.	OTHER OPERATING INCOME	(5)	1,739
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		232,831
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	51,770
Х.	OTHER OPERATING EXPENSES (-)	(7)	140,579
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		40,482
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII.	GAIN/(LOSS) ON EQUITY METHOD		-
XIV.	GAIN/(LOSS) ON NET MONETARY POSITION		-
XV.	PROFIT/(LOSS) BEFORE TAXES FROM CONTINUED OPERATIONS (XI++XIV)	(8)	40,482
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (-)	(9)	(9,809)
16.1	Current Tax Provision		(14,349)
16.2 XVII.	Deferred Tax Provision	(10)	4,540
XVII. XVIII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	30,673
18.1	INCOME FROM DISCONTINUED OPERATIONS 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		
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		
19.1	Loss from assets held for sale		
19.2	Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)		
19.3	Loss from other discontinued operations		
XX.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		
21.1			
21.2	Deferred tax provision		
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (AXEXAI)	(11)	30,673
23.1	Group's Profit/Loss	(1)	30,673
23.2	Minority Shareholder Profit/Loss		
-0.4	Earnings per share income/loss (full TL)		0.0426

# **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. CO	DNSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUIT	Y
CON	SOLIDATED PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period 01/01 - 31/12/2016
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
Х.	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
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	28,091

# 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	THOUSAND OF TURKISH LIRA Current Period
A.	INSOLIDATED STATEMENT OF CASH FLOWS CASH FLOWS FROM BANKING OPERATIONS	Five)	01/01-31/12/2016
1.1	Operating profit before changes in operating assets and liabilities		(82,076)
1.1	Operating profit before changes in operating assets and habilities		(02,070)
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	1	(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
I.	Net cash provided from banking operations		1,026,641
В.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(305,963)
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)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities		101,459
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		-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		146,984
V.	Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		969,121
M	Cash and cash equivalents at the beginning of the period	(1)	145,137
VI.			

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

Tota Equit	Minority Interest	Total Equity Except from Minority Interest	Revaluation Surplus on Assets Held for Sale and Assets of Disc. Op.	Hedging Funds	Shares Obtained	Revaluation Surplus on Tangible and Intangible Assets	Securities	Prior Period Net Profit/ (Loss)	Current Period Net Profit/ (Loss)	Other Reserves	Extra- ordinary Reserves
664,530	-	664,530	-	-	-	-	1,512	(11,982)	-	-	-
	-	-	-	-	-	-	-	-			
	_	-	-	-	-	-	-	-	-	-	
(2,885	-	(2,582)	-	-	-	-	(2,582)	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	_	_	_	-	_	_	_	_	_	_	_
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	_	_	_	_	-	_	-	_	-	_	
	-	-		-	-	-	-	-	-	-	-
72,000	-	-	-	-	-	-	-	-	-	-	-
72,000	_	<b>72,000</b> 72,000	_	_	_	_	-	_	_	_	_
,	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	_	_	_	_	_	_	_	_	_	_	_
30,67	-	30,673	-	-	-	-	-	-	30,673	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	_	
764,62	-	764,621	-				(1,070)	(11,982)	70 677		

# **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. ST	ATEMENT OF PROFIT DISTRIBUTION	Current Period (1) (31/12/2016)
I.	DISTRIBUTION OF THE CURRENT YEAR INCOME	
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	-
Α.	NET INCOME FOR THE YEAR (1.1-1.2)	26,133
1.3	Prior Year Losses (-)	-
1.4	First Legal Reserves (-)	-
1.5	Other Statutory Reserves (-)	-
В.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	
1.6	First Dividend to Shareholders (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of 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 1.9.1	Second Dividend to Shareholders (-)	-
1.9.1	To Owners of Ordinary Shares 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	-
н.	DISTRIBUTION OF RESERVES	
2.1	Appropriated Reserves	-
2.2	Second Legal Reserves (-)	-
2.3	Dividends to Shareholders (-)	-
2.3.1	To Owners of Ordinary Shares	-
2.3.2	To Owners of 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 2.5	Dividends to Personnel (-) Dividends to Board of Directors (-)	-
Ш.	EARNINGS PER SHARE	
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 (%)	-
IV.	DIVIDEND PER SHARE	
4.1	To Owners of Ordinary Shares	-
4.2	To Owners of Ordinary Shares (%)	-
4.3	To Owners of Privileged Shares	-
4.4	To Owners of Privileged Shares (%)	-

<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.

