

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AT 31 DECEMBER 2016

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

INDEPENDENT AUDITOR’S REPORT



To the Board of Directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.;

Report on Consolidated Financial Statements

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

Management’s Responsibility for the Consolidated Financial Statements

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

Independent Auditor’s Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT



Basis for the qualified opinion

As mentioned in Section II. Note 7.d1 of Explanations and Notes to the Consolidated Financial Statements; as of 31 December 2016, the accompanying consolidated financial statements include a free provision amounting to TL 945.000 thousand (TL 295.400 thousand of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

Qualified opinion

In our opinion, except for the effect of the matter described in the “Basis for the qualified opinion” paragraph above, on the consolidated financial statements, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its subsidiaries as at 31 December 2016 and its financial performance 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 No. 6102 (“TCC”); no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with TCC and provisions of the Bank’s articles of association in relation to financial reporting.

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

Additional Paragraph for Convenience Translation

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

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

A handwritten signature in black ink, appearing to read 'Didem Demer Kaya', written over a vertical line.

Didem Demer Kaya, SMMM
Partner
Istanbul, 17 February 2017

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

THE CONSOLIDATED FINANCIAL REPORT OF TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş. AS OF 31 DECEMBER 2016

The Parent Bank's Headquarter Address: Anafartalar Mahallesi Atatürk Bulvarı
No: 8 06050-Altındağ/ANKARA
Phone: (312) 584 20 00
Facsimile: (312) 584 49 63
Website: www.ziraatbank.com.tr

The consolidated financial report includes the following sections 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.

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

Within the framework of this financial report, our consolidated financial statements of subsidiaries, associates and jointly controlled entities are as follows:

DOMESTIC SUBSIDIARIES

Ziraat Hayat ve Emeklilik A.Ş.
Ziraat Sigorta A.Ş.
Ziraat Finansal Kiralama A.Ş.
Ziraat Yatırım Menkul Değerler A.Ş.
Ziraat Portföy Yönetimi A.Ş.
Ziraat Katılım Bankası A.Ş.
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.

FOREIGN SUBSIDIARIES

Ziraat Bank International A.G.
Ziraat Bank BH d.d.
Ziraat Bank (Moscow) JSC
Kazakhstan Ziraat Int. Bank
Ziraat Bank Azerbaycan ASC
Ziraat Bank Montenegro AD

ASSOCIATES

Arap Türk Bankası A.Ş.

JOINT VENTURES

Turkmen Turkish Joint Stock Commercial Bank
UTBANK JSC

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousand of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.



Muharrem KARSLI
Chairman of the Board,



Hüseyin AYDIN
Member of the Board,
CEO



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



Peyami Ömer ÖZDİLEK
Financial Coordination
Executive Vice President



Atakan BEKTAŞ
Senior Vice President of Financial Reporting and
Budget Management

For the questions regarding this financial report, contact details of the personnel in charge are presented below:

Name/Title : Serkan ÖZKAN/Financial Statements Manager
Telephone Number : 0312 584 59 32
Fax Number : 0312 584 59 38

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Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 in 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, IF ANY

The foundation of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (“Ziraat Bankası” or “the Parent Bank”) is based on Government Funds established in 1863. In 1883, Government Funds were replaced with Benefit Funds. The Parent Bank was officially established by the re-organization of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and an intermediary for agricultural operations. While all of the shares of the Parent Bank that are entitled to carry out all kinds of banking activities belong to The Undersecretariat of Treasury (“the Treasury”) of the Prime Ministry of Turkish Republic, all of the Parent Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decision of the Council of Ministers dated 24 January 2017 and with decree no. 2017/9756. The head office of the Parent Bank is in Ankara.

II. EXPLANATION ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO

While the only shareholder of the Parent Bank is the Treasury, all of the Parent Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 in Note I. of Section Three)

III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CEO AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS

Name	Administrative Function
Members of the Board of Directors	
Muharrem KARSLI	Chairman
Hüseyin AYDIN	CEO and Member
Yusuf DAĞCAN	Vice Chairman and Member
Cemalettin BAŞLI	Member
Feyzi ÇUTUR	Member
Mehmet Hamdi YILDIRIM	Member
Metin ÖZDEMİR	Member
Mustafa ÇETİN	Member
Salim ALKAN	Member
Audit Committee Members	
Muharrem KARSLI	Member
Feyzi ÇUTUR	Member
Executive Vice Presidents	
Alpaslan ÇAKAR	Distribution Channels Management
Bilgehan KURU	Treasury and International Banking
Bülent SUER	Operational Transactions
Mehmet Cengiz GÖĞEBAKAN	Loan Policies
Musa ARDA	Loan Allocation and Management
Peyami Ömer ÖZDİLEK	Financial Coordination
Yüksel CESUR	Internal Systems

The directors above-mentioned do not retain any shares of the Parent Bank’s capital.

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

Name/Trade Name	Amount of Share	Percentage of Share %	Paid-in Shares	Unpaid Shares
Treasury	5.100.000	100	5.100.000	-

While the only shareholder of the Parent Bank is the Treasury, all of the Parent Bank’s shares have been transferred to the Turkey Wealth Fund in accordance with the decree of the Council of Ministers dated 24 January 2017 and numbered 2017/9756.

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 in Note I. of Section Three)

V. SUMMARY INFORMATION ON THE PARENT BANK’S ACTIVITIES AND SERVICES

The purpose of activity of the Parent Bank is stated in articles of association as to perform all kinds of banking activities including acceptance of deposits. For this purpose, the Parent Bank can perform all sorts of operations, without prejudice to the provisions of the banking regulations and other legislations, such as launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, acting as an intermediary in trade and issue of the financial instruments that are used in local and international markets, performing investment banking transactions, forwards dealing in domestic and foreign futures markets, providing funds from interbank money market, domestic and foreign markets, making all kinds of capital market transactions, acting as an intermediary in export and import transactions, acting as an agency for insurance and other financial institutions, participating in all sort of partnership that is founded by domestic or foreign banks or participated by them within the terms of the related legislation or establishing new partnerships for this purpose, performing all kinds of conservative transactions, such as; acquiring limited real and personal claims like all kinds of movable and immovable goods, industrial and intellectual properties, right of usufruct, easement, superficies and disposing and transferring acquired properties and rights, placing pledge and mortgage on those properties and rights, releasing pledged and mortgaged items and declaring leasing agreements and sale commitments to the Registry Office.

As of 31 December 2016, The Parent Bank carries its activities with a grand total of 1.786 domestic branches; including 20 corporate branches, 79 entrepreneurial branches, 76 dynamic entrepreneurial branches, 1.606 branches and 5 mobile branches (31 December 2015: 1.786 domestic branches including 1.596 branches, 22 corporate branches, 80 entrepreneurial branches, 83 dynamic entrepreneurial branches, 5 mobile branches) and 28 branches abroad including 23 branches and 5 sub branches (New York branch in United States, London branch in England, Tbilisi branch and Batumi, Marneuli sub branches in Georgia, Baghdad and Arbil branches in Iraq, Athens, Komotini, Xanthi and Rhodes branches in Greece, Sofia branch and Plovdiv, Kardzhali and Varna sub branches in Bulgaria, Jeddah branch in Saudi Arabia, Pristina in Kosovo, Lefkoşa, Girne, Güzelyurt, Gazimağusa, Gönyeli, Akdoğan, Near East University, Karaoğlanoğlu, Karakum and İskele sub branches in Turkish Republic of Northern Cyprus). The Bank also has a representative office in Tehran, Iran.

The Parent Bank signed a contract with T. İş Bankası A.Ş. on 22 January 2007 to provide longer installment plan and bonus points to their credit card users and benefit from all the advantages within Maximum credit card at merchants that are a part of Maximum plan. Also with this contract the Bank has the right to register members for Maximum. Transactions between the two banks are administered by Interbank Card Center.

Başakkart is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Bank can associate Başakkart with enterprise loans below TL 100 and agricultural loan limits in line with the demands of the customers. All limits of loan accounts assigned to the Başakkart can be used via POS machines of the Bank in Başakkart Member Business points for the purchase of agricultural inputs (feed, grain, fuel, etc.). According to preferences of customers, maximum 90% of cash limits of loan accounts can be used through the branches/ATMs of the Bank. Repayments regarding the transactions with Başakkart can be made through the branches of the Bank. Agricultural products/services obtained by using Başakkart are repaid without any interest charge within the time periods defined by the Bank.

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

As of 31 December 2016, the number of the Group’s employees is 27.030 (31 December 2015: 27.397).

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 in Note I. of Section Three)

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

According to Communiqué regarding the Preparation of the Consolidated Financial Statements and Turkish Accounting Standards, Araptürk Bankası A.Ş., one of the associates of the Parent Bank, and Turkmen Turkish Joint Stock Commercial Bank, UTBANK JSC (formerly named as “Uzbekistan-Turkish Bank”) entities under common control are consolidated through “Equity Method” in accompanying consolidated financial statements of the Bank.

Ziraat Teknoloji A.Ş., which is subsidiary of the Bank, is not consolidated into the Bank’s consolidated financial statements in accordance with Communiqué of the Preparation Consolidated Financial Statements since this entity is not financial institution. Kredi Kayıt Bürosu and Bankalararası Kart Merkezi which are associates of the bank are not consolidated but carried at cost since these entities are not controlled by the Bank and are not financial companies.

All other subsidiaries are fully consolidated.

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

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- VII. The Parent Bank’s statement of profit appropriation

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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 in Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (Section Five I)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	8.174.747	32.470.759	40.645.505	4.102.225	32.832.452	36.934.677
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(2)	1.232.112	487.459	1.719.571	687.695	284.571	972.266
2.1 Financial Assets Held for Trading		1.232.112	487.459	1.719.571	687.695	284.571	972.266
2.1.1 Public Sector Debt Securities		35.694	5.131	40.825	35.031	4.377	39.408
2.1.2 Securities Representing a Share in Capital		-	-	-	580	-	580
2.1.3 Derivative Financial Assets Held for Trading		1.196.418	482.328	1.678.746	652.084	280.194	932.278
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)	1.586.083	2.733.983	4.320.066	1.911.314	3.054.377	4.965.691
IV. MONEY MARKET PLACEMENTS		33.968	218.976	252.944	50.408	65.765	116.173
4.1 Interbank Money Market Placements		-	113.813	113.813	-	48.732	48.732
4.2 Istanbul Stock Exchange Money Market Placements		30.800	-	30.800	41.143	-	41.143
4.3 Receivables from Reverse Repurchase Agreements		3.168	105.163	108.331	9.265	17.033	26.298
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	44.271.134	14.857.080	59.128.214	42.359.768	11.677.170	54.036.938
5.1 Securities Representing a Share in Capital		109.021	540.377	649.398	108.407	500.274	608.681
5.2 Public Sector Debt Securities		43.700.624	14.199.635	57.900.259	42.100.780	11.067.797	53.168.577
5.3 Other Marketable Securities		461.489	117.068	578.557	150.581	109.099	259.680
VI. LOANS AND RECEIVABLES	(5)	173.678.548	70.395.797	244.074.345	142.067.085	50.441.311	192.508.396
6.1 Loans and Receivables		173.427.099	70.395.797	243.822.896	141.197.622	50.429.880	191.627.502
6.1.1 Loans Granted to Risk Group of The Bank		-	22.397	22.397	-	25.125	25.125
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		173.427.099	70.373.400	243.800.499	141.197.622	50.404.755	191.602.377
6.2 Loans under Follow-up		4.210.742	169.748	4.380.490	3.129.083	93.617	3.222.700
6.3 Specific Provisions (-)		3.959.293	169.748	4.129.041	2.259.620	82.186	2.341.806
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	3.630.564	5.164.351	8.794.915	4.567.447	5.656.028	10.223.475
8.1 Public Sector Debt Securities		3.491.761	5.156.130	8.647.891	4.533.588	5.613.041	10.146.629
8.2 Other Marketable Securities		138.803	8.221	147.024	33.859	42.987	76.846
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	104.935	951	105.886	98.927	1.914	100.841
9.1 Accounted with Equity Method		98.869	-	98.869	92.861	-	92.861
9.2 Unconsolidated Associates		6.066	951	7.017	6.066	1.914	7.980
9.2.1 Financial Associates		-	-	-	-	1.097	1.097
9.2.2 Non-financial Associates		6.066	951	7.017	6.066	817	6.883
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	7.457	-	7.457	7.457	-	7.457
10.1 Unconsolidated Financial Subsidiaries		1.220	-	1.220	1.220	-	1.220
10.2 Unconsolidated Non-Financial Subsidiaries		6.237	-	6.237	6.237	-	6.237
XI. ENTITIES UNDER COMMON CONTROL (Net)	(9)	-	101.105	101.105	-	77.771	77.771
11.1 Accounted with Equity Method		-	101.105	101.105	-	77.771	77.771
11.2 Unconsolidated Entities Under Common Control		-	-	-	-	-	-
11.2.1 Financial Entities Under Common Control		-	-	-	-	-	-
11.2.2 Non Financial Entities Under Common Control		-	-	-	-	-	-
XII. RECEIVABLES FROM LEASING TRANSACTIONS	(10)	705.449	1.778.218	2.483.667	594.625	1.768.777	2.363.402
12.1 Finance Lease Receivables		855.662	2.000.508	2.856.170	728.968	2.014.538	2.743.506
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		150.213	222.290	372.503	134.343	245.761	380.104
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
13.1 Fair Value Hedges		-	-	-	-	-	-
13.2 Cash Flow Hedges		-	-	-	-	-	-
13.3 Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(14)	5.749.260	122.749	5.872.009	4.874.436	83.248	4.957.684
XV. INTANGIBLE ASSETS (Net)	(15)	333.302	34.562	367.864	232.759	13.358	246.117
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		333.302	34.562	367.864	232.759	13.358	246.117
XVI. REAL ESTATES FOR INVESTMENT PURPOSE (Net)	(12)	643.290	-	643.290	-	-	-
XVII. TAX ASSET		87.690	5.914	93.604	271.567	1.091	272.658
17.1 Current Tax Asset		1.121	5.914	7.035	4.740	1.091	5.831
17.2 Deferred Tax Asset	(16)	86.569	-	86.569	266.827	-	266.827
XVIII. ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	562.983	32	563.015	241.558	-	241.558
18.1 Held for Sale		562.983	32	563.015	241.558	-	241.558
18.2 Held from Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1.398.325	1.310.143	2.708.468	1.385.582	857.132	2.242.714
TOTAL ASSETS		242.199.847	129.682.078	371.881.925	203.452.853	106.814.965	310.267.818

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

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 in Note I. of Section Three)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)		Note (Section Five II)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
LIABILITIES AND EQUITY			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	152.475.037	80.436.956	232.911.993	120.975.369	69.944.728	190.920.097
1.1	Deposits Held By the Risk Group of the Bank		33.645	18.875	52.520	27.015	11.370	38.385
1.2	Other		152.441.392	80.418.081	232.859.473	120.948.354	69.933.358	190.881.712
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	239.703	413.662	653.365	28.659	271.523	300.182
III.	FUNDS BORROWED	(3)	1.338.546	23.087.983	24.426.529	1.213.775	19.573.628	20.787.403
IV.	MONEY MARKET BALANCES		35.075.206	12.270.423	47.345.629	28.389.499	14.744.813	43.134.312
4.1	Interbank Money Market Borrowings		4.640.000	-	4.640.000	1.100.000	-	1.100.000
4.2	Istanbul Stock Exchange Takasbank Borrowings		50.000	-	50.000	-	-	-
4.3	Funds Provided under Repurchase Agreements		30.385.206	12.270.423	42.655.629	27.289.499	14.744.813	42.034.312
V.	MARKETABLE SECURITIES ISSUED (Net)		2.390.059	4.680.692	7.070.751	2.331.124	3.088.273	5.419.397
5.1	Bills		2.156.778	-	2.156.778	2.199.333	756.233	2.955.566
5.2	Asset-backed Securities		101.459	-	101.459	-	-	-
5.3	Bonds		131.822	4.680.692	4.812.514	131.791	2.332.040	2.463.831
VI.	FUNDS		6.020.839	-	6.020.839	5.931.129	-	5.931.129
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		6.020.839	-	6.020.839	5.931.129	-	5.931.129
VII.	MISCELLANEOUS PAYABLES		1.305.967	1.260.934	2.566.901	1.509.413	869.723	2.379.136
VIII.	OTHER LIABILITIES	(4)	3.046.595	479.291	3.525.886	2.053.649	414.619	2.468.268
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	PAYABLES FROM LEASING TRANSACTIONS (Net)	(5)	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges for Investments Made in Foreign Countries		-	-	-	-	-	-
XII.	PROVISIONS	(7)	7.378.704	159.957	7.538.661	6.272.108	93.629	6.365.737
12.1	General Provisions		3.983.630	58.795	4.042.425	2.871.184	54.634	2.925.818
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Employee Benefits Provisions		885.586	1.888	887.474	858.476	1.823	860.299
12.4	Insurance Technical Reserves (Net)		1.294.767	-	1.294.767	1.097.588	-	1.097.588
12.5	Other Provisions		1.214.721	99.274	1.313.995	1.444.860	371.72	1.482.032
XIII.	TAX LIABILITY	(8)	899.544	10.030	909.574	801.633	7.582	809.215
13.1	Current Tax Liability		899.544	6.567	906.111	800.981	5.877	806.858
13.2	Deferred Tax Liability		-	3.463	3.463	652	1.705	2.357
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(9)	-	-	-	-	-	-
14.1	Held for Sale		-	-	-	-	-	-
14.2	Held from Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(11)	39.451.361	(539.564)	38.911.797	30.874.192	878.750	31.752.942
16.1	Paid-in Capital		5.100.000	-	5.100.000	5.000.000	-	5.000.000
16.2	Capital Reserves		3.270.984	(539.564)	2.731.420	2.162.865	878.750	3.041.615
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(844.719)	(549.296)	(1.394.015)	(1.376.470)	871.303	(505.167)
16.2.4	Tangible Assets Revaluation Reserves		4.178.008	9.732	4.187.740	3.607.167	7.447	3.614.614
16.2.5	Intangible Assets Revaluation Reserves		-	-	-	-	-	-
16.2.6	Revaluation Reserves of Real Estates for Investment Purpose		-	-	-	-	-	-
16.2.7	Bonus Shares of Subsidiaries, Associates and Entities Under Common Control		17.388	-	17.388	17.388	-	17.388
16.2.8	Hedging Funds (Effective Portion)		-	-	-	-	-	-
16.2.9	Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(79.693)	-	(79.693)	(85.220)	-	(85.220)
16.3	Profit Reserves		22.871.718	-	22.871.718	18.146.025	-	18.146.025
16.3.1	Legal Reserves		3.393.778	-	3.393.778	3.061.444	-	3.061.444
16.3.2	Statutory Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		18.052.605	-	18.052.605	13.659.246	-	13.659.246
16.3.4	Other Profit Reserves		1.425.335	-	1.425.335	1.425.335	-	1.425.335
16.4	Profit or Loss		8.207.208	-	8.207.208	5.564.157	-	5.564.157
16.4.1	Prior Years Profit/Loss		1.322.284	-	1.322.284	186.366	-	186.366
16.4.2	Net Period Profit/Loss		6.884.924	-	6.884.924	5.377.791	-	5.377.791
16.5	Minority Shares		1.451	-	1.451	1.145	-	1.145
TOTAL LIABILITIES AND EQUITY			249.621.561	122.260.364	371.881.925	200.380.550	109.887.268	310.267.818

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**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 in Note I. of Section Three)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note Section Five III)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		61.626.173	127.615.763	189.241.936	38.991.884	100.500.525	139.492.409
I. GUARANTEES AND WARRANTIES	(1),(3)	26.076.864	56.644.251	82.721.115	19.789.565	41.101.309	60.890.874
1.1 Letters of Guarantee		25.872.985	42.719.354	68.592.339	19.689.042	30.018.744	49.707.786
1.1.1 Guarantees Subject to State Tender Law		1.490.146	7.994.602	9.484.748	1.182.000	5.742.948	6.924.948
1.1.2 Guarantees Given for Foreign Trade Operations		21.980.667	33.311.238	55.291.905	17.004.896	23.740.445	40.745.341
1.1.3 Other Letters of Guarantee		2.402.172	1.413.514	3.815.686	1.502.146	535.351	2.037.497
1.2 Bank Acceptances		34.549	4.227.349	4.261.898	12.965	4.181.142	4.194.107
1.2.1 Import Letter of Acceptance		29.427	4.224.206	4.253.633	12.965	4.173.792	4.186.757
1.2.2 Other Bank Acceptances		5.122	3.143	8.265	-	7.350	7.350
1.3 Letters of Credit		157.159	9.170.443	9.327.602	87.558	6.869.898	6.957.456
1.3.1 Documentary Letters of Credit		157.159	9.125.262	9.282.421	87.558	6.831.047	6.918.605
1.3.2 Other Letters of Credit		-	45.181	45.181	-	38.851	38.851
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 Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		12.000	520.131	532.131	-	31.525	31.525
1.9 Other Collaterals		171	6.974	7.145	-	-	-
II. COMMITMENTS	(1),(3)	18.528.082	6.321.850	24.849.932	16.023.661	4.062.087	20.085.748
2.1 Irrevocable Commitments		18.508.007	5.047.801	23.555.808	16.009.885	3.932.546	19.942.431
2.1.1 Asset Purchase and Sale Commitments		372.517	1.764.007	2.136.524	153.461	1.695.131	1.848.592
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		3.538.378	204.109	3.742.487	2.693.280	314.414	3.007.694
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		3.173.733	34	3.173.767	3.079.620	10	3.079.630
2.1.8 Tax and Fund Liabilities from Export Commitments		458	-	458	27	-	27
2.1.9 Commitments for Credit Card Limits		7.258.758	17.155	7.275.913	7.130.144	1.130	7.131.274
2.1.10 Commitments for Credit Cards and Banking Services Promotions		22.138	-	22.138	20.185	-	20.185
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		4.142.025	3.062.496	7.204.521	2.933.168	1.921.861	4.855.029
2.2 Revocable Commitments		20.075	1.274.049	1.294.124	13.776	129.541	143.317
2.2.1 Revocable Loan Granting Commitments		-	3.966	3.966	-	4.898	4.898
2.2.2 Other Revocable Commitments		20.075	1.270.083	1.290.158	13.776	124.643	138.419
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	17.021.227	64.649.662	81.670.889	3.178.658	55.337.129	58.515.787
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
**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 in Note I. of Section Three)