(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 Adgency and circulars and interpretations published by Banking Regulation and Supervision Adgency 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.

(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.

(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:

			31 Decem	ber 2016
Title	Address (City/Country)	Main Activities	Parent Bank's 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.

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)

## 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 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.

(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.

(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.

(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%

(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.

(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.

(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 reassurance 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.

(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.

(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%.

(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 (*)
COMMON EQUITY TIER 1 CAPITAL		
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	-	
Common Equity Tier 1 Capital Before Deductions	777,673	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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	-	

(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	-	
Total Deductions From Common Equity Tier 1 Capital	42,795	
Total Common Equity Tier 1 Capital	734,878	
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	_	
Debt instruments and premiums approved by BRSA	_	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	_	
Additional Tier I Capital before Deductions	_	
Deductions from Additional Tier I Capital	_	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	_	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which		
will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	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 (-)		

(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>
Total Deductions From Additional Tier I Capital	9,162	······································
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)	725,716	
TIER II CAPITAL		
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	
Tier II Capital Before Deductions	17,287	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions		
declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	_	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	17,287	
Total Capital (The sum of Tier I Capital and Tier II Capital)	743,003	
Total of Original Capital and Supplementary Capital (Total Capital)		
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	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub- paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	_	

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

(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	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

#### 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.

(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 monitory 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.

(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	and unconditional receivables from regional	from administrative units and non- commercial	receivables from multilateral	receivables from international	and unconditional receivables from banks and brokerage	Conditional and unconditional corporate receivables	
Current Period								
Domestic	1,482.353	-	8,680	-	-	752,133	4,659,408	
European Union Countries	-	-	-	-	-	233,710	-	
OECD Countries (1)	-	-	-	-	-	449	-	
Off-shore Banking Regions	-	-	-	-	-	3	-	
USA, Canada	-	-	-	-	-	8	-	
Other Countries	-	-	-	-	-	2,952	-	
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	
Unallocated Assets/Liabilities <sup>(2)</sup>	_	-	-	-	-	-	-	
Total	1,482.353	-	8,680	-	-	989,255	4,659,408	

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

 $^{\scriptscriptstyle (1)}$  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	unconditional receivables secured by	Past due receivables			Securitization	from banks, brokerage houses and	collective investment	Other receivables	Total
 264,899	801,553	4,102	-	-	-	-	-	73,713	8,046,841
 -	-	-	-	-	-	-	-	-	233,710
 -	-	-	-	-	-	-	-	-	449
-	-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	-	8
 -	-	-	-	-	-	-	-	-	2,952
 -	-	-	-	-	-	-	-	-	-
-	-	-	_	-	-	-	-	-	-
 264,899	801,553	4,102	-	-	-	-	-	73.713	8,283,963

(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				_
Current Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	receivables from		Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	
Sectors/Counter Parties								
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	
Total	1,482,353	-	8,680	-	-	989,255	4,659,408	

 					Risk Classes						
 Conditional and unconditional retail receivables	receivables secured by		category by	-	Securitization positions	Short-term from banks, brokerage houses and corporates	similar to	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	- 5,750	14,459
 113.642	320,887	2.170	-	-	-	-	-	73.713	521,149	39,613	560,762
 264.899	801.553		-	-	-	-	-		5.392.823		

(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:

		Te	erm to Maturit	у	
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Classifications					
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	-	-	-	-	-
Grand Total	2,042,517	489,011	802,633	1,359,443	3,316,223

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.

(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.

		Credi	ts	
	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
Total	10,483	29,615	604	3,832

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

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

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

	Current Period
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	-
Total credit risk exposure of balance sheet items	6,663,611
Financial Guarantees	3,507,969
Commitments	48,498
Total credit risk exposure of off-balance sheet items	3,556,467
Total credit risk exposure	10,220,078

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

	Current Period						
Financial Assets	Neither past due nor impaired	Past due but not impaired	Total				
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%.