		Note (Section Five III)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
			TL	FC	Total	TL	FC	Total
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.353.480	3.719.751	5.073.231	1.301.255	4.034.444	5.335.699
3.2.1.1	Forward Foreign Currency Transactions-Buy		628.181	1.913.250	2.541.431	659.599	2.010.626	2.670.225
3.2.1.2	Forward Foreign Currency Transactions-Sell		725.299	1.806.501	2.531.800	641.656	2.023.818	2.665.474
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		15.656.747	60.918.593	76.575.340	1.864.357	51.259.311	53.123.668
3.2.2.1	Foreign Currency Swap-Buy		13.485.251	20.739.673	34.224.924	482.054	23.157.990	23.640.044
3.2.2.2	Foreign Currency Swap-Sell		2.171.496	30.856.286	33.027.782	1.382.303	21.865.695	23.247.998
3.2.2.3	Interest Rate Swap-Buy		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.2.4	Interest Rate Swap-Sell		-	4.661.317	4.661.317	-	3.117.813	3.117.813
3.2.3	Foreign Currency, Interest rate and Securities Options		11.000	11.318	22.318	13.046	43.374	56.420
3.2.3.1	Foreign Currency Options-Buy		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.2	Foreign Currency Options-Sell		5.500	5.659	11.159	6.523	21.687	28.210
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		933.725.665	147.072.049	1.080.797.714	651.413.498	103.351.722	754.765.220
IV.	ITEMS HELD IN CUSTODY		251.122.581	14.575.165	265.697.746	87.806.488	11.305.131	99.111.619
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		3.549.338	6.213.402	9.762.740	30.615.944	4.389.662	35.005.606
4.3	Checks Received for Collection		6.276.854	553.317	6.830.171	4.604.119	344.759	4.948.878
4.4	Commercial Notes Received for Collection		6.345.097	568.396	6.913.493	4.785.677	309.112	5.094.789
4.5	Other Assets Received for Collection		8.834	-	8.834	8.934	-	8.934
4.6	Assets Received for Public Offering		230.498.311	3.354	230.501.665	44.394.987	10.431	44.405.418
4.7	Other Items Under Custody		4.441.948	7.179.931	11.621.879	3.394.628	6.246.167	9.640.795
4.8	Custodians		2.199	56.765	58.964	2.199	5.000	7.199
V.	PLEDGES RECEIVED		682.010.015	130.623.295	812.633.310	563.004.107	90.760.553	653.764.660
5.1	Marketable Securities		1.557.574	37.532	1.595.106	938.313	28.100	966.413
5.2	Guarantee Notes		14.412.792	2.535.527	16.948.319	13.252.277	2.088.733	15.341.010
5.3	Commodity		1.508.261	70.224	1.578.485	1.158.807	18.248	1.177.055
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		601.855.777	103.085.496	704.941.273	500.207.394	68.056.740	568.264.134
5.6	Other Pledged Items		62.670.402	24.881.798	87.552.200	47.442.107	20.558.160	68.000.267
5.7	Pledged Items-Depository		5.209	12.718	17.927	5.209	10.572	15.781
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		593.069	1.873.589	2.466.658	602.903	1.286.038	1.888.941
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			995.351.838	274.687.812	1.270.039.650	690.405.382	203.852.247	894.257.629

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
CONSOLIDATED INCOME STATEMENT
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 in Note I. of Section Three)

III. CONSOLIDATED INCOME STATEMENT

INCOME AND EXPENSE ITEMS		Note 3 (Section Five IV)	Current Period 1/1-31/12/2016	Prior Period 1/1-31/12/2015
I.	INTEREST INCOME	(1)	28.245.867	22.652.115
1.1	Interest Income from Loans		22.087.279	16.913.431
1.2	Interest Income from Reserve Deposits		189.263	60.293
1.3	Interest Income from Banks		220.658	183.023
1.4	Interest Income from Money Market Placements		12.888	6.690
1.5	Interest Income from Marketable Securities		5.527.745	5.247.722
1.5.1	Financial Assets Held for Trading		3.300	1.551
1.5.2	Financial Assets at Fair Value through Profit and Loss		6.757	6.851
1.5.3	Financial Assets Available-for-Sale		4.736.009	4.447.190
1.5.4	Investments Held-to-Maturity		781.679	792.130
1.6	Finance Lease Income		169.087	158.873
1.7	Other Interest Income		38.947	82.083
II.	INTEREST EXPENSES	(2)	13.571.301	11.626.986
2.1	Interest Expense on Deposits		10.058.576	8.700.897
2.2	Interest on Borrowings		527.712	441.424
2.3	Interest on Money Market Borrowings		2.532.653	2.128.599
2.4	Interest on Marketable Securities Issued		397.521	294.559
2.5	Other Interest Expense		54.839	61.507
III.	NET INTEREST INCOME/EXPENSES (I - II)		14.674.566	11.025.129
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		1.516.567	1.230.276
4.1	Fees and Commissions Received		1.874.407	1.561.382
4.1.1	Non-cash Loans		358.369	256.628
4.1.2	Other	(13)	1.516.038	1.304.754
4.2	Fees and Commissions Paid		357.840	331.106
4.2.1	Non-cash Loans		4.624	58
4.2.2	Other		353.216	331.048
V.	DIVIDEND INCOME	(3)	32.901	6.419
VI.	TRADING PROFIT/LOSS (Net)	(4)	(169.993)	(141.717)
6.1	Profit/Loss from Capital Market Operations		31.757	78.468
6.2	Profit/losses on Derivative Financial Transactions	(5)	(1.817.527)	(1.260.621)
6.3	Profit/Loss from Foreign Exchanges		1.615.777	1.040.436
VII.	OTHER OPERATING INCOME	(6)	3.227.587	2.433.906
VIII.	TOTAL OPERATING INCOMES/EXPENSES (III+IV+V+VI+VII)		19.281.628	14.554.013
IX.	PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES (-)	(7)	3.576.252	1.547.271
X.	OTHER OPERATING EXPENSES(-)	(8)	6.687.827	6.146.784
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		9.017.549	6.859.958
XII.	GAINS RECORDED AFTER MERGER		-	-
XIII.	PROFIT/LOSS ON EQUITY METHOD		21.914	28.025
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(9)	9.039.463	6.887.983
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS(±)	(10)	(2.154.328)	(1.510.009)
16.1	Current Tax Provision		(2.061.503)	(927.367)
16.2	Deferred Tax Provision		(92.825)	(582.642)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(11)	6.885.135	5.377.974
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses from 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/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXII.	NET PROFIT/LOSSES (XVII+XXII)	(12)	6.885.135	5.377.974
23.1	Group's Profit/Loss		6.884.924	5.377.791
23.2	Minority Shares Profit/Loss		211	183
	Earnings/Loss per Share		1,361	1,070

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY 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 in Note I. of Section Three)

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		Current Period (31/12/2016)	Prior Period (31/12/2015)
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY			
I.	ADDITIONS TO THE MARKETABLE SECURITY VALUATION DIFFERENCES ON AVAILABLE FOR SALE FINANCIAL ASSETS	(1.142.948)	(3.100.004)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	793.533	(19.696)
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	169.453	145.354
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	6.909	(17.130)
IX.	DEFERRED TAXES RELATED TO VALUATION DIFFERENCES	(88.539)	624.463
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(261.592)	(2.367.013)
XI.	CURRENT YEAR PROFIT/LOSS	6.885.135	5.377.974
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	31.757	78.468
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	6.853.378	5.299.506
XII.	TOTAL PROFIT/LOSS RELATED TO THE PERIOD (X±XI)	6.623.543	3.010.961

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 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 in Note I. of Section Three)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2015		Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves
I.	Balance at the Beginning of the Period		2.500.000	543.482	-	-	2.852.218
	Changes During the Period						
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	25.764
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		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	(12.397)
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	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		2.500.000	(543.482)	-	-	-
12.1	Cash		675.000	-	-	-	-
12.2	From Internal Resources		1.825.000	(543.482)	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	195.859
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	195.859
18.3	Other		-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5.000.000				3.061.444

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	11.880.556	850.461	-	4.495.841	1.841.393	3.634.310	17.388	-	-	1.383	28.617.032
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(2.504.311)	-	-	-	-	(421)	(2.478.968)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(19.696)	-	-	-	-	(19.696)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	157.751	-	-	-	-	-	145.354
	-	-	-	-	-	-	-	-	-	-	-	-
	-	(1.281.518)	-	-	-	-	-	-	-	-	-	675.000
	-	(1.281.518)	-	-	-	-	-	-	-	-	-	675.000
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(13.703)	-	(258.966)	-	-	-	-	-	-	(272.669)
	-	-	-	5.377.791	-	-	-	-	-	-	183	5.377.974
	-	3.060.208	503.357	-	(4.050.509)	-	-	-	-	-	-	(291.085)
	-	-	-	-	(291.085)	-	-	-	-	-	-	(291.085)
	-	3.060.208	503.357	-	(3.759.424)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
		13.659.246	1.340.115	5.377.791	186.366	(505.167)	3.614.614	17.388	-	-	1.145	31.752.942

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 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 in Note I. of Section Three)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2016	Note (Section Five V)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves
I.	Balance at the Beginning of the Period		5.000.000	-	-	-	3.061.444
	Changes During the Period						
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	21.038
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		-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-
VII.	Bonus Shares of Associates, Subsidiaries and Entities under Common Control (Business Partners)		-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	28.972
IX.	Changes Resulted from Disposal of Assets		-	-	-	-	-
X.	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		100.000	-	-	-	-
12.1	Cash		72.000	-	-	-	-
12.2	From Internal Resources		28.000	-	-	-	-
XIII.	Issuance of Share Certificates		-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-
XV.	Adjustment to Paid-in Capital		-	-	-	-	-
XVI.	Other		-	-	-	-	-
XVII.	Net Profit or Losses		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	282.324
18.1	Dividend Distributed		-	-	-	-	-
18.2	Transfers to Legal Reserves		-	-	-	-	282.324
18.3	Other		-	-	-	-	-
	Balance at the End of the Period (I+II+III+.....+XVI+XVII+XVIII)		5.100.000	-	-	-	3.393.778

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

	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Minority Shares	Total Equity
	-	13.659.246	1.340.115	-	5.564.157	(505.167)	3.614.614	17.388	-	-	1.145	31.752.942
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(1.029.329)	-	-	-	-	(1.407)	(1.009.698)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	573.126	-	-	-	-	573.126
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	140.481	-	-	-	-	-	169.453
	-	-	-	-	-	-	-	-	-	-	-	-
	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
	-	(28.000)	-	-	-	-	-	-	-	-	-	72.000
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	5.527	-	920.597	-	-	-	-	-	1.502	927.626
	-	-	-	6.884.924	-	-	-	-	-	-	211	6.885.135
	-	4.421.359	-	-	(5.162.470)	-	-	-	-	-	-	(458.787)
	-	-	-	-	(458.787)	-	-	-	-	-	-	(458.787)
	-	4.421.359	-	-	(4.703.683)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	18.052.605	1.345.642	6.884.924	1.322.284	(1.394.015)	4.187.740	17.388	-	-	1.451	38.911.797

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
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 in Note I. of Section Three)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period 01/01-31/12/2016	Prior Period 01/01-31/12/2015
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		8.121.027	6.323.398
1.1.1	Interest Received		27.012.143	21.545.770
1.1.2	Interest Paid		(13.228.937)	(9.551.706)
1.1.3	Dividend Received		32.901	5.910
1.1.4	Fees and Commissions Received		1.870.333	1.559.056
1.1.5	Other Income		1.859.502	2.778.322
1.1.6	Collections from Previously Written-off Loans and Other Receivables		1.320.006	1.672.811
1.1.7	Payments to Personnel and Service Suppliers		(2.503.144)	(2.205.013)
1.1.8	Taxes Paid		(2.461.592)	(1.376.568)
1.1.9	Other		(5.780.185)	(8.105.184)
1.2	Changes in Operating Assets and Liabilities		1.773.837	(1.514.862)
1.2.1	Net (Increase)/Decrease in Trading Securities		(8.198)	(10.699)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	72
1.2.3	Net (Increase)/Decrease in Banks		3.585.434	(6.895.275)
1.2.4	Net (Increase)/Decrease in Loans		(50.566.370)	(46.446.483)
1.2.5	Net (Increase)/Decrease in Other Assets		(1.463.783)	(355.201)
1.2.6	Net Increase/(Decrease) in Bank Deposits		1.922.269	7.394.228
1.2.7	Net Increase/(Decrease) in Other Deposits		44.174.863	38.589.301
1.2.8	Net Increase/(Decrease) in Funds Borrowed		3.596.415	5.153.250
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		533.207	1.055.945
I.	Net Cash Provided from Banking Operations		9.894.864	4.808.536
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net Cash Provided from Investing Activities		(5.106.003)	(3.298.144)
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Entities under Common Control		-	-
2.2	Cash Obtained from Sale of Associates, Subsidiaries and Entities under Common Control		-	-
2.3	Fixed Assets Purchases		(121.439)	(469.500)
2.4	Fixed Assets Sales		267.620	47.741
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(15.709.293)	(16.459.962)
2.6	Cash Obtained from Sale of financial Assets Available for Sale		11.685.516	16.928.030
2.7	Cash Paid for Purchase of Investment Securities		(937.418)	(154.288)
2.8	Cash Obtained from Sale of Investment Securities		2.841.260	1.234.485
2.9	Other		(3.132.249)	(4.424.650)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		809.398	572.608
3.1	Cash Obtained from Funds Borrowed and Securities Issued		4.030.931	3.046.208
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(2.990.333)	(2.367.350)
3.3	Marketable Securities Issued		-	-
3.4	Dividends Paid		(231.200)	(106.250)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(1)	1.183.517	589.946
V.	Net Decrease/Increase in Cash and Cash Equivalents (I+II+III+IV)		6.781.776	2.672.946
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	9.118.137	6.445.191
VII.	Cash and Cash Equivalents at the End of the Period	(1)	15.899.913	9.118.137

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION 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 in Note I. of Section Three)

VII. THE PARENT BANK'S STATEMENT OF PROFIT APPROPRIATION ⁽¹⁾		Current Period (31/12/2016)	Prior Period ⁽²⁾ (31/12/2015)
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	Current Year Income	8.569.135	6.567.623
1.2	Taxes And Duties Payable (-)	1.992.715	1.405.153
1.2.1	Corporate Tax (Income tax)	1.895.194	821.329
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	97.521	583.824
A.	NET INCOME FOR THE YEAR (1.1-1.2)	6.576.420	5.162.470
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	258.124
1.5	Other Statutory Reserves (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	6.576.420	4.904.346
1.6	First Dividend To Shareholders (-)	-	250.000
1.6.1	To Owners Of Ordinary Shares	-	250.000
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 (-)	-	186.788
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	22.000
1.9.1	To Owners Of Ordinary Shares	-	22.000
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	24.200
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	4.421.358
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And Loss Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
III.	EARNINGS PER SHARE		
3.1	To Owners Of Ordinary Shares	1,2999	1,0488
3.2	To Owners Of Ordinary Shares (%)	129,99	104,88
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

⁽¹⁾ Profit distribution is approved by the Parent Bank's Ordinary General Assembly and is based on the unconsolidated financial statements. As of the date of preparation of the financial statements, the meeting for Ordinary General Assembly has not been held.

⁽²⁾ The profit distribution table for the prior period becomes definite with the decision of the Ordinary General Assembly after the publishing of 31 December 2015 audited financial statements. It is rearranged in this direction.

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

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 in Note I. of Section Three)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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 the Official Gazette No. 28337, dated 28 June 2012 and amendments to these Communiqué. The Parent bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

Financial statements of subsidiaries in abroad are prepared in accordance with prevalent law and legislation in their country, adjustments and reclassifications are reflected on the purpose of fair presentation pursuant to TFRS.

The consolidated financial statements have been prepared in thousands of Turkish Lira (TL), under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

Consolidated balance sheet and consolidated statement of off-balance sheet commitments as of 31 December 2016 are presented comparatively with independently audited balances as of 31 December 2015 while consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity.

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, estimates and the effects of the changes 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, except TFRS 9 Financial Instruments, is predicted no impact on the accounting policies, financial condition and performance of the Group. The Group conducts the preparations in line with TFRS 9 Financial Instruments Standard, which will have entered into force as of 1 January 2018.

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 XXVI. below.

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.

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II. EXPLANATIONS ON THE STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

Main activity of the Parent Bank comprises banking services, such as; launching all kinds of cash and non-cash loans in terms of Turkish Lira and foreign currencies, performing transactions in local, international money and capital markets, supporting agricultural sector financially and collecting deposits in Turkish Lira and foreign currencies. The Parent Bank’s main funding source is Turkish Lira deposits, repurchase agreements, issued securities, and shareholders’ equity. The Parent Bank directs these funds to assets with high return and low risk. These assets include predominantly domestic government bonds and loans. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. Although most of the sources in the Parent Bank’s balance sheet are with fixed interest rate, some of the securities in assets have floating interest rate. Since the remaining time to re-pricing date of sources is short, cost of sources is repriced in short periods based on the market conditions. Moreover, the Parent Bank adopts high return principle for its long-term placements.

Loans and securities are instruments from which the Parent Bank gets returns above the average returns within its lines of activity. Letter of guarantees, bank loans, commercial letter of credits, repayment commitments for cheques and commitments for credit card limits are the most important risk areas within the off-balance sheet accounts.

Since the Parent Bank’s total debt to the market is low among its total liabilities, the Parent Bank can borrow easily from short-term markets, such as; Borsa Istanbul (“BIST”), Central Bank of the Republic of Turkey, Money Market or Interbank Money Market in case of need. In case of a liquidity crisis, the deposit base of the Bank is not presumed to be significantly affected from such a case since the Parent Bank is a public bank with an extensive branch network.

Cost and return of foreign currency assets are subject to a close follow up. Positive margin of profit is sustained by adjusting deposit interest rates in line with the market interest rates.

Foreign currency operations are recognized at transaction date and valued by Parent Bank’s prevailing counter currency buying rate. At period ends, foreign currency asset and liability balances are valued at the Parent Bank’s period end counter currency buying rates and translated to Turkish currency and the resulting exchange differences are recognized as a “Foreign exchange gain or loss”.

Foreign currency capital amounts transferred to the equity participations operating abroad are evaluated and presented on the financial statements with the exchange rate on the date of the transfer.

Assets and liabilities and income statement items of the abroad branches of the Parent Bank are translated into Turkish Lira with the Bank’s prevailing counter currency buying rates at the balance sheet date.

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.

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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. In the consolidated balance sheet, minority shares have been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority shares have been presented separately.

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

Title	Address (City/Country)	Main Activities	31 December 2016		31 December 2015	
			Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Sigorta A.Ş.	Istanbul/Turkey	Insurance	100,00	100,00	100,00	100,00
Ziraat Finansal Kiralama A.Ş.	Istanbul/Turkey	Leasing	100,00	100,00	100,00	100,00
Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	Investment Management Portfolio	99,60	99,60	99,60	99,60
Ziraat Portföy Yönetimi A.Ş.	Istanbul/Turkey	Management	99,70	99,80	99,70	99,80
Ziraat Katılım Bankası A.Ş.	Istanbul/Turkey	Banking	100,00	100,00	100,00	100,00
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Real Estate	100,00	100,00	-	-
Ziraat Bank International AG	Frankfurt/Germany	Banking	100,00	100,00	100,00	100,00
Ziraat Bank BH d.d.	Sarajevo/Bosnia Herzegovina	Banking	100,00	100,00	100,00	100,00
Ziraat Bank (Moscow) JSC	Moscow/Russia	Banking	100,00	100,00	100,00	100,00
Kazakhstan Ziraat Int. Bank	Almaty/Kazakhstan	Banking	99,58	99,58	99,58	99,58
Ziraat Bank Azerbaycan ASC	Baku/Azerbaijan	Banking	100,00	100,00	100,00	100,00
Ziraat Bank Montenegro AD	Podgorica/ Montenegro	Banking	100,00	100,00	100,00	100,00

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.

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The associates and joint ventures consolidated with the equity method, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Address (City/ Country)	Main Activities	31 December 2016		31 December 2015	
			Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Turkmen Turkish Joint Stock Commercial Bank	Ashkhabad/ Turkmenistan	Banking	50,00	50,00	50,00	50,00
UTBANK JSC	Tashkent/Uzbekistan	Banking	50,00	50,00	50,00	50,00
Arap Türk Bankası A.Ş.	Istanbul/Turkey	Banking	15,43	15,43	15,43	15,43

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

4. Transactions with minority shareholders:

The Group considers transactions with minority shareholders as transactions within the Group. For acquisitions from minority shareholders, the difference between the acquisition cost and related portion of net assets' booked value is deducted from equity. Profit or loss resulting from sales to minority shareholders is booked under equity.

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

Turkish Lira denominated unconsolidated associates and subsidiaries are booked at cost value after clarifying the 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.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTION CONTRACT and DERIVATIVE INSTRUMENTS

The Bank's derivative transactions mostly include cross currency swaps, currency and precious metal swaps, long term financing operations, full indemnity options and foreign currency forward contracts. The Bank has no embedded derivative instruments separated from the articles of association.

The derivative instruments of the Parent Bank are classified as trading or hedging instruments in accordance with Turkish Accounting Standard on TAS 39 “Financial Instruments: Recognition and Measurement”. The Parent Bank has no derivative instruments for hedging purposes as of the balance sheet date. Accordingly, the Parent Bank is not subject to conditions whether derivative instruments do not meet the determination criteria for being classified as hedging instruments or whether such derivative transactions are finalized through sale, term expiry or fulfillment of obligations under the contract.

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

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

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V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest 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 interest accrual is calculated for non-performing loans. Realized interest accruals calculated for non-performing loans and recognized as income although not collected are reversed and interest income related to these loans is recognized as interest income only when they are collected.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Commission income from banking, agency and intermediary services is recognized as income on the date they are collected. Whereas, commission income from individual, corporate and entrepreneurial 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.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets and liabilities and derivative instruments. They are included in the balance sheet of the Group, if the Group is a legal party to these instruments.