(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

(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
Current Period				
Assets				
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
Total Assets	1,473,863	1,513,755	56,584	3,044,202
Liabilities				
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
Total liabilities	1,422,716	1,573,933	54,888	3,051,537
Net balance sheet position	51,147	(60,177)	1,696	(7,334)
Net off-balance sheet position	(129,260)	130,412	.,000	1,152
Financial derivative assets	(120,2007	130,412	-	130.412
Financial derivative liabilities	129,260	-	-	129,260
Non-cash Loans	930,417	1,200,728	35,490	2,166,635
Delas Desta d				
Prior Period				
Total Assets	-	-	-	-
Total Liabilities	-	-	-	-
Net Balance Sheet Position	-	-	-	-
Net Off-Balance Sheet Position <sup>(2)</sup>	-	-	-	-
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-cash Loans	-	-	-	-

<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.

 $^{\scriptscriptstyle (2)}$  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.

(4) 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.

(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. 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) 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.

(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 Total Value		Consideration Ratio Applied Total Value (*)			
Current Period	TL+FC	FC	TL+FC	FC		
HIGH QUALITY LIQUID ASSETS	880,253	559,751	705,398	385,323		
High quality liquid assets	-	-	705,398	385,323		
CASH OUTFLOWS	6,260,670	2,337,819	1,527,873	635,354		
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		
TOTAL CASH OUTFLOW	-	-	1,527,873	635,354		
CASH INFLOWS	1,271,674	396,524	1,079,211	392,799		
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		
TOTAL CASH INFLOWS	1,271,674	396,524	1,079,211	392,799		
Applied maximum rate values	-	-	-	-		
TOTAL High quality liquid asset STOCK	_	-	705,398	385,323		
TOTAL NET CASH OUTFLOWS	-	-	493,665	257,730		
LIQUIDITY COVERAGE RATIO (%)	-	-	153	186		

<sup>(1)</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

(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		3-12 Months		5 Years and Over	Undistributed ෆ	Total
Current Period								
Assets								
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
Total Assets	1,674,471	666,343	342,551	1,445,320	3,105,341	624,234	101,196	7,959,456
Liabilities								
Funds Collected from Banks								
Via Current and Participation Accounts	3.890	18,531	_	_	_	_	_	22,421
Current and Participation	5,050	10,001						22,721
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			- 150,477	_	_	133,668
Issued Marketable Securities		155,000	- 101,459	_	_	_	_	101,459
Sundry Creditors	_	-	- 101,439	_	_	_	- 17,027	101,439
Other Liabilities *	-	-	-	-	-	_	885,594	885,594
Total Liabilities	833,004	3,974,564	1,108,996	982,555	157,716	-	902,621	
Liquidity Gap	841 467	(3,308,221)	(766,445)	462,765	2,947,625	624 234	(801,425)	

<sup>(\*)</sup> 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.

(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
Total	3,974,564	1,108,996	982,555	157,716	-	6,223,831

<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:

Balance sheet assets	Current Period (*)
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
Derivative financial instruments and credit derivatives	
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
Security or secured financing transactions	
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
Off-balance sheet transactions	
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
Equity and total risk	
Main capital	720,194
Total risk amount	10,489,478
Leverage ratio	
Leverage ratio	6.9

(\*) Amounts in the table are obtained on the basis of three-month weighted average.

(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.

(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 Weigl Amoun		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 (*)	-	-	-
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	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	5,666,663	-	453,333

(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 of items	in accordance	with TAS
	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework		Not subject to capita requirements or subject to deduction from capita
Assets					
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	-	-	16,00
Intangible assets (net)	22,905	-	-	-	22,905
Investment properties (net)	-	-	-	-	-
Tax assets	4,876	4,876	-	-	2 
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	2 
Other assets	23,123	23,123	-	-	
Total Assets	7,959,456	7,919,391	194,431	-	38,906
Liabilities					
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	-		-	
Total Liabilities	7,959,456	-	133,668	-	

(\*) Indicating the Parent Bank's consolidated financial statements.

(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 market risk framework	Total
Asset carrying value amount under scope of regulatory consolidation	7.959.456	7.919.391	-	194.431	-
Liabilities carrying value amount under regulatory scope of consolidation	133,668	-	-	133,668	-
Total net amount under regulatory scope of consolidation	7,825,788	7,919,391	-	60,763	-
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	-	-	-	-	-
Exposure amounts considered for regulatory purposes	_	-	-	-	-

### 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.

(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		Amortization	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
Total	10,483	9,767,753	48,695	9,729,541

(\*) 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	Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)	10,483

#### 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.

(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	-	-	-	-
Total	5,551,291	10,483	3,832	5,557,942

	Loans and	Loans under	Special	
	Receivables	follow up	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
Total	5,551,291	10,483	3,832	5,557,942

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

(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		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	-	-	-	-
Total	24,541	14,037	6,835	45,413

### 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	Receivables protected by financial guarantees	protected by financial	Loans protected by credit derivatives	protected
Loans	5,561,520	217,795	143,466	182,737	133,399	-	-
Debt instruments	409,964	-	-	-	-	-	-
Total	5,971,484	217,795	143,466	182,737	133,399	-	-
Default	10,483	-	-	-	-	-	

(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 Central Government or Central Banks, 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

	rate and amount b	conversion the credit pefore the reduction	rate and	conversion the credit er the credit duction	Risk weighted amount and risk weighted amount density		
Risk classes	On-balance sheet amount		sheet	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 Exposures to public sector entities	- 8,072	- 1,218	8,260 8,072	541 609	4,400 8,666	50% 100%	
Exposures to multilateral development Banks	-	-	-	-	-	0%	
Exposures to international organizations	_	_	-	-	-	0%	
Exposures to institutions	986,326	5,485			274,337	28%	
Exposures to corporates	2,332,332	÷			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%	
Total	5,846,284	3,545,747	5,846,210	2,437,803	5,513,251	<b>67</b> %	

(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>	<b>50%</b> <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
Total	1,265,394	-	814,326	424,545	376,156	650,060	259,381	4,494,100	-	-	-	8,283,963

<sup>(2)</sup> Shows all receivables excluding the line "Claims secured by commercial real estate mortgage" and reaching 50% risk weight receivables.

(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 complexness 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.

(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 (°)	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					-	-
6	Total						1,243

(\*) 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
4	Total subject to the CVA capital charge	2,531	47

(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 (*)
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>	-	-	-	-	-	-	-	-	-
Total	193,272	-	74	2,457	-	-	-	-	1,243

 $^{(1)}$  Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied

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

(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

	Coll	ateral used in deri	ivative transacti	ons	Other transactio	Other transaction guarantees		
	rece	f collateral ived	Fair value colla	of posted teral	Fair value of collateral	Fair value of posted		
	Segregated	Unsegregated	Segregated	Unsegregated	received	collateral		
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		
Total	-	-	-	-	133,668	193,272		

# 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.

(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 Riske Reporting Set published by BRSA in accordance with the disclosures.
- Riske 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.

(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	-
9	Total	20,700

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.

				Total/Number of positive		
	31.12.2013	31.12.2014	31.12.2015	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.

(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:

	D.C. I	Corporate/	Treasury/	Other (	
Current Devied		Entrepreneurial	Investment	Other/	Total
Current Period OPERATING INCOME/EXPENSE	Banking	Banking	Banking	Undistributed	Total
	E1 0 4 2	704 447	20 211	E 246	700 742
Profit Shares Income	51,842	304,443	29,211	5,246	<b>390,742</b>
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
Profit Shares Expense	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	-	-	-	-	-
Net Profit Shares Income/Expense	(31,634)	239,584	(3,339)	5,246	209,857
Net Fees and Commission Income/Expense	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
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	7,030	-	7,030
Other Operating Income	-	-	-	1,739	1,739
Provision for Loans or Other Receivables Losses	3,473	39,372	-	8,925	51,770
Other Operating Expense	-	16	-	140,563	140,579
Income Before Tax	(31,579)	212,945	3,691	(144,575)	40,482
Tax Provision	-	-	-	(9,809)	(9,809)
Net Profit/Loss	-	-	-	30,673	30,673
SEGMENT ASSETS	-	-	-	-	-
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
TOTAL SEGMENT ASSETS	411,111	4,661,275	1,369,852	1,517,218	7,959,456
SEGMENT LIABILITIES	-	-	-	-	-
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
TOTAL SEGMENT LIABILITIES	3,501,006	2,134,940	1,420,889	902,621	7,959,456
OTHER SEGMENT ITEMS		_	_		-
Capital Investment	_	_	_	_	-
Amortization Expense	-	_	_	11,998	11,998
Restructuring Costs				1,550	11,530

(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 Va	alue	Fair Va	lue
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	6,441,079	-	6,441,079	-
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	-
Financial Liabilities	6,940,193	-	6,940,193	-
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.