Financial assets mainly constitute the Group’s commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

Financial assets are classified as investments held-to-maturity, bank loans and receivables, financial assets available for sale or held-for-trading at initial recognition.

Sale and purchase transactions of financial assets are accounted for using the settlement date basis.

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

In Group, financial assets, which are classified as “financial assets at fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading securities are initially recognized at cost. The cost of the securities is recognized as fair value. Subsequently, trading securities are carried at fair value in the financial statements.

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BIST are carried at weighted average exchange prices of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. The positive difference between the cost and fair value of held for trading securities is accounted under “Other Interest and Income Accrual” and the negative difference is accounted under “Impairment Loss for Marketable Securities” account. The positive difference between the cost and amortized cost is accounted under “Interest income” account; the negative difference is accounted as impairment loss. The positive difference between the fair value and amortized cost is accounted under “Profit from Capital Market Operations” account and the negative difference is accounted under “Loss from Capital Market Operations” account.

b. Held-to-maturity financial assets:

Investments held to maturity include financial assets other than bank loans and receivables and those where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and where there are fixed or determinable payments with fixed maturity. Marketable securities classified as Financial Assets Held to Maturity may subject to exchange-repurchase bids or refundment transactions within the scope of early redemption.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted by setting forth provision for impairment loss (impairment loss expense) or by posting interest income accrual.

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There are not any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of incompliance with the principles of financial assets classification.

Interests received from investments held to maturity are recognized as an interest income.

Held to maturity assets are initially recognized at cost value.

c. Loans and receivables:

The Parent Bank loans and receivables represent financial assets other than those held for trading or held for sale in a short period generated through providing cash, assets or rendering services to the debtor.

The loans and receivables originated by the Parent Bank are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and at period-ends revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

The Group sets specific and general provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 26333 and dated 1 November 2006 on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”. In addition to this, in the related Regulation and interpretations of BRSA does not include any clause which prevents to reflect excess provisions than the required level. Allocated provisions are deducted from the income for the period. If the receivables for which provisions were set in the previous years are collected, provision for allowances are released and recognized as income under “Other Operating Income” account. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as 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 subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available for sale financial assets is booked as interest income accruals or impairment provision. Furthermore, amortized cost using the effective interest method and cost value is compared and the difference is booked as interest 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 amortised cost using the effective interest method or appropriate valuation methods.

Regarding the banking operations of Ziraat Bank, there exist ineffective shares of Kredi Garanti Fonu, Central Bank of the Republic of Turkey and Milli Reasürans T.A.Ş. The related investments are classified under available-for-sale financial assets and are carried out at book value. The reason to explain the necessary action is the inability to reliably measure the subject asset type at fair 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,

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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.

If subsidiaries, associates, entities under common control and assets held to maturity are subject to permanent impairment, the amount is charged to “Impairment Expenses for Subsidiaries, Associates, and Assets Held to Maturity”.

The principles for the accounting of provisions for loans and receivables are explained in detail in Note VII. of this section.

Loans and other receivables are classified by the Parent Bank in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette numbered 26333 and dated 1 November 2006.

IX. EXPLANATIONS ON OFFSETTING 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 Parent 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 SECURITIES LENDING TRANSACTIONS

Securities subject to repurchase agreements are classified in “held for trading”, “available for sale” and/or “held-to-maturity” portfolios and they are valued based on the revaluation principles of the related portfolios. Funds obtained by these agreements are followed under the “Funds from Repurchase Agreements” account in the balance sheet and interest expense accrual is calculated using the internal rate of return method.

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet and interest income accrual is calculated using internal rate of return method.

As of the balance sheet date, there are no securities lending transactions.

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

Parent Bank’s tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables 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.

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

The Parent Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, the Group has no goodwill.

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.

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Other intangible assets are amortized by using the straight line method based on their useful lives. Useful lives 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. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over 5 years and depreciation rate is proportional with period for those with certain leasing period.

The Group recognizes its software costs incurred under the intangible assets-intangible rights account and the expenses that do qualify as development are added to software’s initial costs and amortized over 3 years considering the useful lives. The Parent Bank has determined estimated useful lives of the intangible assets between 3 and 15 years and it applies depreciation rates between 6,67% to 33,3%.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. As of 31 January 2014 the Bank has changed its accounting policies and has decided to pursue the real estates registered in its portfolio at fair values. In this context, for all real estates registered in the Parent Bank’s inventory, appraisal study was carried by independent expertise companies, and from 1 January 2014 valuation results are reflected in the accounting records. As a result of the fair valuation of the real estates which is included in tangible fixed assets, TL 4.177.866 revaluation difference is followed under shareholders’ equity as of 31 December 2016. As of 30 January 2014, the net book amount of real estates of the tangible assets before valuation was TL 816.950.

Property, plant and equipment (except for immovable assets) are presented in the financial statements over their remaining cost after deducting accumulated depreciation from cost amounts, if any, and after deducting accumulated depreciation from their fair values. Tangibles are depreciated over their estimated useful lives using the straight-line method. The amortization method applied in the current period has not been changed.

Estimated depreciation rates of tangible fixed assets are as follows;

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

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.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

There are no mortgages, pledges or similar precautionary measures on tangible fixed assets or commitments given for the purchase or any restrictions designated for the use of those tangible fixed assets.

XIV. EXPLANATIONS ON INVESTMENT PROPERTY

Investment properties consist of assets held for rent and/or gain on valuation. The related real estates, which the Group owns, are shown in the attached consolidated financial statements by fair value method within the framework of TAS 40 “Investment Property”. Gains and losses arising from changes in fair value of investment properties are recognized in profit or loss when incurred.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

The Group performs financial operations as “Lessor” and “Lessee”.

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a. Accounting of leasing transactions for the lessee:

Financial Lease

The Group, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 “Leases”. Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account “Finance Lease Payable”, whereas interests are recognized in “Deferred Financial Leasing Expenses” account. At installment payments, principal and interest amount of installment amount are debited to “Financial Lease Payable” account, whereas interest is credited in “Deferred Financial Leasing Expenses” account and recorded to the “Other Interest Expenses”.

The Parent Bank does not perform financial operations as “Lessor”.

Operational Lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases are accounted in income statements with linear method during the lease period.

b. Accounting of leasing transactions for lessor:

Subject to financial leasing in the consolidated balance sheet of the entity is shown as a receivable equal to net leasing. The interest income is determined so as to form a fixed revenue return ratio using net investment method related to lease asset of the lessor, and the portion of interest income which does not take part in the related term is followed under the unearned interest income account.

XVI. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND 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 from The Parent Bank 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.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment Termination and Vacation Benefits

The Parent Bank recognizes its liabilities of employment terminations and vacation benefits in accordance with TAS 19 “Employee Benefits” and estimates the net present value of future liabilities arising from employment terminations and vacation benefits and reflects this provision amount in the financial statements.

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Under the Turkish legislation as supplemented by union agreements, Employment Termination Benefit payments are made in case of retirement or employment termination or resignation depending on the arise of the legal conditions. 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 is calculated 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 uses independent actuaries in determining liability, and also makes assumptions relating to the discount rate, future salary increases, and the employee turnover. These assumptions are reviewed on an annual basis. Retirement benefit obligation is TL 695.237 as of 31 December 2016. (31 December 2015: TL 689.727)

	Current Period	Prior Period
Discount rate (%)	11,40	10,70
Expected Inflation rate (%)	8,00	7,00

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. After the deferred tax effect, the Parent Bank classified the actuarial loss of TL 78.342 as “Other Comprehensive Expenses” in financial statements. (31 December 2015: TL 85.078 actuarial loss).

In every year the unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting cumulative summation of used vacation days of all personnel from legally deserved vacation days.

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

b. Liability of T.C Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)

Some of the Parent 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 personnel who benefit from the Fund, excluding dependents is 22.221 (31 December 2015: 21.347). 18.450 of these members are active while 3.771 are passive members. (31 December 2015: 17.644 active members, 3.703 passive members).

In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey (“GNAT”) started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the “Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations” No 5754 (“the New Law”) regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, 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.

In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

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Based on the Council of Ministers’ decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and 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 two years.

Besides, the phrase of “two years” in Clause (2), Article 1 of the temporary 20th provision of the law numbered 5510 is revised as “four years” with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

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 reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 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 rate determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Parent 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.

XVIII. EXPLANATIONS ON TAXATION

a. Current Tax

Turkish Tax Legislation does not permit the Parent Bank to file tax return over consolidated subsidiaries financial statements. Therefore, tax provisions which reflected to consolidated financial statements have been calculated per company.

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 affiliation privilege) 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 shareholder’s equity for five years.

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.

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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 findings.

Tax rates used in tax calculation considering the related countries’ tax legislation as of 31 December 2016 are presented below:

Russia	20,00%
Kazakhstan	20,00%
Germany	15,00%
Bosnia Herzegovina	10,00%
Azerbaijan	20,00%
Montenegro	9,00%

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 audited 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.

Deferred tax asset and deferred tax liability are presented as net in these financial statements through offsetting them on individual financial statements of consolidated subsidiaries.

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

XIX. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES

Technical Reserves

Reserve for unearned premiums:

Reserve for unearned premiums consists of the part of the premiums accrued for the insurance contracts in force without gaining any commission or other deductions and remaining on the gross basis on the day of the next accounting period or accounting period.

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Unexpired risk provision:

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. In accordance with “the circular about the Change of Unexpired Risks Reserve Calculation” numbered 2012/15 published by Treasury, if the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

Reserve for outstanding claims:

Insurance companies provide reserve for outstanding claims, incurred and reported but not yet settled in the current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims. Within the calculation of reserve for outstanding claims, incurred and reported but not yet settled, entire shares of expense required for maturation of compensation reports including calculated or estimated expert, referee, consultant, court and communication expenses are taken into account and subrogation, salvage and similar revenue items are not discounted. Incurred subrogation, salvage and similar revenue items whose codes of practice will be determined by the undersecretariat are shown under the related credit account of the asset side of the balance sheet and interrelated with period income in condition that subrogation of rights has been gained.

Offset provision:

In Article 9 of “Communiqué Regarding the Technical Reserves of Insurance and Reinsurance Companies and the Assets that these Reserves Recorded” numbered 27655 dated 28 July 2010, it is stated that insurance companies provide offset provision for loan and earthquake assurances in order to compensate the possible fluctuations in the assurance rates and catastrophic risks in the succeeding accounting periods.

Mathematical provisions:

Mathematical provisions indicate sum of bonus provisions and actuarial mathematical provisions calculated separately according to technical principles in tariff for each agreement in force. Life branch mathematical provision of the company consists of actuarial mathematical provisions calculated for long-term life insurances on credit. Actuarial mathematical provisions are the differences between risk premiums taken for risks undertaken by the Company and cash values of the liabilities to beneficiaries and insureds.

XX. EXPLANATIONS ON BORROWINGS

The Group accounts its debt instruments in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

If required, the Parent Bank borrows from domestic and foreign real people and entities with debt instruments such as bill/bond issuance. These transactions are recognized at fair value including acquisition costs at the transaction date while accounted with effective interest rate method over their discounted costs in the following periods.

The Group has issued no convertible bonds and has no instruments representing its own borrowings.

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XXI. 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.

XXII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXIII. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXIV. 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. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, “Cash” includes cash, effectives, 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.

XXV. EXPLANATIONS 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 Group, are disclosed in Note X. of Section Four.

XXVI. EXPLANATIONS ON OTHER MATTERS

In accordance with the decision taken in the General Assembly of the year 2015, which was carried out on 30 March 2016, from TL 5.162.470 net profit, which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve TL 220.000 was paid to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and TL 186.788 was paid to employees as an additional premium. In accordance with the decision taken at the General Assembly Meeting of the Parent Bank, the remaining amount of TL 33.212 was transferred to “profit reserves” account.

SECTION FOUR

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

I. EXPLANATIONS ON THE COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 December 2016 Bank’s total capital has been calculated as TL 41.715.232, Capital adequacy ratio is 13,86%. As of 31 December 2015, Bank’s total capital amounted to TL 35.243.638, Capital adequacy ratio was 14,56% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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a) Information Related to The Components of Shareholders' Equity:

	Amount	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.100.000	
Share issue premiums	-	
Reserves	22.871.718	
Gains recognized in equity as per TAS	4.804.405	
Profit	8.207.208	
Current period profit	6.884.924	
Prior period profit	1.322.284	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	17.388	
Minorities' Share	139	
Common Equity Tier 1 Capital Before Deductions	41.000.858	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st 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	2.090.373	
Improvement costs for operating leasing	100.306	
Goodwill netted with related deferred tax liabilities	-	
Other intangible assets netted off related deferred tax liabilities except mortgage servicing rights	220.718	367.865
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net off 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 Tier I Capital	-	
Shares obtained contrary to the 4 th clause of the 56 th 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	-	
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 2 nd 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	-	

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	Amount	Amount as per the regulation before 1/1/2014*
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 I Capital	2.411.397	
Total Common Equity Tier I Capital	38.589.461	
ADDITIONAL TIER I CAPITAL		
Preferred stock not included in Common Equity Tier I Capital and the related share premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on 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	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	147.146	
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	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	38.442.315	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on the Equity of Banks)	3.313.441	
Tier II Capital Before Deductions	3.313.441	

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	Amount	Amount as per the regulation before 1/1/2014*
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 of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	3.313.441	
Total Capital (The sum of Tier I Capital and Tier II Capital)	41.755.756	
The sum of Tier I Capital and Tier II Capital (Total Capital)	41.755.756	
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net book values of movables and immovables 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	38.071	
Other items to be defined by the BRSA (-)	2.453	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
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	-	
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	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	41.715.232	
Total Risk Weighted Assets	300.953.790	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Adequacy Ratio (%)	12,82	
Tier I Capital Adequacy Ratio (%)	12,77	
Capital Adequacy Ratio (%)	13,86	

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	Amount	Amount as per the regulation before 1/1/2014*
BUFFERS		
Bank-specific total buffer ratio		
Capital conservation buffer ratio (%)	0,63	
Bank-specific counter-cyclical capital buffer ratio (%)	0,01	
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	4,82	
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	153.707	
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	97.415	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	86.569	
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.042.425	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.313.441	
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 Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject 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 subject to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subject to temporary Article 4	-	

^o Amounts considered within transition provisions

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	Prior Period (*)
COMMON EQUITY TIER 1 CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	5.000.000
Share Premium	-
Share Cancellation Profits	-
Reserves	18.146.025
Income recognized under equity in accordance with TAS	4.486.075
Profit	5.564.157
Current Period's Profit	5.377.791
Prior Period's Profit	186.366
Free Provisions for Possible Risks	1.257.419
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	17.388
Minority Shares	25
Common Equity Tier 1 Capital Before Deductions	34.471.089
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1.461.847
Leasehold Improvements on Operational Leases (-)	98.800
Goodwill and intangible asset and the related deferred tax liability (-)	98.447
Net Deferred Tax Asset/Liability (-)	-
Excess amount expressed in the law (Article 56 4 th 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 (2 nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	-
The amount to be deducted from common equity tier 1 capital (-)	-
Total Deductions from Common Equity Tier 1 Capital	1.659.094
Total Common Equity Tier 1 Capital	32.811.995
ADDITIONAL TIER 1 CAPITAL	
Premiums that are not included in Common Equity Tier 1 Capital	-
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	-
The shares of third parties in additional Tier 1 Capital	-

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	Prior Period (*)
Deductions from Common Equity Tier 1 Capital	
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	147.670
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	147.670
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-
Tier 1 Capital	32.664.325
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	2.580.430
Third parties share in Tier 2 capital	-
Tier 2 Capital Before Deductions	2.580.430
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 (-)	-
Other Items Determined by BRSA (-)	-
Total Deductions From Tier 2 Capital	-
Tier 2 Capital	2.580.430
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	35.244.755

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	Prior Period ^(*)
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	1.044
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 (-)	73
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	35.243.638
Amounts below deduction thresholds	
The sum of partnership share on banks and financial institutions, with shareholding of less than 10%	121.043
The sum of partnership share on banks and financial institutions, with shareholding of more than 10%	82.240
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences (net of related tax liability) (-)	266.827

^(*) Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation and reflects the information dated 31 December 2015.

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b) Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity:

None.

c) Necessary explanations in order to reach an agreement between the statement of shareholders' equity and balance-sheet amounts:

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25% 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 net book value of immovables 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.

II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

Credit risk is the possibility of loss that the Parent Bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The limits of the credit customers are identified, after combined assessment of various factors like the financial and non-financial information of the credit customers, credit requirements, sectoral and geographical features and, in conformity with the legal legislation, in line with the credit authorization limits of the branches, Regional Managements, Group Presidencies, Department Presidencies, Assistant General Management, General Manager, Credit Committee and Board of Directors.

The average limits identified related the credit portfolio are approved by the Board of Directors and revised when required. The identified limits are allocated by related departments on Regional Managements basis by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

In order to prevent the risk intensity on the corporate and entrepreneurial loan portfolio, limits are determined and followed on the basis of group companies, private and public firms, and different debtor groups. The Parent Bank's credit authority limits on given consumer loans are defined with the separation of type and guarantee and these limits are updated according to economic conjuncture and demands of Regional Managements/Branches.

In line with the budgeted targets, TL/FC Cash/Non-Cash/Corporate/Entrepreneurial loan placements are issued and followed on sectoral and regional basis.

The loans issued by the branches are periodically analyzed on the basis of the limits, subjects, guarantees, maturities, accounts followed, outstanding balances, numbers of the customers, and followed on customer and regional basis.

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After the opening of the lines of the corporate/entrepreneurial loans, the firms are continued to be monitored and the changes at the financial structures and market relations of the credit firms are followed. The credit limits are identified and approved for one year and renewed in case of no negative change in the situation of the customer (financial structure, market, guarantee, etc.).

The Parent Bank is assessing credibility of the customer as the essential factor in issuing credits and creditors' credit worthiness are ascertained during credit application and limit allocation/renewal. Documents to be obtained during the application are evidently mentioned in regulations and appropriateness of the documents obtained during application is controlled by internal audit departments. The Parent Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and robust guarantees, the Parent Bank's credit risk significantly declines.

In January 2011 the Parent Bank started applying internal ratings processes as a decision support system for analyzing credit worthiness and determining credit allocation for corporate/entrepreneurial consumer loans.

The Parent Bank is not engaging in credit transactions that are not defined at the legislation and not put into the practice.

The Parent Bank makes provision in conformity with the “Communiqué on Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries. When banks and/or countries are financially or economically risky, identified limits can be restricted with maturity, amount or type of transaction or use of credit is called off.

Since the Parent Bank's abroad lending operations have no significant effect on the financial statements, and operations and transactions are diversified via the use of different financial institutions in various countries, the Parent Bank is not believed to be exposed to a significant credit risk as a result of these operations.

Foreign financial institution and country risks of the Parent Bank are generally taken on financial institutions and countries which are rated by international rating institutions. Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored. Client transactions within the context of Fund Management are done in the frame of general loan limits determined for the clients.

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The Parent Bank engages in foreign currency swaps and forward transactions considering its asset-liability balance and legal limits. These are not considered to generate material risk given the amount of these transactions in the balance sheet.

In line with the regulation on provisions, if the cash risk of a customer classified as nonperforming, the non-cash is classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured and rescheduled loans are also booked in line with procedures and under accounts defined by the related regulation. Furthermore, they are monitored by the Parent Bank in line with credit risk policies. In this context, financial situation and commercial operations of related customers are analyzed and in terms of restructured plan, whether principal and interest payments have been paid is being checked and necessary measures are taken.

The percentage of top 100 and top 200 cash loans of the Parent Bank in the total cash loan portfolio is 26% and 31% respectively (31 December 2015: 24% and 29%).

The percentage of top 100 and top 200 non-cash loans of the Parent Bank in the total non-cash loan portfolio is 57% and 67% respectively (31 December 2015: 57% and 68%).

The percentage of top 100 and top 200 cash and non-cash loans of the Parent Bank in the total cash and non-cash loan portfolio is 27% and 34% respectively (31 December 2015: 32% and 38%).

General provision made by the Group for the credit risk is TL 4.042.425 (31 December 2015: TL 2.925.818).