(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
Financial Assets at FV Through P/L	1,159	-	-	1,159
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	1,159	-	-	1,159
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets	409,964	4,719	-	414,683
Equity Securities	-	4,719	-	4,719
Government Debt Securities	-	-	-	-
Other Marketable Securities	409,964	-	-	409,964
Total Assets	411,123	4,719	-	415,842
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.

(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 Per	iod
	TL	FC
Cash in TL/Foreign Currency	18,396	14,154
Central Bank of the Republic of Turkey	614,993	553,755
Other	-	-
Total	633,389	567,909

### 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 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 3-years maturity 19,5%; for FC liabilities other than deposits up to 5-years maturity 19,5%; 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%.

(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 Perio	bd
	TL	FC
Unrestricted Demand Deposit	613,239	15
Unrestricted Time Deposit	-	-
Restricted Time Deposit	-	-
Required Reserves (1)	1,754	553,740
Total	614,993	553,755

<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	l
	TL	FC
Derivative Financial Assets Held-for-Trading		
Forward Transactions	7	1,152
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	7	1,152

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

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

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

<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
Total	186,880

#### 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
Total	414,683

(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 Pe	riod
	Cash	Non-Cash
Direct Loans Granted to Shareholders	480,455	-
Legal Entities	480,455	-
Individuals	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	441	-
Total	480,896	-

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

	Standard Loans and Other Receivables					er Close
	Loans and Other Receivables			Loans and Other Receivables	Restructured Reschedule	
Cash Loans		Loans and other receivables with revised contract terms	Other		Loans and other receivables with revised contract terms	Other
Loans		terme	•	•		<u> </u>
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	_	-
Total	5,521,127	-	-	30,164	-	-

(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.

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

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

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

	Standard Loans and Other Receivables <sup>(1)</sup>		Loans and Other Receivables Under Close Monitoring <sup>(1)</sup>	
	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.

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

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

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

### 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
Total	5,551,291

# f) Breakdown of domestic and foreign loans:

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

# 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)

### 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
Total	3,832

#### 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 Ioans and other receivables
Ending balance of prior period	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 Ioans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	408	8,960	1,115
Specific provisions (-)	82	2,635	1,115
Net balance at the balance sheet	326	6,325	-

### 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.

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

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	326	6,325	
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
Total	4,797,822	763,952	-	5,561,774
Specific Provisions of Impaired Loans (-)	3,212	620	-	3,832
Net Loan Amount	4,794,610	763,332	-	5,557,942

(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:

	Up to	1-2	2-3	Over	
Current Period	1 Month	Months	Months	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	-	-	-	-	-
Total	24,541	14,037	6,835	-	45,413

#### 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:

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

#### 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.

(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:

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

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

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

#### c) Information on consolidated subsidiaries:

	Current Period
Balance at the beginning of the year	-
Movements during the year	-
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
Balance at the end of the year	-
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.

(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 r ch	current critica		
	Gross	Net		
Up to 1 year	30,000	29,769		
1-4 years	115,828	106,645		
Over 4 years	119,957	84,959		
Total	265,785	221,373		

#### 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
Prior Period End:					<u> </u>	
Cost	-	-	-	13,021	27,683	40,704
Accumulated Depreciation (-)	-	-	-	1,136	780	1,916
Net Book Value	-	-	-	11,885	26,903	38,788
Current Period End:						
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
Closing Net Book Value	-	-	-	16,001	27,642	43,643

(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	
Total	26,357	3,452	22,905	

#### 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
Net deferred tax asset	4,876

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

#### 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.

(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:

		Up to 1	Up to 3	Up to 6	Up to 9	Up to	1 year and	Accumulated profit sharing	
Current Period	Demand	Month	Months	months	months	1 year	over	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	- 02,000						_	243,408
Commercial residents in Turkey	239,462	-	_				_	_	239,462
Commercial residents in Abroad	233,402	_						_	- 200,402
Banks and participation banks	3,946	_						_	3,946
Central Bank of Republic of Turkey	5,540								5,540
Domestic banks			-						
Foreign banks	3,946		-						3,946
Participation banks	5,940	-	-				-	-	5,940
	-	-	-			-	-	-	-
Others	-	-	-	104700			-	-	-
VIII. Profit sharing accounts- FC	-	27,383	588,263	104,768		-	-	-	720,414
Public sector		290	1,389	104700			-	-	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	-	-	-	-	-	-	-	-	-
Total (I+II++IX+X+XI)	833,004	429,418	3,947,787	262,354	-	49,742	113,641	-	5,635,946

(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:

	<b>Current Period</b>
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	
Total	-	1,185,762	

(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
Total	- 1,185,762

# 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 Perio	Current Period		
	TL	FC		
Domestic	133,668	-		
Financial Institutions	133,668	-		
Other Institutions	_	-		
Real Persons	-	-		
Abroad	-	-		
Financial Institutions	-	-		
Other Institutions	-	-		
Real Persons	-	-		
Total	133,668	-		

#### 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.

(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
General Provisions	52,263
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 nondiscounted 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.

	Current Period
Discount Rate (%)	4.02
Entitled to pension possibility (%)	98

Movements in the reserve for employment termination benefits during period are as follows:

	Current Period
Balance at the 1 January	-
Changes during the period	859
Paid during the period	-
Actuarial Loss/(Gain)	(79)
Balance at the end of the period	780

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.

(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
Total	9,752

#### 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	-
Total	116

#### 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	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	-	-		
Total	(963)	(107)		

#### ı) 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
Total	48,498

# 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
Total	3,507,969

#### 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
Total	2,772,734

(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
Non-Cash Loans for Providing Cash Loans	922,212
With Original Maturity of One Year or Less	-
With Original Maturity of More than One Year	922,212
Other Non-Cash Loans	2,585,757
Total	3,507,969

#### 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	
Total	1,341,334	100	2,166,635	100	

(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
Non-Cash Loans	1,341,334	2,164,232	-	2,403
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
Types of Trading Transactions	
Foreign Currency Related Derivative Transactions: (I)	259,672
Forward Transactions	259,672
Swap Transactions	-
Futures Transactions	-
Option Transactions	-
Interest Related Derivative Transactions (II)	-
A. Total Trading Derivative Transactions (I+II)	259,672
Types of Hedging Derivative Transactions	-
Fair Value Hedges	-
Cash Flow Hedges	-
Foreign Currency Investment Hedges	-
B. Total Hedging Derivative Transactions	-
Total Derivative Transactions (A+B)	259,672

(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.

	Up to 1	1-3	3-12	1-5	Over	
Current Period	month	Months	Months	Years	5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	394	758	-	-	-	1,152
- Addition	37,044	93,368	-	-	-	130,412
- Disposal	(36,650)	(92,610)	-	-	-	(129,260)
Hedging Transactions						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	37,044	93,368	-	-	-	130,412
Total cash disposal	(36,650)	(92,610)	-	-	-	(129,260)

#### 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.

(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 Pe	eriod
	TL	FC
Profit share on loans (1)	333,620	22,665
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	-	-	
Total	353	-	

#### 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	-
Total	24,232	267

#### d) Information on profit share income received from associates and subsidiaries:

None.

(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
Total	8,460	16,592

#### 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					
Account name			Up to 6 months	Up to 1 year	Over 1 year	Total
TL						
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
Total	13,092	103,766	6,527	3,521	3,618	130,524
FC						
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
Total	1,899	14,513	573	345	481	17,811
General Total	14,991	118,279	7,100	3,866	4,099	148,335

#### 3. Information on dividend income:

None.

(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):

	Current Period
Income	1,170,436
Foreign exchange gains	1,159,044
Gain on derivative financial instruments	11,392
Gain on capital market transactions	-
Losses (-)	1,163,406
Foreign exchange losses	1,162,689
Losses on derivative financial instruments	717
Losses on capital market transactions	-
Net	7,030

#### 4. b.) Information on profit/loss on derivative financial operations:

	Current Period
Effect of the change in exchange rates on profit/loss	10,675
Total	10,675

#### 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:

	Current Period
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 (*)	9,109
Total	51,770

<sup>(1)</sup> The balance which forms the other item part, amount of TL 8,925 represents the separated profit share amount of the participation accounts.