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	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Current Period							
Domestic	81.494.892	565.919	556.142	-	-	35.659.916	141.901.115
European Union Countries	90.707	-	-	-	-	20.866.347	250.162
OECD Countries ⁽¹⁾	-	-	-	-	-	580.628	-
Off-shore Banking Regions	-	-	-	-	-	18.223	-
USA, Canada	902.384	-	-	-	-	2.170.335	182.428
Other Countries	987.708	19.131	202	-	-	1.312.871	2.365.345
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	110.453	2.756.198
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	83.475.691	585.050	556.344	-	-	60.718.773	147.455.248

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Prior Period							
Domestic	80.008.237	458.047	543.175	6	-	31.214.385	116.607.457
European Union Countries	132.481	1.125	-	-	-	9.117.569	814.682
OECD Countries ⁽¹⁾	-	-	-	-	-	265.927	47.787
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	1.823.928	-	1.235	-	-	558.297	349.731
Other Countries	445.255	1.741	289	-	-	1.282.648	1.418.544
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	329.317	5.219
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	82.409.901	460.913	544.699	6	-	42.768.143	119.243.420

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada⁽²⁾ Assets and liabilities that could not be distributed on a consistent basis.⁽³⁾ “Investments in Equity Securities” are added to the risk classes in the current period and the prior period related balances are included in “Other receivables”.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments (3)	Other receivables	Total
	90.940.885	36.926.407	-	317.409	-	-	-	1.690.437	108.269	17.916.021	408.077.412
	51.486	-	-	2.352	-	-	-	-	5	1.621	21.262.680
	-	-	-	-	-	-	-	-	-	-	580.628
	-	-	-	-	-	-	-	-	-	-	18.223
	851	-	-	-	-	-	-	-	-	-	3.255.998
	214.851	4.987	-	8.932	-	-	-	-	16.177	106.908	5.037.112
	95.256	-	-	-	-	-	-	-	-	-	2.961.907
	-	-	-	-	-	-	-	-	-	-	-
	91.303.329	36.931.394	-	328.693	-	-	-	1.690.437	124.451	18.024.550	441.193.960

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	Total
	71.678.263	18.125.101	567.395	9.210.227	-	-	-	105.708	14.893.725	343.411.726
	90.882	-	2.383	16.653	-	-	-	84	-	10.175.859
	-	-	-	-	-	-	-	-	-	313.714
	-	-	-	-	-	-	-	-	-	-
	587	-	-	610	-	-	-	-	-	2.734.388
	362.740	458	11.053	12.603	-	-	-	-	-	3.535.331
	-	-	2	5.097	-	-	-	-	394.578	734.213
	-	-	-	-	-	-	-	-	-	-
	72.132.472	18.125.559	580.833	9.245.190	-	-	-	105.792	15.288.303	360.905.231

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Risk Profile by Sectors or Counterparties

	Risk Classes								
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages
Current Period									
Sectors/Counter Parties									
Agriculture	702	1.482	7.029	-	-	-	5.548.643	3.505.501	817.466
Farming and Stockbreeding	207	401	6.838	-	-	-	5.134.000	3.052.231	701.481
Forestry	495	19	15	-	-	-	289.016	95.127	24.753
Fishing	-	1.062	176	-	-	-	125.627	358.143	91.232
Manufacturing	61.780	1.878	34.153	-	-	-	58.742.461	5.001.098	1.273.596
Mining and Quarrying	-	28	18	-	-	-	4.636.921	93.345	15.466
Production	61.769	557	34.126	-	-	-	40.126.593	4.882.437	1.209.498
Electric, Gas and Water	11	1.293	9	-	-	-	13.978.947	25.316	48.632
Construction	2	17	35.024	-	-	-	24.751.829	2.484.734	1.197.335
Services	4.706.730	3.191	359.674	-	-	37.671.538	45.771.291	14.339.452	4.523.846
Wholesale and Retail Trade	194	974	5.266	-	-	-	16.161.645	9.956.769	1.979.728
Hotel Food and Beverage Services	553	92	1.617	-	-	-	3.255.399	793.261	314.825
Transportation and Telecommunication	1.135	230	240.829	-	-	-	7.833.000	1.717.855	308.005
Financial Institutions	4.546.680	742	28.560	-	-	36.609.842	8.154.742	344.920	1.789
Real Estate and Leasing Services	77.823	621	5.897	-	-	1.061.696	9.443.830	1.187.505	1.711.146
Self Employment Services	-	-	-	-	-	-	5	-	-
Education Services	71.623	13	57.499	-	-	-	206.370	117.682	40.692
Health and Social Services	8.722	519	20.006	-	-	-	716.300	221.460	167.661
Other	78.706.477	578.482	120.464	-	-	23.047.235	12.641.024	65.972.544	29.119.151
Total	83.475.691	585.050	556.344	-	-	60.718.773	147.455.248	91.303.329	36.931.394

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

Risk Classes										
Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term Receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Investments in Equity Instruments (3)	Other receivables	TL	FC	Total
-	3.415	-	-	-	-	-	376.398	9.755.635	505.001	10.260.636
-	2.068	-	-	-	-	-	372.845	9.147.991	122.080	9.270.071
-	221	-	-	-	-	-	1.277	154.897	256.026	410.923
-	1.126	-	-	-	-	-	2.276	452.747	126.895	579.642
-	16.577	-	-	-	-	-	189.306	24.811.195	40.509.654	65.320.849
-	111	-	-	-	-	-	228	871.956	3.874.161	4.746.117
-	13.082	-	-	-	-	-	188.900	19.664.555	26.852.407	46.516.962
-	3.384	-	-	-	-	-	178	4.274.684	9.783.086	14.057.770
-	24.060	-	-	-	44.445	-	38.133	9.197.463	19.378.116	28.575.579
-	23.109	-	-	-	1.629.184	124.451	85.707	73.781.636	35.456.537	109.238.173
-	14.293	-	-	-	-	-	55.447	22.019.263	6.155.053	28.174.316
-	1.861	-	-	-	-	-	5.327	1.568.326	2.804.609	4.372.935
-	2.148	-	-	-	-	-	19.387	2.999.659	7.122.930	10.122.589
-	2.419	-	-	-	1.409.018	124.052	728	40.819.172	10.404.320	51.223.492
-	1.811	-	-	-	220.166	-	3.883	5.314.326	8.400.052	13.714.378
-	-	-	-	-	-	-	-	-	5	5
-	128	-	-	-	-	-	245	396.355	97.897	494.252
-	449	-	-	-	-	399	690	664.535	471.671	1.136.206
-	261.532	-	-	-	16.808	-	17.335.006	158.909.402	68.889.321	227.798.723
-	328.693	-	-	-	1.690.437	124.451	18.024.550	276.455.331	164.738.629	441.193.960

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	Risk Classes									
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	
Prior Period										
Sectors/Counter Parties										
Agriculture	-	-	-	-	-	-	5.367.692	29.522.167	372.435	
Farming and Stockbreeding	-	-	-	-	-	-	5.008.120	29.327.342	350.327	
Forestry	-	-	-	-	-	-	249.657	101.415	2.844	
Fishing	-	-	-	-	-	-	109.915	93.410	19.264	
Manufacturing	-	-	99.937	-	-	-	49.676.668	3.600.767	129.348	
Mining and Quarrying	-	-	17	-	-	-	2.943.934	65.519	3.896	
Production	-	-	99.910	-	-	-	37.307.778	3.522.345	124.765	
Electric, Gas and Water	-	-	10	-	-	-	9.424.956	12.903	687	
Construction	-	-	25.807	-	-	-	15.577.566	2.133.204	50.527	
Services	3.364.216	420	255.291	6	-	25.498.855	38.329.576	11.750.851	713.311	
Wholesale and Retail Trade	-	17	4.292	-	-	-	16.767.663	8.233.270	420.414	
Hotel Food and Beverage Services	-	132	65	-	-	-	2.546.544	745.067	66.731	
Transportation and Telecommunication	-	79	73.236	-	-	-	5.611.522	1.517.944	93.142	
Financial Institutions	3.364.216	192	120	6	-	24.679.740	2.735.243	4.986	1.044	
Real Estate and Leasing Services	-	-	78.240	-	-	819.115	9.949.784	952.002	101.853	
Self Employment Services	-	-	-	-	-	-	-	-	-	
Education Services	-	-	69.773	-	-	-	252.627	102.145	5.540	
Health and Social Services	-	-	29.565	-	-	-	466.193	195.437	24.587	
Other	79.045.685	460.493	163.664	-	-	17.269.288	10.291.918	25.125.483	16.859.938	
Total	82.409.901	460.913	544.699	6	-	42.768.143	119.243.420	72.132.472	18.125.559	

Prepared with the numbers after conversion rate to credit and before credit risk reduction.

⁽¹⁾ “Investments in Equity Securities” are added to the risk classes in the current period and the prior period related balances are included in “Other receivables”.

Risk Classes										
	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
	939	14.732	-	-	-	-	2.135.196	37.037.707	375.454	37.413.161
	868	13.200	-	-	-	-	2.135.196	36.736.567	98.486	36.835.053
	52	956	-	-	-	-	-	118.741	236.183	354.924
	19	576	-	-	-	-	-	182.399	40.785	223.184
	13.206	55.336	-	-	-	-	-	21.476.532	32.098.730	53.575.262
	728	767	-	-	-	-	-	609.615	2.405.246	3.014.861
	12.467	53.360	-	-	-	-	-	18.163.848	22.956.777	41.120.625
	11	1.209	-	-	-	-	-	2.703.069	6.736.707	9.439.776
	476.784	28.053	-	-	-	-	-	6.802.064	11.489.877	18.291.941
	25.290	235.951	-	-	-	105.792	444.911	53.030.495	27.693.975	80.724.470
	14.298	85.580	-	-	-	-	-	20.818.213	4.707.321	25.525.534
	1.510	13.478	-	-	-	-	-	1.383.613	1.989.914	3.373.527
	1.122	13.982	-	-	-	-	-	2.676.702	4.634.325	7.311.027
	35	89.157	-	-	-	3.692	444.911	22.292.626	9.030.716	31.323.342
	8.044	25.612	-	-	-	102.100	-	4.980.141	7.056.609	12.036.750
	-	-	-	-	-	-	-	-	-	-
	94	1.327	-	-	-	-	-	356.120	75.386	431.506
	187	6.815	-	-	-	-	-	523.080	199.704	722.784
	64.614	8.911.118	-	-	-	-	12.708.196	103.137.799	67.762.598	170.900.397
	580.833	9.245.190	-	-	-	105.792	15.288.303	221.484.597	139.420.634	360.905.231

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Analysis of Maturity-Bearing Exposures According to Remaining Maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	2.706.887	463.633	244.145	294.538	79.766.488
Conditional and unconditional exposures to regional governments or local authorities	5.789	5	-	10.602	568.654
Conditional and unconditional receivables from administrative units and non-commercial enterprises	19.932	14	5.040	135.688	395.670
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	43.893.505	7.831.441	716.006	3.061.227	5.216.594
Conditional and unconditional exposures to corporates	1.158.216	3.998.386	5.913.535	29.267.002	107.118.109
Conditional and unconditional retail exposures	812.394	287.229	796.669	19.636.529	69.770.508
Conditional and unconditional exposures secured by real estate property	505	17.421	34.340	3.024.620	33.854.508
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	65.909	-	4.735	2.647	255.402
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	3.729	-	-	6.660	1.680.048
Grand Total	48.666.866	12.598.129	7.714.470	55.439.513	298.750.432

Prepared with the numbers 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.

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	50.099.581	-	42.900.897	-	64.079.237	124.752.469	159.033.083	328.693	-	-	-	508.694
2 Exposures after Credit Risk Mitigation	90.732.960	-	11.133.702	27.239.255	72.622.990	90.503.101	148.633.963	327.989	-	-	-	508.694

Prepared with the numbers after conversion rate to credit.

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Information in Terms of Major Sectors and Type of Counterparties:

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.

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	644.185	975.960	38.832	399.592
Farming and Stockbreeding	636.678	970.533	38.616	392.085
Forestry	3.611	2.768	110	3.611
Fishery	3.896	2.659	106	3.896
Manufacturing	747.251	710.467	28.104	747.251
Mining and Quarrying	17.647	9.964	396	17.647
Production	714.232	591.060	23.353	714.232
Electricity, Gas and Water	15.372	109.443	4.355	15.372
Construction	928.570	225.290	8.904	921.909
Services	993.099	1.334.373	52.553	993.099
Wholesale and Retail Trade	809.886	941.100	37.322	809.886
Accommodation and Dining	37.549	107.784	4.289	37.549
Transportation and Telecom.	47.916	94.304	3.752	47.916
Financial Institutions	2.935	8.272	118	2.935
Real Estate and Rental Services	66.572	140.478	5.572	66.572
Professional Services	1.299	-	-	1.299
Educational Services	13.666	24.233	964	13.666
Health and Social Services	13.276	18.202	536	13.276
Other	1.067.385	1.205.505	53.228	1.067.190
Total	4.380.490	4.451.595	181.621	4.129.041

^(*) Valuation adjustments represent general provisions reserved for overdue loans.

Information about Value Adjustment and Change in Provisions:

		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	2.341.806	2.227.262	(440.027)	-	4.129.041
2	General Provisions	2.925.818	1.122.469	(5.862)	-	4.042.425

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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	1.719.571	972.266
Banks	4.320.066	4.965.691
Interbank Money Market Placements	252.944	116.173
Available-for-Sale Financial Assets	59.128.214	54.036.938
Held-to-Maturity Investments	8.794.915	10.223.475
Loans	244.074.345	192.508.396
Other Assets	2.272.834	1.779.481
Total Credit Risk Exposure of Balance Sheet Items	320.562.889	264.602.420
Financial Guarantees	82.721.115	60.890.874
Commitments	24.849.932	20.085.748
Total Credit Risk Exposure of Off-Balance Sheet Items	107.571.047	80.976.622
Total Credit Risk Exposure	428.133.936	345.579.042

Information about Credit Quality per Class of Financial Assets

	Current Period			Prior Period		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
Financial Assets						
Banks	4.320.066	-	4.320.066	4.965.691	-	4.965.691
Financial Assets at Fair Value Through Profit or Loss	1.719.571	-	1.719.571	972.266	-	972.266
Loans Given:	239.371.301	4.451.595	243.822.896	187.583.048	4.044.454	191.627.502
Corporate/Entrepreneurial Loans	130.127.678	2.405.053	132.532.731	101.080.065	1.683.745	102.763.810
Consumer Loans	64.001.050	1.071.525	65.072.575	50.067.212	1.384.628	51.451.840
Specialized Loans	45.242.573	975.017	46.217.590	36.435.772	976.081	37.411.853
Available-for-Sale Financial Assets	59.128.214	-	59.128.214	54.036.938	-	54.036.938
Held-to-Maturity Investments	8.794.915	-	8.794.915	10.223.475	-	10.223.475

Carrying amount per class of financial assets whose terms have been renegotiated by the Parent Bank and the management of other associates:

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Loans Given:	8.113.296	4.093.485
Corporate/Entrepreneurial Loans	3.081.574	1.210.992
Consumer Loans	1.397.886	768.734
Specialized Loans	3.633.836	2.113.759
Other	-	-
Available-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	-	-

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III. RISKS INCLUDING THE CONSOLIDATED CAPITAL CAPACITY BUFFER CALCULATIONS

Country	Banking Accounts RWA	Trade Accounts RWA	TOTAL
Bosnia and Herzegovina	2.085.257	-	2.085.257
Germany	1.660.909	-	1.660.909
United Kingdom	832.642	-	832.642
USA	820.449	-	820.449
France	699.077	-	699.077
Kazakhstan	472.266	-	472.266
Turkish Republic of Northern Cyprus	368.126	-	368.126
Iraq	230.787	-	230.787
Netherlands	220.864	-	220.864
Uzbekistan	167.514	-	167.514
Other	1.647.707	-	1.647.707

IV. EXPLANATIONS ON THE CONSOLIDATED 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 Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, VAR (Value at Risk) is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also daily followed which was approved by Board of Directors.

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", "Repricing Gap Analysis" and "Structural Liquidity Gap Analysis" which takes into account historical reprising rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at US Dollar and Euro, which are mainly used by the Parent 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	100 JPY
23.12.2016	3,4990	3,6519	2,5088	0,4913	0,3791	3,4074	2,5833	0,4013	4,2845	0,9330	2,9814
26.12.2016	3,4924	3,6524	2,5107	0,4914	0,3801	3,4039	2,5852	0,4011	4,2915	0,9311	2,9844
27.12.2016	3,5071	3,6645	2,5202	0,4929	0,3795	3,4092	2,5917	0,4017	4,2983	0,9350	2,9853
28.12.2016	3,5307	3,6701	2,5318	0,4938	0,3837	3,4285	2,6012	0,4037	4,3141	0,9413	3,0000
29.12.2016	3,5126	3,6718	2,5277	0,4941	0,3848	3,4293	2,5950	0,4041	4,2974	0,9366	3,0097
31.12.2016	3,5076	3,6998	2,5350	0,4977	0,3874	3,4527	2,6110	0,4065	4,3431	0,9352	3,0054

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	100 JPY
	3,4836	3,6693	2,5570	0,4935	0,3780	3,4151	2,6098	0,4057	4,3460	0,9290	3,0011

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Information on the foreign currency risk of the Group:

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and Balances with Central Bank of the Republic of Turkey	9.300.739	16.571.048	6.598.971	32.470.758
Banks	879.305	1.277.127	577.551	2.733.983
Financial Assets at Fair Value Through Profit and Loss ⁽⁴⁾	-	4.549	582	5.131
Money Market Placements	-	51.508	167.468	218.976
Financial Assets Available-for-Sale	4.081.076	10.720.858	55.146	14.857.080
Loans ⁽¹⁾	25.233.765	46.279.570	1.507.788	73.021.123
Subsidiaries, Associates, Entities Under Common Control (Joint Ventures) ⁽³⁾	17.856	83.249	951	102.056
Investments Held-to-Maturity	1.344.761	3.819.092	498	5.164.351
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Fixed Assets	8.172	1.403	113.174	122.749
Intangible Assets	21.345	1	13.216	34.562
Other Assets ⁽⁵⁾	2.145.956	849.210	77.049	3.072.215
Total Assets⁽⁴⁾	43.032.975	79.657.615	9.112.394	131.802.984
Liabilities				
Interbank Deposits	5.017.303	4.196.585	639.590	9.853.478
Foreign Currency Deposits	44.057.736	22.389.687	4.136.055	70.583.478
Money Market Borrowings	306.464	11.963.959	-	12.270.423
Funds Provided from Other Financial Institutions	7.471.450	15.613.721	2.812	23.087.983
Issued Marketable Securities	-	4.679.782	910	4.680.692
Sundry Creditors	1.138.814	88.602	33.518	1.260.934
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	380.234	200.772	68.272	649.278
Total Liabilities	58.372.001	59.133.108	4.881.157	122.386.266
Net Balance Sheet Position	(15.339.026)	20.524.507	4.231.237	9.416.718
Net Off-Balance Sheet Position ⁽²⁾	14.918.785	(22.310.574)	(2.618.075)	(10.009.864)
Financial Derivative Assets	17.015.895	7.710.930	2.593.074	27.319.899
Financial Derivative Liabilities	2.097.110	30.021.504	5.211.149	37.329.763
Non-Cash Loans	19.785.282	32.994.991	3.863.978	56.644.251
Prior Period				
Total Assets	28.646.698	70.463.073	8.430.490	107.540.261
Total Liabilities	47.955.846	57.791.690	2.989.459	108.736.995
Net Balance Sheet Position	(19.309.148)	12.671.383	5.441.031	(1.196.734)
Net Off-Balance Sheet Position ⁽²⁾	19.608.010	(13.277.253)	(5.051.654)	1.279.103
Financial Derivative Assets	21.904.831	5.192.850	1.210.435	28.308.116
Financial Derivative Liabilities	2.296.821	18.470.103	6.262.089	27.029.013
Non-Cash Loans	13.108.152	24.916.400	3.076.757	41.101.309

⁽¹⁾ TL 1.335.293 equivalent of EUR and TL 1.290.033 equivalent of USD loans are originated as foreign currency indexed loans (31 December 2015: TL 296.717 equivalent of EUR and TL 721.987 equivalent of USD).

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

⁽³⁾ The foreign currency capital investments to Subsidiaries, Associates and Joint Ventures are evaluated with historical rates on the date of the fair value determination and capital investments made in the subsequent periods are evaluated with the rates on the date of the capital investment and followed with TL currency equivalents. No exchange rate difference arises from such investments.

⁽⁴⁾ Derivative financial assets held for trading and liabilities are not included in the table.

⁽⁵⁾ Prepaid expenses amounting TL 22.092 among other expenses are not included in the table.

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V. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Y ears	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with Central Bank of the Republic of Turkey	26.781.761	-	-	-	-	13.863.744	40.645.505
Banks	1.477.014	428.485	52.425	-	-	2.362.142	4.320.066
Financial Assets at Fair Value Through Profit and Loss	557.806	715.937	377.618	63.530	4.433	247	1.719.571
Money Market Placements	252.944	-	-	-	-	-	252.944
Financial Assets Available-for-Sale	6.262.067	6.231.045	10.886.839	16.553.494	18.466.636	728.133	59.128.214
Loans Given	71.989.277	19.739.060	54.872.411	77.739.693	19.482.455	251.449	244.074.345
Investments Held-to-Maturity	3.616.855	830.145	71.144	2.594.090	1.682.681	-	8.794.915
Other Assets	185.447	167.603	603.548	1.421.095	183.447	10.385.225	12.946.365
Total Assets	111.123.171	28.112.275	66.863.985	98.371.902	39.819.652	27.590.940	371.881.925
Liabilities							
Interbank Deposits	6.867.493	1.597.664	2.014.652	-	-	1.496.123	11.975.932
Other Deposits	116.331.186	25.869.031	22.188.911	1.412.078	119.357	55.015.498	220.936.061
Money Market Borrowings	41.796.418	3.747.109	1.085.940	716.162	-	-	47.345.629
Sundry Creditors	32.684	22.243	26.398	1.089	-	2.484.487	2.566.901
Issued Marketable Securities	836.455	1.468.491	391.680	4.374.125	-	-	7.070.751
Funds Provided from Other Financial Institutions	4.098.207	4.683.460	11.771.437	2.443.385	1.430.040	-	24.426.529
Other Liabilities	1.082.103	511.427	565.202	6.511.950	33.307	48.856.133	57.560.122
Total Liabilities	171.044.546	37.899.425	38.044.220	15.458.789	1.582.704	107.852.241	371.881.925
Balance Sheet Long Position	-	-	28.819.765	82.913.113	38.236.948	-	149.969.826
Balance Sheet Short Position	(59.921.375)	(9.787.150)	-	-	-	(80.261.301)	(149.969.826)
Off-Balance Sheet Long Position	808.683	2.200.356	-	-	-	-	3.009.039
Off-Balance Sheet Short Position	-	-	(373.698)	(1.428.568)	-	-	(1.802.266)
Total Position	(59.112.692)	(7.586.794)	28.446.067	81.484.545	38.236.948	(80.261.301)	1.206.773

⁽¹⁾ Balances without fixed maturity are shown in the “Up to 1 Month” and “Non-Interest Bearing” columns.

⁽²⁾ TL 5.950.057 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the “1 - 5 Years” column TL 70.782 of fund balance is not granted as loan and is shown under the “Non-Interest Bearing” column.

⁽³⁾ Deferred tax asset is shown under the non-interest bearing column.

⁽⁴⁾ Net balance of loans under follow-up is shown under the “Non-Interest Bearing” column in loans given.