(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:

	Current Period
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 (*)	19,877
Total	140,579

<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:

	Current Period
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
Income/(Loss) from Continuing Operations	40,482

## 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	-
Total Cash and Cash Equivalents	145,137
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	-
Total Cash and Cash Equivalents	1,114,258

#### 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	subsidiaries ventu	Investment in associates, subsidiaries and joint ventures (business partnerships)		indirect of the Bank	Other real or I includ the risk	ed in
	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	-	-	-
Profit share and commission income	-	-	11,533	-	-	-

(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 a subsidiaries a venture (business part	and joint es	Direct and ir shareholders of		Other real or leg included the risk gr	in
Current and profit sharing accounts	Current period	Prior period	Current period	Prior period	Current period	Prior period
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		Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	159,609	-	-	-
Closing Balance	-	-	259,672	159,609	-	-
Total Profit/Loss	-	-	10,675	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

#### 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.

(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			
Domestic Branch <sup>(1)</sup>	44	377			
			Country of Incorporation		
Foreign Representative Office	-	-	-		
				Total assets	Statutory Share Capital
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.

# **Contact Details**

	Telephone	Adress
HEAD OFFICE	0212 404 10 00	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Cad. No: 12 Posta Kodu: 34112 Bahcekapı/Fatih-İstanbul
		Posta Kodu: 34112 Bançekapi/Fatin-Istanbul