⁽⁵⁾ Total shareholders’ equity is shown under the non-interest bearing column.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	68.125	-	-	-	-	36.866.552	36.934.677
Banks	1.157.187	406.252	911.110	186.488	-	2.304.654	4.965.691
Financial Assets at Fair Value Through Profit and Loss	295.829	178.096	435.552	55.405	4.265	3.119	972.266
Money Market Placements	107.491	8.682	-	-	-	-	116.173
Financial Assets Available-for-Sale	5.507.414	7.012.479	10.929.787	15.394.736	14.583.841	608.681	54.036.938
Loans Given	60.645.124	18.800.306	47.376.453	54.506.749	10.171.491	1.008.273	192.508.396
Investments Held-to-Maturity	3.439.949	1.648.784	941.158	2.770.608	1.422.976	-	10.223.475
Other Assets	89.872	249.773	547.672	1.380.783	169.571	8.072.531	10.510.202
Total Assets	71.310.991	28.304.372	61.141.732	74.294.769	26.352.144	48.863.810	310.267.818
Liabilities							
Interbank Deposits	7.354.580	834.458	135.475	1.082.644	-	279.728	9.686.885
Other Deposits	96.091.616	23.456.511	18.875.407	1.696.356	3.550	41.109.772	181.233.212
Money Market Borrowings	36.325.722	4.312.765	1.841.293	654.532	-	-	43.134.312
Sundry Creditors	30.900	10.002	22.550	1.012	-	2.314.672	2.379.136
Issued Marketable Securities	932.357	1.609.322	497.397	2.380.321	-	-	5.419.397
Funds Provided from Other Financial Institutions	2.433.574	4.575.233	11.276.835	1.708.833	792.928	-	20.787.403
Other Liabilities	212.627	203.088	413.406	6.370.792	34.885	40.392.675	47.627.473
Total Liabilities	143.381.376	35.001.379	33.062.363	13.894.490	831.363	84.096.847	310.267.818
Balance Sheet Long Position	-	-	28.079.369	60.400.279	25.520.781	-	114.000.429
Balance Sheet Short Position	(72.070.385)	(6.697.007)	-	-	-	(35.233.037)	(114.000.429)
Off Balance Sheet Long Position	621.061	1.300.401	-	44.401	-	-	1.965.863
Off Balance Sheet Short Position	-	-	(111.409)	(1.222.188)	-	-	(1.333.597)
Total Position	(71.449.324)	(5.396.606)	27.967.960	59.222.492	25.520.781	(35.233.037)	632.266

⁽¹⁾ Balances without fixed maturity are shown in the "Up to 1 Month" and "Non-Interest Bearing" columns.⁽²⁾ TL 5.833.179 of fund balance, whose risk does not belong to the Parent Bank, in other liabilities is shown under the "1 - 5 Years" column. TL 97.950 of fund balance is not granted as loan and is shown under the "Non-Interest Bearing" column.⁽³⁾ Deferred tax asset is shown under the non-interest bearing column.⁽⁴⁾ Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in loans given.⁽⁵⁾ Total shareholders' equity is shown under the non-interest bearing column.

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b) Average interest rate applied to the monetary financial instruments (Represents the values belong to the Parent Bank): (%)

	EUR	USD	JPY	TL
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⁾	0,03	0,49	-	3,36
Banks	1,56	2,82	-	8,44
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	7,98
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,73	5,64	-	9,20
Loans Given ⁽²⁾	4,30	5,52	-	12,82
Investments Held-to-Maturity	6,48	7,20	-	9,75
Liabilities				
Interbank Deposits ⁽³⁾	0,45	1,09	-	8,24
Other Deposits ⁽⁴⁾	0,94	1,14	-	6,52
Money Market Borrowings	0,95	1,82	-	8,55
Sundry Creditors	-	-	-	-
Issued Marketable Securities	-	4,37	-	9,77
Funds Provided from Other Financial Institutions	0,92	2,23	-	8,38

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.⁽²⁾ Credit card loan balances are not included.⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.⁽⁴⁾ Rates include also demand deposit data.

	EUR	USD	JPY	TL
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	0,28	-	3,45
Banks	1,30	1,82	-	9,68
Financial Assets at Fair Value Through Profit and Loss	-	5,36	-	6,84
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	4,71	5,68	-	9,09
Loans Given ⁽²⁾	4,09	4,98	-	12,82
Investments Held-to-Maturity	6,42	7,08	-	9,71
Liabilities				
Interbank Deposits ⁽³⁾	0,65	0,58	-	9,06
Other Deposits ⁽⁴⁾	1,21	1,12	-	7,19
Money Market Borrowings	0,72	1,05	-	9,84
Sundry Creditors	-	-	-	-
Issued Marketable Securities	0,59	3,79	-	10,86
Funds Provided from Other Financial Institutions	1,22	1,69	-	10,03

⁽¹⁾ The ratio on TL column denotes the interest rates applied for required reserve at CBRT.⁽²⁾ Credit card loan balances are not included.⁽³⁾ Rates shown in the table are calculated by using the annual domestic simple interest rates, except for foreign currency interbank deposits.⁽⁴⁾ Rates include also demand deposit data.

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VI. EXPLANATIONS ON THE POSITION RISK OF CONSOLIDATED EQUITY SECURITIES

1. Equity securities position risk derived from banking books:

a. Comparison with the market value if the market value is significantly different from the fair value for balance sheet, fair and market values of equity shares:

There is no significant difference between balance sheet value, fair value and market value of investments in equity instruments.

b. The breakdown of capital requirements on the basis of related stock investments depending on the method of the calculation of capital requirement which is chosen by Bank among approaches that are allowed to be used within the Communiqué regarding Credit Risk Standard Method or the Calculation of Counterparty Credit Risk based upon Interior Rating Approaches:

The stock investments, partaking in banking accounts according to the credit risk standard method, are amounted TL 124.451 and 100% of them are risk weighted.

VII. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

General principles of liquidity and financial emergency management and the related application procedures are considered in the scope of “Regulation for Liquidity Risk and Liquidity and Financial Emergency Management”.

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 Parent Bank’s liquidity and in the worst case scenario and the loss associated with it. The renewal of deposits which constitutes the Parent Bank’s most crucial funding resource is monitored on a daily basis. 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.

1) Liquidity Risk

a) Explanations related to the liquidity risk management including the Parent Bank’s risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk in internal banking, the strategy of liquidity risk and how to provide the communication of policies and implementations with board of directors and business lines:

The Parent Bank’s risk capacity, risk appetite, responsibilities and tasks of liquidity risk management and share issues of points related liquidity risk management with bank network are explained in “Regulations of Risk Management, Stress Test Program and İsedes Regulations” of the Parent Bank. In this context, liquidity risk strategies and policies are published in periodically on weeks, months and years with all of the units with board directors in bank. Moreover, analyses done and reports are handled in the Assets-Liability Commission Conferences, Board of Director is informed by Audit Commission.

b) Liquidity management and the degree of centralization of fund strategies, the information about the procedure between bank and the partners of bank:

Continuously the information exchange is actualized about the liquidity need and surpluses between the Parent Bank and its partners, the compulsory directions and treats are moderated by Treasury Management and International Banking Assistant General Management to direct liquidity risk and surpluses in effective way.

c) Explanation related to policies regarding fund resources times variations of funding strategy of bank:

The Parent Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits are sustained. Moreover, within the diversification strategy of resources structure, long-term and appropriate costed resources rate that are out of deposits are aimed to be raised. In the resources out of deposits; repurchase agreements, post finance, syndication credits, credits assured by international finance associations, exported securities, capital market transactions and credits taken by bilateral agreements are placed.

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d) Explanation related to liquidity management as currencies forming at least 5 percentage of aggregate liabilities of the Parent Bank:

The Parent Bank’s total liabilities are consisted of mostly TL, USD and EUR currencies. Besides these currencies, valid for other currencies, daily and long-term cash flows are pursued and liquidity management is formed in effective way by some projections are being performed regarding future.

e) Information related to the techniques about the reduction of current liquidity risk:

The Parent Bank’s source of funds is mainly formed of deposits. The Parent Bank’s deposits do not fluctuate considerably in line with the broadly dispersed customer network. Besides, in order to increase the fund range and decrease the maturity gap between assets and liabilities, giving weight to liabilities other than deposits such as bond/bill issuance, repo and funds borrowed.

As for the asset side of the Parent Bank, within the scope of reformatting short-term cash cycle, dissonance reducing the maturity of asset and liability, the policy for shortening the average maturity on loans being pursued.

e) Explanation regarding the usage of the stress test

In the presence of unexpected negative circumstances, stress tests being done in order to test the endurance of the bank. These actions have been shared with key management and all related units for the purpose of taking necessary precautions. Additionally, stress tests also taken into consideration on subjects like the Parent Bank’s estimated financial position for the next period, the progress of legal ratios and the liquidity need in short and long term as part of budget practices.

f) General information on liquidity urgent and unexpected situation plan:

The internal and external sources which can be used in an emergency case to satisfy the liquidity need are periodically followed and the borrowing limits of the Parent Bank from organized market and other banks are on the level where they meet the structural liquidity deficits on different maturity segments. The Parent Bank lines off its exposition to liquidity risk by limits that are approved from Board of Directors and within the frame of “Regulations of Risk Management, Stress Test Program and Internal Capital Adequacy Assessment Process (ICAAP)”.

2) Liquidity Coverage Ratio:

Within the frame of the regulation named “Regulation on the Calculation of Liquidity Coverage Ratio” issued by BRSA in the Official Gazette numbered 28948, dated 21 March 2014, the Parent Bank calculates the liquidity coverage ratio and reports it to BRSA monthly in consolidated base. The liquidity coverage ratio sails above the frontier limits determined by BRSA. Within the last 3 months (October-November-December) the consolidated ratios are as follows: Take place for FC as 86,61 in October, for TL+FC as 81,65; take place for FC as 92,29 in November, for TL+FC as 76,33; take place for FC as 102,33, for TL+FC as 77,90 in December

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Current Period	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47.060.923	26.647.052
Cash Outflows				
Retail and Small Business Customers, of which;	143.898.400	51.675.017	11.622.939	5.167.502
Stable deposits	55.338.033	-	2.766.902	-
Less stable deposits	88.560.367	51.675.017	8.856.037	5.167.502
Unsecured wholesale funding, of which;	80.482.580	24.151.123	46.653.885	16.242.578
Operational deposit	1.687.101	291.581	421.775	72.895
Non-operational deposits	67.505.167	17.490.912	34.986.034	9.818.460
Other unsecured funding	11.290.312	6.368.630	11.246.076	6.351.223
Secured funding			-	-
Other cash outflows, of which;	20.783.315	13.237.304	5.963.394	11.556.687
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	2.133.363	10.295.383	2.133.363	10.295.383
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	18.649.952	2.941.921	3.830.031	1.261.304
Other revocable off-balance sheet commitments and contractual obligations	39.627	21.913	1.981	1.096
Other irrevocable or conditionally revocable off-balance sheet obligations	40.843.572	24.557.903	9.739.071	3.337.772
Total Cash Outflows			73.981.270	36.305.635
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	17.850.713	7.875.744	12.618.858	6.975.435
Other cash inflows	1.480.005	780.641	1.465.414	766.050
Total Cash Inflows	19.330.718	8.656.385	14.084.272	7.741.485
			Total Adjusted Value	
Total HQLA Stock			47.060.923	26.647.052
Total Net Cash Outflows			59.896.998	28.564.150
Liquidity Coverage Ratio (%)			78,57	93,29

⁽³⁾ The average of last three months' month-end consolidated liquidity ratios.

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	Total Unweighted Value (average)		Total Weighted Value (average)	
	TL+FC	FC	TL+FC	FC
Prior Period- 31 December 2015				
High Quality Liquid Assets				
High Quality Liquid Assets			43.380.868	29.708.281
Cash Outflows				
Retail and Small Business Customers, of which;	121.726.943	42.781.057	8.952.673	3.468.796
Stable deposits	64.400.433	16.186.193	3.220.022	809.310
Less stable deposits	57.326.510	26.594.863	5.732.651	2.659.486
Unsecured wholesale funding, of which;	61.931.778	25.359.764	35.541.320	17.100.150
Operational deposit	1.134.952	130.783	283.738	32.696
Non-operational deposits	53.253.252	20.361.335	27.725.692	12.205.264
Other unsecured funding	7.543.574	4.867.646	7.531.890	4.862.190
Secured funding			-	-
Other cash outflows, of which;	55.748.866	27.338.257	17.187.989	7.964.955
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.812.166	1.800.891	1.812.166	1.800.891
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other offbalance sheet obligations	41.890.713	13.629.912	14.773.485	5.568.653
Other revocable off-balance sheet commitments and contractual obligations	803.467	754.693	40.173	37.735
Other irrevocable or conditionally revocable off-balance sheet obligations	11.241.753	11.151.993	562.088	557.600
Total Cash Outflows			61.681.982	28.533.901
Cash Inflows				
Secured lending	-	-	-	-
Unsecured lending	11.124.921	2.633.933	7.167.150	1.968.010
Other cash inflows	867.709	573.329	867.709	573.329
Total Cash Inflows	11.992.629	3.207.262	8.034.859	2.541.339
			Total Adjusted Value	
Total HQLA Stock			43.380.868	29.708.281
Total Net Cash Outflows			53.647.123	25.992.563
Liquidity Coverage Ratio (%)			80,86	114,30

^(*) The average of last three months' month-end consolidated liquidity ratios.

3) Minimum statements concerning liquidity coverage ratio by Banks

a) Important points affecting the results of liquidity coverage ratio and the changes of the considered items in the course of time to calculate this ratio:

Bank deposit, which has not a fluctuant structure, together with constituting an important part of its sources and liquidity coverage ratio, in proportion to other deposits, public deposits can cause periodic changes within total deposits. When comparing with the previous periods, the percentage of the total deposit in financial statement does not change and has an increasing sail.

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As well as its low turn into cash ratio, since the non-cash loans have a remarkable extent in proportion to financial statement, they have an influence on the calculation of liquidity coverage ratio. Comparing to previous periods, non-cash loans are tend to increase.

As a guarantee for the repo transactions a portfolio of securities which includes T-Bills and government bonds is being used. The securities which have been used for the repo transactions lose their flexibility. Hence as a result of the usage method of the securities as a guarantee the liquidity coverage ratio is effected.

b) High quality liquid assets are comprised to which items:

All of the high-quality liquid assets of the calculation of Liquidity Coverage Ratio are First Quality Liquid Assets. These; cash, the accounts in Central Bank, reserve requirements and securities from the portfolio (The important part of bonds and T-bills issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury, other bonds).

c) Funds are comprised of which items and their volume in all funds:

The major part of the resources of funds in Bank is comprised of deposits, the remaining is divided according to their share in the balance sheet as repo, borrowings, and issued securities.

d) Information about cash out-flows arising from derivative operations and margin operations likely to processing:

Derivative operations in Bank are carried out on the purpose of protection from the risks that may exist or occur in the balance sheet, liquidity management, or meet customer demand. Customer operations are carried out under the “Framework Agreement on Purchase and Sale of Derivative Instruments” or ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) with additional, as well as operations performed by the banks is performed again ISDA and CSA contracts signed. Operations performed under the said contracts in the determined periods are subject to daily market valuation and additional collateralization as cash. Operations could create additional collateral input or output depending on market valuation.

e) The concentration limits regarding collateral and counterparty and product based fund resources:

For the counterparty and product based concentration limits are determined under “Regulations of Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (ICAAP)” with the approval of Senior Management. These limits are followed in particular frequency. Besides, It has reported to the relevant units and Senior Management. There is no excess regarding the limits during operating period.

f) Liquidity risk and needed funding on the basis of the bank itself, the branches in foreign countries and the partnerships consolidated by considering operational and legal factors preventing liquidity transfer:

The needed and surplus of liquidity of the branches in foreign countries of the bank and partnerships consolidated are followed and managed regularly. There is no constraint of operational and legal factors preventing liquidity transfer.

In the analysis made, it is observed that the impact of the foreign branches and subsidiaries on the Bank’s liquidity structure remain limited comparing to the size of the balance sheet. The need and surplus of the liquidity is encountered properly between partnerships, as well as the branches abroad.

g) Explanations of cash in-flow and cash out-flow items that are considered to be related to liquidity profile of the bank and to be placed on the calculation of liquidity coverage ratio but not on the second paragraph of the disclosure template:

All items on the calculation of liquidity coverage ratio are included in calculation in aggregated form on the table. In this context, there is no point included in the calculation of liquidity coverage ratio and not included in the disclosure template.

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Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^{(1) (2)}	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	40.619.305	-	-	-	-	-	26.200	40.645.505
Banks	2.362.142	1.477.014	428.485	52.425	-	-	-	4.320.066
Financial Assets at Fair Value Through Profit and Loss	247	557.807	521.717	565.534	67.188	4.433	2.645	1.719.571
Money Market Placements	3	252.941	-	-	-	-	-	252.944
Financial Assets Available-for-Sale	4.806	1.623.787	1.787.212	7.783.230	21.312.279	25.967.502	649.398	59.128.214
Loans Given	-	9.171.064	16.877.885	90.431.269	100.643.804	26.698.874	251.449	244.074.345
Investments Held-to-Maturity	-	1.192.908	830.145	71.144	5.018.037	1.682.681	-	8.794.915
Other Assets	3.675.633	96.540	165.862	578.601	1.389.090	271.208	6.769.431	12.946.365
Total Assets	46.662.136	14.372.061	20.611.306	99.482.203	128.430.398	54.624.698	7.699.123	371.881.925
Liabilities								
Interbank Deposits	1.496.123	6.867.493	1.597.664	2.014.652	-	-	-	11.975.932
Other Deposits	55.015.498	115.325.760	26.025.332	22.921.721	1.608.923	38.827	-	220.936.061
Funds Provided from Other Financial Institutions	-	1.483.610	2.546.851	12.955.209	4.739.022	2.701.837	-	24.426.529
Money Market Borrowings	-	41.796.418	3.747.109	1.085.940	716.162	-	-	47.345.629
Issued Marketable Securities	-	836.455	1.575.727	259.858	4.398.711	-	-	7.070.751
Sundry Creditors	1.997.790	502.235	18.291	1.089	-	-	47.496	2.566.901
Other Liabilities ⁽³⁾	5.829.856	779.785	918.648	564.087	6.511.950	901.285	42.054.511	57.560.122
Total Liabilities	64.339.267	167.591.756	36.429.622	39.802.556	17.974.768	3.641.949	42.102.007	371.881.925
Liquidity Gap	(17.677.131)	(153.219.695)	(15.818.316)	59.679.647	110.455.630	50.982.749	(34.402.884)	-
Net Off-Balance Sheet Position	-	101.816	(4.584)	511.465	598.076	-	-	1.206.773
Financial Derivative Assets	-	23.887.140	7.574.728	2.638.403	2.677.243	-	-	36.777.514
Financial Derivative Liabilities	-	23.785.324	7.579.312	2.126.938	2.079.167	-	-	35.570.741
Non-cash Loans	39.328.862	1.045.731	5.027.611	18.874.379	14.761.801	3.682.731	-	82.721.115
Prior Period								
Total Assets	41.104.345	10.803.851	15.486.534	80.786.469	111.901.898	42.331.227	7.853.494	310.267.818
Total Liabilities	45.955.242	143.301.990	34.327.033	32.360.482	15.755.955	3.084.016	35.483.100	310.267.818
Liquidity Gap	(4.850.897)	(132.498.139)	(18.840.499)	48.425.987	96.145.943	39.247.211	(27.629.606)	-
Net Off-Balance Sheet Position	-	(123.663)	(7.420)	21.298	506.582	-	-	396.797
Financial Derivative Assets	-	21.505.764	730.692	1.640.019	2.462.004	-	-	26.338.479
Financial Derivative Liabilities	-	21.629.427	738.112	1.618.721	1.955.422	-	-	25.941.682
Non-cash Loans	32.747.550	492.394	2.678.785	13.191.131	9.677.305	2.103.709	-	60.890.874

⁽¹⁾ Assets which are required for banking operations and could not be converted into cash in short-term, such as; tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net non-performing loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

⁽²⁾ Deferred tax asset is included under the “Undistributed” column.

⁽³⁾ TL 5.950.057 of the funds balance, whose risk is not born by the Parent Bank, is included in other liabilities and shown under the “1-5 years” column, fund balance amounted to TL 70.782 is not granted as loan and is included under “Up to One Month” column.

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Presentation of liabilities according to their remaining maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Current Period⁽¹⁾						
Bank Deposits	8.607.501	1.603.770	2.025.178	-	-	12.236.449
Other Deposits	168.765.620	26.250.886	23.335.495	1.628.281	53.240	220.033.522
Funds Borrowed from Other Financial Institutions	1.500.321	2.564.338	13.190.000	4.825.200	1.528.815	23.608.674
Funds Borrowed from Interbank Money Market	41.818.169	3.757.618	1.101.437	734.017	-	47.411.241
Total	220.691.611	34.176.612	39.652.110	7.187.498	1.582.055	303.289.886
Prior Period⁽¹⁾						
Bank Deposits	7.655.366	1.871.304	153.224	34.739	-	9.714.633
Other Deposits	135.809.027	23.447.423	19.064.948	1.841.496	3.686	180.166.580
Funds Borrowed from Other Financial Institutions	947.247	3.436.293	10.785.315	3.697.676	1.261.495	20.128.026
Funds Borrowed from Interbank Money Market	36.309.740	4.319.621	1.854.917	672.295	-	43.156.573
Total	180.721.380	33.074.641	31.858.404	6.246.206	1.265.181	253.165.812

⁽¹⁾ Amounts related with the fund balances are not included in the table since decomposition on the basis of their remaining maturities could not be performed.

VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE

1) Explanations on the subjects caused a gap between prior and current period leverage:

The Bank's leverage calculated by force of the regulation "Regulation on Measurement and Assessment of Leverage Ratios of Banks" is 8,00% (31 December 2015: 8,33%). The change on leverage results heavily from the increase on risk amounts of balance sheet assets. The regulation sentenced the minimum leverage as 3%.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
Balance sheet assets		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	359.875.628	305.987.769
(Assets deducted in determining Tier 1 capital)	(2.072.001)	(1.558.811)
Total on-balance sheet risks (sum of lines 1 and 2)	357.803.627	304.628.958
Derivative financial instruments and credit derivatives		
Replacement cost associated with all derivative financial instruments and credit derivatives	1.516.660	906.945
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	394.485	294.821
Total risks of derivative financial instruments and credit derivatives	1.911.145	1.201.766
Securities or commodity financing transactions (SCFT)		
Risks from SCFT assets	4.889.181	4.611.358
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	4.889.181	4.611.358
Other off-balance sheet transactions		
Gross notional amounts of off-balance sheet transactions	105.343.560	79.187.009
(Adjustments for conversion to credit equivalent amounts)	(1.415.380)	(362.843)
Total risks of off-balance sheet items	103.928.180	78.824.166
Capital and total risks		
Tier 1 capital	37.505.342	32.430.099
Total risks	468.532.133	389.266.248
Leverage ratio		
Leverage ratio %	8,00	8,33

⁽¹⁾ Three month average of the amounts in the table are taken.

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2) An extract comparison table of total risks placed in consolidated financial statements coordinated in accordance with TAS:

	Current Period ^(*)	Prior Period ^(*)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(**)	371.922.921	310.301.585
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	40.996	33.767
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	76.404.601	57.881.888
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	39.216.454	38.777.772
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	1.415.380	362.843
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(42.588.977)	(42.482.185)
Total Risk Amount	468.532.133	389.266.248

(*) The amounts shown in the table are 3 month averages.

(**) The current account balance of the Consolidated Financial Statements prepared in accordance with paragraph 5 in Article 5 of The Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements dated 31 December 2016 of the non-financial partners.

IX. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

This section contains notes and explanations regarding the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” released by the Banking Regulation and Supervision Agency (BRSA), published in the Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016.

As part of its controlling activities, the Risk Management Group Presidency conducts controls on Risk Management Explanations. Two different control processes, e.g. Calculation of Capital Adequacy process and other Risk Management processes, are conducted by the relevant unit periodically in line with capital adequacy control points and guidelines as well as control points for other Risk management field of activity and guideline.

Furthermore, as part of legislation compliance controls, compliance of all activities, new transactions and products planned by the Bank with relevant laws, legislation, internal Bank policies and banking practices is controlled. Accordingly, compliance of legislative regulations regarding Risk Management Explanations with internal Bank practices is also controlled.

Controlling activities conducted by the Head Office Units are performed in line with the control periods determined by considering functions of Units and risks they bear, job definitions of the Units and their impact on the Bank’s balance sheet. Control processes by the Head Office Units are performed based on control points determined according to process, duties and powers of unit’s field of activity and control techniques are elaborated in the head office control guideline.

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1. Explanations on Risk Management and Risk Weighted Amount

a) Bank’s Risk Management Approach

i. It has to do with how the business model determines the Bank’s risk profile; how it interacts with it (e.g. key risks related to the business model and how each of these risks is reflected on explanations); and how the Bank’s risk profile interacts with the risk appetite approved by the board of directors

While risk appetite determines the Bank’s risk level, risk capacity determines its risk appetite and, therefore, risk profile. Local and international conjuncture is also considered to determine the risk level. Establishment of forward-looking strategies and policies is also considered in this regard. The Bank’s risk level is restricted to the limits consistent with its risk appetite.

Risk limits are determined in accordance with the level of risks that may be assumed by the Bank, its activities, size and complexity of its products and services. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters regarding signal and limit structure as well as limit values of parameters are determined in coordination with the relevant units and implemented upon approval of the Audit Committee and Board of Directors.

Signal and limit values based on risk weighted assets are monitored by the Bank’s Risk Management Group Presidency regularly and actual values are reported periodically to the Bank’s Top Management.

ii. Risk management structure: Responsibilities distributed at the Bank (e.g. supervision and delegation of authority); segregation of duties by risk type, business unit, etc.; relations between structures included in risk management processes (e.g. board of directors, top management, separate risk committee, risk management unit, compliance, internal audit function)

The Bank’s Top Management and relevant units perform their risk management duties, authorities and responsibilities in line with the relevant legal legislation and internal Bank regulations.

Structure of the Bank’s risk management is consistent with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Processes of Banks. Accordingly, internal system units consisting of the Inspection Board Presidency, Internal Control and Compliance Group Presidency and Risk Management Group Presidency report to the Audit Committee and Board of Directors through the Vice President who is responsible for internal systems and operates separate from executive units.

Risk measurement and monitoring activities are conducted as part of risk management and the results are considered in strategic decision-making process by relevant units and bodies. Risk management operations are conducted in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks, issued by the BRSA, within the scope of Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”) approved by the Bank’s Board of Directors.

Organizational structure of the Bank’s Risk Management Group Presidency consists of credit risk management, market risk management, operational risk management and statement risks management units. Duties of risk management:

- Ensuring identification, measurement, reporting, monitoring and control of risks exposed through policies, practices and limits established to monitor, control and revise, when necessary, the risk-return structure of the Bank’s cash flows in the future, quality and level of its associated activities
- Conducting stress tests and scenario analyses
- Establishing and maintaining a system that will ensure determination of capital required to cover significant risks exposed or possible risks and assessment of capital adequacy/requirement level in line with the strategic goals
- Preparing ICAAP reports periodically.

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ICAAP analyses and activities are validated by a team that reports to the Audit Committee independently from the team that develops and implements the methodology of such activities. The same team issues a Validation Report as well. Analyses and activities conducted within the process, including validation activities are reviewed by the Inspection Board Presidency and a Review Report is issued for the results.

iii. Channels used for disseminating and implementing risk culture within the Bank (e.g. codes of conduct, manuals including operational limits or procedures to be performed when risk thresholds are exceeded, procedures for identifying and sharing risk issues between business units and risk units)

The Bank exercises maximum efforts to perceive both risks and returns accurately during its activities and maintain its perspective for disseminating risk culture across the Bank. Accordingly, goals, vision and strategic approaches are shared in large group meetings held by the Bank’s Top Management with employees.

Signal and limit structure established based on risk weighted assets is one of the channels used to disseminate risk culture within the Bank. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units and approved by the Board of Directors.

It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the staff. Usage levels for signal and risk parameters are subject to reports submitted to the Top Management.

If limits are exceeded, the Bank’s Top Management is notified. In such a case, matters such as risk mitigation, risk transfer or risk-averse, increasing collaterals and so on can be considered as part of required actions. If limits are exceeded, forward-looking strategies and policies of the Bank—including budget figures—can be reviewed or, where necessary, revised.

Another channel used to disseminate the risk culture is in the scope of ICAAP activities. It is essential to include assessment results for capital adequacy in the ICAAP Report covering all significant risks of the Bank. The report is prepared in coordination with risk management and with participation from other relevant units. Similarly, the Bank’s budget goals for the upcoming years are also established with the participation of relevant units. The Bank’s Top Management and relevant units conduct their ICAAP duties, authorities and responsibilities in line with the Bank regulations and relevant legal legislation.

iv. Principal elements and scope of risk measurement systems

The Bank’s risk measurement system functions in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way. Regarding the inclusion of risk measurement results in decision-making processes, reports are elaborated with extensive explanations and assumptions to avoid any misinterpretation that may arise from errors and deficiencies.

Required activities are performed to engage in design, selection, implementation and pre-approval processes for risk measurement models; review accuracy, reliability and performance of models regularly through various methodologies and make required revisions accordingly; and report results of analyses conducted with such models.

The Bank’s capital adequacy ratio is calculated in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, Communiqué on Credit Risk Mitigation Techniques and other relevant legal regulations.

Counter parties/operations related to the credit risk are separated on the basis of risk classes mentioned in Appendix-1 of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks, and each of them is assigned by the weight of risk in line with the matters specified for relevant risk class. Then, they are subject to risk mitigation in accordance with the principles of Communiqué on Credit Risk Mitigation Techniques and weighted based on the risk weights.

After deduction of specific provisions in accordance with Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves, non-cash loans and commitments are included in the calculation of credit-risk-weighted amount with loan conversion rates presented in article 5 of Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

Trading accounts and the values deducted from the capital base in the shareholders’ equity computation are excluded from calculation of credit risk-weighted assets.

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Calculations regarding to the counter party credit risk are made for repurchase agreement and derivative transactions. These transactions are added to the calculations after applying the rates presented in the amendments of the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and Communiqué on Credit Risk Mitigation Techniques.

Calculations regarding counter parties credit risks are made with the basic financial collateral method and extensive collateral method for banking accounts and trading accounts respectively.

The amount subject to the total market risk is calculated through the standard method. Furthermore, value at risk forecasts are made on a daily basis and backward testing is performed so as to measure performance of the model.

Liquidity Coverage Ratio and Liquidity Risk Analysis reports for the liquidity risk are prepared in accordance with the relevant regulations. Furthermore, stress test is performed to assess maturity mismatch between sources and uses, contractual maturities as well as behavioral maturities of assets and liabilities, the Bank’s liquidity requirement in a worst case scenario and relevant damages that may be incurred based on scenario and sensitivity analysis activities.

Control of interest rate risk on banking accounts entails monitoring rate and maturity mismatch between sources and uses of fixed and variable interest rates, contractual maturities as well as behavioral maturities assets and liabilities and the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend.

v. Explanations provided to the board of directors and top management on risk reporting processes, particularly scope and main contents of reporting

It is essential to inform the Top Management about developments and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing Top Management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis. Reports issued contain, at minimum, information on risk amount and development, legal capital requirement, legal ratios for liquidity and interest rate risks, stress test analysis results, effect of such results on capital adequacy level and ratios, realization level of risk limits and limitations, and assumptions of risk measurement method used.

As part of the reporting system, an information systems infrastructure is established for external reporting and required actions are taken to fulfill legal obligations fully in a timely manner in this regard.

vi. Explanations on stress test (e.g. assets subject to stress test, scenarios applied, methodologies used and the use of stress test in risk management)

Stress test is intended to pre-assess the effect of negative developments in specified risk factors on amounts subject to risk and capital adequacy/requirement level.

Conducting the stress test periodically is essential, and test result must be included in internal reporting and considered in strategic decision-making process or capital management. Results of stress test analysis are considered while establishing risk management policies.

In stress test activities, shock is applied to risk factors determined (factors specific to debtor or transaction or macroeconomic variables such as exchange rate, price, interest and so on), and the effects of results on risk-weighted asset amount and capital adequacy ratio are identified. Accordingly, risk factors are identified first and then assumptions to be implemented are determined and possible losses in the future are estimated. Stress test activities include creating scenarios, which are unlikely, if not impossible, and which may affect the Bank’s risk level significantly.

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The results of stress test are subject to internal Bank reporting and ICAAP Report. The results of stress test may be used in processes to determine the Bank’s risk appetite or risk limits and identify new and current business strategies as a planning instrument and their effect on capital utilization.

Analyses of credit risk based on internal and external risk factors, counter party credit risk, liquidity risk, interest rate risk and market risk are conducted in the case of stress tests which are subject to internal reporting.

The Board of Directors is responsible for assessing the results of the Stress Test Program and taking actions based on the results. Accordingly, actions such as revision of risk appetite, strategy and risk limits or restriction of activities to specific sectors or portfolios can be taken.

vii. The Bank’s risk management, aversion and mitigation strategies and processes based on business model and monitoring processes for continuous efficiency of safeguards and mitigants

Amounts subject to credit risk can be mitigated by using one or more risk mitigation techniques in line with the legal regulations.

Funded or unfunded credit safeguard instruments are considered while using the risk mitigation technique. Whether credit safeguard instruments meet minimum compulsory conditions specified in legal regulations is checked via the system.

The Bank performs risk mitigation with a simple financial method. Credibilities of guarantors are monitored and assessed in the scope of credit revision maturity.

All Bank employees are responsible for control and mitigation of operational risks based on their job definitions and business processes. All Bank units are obliged to take risk mitigation measures for mitigation of operational risks that may occur in their respective fields of activity through insurance and other risk transfer mechanisms.

The Bank’s market risk is mitigated through derivatives or other financial products by considering current conjuncture and risk appetite, risk capacity and risk level. Long term liabilities are obtained and the interest rate risk arising from liquidity and banking accounts is limited through the transactions performed.

Diversification of resources is deemed important for managing the liquidity risk that may occur. While the Bank’s fundamental funding resources are deposits, the strategy of preserving the common base structure of deposits is sustained. Besides, liabilities other than deposits such as bond/bill issuance, repo and credits are deemed important for increasing the fund range and decreasing the maturity gap between assets and liabilities. As for the asset side of the Bank, policies intended to reduce average credit maturity are pursued as part of measures to improve short term cash cycle and minimize maturity mismatch between assets and liabilities. As part of management of interest rate risk, measures are taken to reduce repricing maturity mismatch of interest sensitive assets and liabilities.

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b) Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk)	260.065.282	203.551.045	20.805.223
2	Standardised approach	260.065.282	203.551.045	20.805.223
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	3.323.247	2.113.638	265.860
5	Standardised approach for counterparty credit risk	3.323.247	2.113.638	265.860
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies-look through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	1.686.718	102.098	134.937
10	Investments made in collective investment companies-1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory Formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	15.358.775	17.618.138	1.228.702
17	Standardised Approach	15.358.775	17.618.138	1.228.702
18	Internal model Approaches	-	-	-
19	Operational risk	20.519.768	18.052.275	1.641.581
20	Basic Indicator Approach	20.519.768	18.052.275	1.641.581
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	667.594	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	300.953.790	242.104.788	24.076.303

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IX. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT

1. Connections between Consolidated Financial Statements and Risk Amounts

a) Differences Between Accounting Consolidation and Legal Consolidation and Matching of the Subject

	Amount assessed in accordance with TAS as reported in financial statements ⁽¹⁾	Value of items according to TAS					Not subject to capital obligation or is deducted from capital
		Valued amount according to TAS within legal consolidation	Subject to Credit Risk	Subject to Counterparty Credit Risk	Securitization positions	Subject to Market Risk	
Assets							
Cash Balances with the Central Bank of Turkey	40.645.505	40.645.505	40.645.505	-	-	-	-
Financial Assets Held for Trading	1.719.571	1.719.571	-	1.678.746	-	40.825	-
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-	-	-	-
Banks	4.320.022	4.320.066	4.320.066	-	-	-	-
Receivables from Money Market	252.944	252.944	144.613	108.331	-	-	-
Financial Assets Available for Sale (Net)	59.128.214	59.128.214	12.280.871	19.470.378	-	27.014.433	-
Loan and Receivables	244.074.345	244.074.345	244.071.892	-	-	-	2.453
Factoring Receivables	-	-	-	-	-	-	-
Investments Held To Maturity (Net)	8.794.915	8.794.915	4.108.987	4.685.928	-	-	-
Associates (Net)	118.911	105.886	105.886	-	-	-	-
Subsidiaries (Net)	1.220	7.457	7.457	-	-	-	-
Entities Under Common Control (Net)	101.105	101.105	101.105	-	-	-	-
Receivables from Leasing Transactions	2.483.667	2.483.667	2.483.667	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-	-	-
Tangible Assets (Net)	5.873.532	5.872.009	5.733.632	-	-	-	138.377
Intangible Assets (Net)	378.341	367.864	-	-	-	-	367.864
Real Estates for Investment Purposes (Net)	643.290	643.290	643.290	-	-	-	-
Tax Asset	93.604	93.604	93.604	-	-	-	-
Assets Held for Sale and Assets Held from Discontinued Operations (Net)	563.015	563.015	563.015	-	-	-	-
Other Assets	2.730.720	2.708.468	2.708.468	-	-	-	-
Total Assets	371.922.921	371.881.925	318.012.058	25.943.383	-	27.055.258	508.694
Liabilities							
Deposits	232.898.440	232.911.993	-	-	-	-	-
Derivative Financial Liabilities Held for Trading	653.365	653.365	-	-	-	-	-
Funds Borrowed	24.426.529	24.426.529	-	2.508.783	-	-	-
Money Market Debts	47.345.629	47.345.629	-	42.655.629	-	-	-
Marketable Securities Issued	7.070.751	7.070.751	-	-	-	-	-
Funds	6.020.839	6.020.839	-	-	-	-	-
Miscellaneous Payables	2.591.581	2.566.901	-	-	-	-	-
Other Liabilities	3.525.886	3.525.886	-	-	-	-	-
Factoring payables	-	-	-	-	-	-	-
Payables from Leasing Transactions (Net)	-	-	-	-	-	-	-
Derivative Financial Liabilities for Hedging	-	-	-	-	-	-	-
Provisions	7.548.961	7.538.661	-	-	-	-	-
Tax Liabilities	909.593	909.574	-	-	-	-	-
Liabilities for Assets Held for Sale and Held from Discontinued Operations (Net)	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders' Equity	38.931.347	38.911.797	-	-	-	-	-
Total Liabilities	371.922.921	371.881.925	-	45.164.412	-	-	-

⁽¹⁾ The current account balance of the Consolidated Financial Statements prepared in accordance with paragraph 5 of Article 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks has been prepared by using the temporary financial statements of the non-financial associates as of 31 December 2016

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b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the Consolidated financial statements

	Total	Subject to Credit Risk	Securitization Positions	Subject to Counterparty Credit Risk	Subject to Market Risk
Assets valued under legal consolidation in accordance with TAS	371.881.925	318.012.058	-	25.943.383	27.055.258
Estimated amounts of liabilities under legal consolidation in accordance with TAS	-	-	-	45.164.412	-
Total net amount under legal consolidation	371.881.925	318.012.058	-	(19.221.029)	27.055.258
Off-balance sheet items	146.873.354	45.859.575	-	41.438.831	-
Valuation Differences	-	-	-	-	-
Differences arising from different netting rules	-	-	-	-	-
Differences arising from consideration of provisions	-	-	-	-	-
Differences arising from the applications of the Institution	-	-	-	-	-
Risk Amounts	518.755.279	363.871.633	-	22.217.802	27.055.258

c) Explanations on the differences between the amounts assessed in accordance with TAS and the risk amounts

There is no significant difference between the financial statement values of the assets and liabilities with the values included in the capital adequacy calculation.

2. Credit Risk Explanations

1) General explanations on credit risk

a) General qualitative information on credit risk

i. Transformation of bank's business model into components in credit risk profile

The banks must allocate risk limits approved by board of directors of the banks and monitor limit utilization pursuant to Article 38 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks issued by the BRSA and published in the Official Gazette no. 29057 dated 11 July 2014. Furthermore, pursuant to paragraph 5 of the same article, it is expected to establish a signal structure that will serve as an early warning mechanism in addition to the limit structure.

Additionally, principle 5 of the Guideline for Counter Party Credit Risk Management announced to the public by the BRSA with the Agency Decision no. 6827 dated 31 March 2016 states that banks must allocate a limit for counter party credit risk (CCR).

Pursuant to aforementioned regulations, to what extent the Bank gets closer to allocated limits approved by the board of directors or to what extent these levels were exceeded must be monitored by the risk management unit which was structured independent from executive units. This practice that was included in monitoring function of the risk management unit is significant as it presents a legal obligation and it helps optimization of resource utilization.

As part of the variation in customer segmentation due to changing organizational structure of the Bank, credit risk signal and limit parameters were determined on the basis of corporate, entrepreneur and personal segment in line with the customer segment structure and they are updated according to the changes in the segmentation structure. Signal and limit values for counter party credit risk transactions were determined separately for banking accounts and trading accounts based on portfolio type. Calculations were made based on ratio of risk weighted asset amounts calculated for relevant parameters to total credit and market risk weighted asset amounts and they are reported to the Bank's Top Management periodically through relevant units.

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In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to market risk, it is essential to restrict risk level to the limits in line with the Bank’s risk appetite. Market risk limits were determined as interest rate risk and currency risk limits. Current values for such limits are calculated on a daily basis with market data and reported to the Bank’s Top Management through relevant units. Market risk signal and limit values are monitored dynamically in the light of market developments and, if necessary, updated based on the developments in the Bank’s strategy and risk appetite.

ii. Criteria and approach adopted for determining credit risk policy and credit risk limits

As part of credit risk management, the Bank’s risk management team conducts the functions of identification, measurement, monitoring and controlling of credit risk in line with the structure, size, complexity and growth rate of products and activities and reports the analysis, including stress test, and its results to the Bank’s Top Management.

In an attempt to prevent significant effects of unfavorable developments in the portfolio subject to credit risk, credit risk level was restricted to the limits in line with the Bank’s risk appetite. The limits are revised and, if needed, updated regularly in line with the developments in market conditions, the Bank’s strategy and risk appetite.

There is a signal and limit structure in place, indicating that credit risk limits are almost reached as a result of internal and external developments. Parameters for signal and limit structure and limit values of parameters are determined by risk management by consulting the relevant units. The approval of Audit Committee and Board of Directors is sought in order to implement parameters and signal/limit threshold values within the Bank. It is ensured that risk signal and limit structure is forwarded to relevant units in the Bank and the structure is understood by the relevant staff. Actual values are monitored closely by the risk management. Actual values regarding signal and limit parameters are reported to the Bank’s Top Management.

iii. Structure and organization of credit risk management and control function

The Bank’s internal system units consist of the Inspection Board Presidency, Internal Control and Compliance Presidency and Risk Management Group Presidency. Credit risk management is one of the four services under the Risk Management Group Presidency.

Activities conducted at the credit risk management unit, which is subject to inspection and controlling activities periodically, aim to establish and maintain a credit risk management infrastructure that is structured enough to meet legal obligations and flexible enough to accommodate the best practices. Accordingly, capital amount that should be reserved for credit risk is calculated; risk mitigation techniques are implemented; stress tests are conducted; credit risk signal and limit structures are monitored; activities are conducted to calculate credit risk with advanced methods and developments that may affect the Bank’s credit risk are monitored. Analyses conducted are reported to the Top Management and relevant units periodically.

iv. Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk Management Group Presidency goes through inspection and control activities periodically. In case of any findings, they are reported and required activities are performed.

Furthermore, inspection and control units involve in the process also for the ICAAP activities that constitute a significant part of risk management activities. Accordingly, ICAAP analyses and activities are validated by Internal Control and Compliance Group Presidency that reports to the Audit Commission independent from the team that develops and implements the methodology of the ICAAP analyses. The same team issues a Validation Report as well. The entire ICAAP process is subject to an inspection by the Inspection Board Presidency and reported through Examination Report issued.

v. Scope and main content for reporting to top management and board members on credit risk management function and credit risk exposed

It is essential to inform the Bank’s Top Management about developments in credit risk management and results of the analysis and activities conducted in order to achieve efficiency in risk management. Accordingly, a reporting system for informing the Bank’s Top Management on credit risk management is established and required measures are taken for healthy functioning of the system.

Informing process as part of reporting should be based on the most current data available on a periodical basis.

Reports issued contain, at a minimum, information on risk amount and development, legal capital requirement, stress test analysis results, effect of such results on capital adequacy level, realization level of risk limits and limitations and assumptions of risk measurement method used.