#### BRANCHES

	Telephone	Adress
Adana Branch	0322 359 63 04	Tepebağ Mah. Abidinpaşa Cad. No: 11 Seyhan-Adana
Adapazarı Branch	0264 281 57 16	Semerciler Mahallesi, Saraçlar Sokak, No: 1 Adapazarı-Sakarya
Aksaray Branch	0382 203 02 82	Hacı Hasanlı Mah. Bankalar Cad. No: 30 Aksaray
Altunizade Branch-İstanbul	0216 474 8472	Altunizade Mah. Kısıklı Cad. No: 37 Üsküdar-İstanbul
Aydın Branch	0256 212 76 42	Hasanefendi-Ramazanpaşa Mahallesi, Gençlik Caddesi, No: 6/1 Efeler-Aydın
Balgat Branch-Ankara	0312 473 16 25	Balgat Mahallesi, Ceyhun Atıf Kansu Cad. Başkent Plaza, No: 106/57 Çankaya-Ankara
Beyazıt Branch-İstanbul	0212 638 83 68	Mimar Hayrettin Mah. Yeniçeriler Cad. Sinekli Medrese Sk. No: 2 Beyazıt/Fatih-İstanbul
Bornova Branch-İzmir	0232 343 09 43	Kazım Dirik Mahallesi, 152. Sok. No: 9 Bornova-İzmir
Büsan Branch-Konya	0362 622 0049	Fevzi Çakmak Mah. Kosgeb Cad. No: 3 Karatay-Konya
Çallı Branch-Antalya	0242 345 75 10	Güvenlik Mahallesi, Vatan Caddesi, 282. Sokak, No: 51/A Muratpaşa-Antalya
Corum Branch	0364 224 89 64	Çepni Mahallesi İnönü Caddesi No: 61 Merkez-Çorum
Elazığ Branch	0424 237 13 68	Nailbey Mah. Gazi Cad. No: 9 Elazığ
Eminönü Branch- İstanbul	0212 522 5982	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Cad. No: 12/1 Bahçekapı/Fatih-İstanbul
Fatih Branch- İstanbul	0212 621 8676	Zeyrek Mahallesi Mah. Macar Kardeşler Cad. No: 18/A Fatih-İstanbul
Gaziantep Branch	0342 230 9190	İncirli Pınar Mah. Muammer Aksoy Cad. No: 20 Şehitkamil-Gaziantep
Gaziosmanpaşa Branch-İstanbul		Merkez Mahallesi, Cumhuriyet Meydanı, No: 26/A Gaziosmanpaşa-İstanbul
Gebze Branch-Kocaeli	0262 643 36 98	Hacı Halil Mahallesi, Körfez Caddesi, No: 8/B Gebze-Kocaeli
Güneşli Branch-İstanbul	0212 550 76 54	Hürriyet Mahallesi, Atatürk Caddesi, No: 13-15B Bağcılar-İstanbul
İkitelli Branch- İstanbul	0212 549 60 53	Ziya Gökalp Mah. Bedrettin Dalan Bulvarı, A Blok No: 18 Başakşehir-İstanbul
		Savaş Mahallesi, Mareşal Çakmak Caddesi, 41. Sokak, Sümerhan İşhanı, No: 9/3 (Ze-
İskenderun Branch-Hatay	0326 614 12 25	min Kat BB: 1) İskenderun-Hatay
İzmit Branch	0262 322 93 52	Kemalpaşa Mahallesi, İstiklal Caddesi, No: 20 İç Kapı No: 30 İzmit-Kocaeli
Kadıköy Branch- İstanbul	0216 474 8472	Osmanağa Mah. Rıhtım Cad. No: 4 Kat: 2 Kadıköy-İstanbul
Kahramanmaraş Branch	0344 223 97 01	Yenişehir Mah. Trabzon Bulvarı, Durak Apt. No: 70, Dulkadiroğlu-Kahramanmaraş
Kayapınar Branch- Diyarbakır	0412 502 2638	Peyas Mah. Şanlıurfa Bulvarı Ekinciler Sitesi No: 43 Kayapınar-Diyarbakır
Kayseri Branch	0352 221 3243	İslimpaşa (Cumhuriyet) Mah. Vatan Cad. No: 19 Melikgazi-Kayseri
Kestel Branch-Bursa	0224 372 83 33	Ahmet Vefik Paşa Mah. Org. San. Böl. Bursa Cad. No: 75 B Blok Kestel-Bursa
Kızılay Branch- Ankara	0312 435 1350	Cumhuriyet Mah. Atatürk Bulvarı No: 67/C Kızılay-Ankara
Kütahya Branch	0274 333 02 95	Gazi Kemal Mahallesi, Cumhuriyet Caddesi, No: 79/A Merkez-Kütahya
Malatya Branch	0422 325 60 05	Saray Mahallesi, Atatürk Caddesi, No: 2 Battalgazi-Malatya
Manisa Branch	0236 231 03 68	1. Anafartalar Mah. 1603. Sokak, No: 11/A Şehzadeler-Manisa
Mecidiyeköy Branch-İstanbul	0212 267 2666	Gülbahar Mah. Büyükdere Cad. No: 99/A Şişli-İstanbul
Mevlana Branch-Konya	0332 350 58 48	Şems-i Tebrizi Mahallesi, Mevlana Caddesi, No: 23/A Karatay-Konya
Osmanbey Branch-İstanbul	0212 522 5982	Meşrutiyet Mah. Halaskargazi Caddesi No: 116 Şişli-İstanbul
Ostim Branch- Ankara	0312 385 0863	Ostim Mahallesi Ostim OSB 100. Yıl Bulvarı No: 46 Yenimahalle-Ankara
Rize Branch	0464 212 27 69	Piriçelebi Mahallesi, Cumhuriyet Caddesi, No: 7 Rize
Samsun Branch	0362 431 99 73	Kale Mahallesi, Kazımpaşa Caddesi, No: 11A İlkadım-Samsun
Selçuklu Branch-Konya	0332 235 4156	Nişantaşı Mah. Metehan Cad. No: 4/A Selçuklu-Konya
Setbaşı Branch-Bursa	0224 225 0024	Setbaşı Kayahan Mah. Atatürk Cad. No: 26/1 Osmangazi-Bursa
Sincan Branch- Ankara	0312 271 3035	Atatürk Mah. Meltem Sok. No: 21 Sincan-Ankara
Sivas Branch	0346 221 55 16	Eski Kale Mahallesi, Bankalar Caddesi, 13-2. Sokak No: 3/A Merkez-Sivas
Şanlıurfa Branch	0414 315 66 38	Kanberiye Mah. Gazhane Mevkii, Kadri Erdoğan Cad. No: 10 Haliliye-Şanlıurfa
Ulus Branch-Ankara	0312 312 7631	Anafartalar Cad. No: 16/B Ulus-Ankara
Ümraniye Branch- İstanbul	0216 474 8472	Alemdağ Cad. Mevlana İş Merkezi A Blok No: 174 Ümraniye-İstanbul
Üsküdar Branch- İstanbul	0216 201 1612	Mimar Sinan Mah. Uncular Cad. Özden İş Hanı No: 6/B Üsküdar-İstanbul
Van Branch	0432 210 14 34	Şerefiye Mahallesi, Cumhuriyet Bulvarı, No: 63 İpekyolu-Van

Produced by Tayburn Tel: (90 212) 227 04 36 www.tayburnkurumsal.com

# Now there is a fast-growing participation bank for the people of this country who like sharing.