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b) Credit Quality of Assets

	Defaulted	Non-defaulted	Allowances/ amortisation and impairments	Net values
Loans	4.380.490	243.822.896	4.129.041	244.074.345
Debt Securities	-	71.673.528	2.030.828	69.642.700
Off-balance Sheet Exposure	-	106.427.839	150.916	106.276.923
Total	4.380.490	421.924.263	6.310.785	419.993.968

c) Changes in the Defaulted Receivables and Debt Instruments

1	Defaulted loans and debt securities at end of the previous reporting period	3.222.700
2	Loans and debt securities that have defaulted since the last reporting period	2.547.336
3	Receivables back to non-defaulted status	245.111
4	Amounts written off	-
5	Other changes	(1.634.657)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	4.380.490

d) Additional explanations on credit quality of assets

i. Differences between definitions and explanations of “deferred” receivables and receivables for which “provision was allocated”, and definitions of “deferred” and “provision of allocation”, if any

The Bank classifies its credits and other receivables and allocates specific and general provisions pursuant to the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions” published in the Official Gazette no. 26333 dated 1 November 2006. The term “deferred receivables” is used for credits named “Loans under Close Monitoring” whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named “Non-performing Loans” whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets general provisions for credits classified as “Standard Credits” and “Under Close Monitoring” and specific provisions for credits classified as “Non-performing Loans”.

ii. The portion that is not considered within the scope of “allocation of provision” among deferred receivables (over 90 days) and reasons for this practice

The Bank transfers credits whose maturity is deferred for more than 90 days automatically to monitoring accounts pursuant to the classification provisions of Regulation on Provisions, and allocates provision of respective class; whereas it does not allocate specific or general provisions for fund-based credits classified as “Non-performing Loans” pursuant to Article 13 “Exceptions” of the Regulation on Provisions as the relevant risk is not assumed by the Bank.

iii. Definitions of methods used for determining provision amount

Pursuant to provisions of the Regulation on Provisions, the Bank allocates a General Provision of at least one percent (1%) of total standard cash loans and at least two percent (2%) of total cash loans under close monitoring (deferred for less than 90 days) and it calculates general provision by applying general provision rates applicable to cash loans (e.g. 1% for standard loans and 2% for loans under close monitoring) over risk amount calculated pursuant to the provisions of “Communiqué on Measurement and Assessment of Capital Adequacy of Banks” for non-cash loans, commitments and derivative financial instruments. While it is determined in the Regulation on Provisions that specific provision of at least 20%, 50% and 100% must be allocated for loans in groups 3, 4 and 5, respectively, which are classified as non-performing loans (deferred for more than 90 days), a specific provision of 100% is allocated for all loans under follow-up groups of receivables, regardless of their collaterals, pursuant to the precautionary principle.

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iv. Definitions of restructured receivables

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets

	Loans and Receivables	Loans under Follow-up	Specific Provisions	Total
Domestic	226.498.658	4.176.355	3.924.906	226.750.107
EU Countries	138.388	12.431	12.431	138.388
USA, Canada	27.793	193	193	27.793
OECD Countries	-	-	-	-
Off-shore banking region	7.260	-	-	7.260
Other Foreign Countries	5.719.987	28.118	28.118	5.719.987
Total	232.392.086	4.217.097	3.965.648	232.643.535

	Loans and Receivables	Loans under Follow-up	Specific Provisions	Total
Agriculture	49.899.581	644.185	399.592	50.144.174
Farming and Stockbreeding	49.295.582	636.678	392.085	49.540.175
Forestry	352.602	3.611	3.611	352.602
Fishing	251.397	3.896	3.896	251.397
Manufacturing	45.794.478	744.282	744.282	45.794.478
Mining and Quarrying	4.385.467	17.200	17.200	4.385.467
Production	29.499.936	711.979	711.979	29.499.936
Electric, Gas and Water	11.909.075	15.103	15.103	11.909.075
Construction	13.310.680	923.605	916.944	13.317.341
Services	52.206.098	979.194	979.194	52.206.098
Wholesale and Retail Trade	20.685.712	802.160	802.160	20.685.712
Hotel Food and Beverage Services	3.899.201	36.062	36.062	3.899.201
Transportation and Telecommunication	7.325.692	45.853	45.853	7.325.692
Financial Institutions	5.533.523	1.605	1.605	5.533.523
Real Estate and Leasing Services	13.438.275	66.572	66.572	13.438.275
Self Employment Services	-	-	-	-
Education Services	388.039	13.666	13.666	388.039
Health and Social Services	935.656	13.276	13.276	935.656
Other	71.181.249	925.831	925.636	71.181.444
Total	232.392.086	4.217.097	3.965.648	232.643.535

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-distributable	Total
Current Period								
Loans Granted	-	8.685.180	16.150.787	87.914.227	94.336.198	25.305.694	251.449	232.643.535

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vi. Aging analysis for deferred receivables

The Aging Analysis regarding the loans which are overdue but yet have not lost its value has been presented below;

Current Period	Up to 1 Month	1-2 Months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneur Loans	366.221	51.043	82.207	499.471
Retail Loans	41.679	9.335	4.355	55.369
Directed Loans	346.390	44.254	21.789	412.433
Total	754.290	104.632	108.351	967.273

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans and the overdue principal amounts for other loans and the sum of remaining principal amounts of installment loans is 3.484.322 TL.

vii. Breakdown of restructured receivables by allocation of provision

Out of the Bank's total restructured loans amounting to TL 8.312.683, a portion of TL 8.112.945 consists of performing loans and remaining portion of TL 199.738 consists of non-performing loans. While the specific provision allocated for non-performing loans amounts to TL 199.567, no specific provision was allocated for non-performing loans of TL 171, whose risk is not assumed by the Bank.

2) Credit risk mitigation

a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

i. Basic characteristics of policies and processes on the extent of utilization of on-balance sheet and off-balance sheet netting

The practice of on-balance sheet and off-balance sheet netting is not used while mitigating credit risk within the Bank.

b) Credit risk mitigation techniques - Overview

	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	236.237.231	6.943.684	1.220.992	893.430	610.373	-	-
Debt instruments	69.642.700	-	-	-	-	-	-
Total	305.879.931	6.943.684	1.220.992	893.430	610.373	-	-
Default	4.380.490	-	-	-	-	-	-

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3) Credit risk if standard approach is used

a) Qualitative explanations on ratings used by the banks while calculating credit risk with standard approach

i. Names of Credit Rating Agencies (CRA) and Export Rating Agencies (ERA) used by the Bank and the reasons in case of any change during the reporting period

The Bank uses ratings of Fitch Ratings International Rating Agency while calculating the amount subject to credit risk through standard approach.

ii. Risk classes using CRA and ERA ratings

Grades of Fitch Ratings International Rating Agency are used for receivables from central government and central bank of our country as well as for foreign-based counter parties. Resident counter parties are accepted as “gradeless” and take risk weight appropriate for “gradeless” category in relevant risk class.

Rating grades are used in risk classes of Receivables from Central Governments or Central Banks and Receivables from Banks and Brokerage Houses.

iii. Explanation on how credit rating of debtor is used for other assets of debtor in banking accounts

For determination of risk weight regarding items included in banking accounts which are subject to issue or issuer rating, issue rating is considered first, and issuer’s credit rating is considered in the absence of issue rating.

While the rating assigned by Fitch Ratings International Rating Agency corresponds to credit quality level 3 in the risk class “Receivables from Central Governments or Central Banks”, ratings used for the risk class “Receivables from Banks and Brokerage Houses” match with different credit quality levels.

iv. Matching rating grades on the basis of risk

Rating grade assigned by a credit rating agency that is not listed in the BRSA’s matching table is not used in calculations.

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b) Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

Risk classes	The credit conversion rate and the credit amount before the credit risk mitigation		The credit conversion rate and the credit amount after the credit risk mitigation		Risk weighted amount and risk weighted amount density	
	Balance sheet amount	Off-balance sheet amount	Balance sheet amount	Off-balance sheet amount	Risk Weighted Average amount	Risk Weighted Average density
Exposures to sovereigns and their central banks	83.148.313	791.707	88.906.802	378.405	25.092.503	28,1%
Exposures to regional and local governments	527.036	232.722	484.507	84.127	277.773	48,8%
Exposures to administrative bodies and non-commercial entities	185.075	811.560	379.175	378.764	713.770	94,2%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	56.729.936	8.479.170	57.091.786	4.526.087	7.804.404	12,7%
Exposures to corporates	109.583.886	74.513.827	103.409.641	37.260.183	137.980.703	98,1%
Retail exposures	88.375.184	19.755.873	88.280.224	2.917.439	67.916.302	74,5%
Exposures secured by residential property	27.200.877	111.527	27.200.877	55.764	9.543.770	35,0%
Exposures secured by commercial property	9.458.822	420.049	9.456.125	215.932	4.898.303	50,6%
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	308.898	119.744	308.890	19.795	492.014	149,7%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	1.667.356	47.437	1.667.356	23.081	1.686.718	99,8%
Other exposures	18.024.549	-	18.024.549	-	8.544.536	47,4%
Equity share investments	124.451	-	124.451	-	124.451	100,0%
Total	395.334.383	105.283.616	395.334.383	45.859.577	265.075.247	60,1%

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c) Standard Approach: Receivables related with Risk Classes and Risk Weights

Risk Classes/Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% ^(*)	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	39.856.047	-	14.761	-	-	48.649.697	-	764.702	-	-	-	89.285.207
Exposures to regional and local government	32.187	-	34	-	-	517.294	-	19.119	-	-	-	568.634
Exposures to administrative bodies and non-commercial entities	43.756	-	516	-	-	-	-	713.667	-	-	-	757.939
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	40.681.369	-	9.539.932	-	-	11.000.308	-	396.264	-	-	-	61.617.873
Exposures to corporates	116.002	-	1.395.093	-	-	2.914.090	-	136.244.639	-	-	-	140.669.824
Retail exposures	511.274	-	175.558	-	-	7.730	90.503.101	-	-	-	-	91.97.663
Exposures secured by residential property	6.594	-	951	27.239.255	-	-	-	9.841	-	-	-	27.256.641
Exposures secured by commercial property	4.389	-	3.037	-	9.533.871	-	-	130.760	-	-	-	9.672.057
Past-due items	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	632	-	41	-	-	-	-	23	327.989	-	-	328.685
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	-	-	1.686.719	-	-	-	1.690.437
Equity share investments	-	-	-	-	-	-	-	124.451	-	-	-	124.451
Other exposures	9.476.992	-	3.779	-	-	-	-	8.543.778	-	-	-	18.024.549
Total	90.732.960	-	11.133.702	27.239.255	9.533.871	63.089.119	90.503.101	148.633.963	327.989	-	-	441.193.960

(*) "Demonstrates all receivables that are consisting of 50% risk weighted and out of the line "Exposures secured by commercial property."

4) Credit risk under Internal Ratings-Based (IRB) Approach

Standard approach is used in the Bank's credit risk calculations.

3. Counter Party Credit Risk Explanations

a) Qualitative explanations on counter party credit risk

i. Risk management goals and policies for CCR

As part of the Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

As part of capital adequacy ratio calculations, activities for counter party credit risk are an integral part of planning, monitoring and controlling of total risk profile, and counter party credit risk management is integrated to periodic risk management process.

In the scope of counter party risk management, it is aimed to meet legal obligations and to establish and maintain counter party credit risk management infrastructure that is flexible and structured enough to accommodate the best practices. Accordingly, it is planned to conduct stress test activities, improve counter party credit risk signal and limit structure and conduct relevant monitoring function.

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ii. Operational limit allocation method specified in the scope of internal capital calculated for CCR and CCP risks

Critical thresholds (signal and limit values) indicating that limits are approached due to internal or external developments have been identified. In the event that these values are approached or exceeded, relevant units take required actions.

Parameters for signal and limit structure and limit values of parameters are determined by consulting the relevant units and implemented at the Bank upon approval of the Audit Committee and Board of Directors.

Internal limits are determined by considering the Bank’s budget, strategy and expectations for upcoming years, developments in Turkey and abroad, and historical realization of risks.

iii. Policies for establishing guarantee and other risk mitigation and CCR, including CCP risk

In an attempt to identify the counter party credit risk that the Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

Our risk management structure involves activities to ensure that counter party credit risk measurement system functions and is maintained in line with the best practices, legal regulations, fields of activity and product ranges in a consistent, reliable and integrated way.

As part of counter party credit risk management, stress test scenarios were created by anticipating any unfavorable developments in macroeconomic conditions and the Bank’s balance sheet. Results of stress test analysis are considered while establishing risk management policies.

Amount subject to counter party credit risk is calculated with appraisal method based on its fair value in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and provisions in Appendix-2, and reported on a monthly basis. Accordingly, replacement cost and potential counter party credit risk amounts are calculated. Furthermore, capital obligation is also calculated for credit appraisal adjustment for all derivatives.

Additionally, compliance of transactions posing counter party credit risk with thresholds within signal and limit structure is monitored and research is conducted for counter party credit risk calculations with advanced methods.

iv. Rules for countertrend risk

Boasting a strong lending and collateralization structure, the Bank avoids collateralization in positive correlation with the debtor’s credibility and activities in connection with risk mitigation techniques are performed by considering qualitative criteria specified in legal legislation for calculation of amount subject to credit risk.

v. Amount of additional collateral that the Bank must submit in case of a decline in credit rating

As the Bank has no transactions in connection with credit rating, there is not any additional collateral amount it must pay.

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b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Replacement cost	Potential future exposure	EEPE Amount ^(*)	Alpha used for computing regulatory exposure at default	Exposure at default post Credit Risk Mitigation	Risk weighted amounts
Valuation Method according to fair value - CCR (for derivatives)	1.561.694	434.662			1.996.356	838.141
1 Standardised approach - CCR (for derivatives)	-	-		1,4	-	-
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					28.145.669	1.635.788
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.777.053	828.485
5 Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6 Total						3.302.414

(*) Effective Expected Positive Exposure

c) Consolidated capital requirement for credit valuation adjustment (CVA)

	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) Value at Risk (VaR) component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital charge	1.996.356	20.833
4 Total subject to the CVA capital charge	1.996.356	20.833

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

Risk Weight									Total credit risk exposure ^(*)
Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Other	(*)
Exposures to sovereigns and their central banks	265.289	-	-	105.163	-	-	-	-	370.452
Exposures to regional and local governments	5.771	-	-	18	-	-	-	-	5.789
Exposures to administrative bodies and non-commercial entities	15.695	-	-	-	-	50	-	-	15.745
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	42.115.329	-	6.404.749	3.758.968	-	781	-	-	52.279.827
Exposures to corporates	12.069	-	-	-	-	108.485	-	-	120.554
Retail exposures	10.558	-	-	-	1.211	-	-	-	11.769
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	3.718	-	-	-	-	11	-	-	3.729
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-
Total	42.428.429	-	6.404.749	3.864.149	1.211	109.327	-	-	52.807.865

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

(**) Other assets: the amount excludes exposures to “Central counterparty” which are reported in Counterparty credit risk

e) Risk Classes and Counterparty Credit Risk Explanations (Internal Rating-Based)

None.

f) Collaterals for consolidated CCR

	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	31.252.959	-
Cash-foreign currency	-	-	-	-	13.753.198	-
Domestic sovereign debts	-	-	-	-	3.081	-
Other sovereign debts	-	-	-	-	105.100	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	45.114.338	-

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g) Credit Derivatives

None.

h) Risk Weight changes under CCR on the Internal Modeling Management Methods.

None.

i) Exposures to central counterparties (CCP):

None.

4. Explanations on Securitization Disclosures

None.

5. Market Risk Explanations

a) Qualitative information to be disclosed to public on market risk

i. The Bank’s process and strategies: A disclosure on the Bank’s strategic goals for trading activities is made in a manner that includes processes for identification, measurement, monitoring and controlling of the Bank’s market risks, hedging processes and strategies/ processes for monitoring continuity of hedging efficiency

For the purposes of market risk aversion in line with financial risk management, the Bank has identified market risk management activities in accordance with the Communiqué on Measurement and Assessment of Capital Adequacy of Banks and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks and has taken required precautions.

The Bank’s market risk management policies and implementation procedures have been specified in the scope of the Regulation on Risk Management, Stress Test Program and ICAAP approved by the Board of Directors.

The Bank ensures that measurement, monitoring, limiting, stress test and scenario analysis activities are conducted in line with the structure and complexity of its positions for market risk management and their results are reported periodically. Activities sustained are conducted over a trading portfolio specified by the Bank’s Treasury Management and other activities subject to market risk.

The amount subject to market risk is calculated and monitored with standard method and advanced measurement method at the Bank. Furthermore, scenario analysis and stress tests are also conducted periodically.

ii. Organization and structure of market risk management function: Definition of market risk management structure established for implementation of the Bank’s strategies and processes as mentioned in line “i)” and definition of communication mechanism and relationship between different parties involved in market risk management

Market risk management is a subunit of Risk Management Group Presidency, one of internal systems units established independently from executive units of the Bank.

Market risk management activities are conducted in line with the Regulation on Risk Management, Stress Test Program and ICAAP approved with the Board Decision no. 15/18 dated 28 April 2015 and performed by aiming the best practices in this structure.

The Bank’s trading activities and transactions subject to market risk are monitored and measured regularly, and required practices are performed for risk management. Required reports on market risk are submitted to relevant units and the Bank’s Top Management regularly.

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iii. Structure and scope of risk reporting and/or measurement systems

The amount subject to the Bank's market risk is calculated on a monthly basis with the standard method and included in the Bank's capital adequacy ratio.

Apart from the standard method, Value at Risk (VaR) estimations are made for trading accounts on a daily basis and reported to relevant units. VaR calculated with Historical Simulation Method is used in daily reporting and limit measurement with a confidence level of 99%. VaR can be calculated with Parametric and Monte Carlo Methods in addition to Historical Simulation Method. Backward testing is performed so as to measure performance of used model and monitor market realization. Also, the Bank performs stress tests and scenario analyses on a daily and monthly basis so as to observe the effect of excessive market fluctuations that are not covered in the models on the Bank's financial position. Scenario analysis and stress test activities are audited and improved regularly in line with the market dynamics.

The market risk exposure is restricted with VaR-based limits (interest rate and currency risk limit) within the context of the Regulation on Risk Management, Stress Test Program and ICAAP. Market risk limits are determined by the Bank's Board of Directors.

c) Standardised Approach

		Risk Weighted Amount
	Outright products	
1	Interest rate risk (general and specific)	12.242.337
2	Equity risk (general and specific)	1.050.625
3	Foreign exchange risk	2.065.813
4	Commodity Risk	-
	Options	
5	Simplified Approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	15.358.775

6. Explanations on the Operational Risk

In the Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income obtained from shares excluding shares of subsidiaries and associates, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of assets monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

Within the scope of the performances for modeling with the Advanced Measurement Approach of operational risk, based on the data in Operational Risk Loss database, Operational Value at Risk (OpVAR) measurements are calculated using Monte Carlo Simulation within the scope of Loss Distribution Method.

	31.12.2013	31.12.2014	31.12.2015	Total/ Positive GI year number	Ratio (%)	Total
Gross income	9.832.553	10.313.730	12.685.346	10.943.876	15	1.641.581
Amount subject to Operational Risk						20.519.768

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7. Explanations on the Interest Rate Risk for Banking Accounts

Banking accounts interest rate risk management strategy policy and implementation procedures are determined within the context of “Regulation on Risk Management, Stress Test Program and the Bank’s Internal Capital Adequacy Assessment Process (“ICAAP”).”

Bank performs scenario analysis with measurements that are suitable for structure and complexness of positions related to the market risk management, limiting, scenario analysis and stress test and also reports the findings cyclically. Bank’s perform analysis related to interest rate risks for the entire balance sheet. New products and services are also evaluated from the point of interest rate risk that is originated from banking accounts.

In the risk management, the following methods are followed at minimum level: The follow-up of rate and maturity mismatch between sources and uses of fixed and variable interest rates, the analysis and follow-up of the effects of the usual and unusual changes in interest rates which is possibly uptrend and downtrend on the interest margin and on the current value of assets and liabilities, the analysis and follow-up of contractual maturities as well as behavioral maturities assets and liabilities, monitoring closely of interest margins for provided Turkish Liras and foreign currency, the follow-up of the effects of interest rate changes on Bank’s economic value and capital requirement, the follow-up of potential impacts of valuation methods, the calculation and the determination of the size of interest rate shock in Bank’s internal applications, the follow-up of yield curve, basis risk and option risk. Also, in order to limit the impact of interest rate changes on Bank’s financial structure, the interest rate risk limit arising from banking accounts which is approved by the Board of Directors is followed monthly.

Currency	Applied Shock (+/-x basis points)	Gains/Losses	Gains/Shareholders' Equity- Losses/ Shareholders' Equity
1. TL	500	(5.973.447)	(14,55%)
2. TL	(400)	5.897.170	14,36%
3. EURO	200	100.055	0,24%
4. EURO	(200)	(65.175)	(0,16%)
5. USD	200	(1.075.912)	(2,62%)
6. USD	(200)	1.337.975	3,26%
Total (for negative shocks)		7.169.970	17,46%
Total (for positive shocks)		(6.949.304)	(16,92%)

X. 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 Bank is operating in consumer banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Known as having the most extensive branch network in retail (consumer) banking sector, the Parent Bank renders services, such as; deposits, consumer loans, loans originated from funds whose risk does not belong to the Bank, credit cards, automatic payment, cheques and notes, money transfer order, foreign exchange transactions, internet banking, mobile banking, safe-deposit box and insurance brokerage services. Moreover, existing instruments are improved and new banking instruments are created in order to benefit from services undertaken as being a state bank in increasing the profitability of the Parent Bank. By “Finart” system, which is working in a centralized manner, the Parent Bank has the technical infrastructure required by modern banking sector to meet its clients’ needs.

In the context of corporate and entrepreneurial banking, the Group gives loans for operations, mid-term and long-term investment loans, foreign trade financing loans, letter of credits and guarantees in Turkish Lira and foreign currencies; renders project financing, other corporate finance related services, foreign exchange transactions and banking services to large-scale corporate clients and middle-small scale enterprises.

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As the Parent Bank is the main financial institution that meets the financing needs of agricultural sector in Turkey, it extends agricultural operations and investment loans from its own sources for vegetable and animal production, fishery products and agricultural mechanization directly to producers and The Central Union of Turkish Agricultural Credit Cooperatives. Besides, it gives support to entities and enterprises having operations in agricultural sector by acting as an intermediary for loans originated from funds.

Treasury transactions and international banking activities; national and international organisation, over-the-counter money, spot and forward Turkish Lira, foreign currency, precious metal, securities, trading of derivative instruments are executed by Treasury Management and International Banking Assistant General Management. Furthermore, bank’s liquidity, securities, deposits and non-deposit equity management activities are carried out. Besides, studies are being conducted to present and market treasury products to our customers in our branches and distribution channels and finance of companies’ foreign trade transactions. By the authority of the Service Unit, for the trade of the securities, the mercantile agent of Ziraat Yatırım Menkul Değerler A.Ş. undertaken an intermediary role for the public offering of securities and also an intermediary role for the trade of the investment funds managed by Ziraat Portföy Yönetimi A.Ş. and the other asset management firms. The recognition, storage of the mentioned financial derivatives and individual portfolio management services are provided by the discussed subdivision of the Parent Bank. On the other hand, to provide long term financing for the banks and the international finance organizations and diversify the methods of financing on this direction to issue domestic and foreign T-bills and government bonds and as well as to sustain corresponding bank relations and the relation of our Bank with the international investors is on the objectives of the Service Unit.

Besides, the Parent Bank has commission revenue from insurance and other finance institutions by rendering agency services through its branches.

As of 31 December 2016, explanations on segment reporting as shown on the following page are in line with Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”.

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Table for Segment Reporting:

Current Period 31 December 2016	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE							
Interest Income	6.926.242	10.029.557	4.629.522	6.303.425	-	357.121	28.245.867
Interest Income from Loans	6.926.242	9.979.925	4.629.507	525.514	-	26.091	22.087.279
Interest Income from Banks	-	48.786	-	67.023	-	104.849	220.658
Interest Income from Securities	-	846	-	5.515.852	-	11.047	5.527.745
Other Interest Income	-	-	15	195.036	-	215.134	410.185
Interest Expense	6.594.586	3.039.158	-	3.827.398	-	110.159	13.571.301
Interest Expense on Deposits	6.594.586	3.031.889	-	429.875	-	2.226	10.058.576
Interest Expense on Funds Borrowed	-	7.127	-	482.575	-	38.010	527.712
Interest Expense on Money Market Transactions	-	-	-	2.532.649	-	4	2.532.653
Interest Expense on Securities Issued	-	-	-	382.299	-	15.222	397.521
Other Interest Expense	-	142	-	-	-	54.697	54.839
Net Interest Income/Expense	331.656	6.990.399	4.629.522	2.476.027	-	246.962	14.674.566
Net Fees and Commission Income/Expense	1.063.047	404.876	105.147	(243.219)	-	186.716	1.516.567
Fees and Commissions Received	1.063.047	411.353	105.147	4.128	-	290.732	1.874.407
Fees and Commissions Paid	-	6.477	-	247.347	-	104.016	357.840
Dividend Income	-	-	-	259.184	(231.293)	5.010	32.901
Trading Income/Loss (Net)	-	12.698	-	(180.806)	-	(1.885)	(169.993)
Other Operating Income	35.620	304.484	34.836	-	-	2.852.647	3.227.587
Provision for Loans or Other Receivables Losses	958.623	1.829.617	693.715	119	(924)	95.102	3.576.252
Other Operating Expense	76.486	297.851	49.083	-	(1.351)	6.265.758	6.687.827
Income Before Tax	395.214	5.584.989	4.026.707	2.311.067	(229.018)	(3.071.410)	9.017.549
Profit/Loss on Equity Method	-	-	-	-	-	21.914	21.914
Tax Provision	-	-	-	-	-	(2.154.328)	(2.154.328)
Net Profit/Loss	395.214	5.584.989	4.026.707	2.311.067	(229.018)	(5.203.824)	6.885.135
SEGMENT ASSETS							
Financial Assets at FV Through P/L	-	9.042	-	1.684.798	-	25.731	1.719.571
Banks and Other Financial Institutions	-	767.830	-	2.904.692	-	900.488	4.573.010
Financial Assets Available for Sale (Net)	-	-	-	59.119.312	147	8.755	59.128.214
Loans	63.876.189	122.691.522	46.461.974	10.701.124	-	343.536	244.074.345
Held to Maturity Investments (Net)	-	15.975	-	8.749.464	-	29.476	8.794.915
Associates, Subsidiaries and Joint Ventures	-	951	-	4.311.740	(4.125.232)	26.989	214.448
Other Assets	-	247.399	-	-	(6.135)	53.136.158	53.377.422
Total Segment Assets	63.876.189	123.732.719	46.461.974	87.471.130	(4.131.220)	54.471.133	371.881.925
SEGMENT LIABILITIES							
Deposits	157.246.729	60.890.317	10.183	13.325.891	-	1.438.873	232.911.993
Derivative Financial Liabilities Held for Trading	-	-	-	642.476	-	10.889	653.365
Funds Borrowed	-	16.458	-	23.459.531	-	950.540	24.426.529
Money Market Funds	-	-	-	47.345.629	-	-	47.345.629
Securities Issued (Net)	-	4.469	-	6.934.460	-	131.822	7.070.751
Provisions	824	22.114	-	-	22.628	7.493.095	7.538.661
Other Liabilities	-	38.425	-	-	(6.135)	12.990.910	13.023.200
Shareholders' Equity	-	252.276	-	-	(4.147.715)	42.807.236	38.911.797
Total Segment Liabilities	157.247.553	61.224.059	10.183	91.707.987	(4.131.222)	65.823.365	371.881.925
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	376.382	376.382
Restructuring Costs	-	-	-	-	-	-	-

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	Retail Banking	Corporate/ Entrepreneurial Banking	Specialized Banking	Treasury/ Investment Banking	Consolidation Correction	Other/ Undistributed	Total
Prior Period							
OPERATING INCOME/EXPENSE							
31 December 2015							
Interest Income	5.775.959	7.143.107	3.481.380	5.858.253	-	393.416	22.652.115
Interest Income from Loans	5.775.959	7.097.986	3.481.380	524.564	-	33.542	16.913.431
Interest Income from Banks	-	39.267	-	53.007	-	90.749	183.023
Interest Income from Securities	-	2.183	-	5.220.380	-	25.159	5.247.722
Other Interest Income	-	3.671	-	60.302	-	243.966	307.939
Interest Expense	5.716.499	2.558.280	-	3.237.389	-	114.818	11.626.986
Interest Expense on Deposits	5.716.499	2.556.806	-	425.029	-	2.563	8.700.897
Interest Expense on Funds Borrowed	-	-	-	403.384	-	38.040	441.424
Interest Expense on Money Market Transactions	-	736	-	2.127.843	-	20	2.128.599
Interest Expense on Securities Issued	-	-	-	281.133	-	13.426	294.559
Other Interest Expense	-	738	-	-	-	60.769	61.507
Net Interest Income/Expense	59.460	4.584.827	3.481.380	2.620.864	-	278.598	11.025.129
Net Fees and Commission Income/Expense	815.605	327.037	79.035	(191.825)	-	200.424	1.230.276
Fees and Commissions Received	815.605	327.941	79.035	5.275	-	333.526	1.561.382
Fees and Commissions Paid	-	904	-	197.100	-	133.102	331.106
Dividend Income	-	-	-	213.056	(208.673)	2.036	6.419
Trading Income/Loss (Net)	185	9.623	-	(162.541)	-	11.016	(141.717)
Other Operating Income	24.519	247.764	47.778	3.731	-	2.110.114	2.433.906
Provision for Loans or Other Receivables Losses	402.157	776.519	295.903	1.715	5.026	65.951	1.547.271
Other Operating Expense	45.338	220.676	35.715	-	(142)	5.845.197	6.146.784
Income Before Tax	452.274	4.172.056	3.276.575	2.481.570	(213.557)	(3.308.960)	6.859.958
Profit/Loss on Equity Method	-	-	-	-	-	28.025	28.025
Tax Provision	-	-	-	-	-	(1.510.009)	(1.510.009)
Net Profit/Loss	452.274	4.172.056	3.276.575	2.481.570	(213.557)	(4.790.944)	5.377.974
SEGMENT ASSETS							
31 December 2015							
Financial Assets at FV Through P/L	-	-	-	945.774	-	26.492	972.266
Banks and Other Financial Institutions	-	378.545	-	3.297.543	-	1.405.776	5.081.864
Financial Assets Available for Sale (Net)	-	36.360	-	53.948.118	148	52.312	54.036.938
Loans	51.214.922	95.157.671	37.676.823	8.190.770	-	268.210	192.508.396
Held to Maturity Investments (Net)	-	13.407	-	10.144.142	-	65.926	10.223.475
Associates, Subsidiaries and Joint Ventures	-	817	-	2.655.366	(2.495.396)	25.282	186.069
Other Assets	-	197.145	-	-	(2.537)	47.064.202	47.258.810
Total Segment Assets	51.214.922	95.783.945	37.676.823	79.181.713	(2.497.785)	48.908.200	310.267.818
SEGMENT LIABILITIES							
31 December 2015							
Deposits	137.600.974	41.269.946	-	10.828.741	-	1.220.436	190.920.097
Derivative Financial Liabilities Held for Trading	-	-	-	290.275	-	9.907	300.182
Funds Borrowed	-	43.305	-	19.463.588	-	1.280.510	20.787.403
Money Market Funds	-	-	-	43.134.312	-	-	43.134.312
Securities Issued (Net)	-	-	-	5.287.606	-	131.791	5.419.397
Provisions	-	14.470	-	-	23.552	6.327.715	6.365.737
Other Liabilities	-	19.556	-	-	(2.537)	11.570.729	11.587.748
Shareholders' Equity	-	235.617	-	-	(2.518.802)	34.036.127	31.752.942
Total Segment Liabilities	137.600.974	41.582.894	-	79.004.522	(2.497.787)	54.577.215	310.267.818
OTHER SEGMENT ITEMS							
Capital Investment	-	-	-	-	-	-	-
Amortization Expense	-	-	-	-	-	333.360	333.360
Restructuring Costs	-	-	-	-	-	-	-

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XI. EXPLANATIONS RELATED TO PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	316.570.484	261.850.673	316.981.873	262.357.027
Due from Interbank Money Market	252.944	116.173	252.944	116.173
Banks	4.320.066	4.965.691	4.320.066	4.965.691
Available-for-Sale Financial Assets	59.128.214	54.036.938	59.128.214	54.036.938
Held-to-Maturity Investments	8.794.915	10.223.475	9.206.304	10.729.829
Loans	244.074.345	192.508.396	244.074.345	192.508.396
Financial Liabilities	266.976.174	219.506.033	266.976.174	219.506.033
Bank Deposits	11.975.932	9.686.885	11.975.932	9.686.885
Other Deposits	220.936.061	181.233.212	220.936.061	181.233.212
Funds Borrowed from Other Financial Institutions	24.426.529	20.787.403	24.426.529	20.787.403
Issued Marketable Securities	7.070.751	5.419.397	7.070.751	5.419.397
Miscellaneous Payables	2.566.901	2.379.136	2.566.901	2.379.136

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of held to maturity financial assets is calculated by considering market prices. In cases where these prices cannot be determined, the fair value is assessed on the basis of market prices quoted for securities that have the same attributes in terms of interest, maturity and other terms.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

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a) 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 Parent 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 Fair Value Through Profit or (Loss) (Net)	52.184	1.667.387	-	1.719.571
Government Debt Securities	40.825	-	-	40.825
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	11.359	1.667.387	-	1.678.746
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets (Net)	58.518.529	586.499	-	59.105.028
Equity Securities ⁽¹⁾	526.528	99.684	-	626.212
Government Debt Securities	57.900.259	-	-	57.900.259
Other Marketable Securities	91.742	486.815	-	578.557
Total Assets	58.570.713	2.253.886	-	60.824.599
Trading Derivative Financial Liabilities	9.737	643.628	-	653.365
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	9.737	643.628	-	653.365

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss) (Net)	43.982	928.284	-	972.266
Government Debt Securities	39.408	-	-	39.408
Share Certificates	580	-	-	580
Trading Derivative Financial Assets	3.994	928.284	-	932.278
Hedging Derivative Financial Assets	-	-	-	-
Other Marketable Securities	-	-	-	-
Available-for-Sale Financial Assets (Net)	53.643.249	275.076	95.427	54.013.752
Equity Securities ⁽¹⁾	388.756	101.711	95.028	585.495
Government Debt Securities	53.168.577	-	-	53.168.577
Other Marketable Securities	85.916	173.365	399	259.680
Total Assets	53.687.231	1.203.360	95.427	54.986.018
Trading Derivative Financial Liabilities	6.897	293.285	-	300.182
Hedging Derivative Financial Liabilities	-	-	-	-
Total Liabilities	6.897	293.285	-	300.182

⁽¹⁾ Since equity securities under the heading of financial assets available for sale amounting to TL 23.186 are not quoted in an active market, they are presented with their acquisition costs in the financial statements and are not included in the table above

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XII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES

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

The Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of real persons and corporate, conducts repo transactions, and provides custody services. The Parent 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 the scope of fiduciary transactions and the effects of such services to the financial position of the Parent Bank or the Group:

The Parent Bank has no fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1.738.822	1.053.954	1.723.559	853.611
Central Bank of the Republic of Turkey	6.432.150	31.248.539	2.378.666	31.888.236
Other	3.775	168.265	-	90.605
Total	8.174.747	32.470.758	4.102.225	32.832.452

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%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 12,5%; for FC deposit accounts with 1-year and longer maturity 8,5%, for FC liabilities other than deposits up to 1-year maturity 24,5%; for FC liabilities other than deposits up to 2-years maturity 19,5%, for FC liabilities for FC liabilities other than deposits up to 3-years maturity 14,5%; for FC liabilities other than deposits up to 5-years maturity 6,5% and for FC liabilities other than deposits more than 5-years maturity 4,5%.

According to the press release of CBRT held on 21 October 2014, interest payment for Turkish Lira reserve requirement has been commenced from the November 2014 maintenance period. In addition, according to Press Release of CBRT on Remuneration of Foreign Currency Required and Free Reserves numbered 2015/35, the implementation of remuneration for US dollars denominated required reserves, reserve options and free reserves held at CBRT has been started as of 5 May 2015.

As of 31 December 2016, total reserve requirement of the Group is TL 37.360.029 including Central Banks abroad (31 December 2015: TL 35.484.883).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	6.332.401	2.254.151	2.310.541	236.684
Unrestricted Time Deposit	-	2.312.376	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ^{(1) (2)}	99.749	26.682.012	68.125	31.651.552
Total	6.432.150	31.248.539	2.378.666	31.888.236

⁽¹⁾ Required reserve of branches abroad amounting to TL 88.706 is presented in this line (31 December 2015: TL 78.150).⁽²⁾ TL 12.506.189 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2015: TL 19.082.468).

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	-	-
Assets Blocked/Given as Collateral	-	3.960
Total	-	3.960

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

Derivative Financial Assets Held-for-Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	34.505	62.310	26.116	46.643
Swap Transactions	1.161.871	420.018	625.959	233.506
Futures Transactions	-	-	-	-
Options	42	-	9	45
Other	-	-	-	-
Total	1.196.418	482.328	652.084	280.194

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1.515.980	376.346	1.884.201	408.643
Foreign Banks	70.103	2.357.637	27.113	2.645.734
Foreign Head Office and Branches	-	-	-	-
Total	1.586.083	2.733.983	1.911.314	3.054.377

b) Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	932.505	241.995	7.867	9.108
USA, Canada	1.032.444	1.902.409	-	705
OECD Countries ⁽¹⁾	21.643	8.874	-	-
Off-Shore Banking Regions	-	-	-	-
Other	431.433	508.885	1.848	871
Total	2.418.025	2.662.163	9.715	10.684

⁽¹⁾ OECD countries except EU countries, USA and Canada.

4. a) Explanation regarding to 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	41.422.834	40.599.081
Assets Blocked/Given as Collateral	5.879.016	5.251.648
Total	47.301.850	45.850.729

b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	60.472.357	54.745.634
Quoted in Stock Exchange	60.387.940	54.688.171
Not Quoted in Stock Exchange	84.417	57.463
Share Certificates	686.242	635.564
Quoted in Stock Exchange	528.908	483.687
Not Quoted in Stock Exchange	157.334	151.877
Provision for Impairment (-)	2.030.385	1.344.260
Total	59.128.214	54.036.938

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5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	12.654	-	202
Loans Granted to Employees ^{(1) (2)}	290.654	155	267.353	132
Total	290.654	12.809	267.353	334

⁽¹⁾ Interest rediscount and interest accrual amounting TL 2.429, are not included in the table above.

⁽²⁾ Since the balance of overdraft accounts related to employees amounting TL 15.257, is showed under Table 5-d as overdraft accounts (real person), it is not included to the table above.

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled		Loans and Other Receivables	Restructured or Rescheduled	
		Loans and other receivables with revised contract terms ⁽¹⁾	Other		Loans and other receivables with revised contract terms	Other
Non-Specialized Loans	188.599.169	2.920.997	-	1.907.197	1.558.463	-
Commercial loans	113.126.539	1.704.312	-	956.828	1.376.911	-
Export Loans	3.765.945	-	-	39.940	-	-
Import Loans	412.179	-	-	5.335	77	-
Loans Given to Financial Sector	7.832.290	-	-	-	-	-
Consumer Loans	58.924.331	1.216.509	-	844.444	178.997	-
Credit Cards	3.360.318	176	-	46.179	2.478	-
Other	1.177.567	-	-	14.471	-	-
Specialized Lending ^{(3) (4)}	39.785.103	3.310.904	-	663.003	322.932	-
Other Receivables	-	-	-	-	-	-
Interest Income Accruals ⁽²⁾	4.755.128	-	-	-	-	-
Total	233.139.400	6.231.901	-	2.570.200	1.881.395	-

⁽¹⁾ Since Restructured or rescheduled loans cannot be decomposed systematically, they have been shown in the “Loans and Other Receivables with Revised Contract Terms” section.

⁽²⁾ Restructured or rescheduled loans and the loans under close monitoring and the distinction of the accrual amounts of other receivables cannot be obtained by the available information operating system.

⁽³⁾ Fund sourced agricultural loans are shown under specialized lending

⁽⁴⁾ Agriculturally qualified farmer standby loans have been displayed under specialized lending.

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	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
No. of extensions		
1 or 2 Times Extended ⁽¹⁾	6.105.364	1.807.552
3 - 4 or 5 Times Extended	126.534	73.126
Over 5 Times Extended	3	717

⁽¹⁾ Number of modification made according to extent of payment plan of individual loans cannot be decomposed systematically therefore it is shown in this line.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extension Periods		
0 - 6 Months	2.695.049	911.280
6 Months - 12 Months	890.875	155.536
1 - 2 Years	1.976.803	347.178
2 - 5 Years	621.569	445.045
5 Years and Over	47.605	22.356
Total	6.231.901	1.881.395

c) Loans according to maturity structure:

	Standard Loans and Other Receivables ⁽¹⁾		Loans and Other Receivables under Close Monitoring ⁽¹⁾	
	Loan and Other Receivables ²	Restructured or Rescheduled ³	Loan and Other Receivables ²	Restructured or Rescheduled ³
Short-Term Loans and Other Receivables	47.425.027	1.672.881	570.303	230.969
Non-Specialized Loans	39.385.795	161.261	487.302	57.003
Specialized Loans	8.039.232	1.511.620	83.001	173.966
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	180.959.245	4.559.020	1.999.897	1.650.426
Non-Specialized Loans ⁽²⁾	149.213.374	2.759.736	1.419.895	1.501.460
Specialized Loans	31.745.871	1.799.284	580.002	148.966
Other Receivables	-	-	-	-

⁽¹⁾ Rediscounts are not included.

⁽²⁾ Agricultural loans originated from funds are shown under Specialized Lending.

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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	447.204	59.353.061	59.800.265
Real Estate Loans ⁽²⁾	11.713	33.090.275	33.101.988
Vehicle Loans	2.465	219.156	221.621
Consumer Loans ⁽²⁾	428.759	25.616.690	26.045.449
Abroad	3.807	306.145	309.952
Other	460	120.795	121.255
Consumer Loans- Indexed to FC	635	145.473	146.108
Real Estate Loans	-	16.809	16.809
Vehicle Loans	-	147	147
Consumer Loans	-	-	-
Other	635	128.517	129.152
Consumer Loans-FC	1.098	113.005	114.103
Real Estate Loans	-	12.242	12.242
Vehicle Loans	-	-	-
Consumer Loans	168	69.543	69.711
Abroad	797	30.968	31.765
Other	133	252	385
Individual Credit Cards-TL	2.863.060	12.675	2.875.735
With Installment	999.049	9.815	1.008.864
Without Installment	1.864.011	2.860	1.866.871
Individual Credit Cards-FC	403	-	403
With Installment	-	-	-
Without Installment	403	-	403
Personnel Loans-TL	9.461	186.389	195.850
Real Estate Loans	-	1.775	1.775
Vehicle Loans	11	18	29
Consumer Loans	9.312	178.739	188.051
Abroad	114	1.561	1.675
Other	24	4.296	4.320
Personnel Loans-Indexed to FC	26	8.566	8.592
Real Estate Loans	-	2.144	2.144
Vehicle Loans	-	-	-
Consumer Loans	-	622	622
Other	26	5.800	5.826
Personnel Loans-FC	14	1.321	1.335
Real Estate Loans	-	240	240
Vehicle Loans	-	-	-
Consumer Loans	7	868	875
Other	7	213	220
Personnel Credit Cards-TL	84.589	282	84.871
With Installment	35.119	213	35.332
Without Installment	49.470	69	49.539
Personnel Credit Cards-FC	6	-	6
With Installment	-	-	-
Without Installment	6	-	6
Overdraft Accounts-TL (Real Person)	898.028	-	898.028
Overdraft Accounts-FC (Real Person)	-	-	-
Total ⁽¹⁾	4.304.524	59.820.772	64.125.296

⁽¹⁾ TL 398.562 of interest income accrual and rediscount are not included in the table above.

⁽²⁾ Consumer loans originated from funds amounting to TL 3.636.941 of are included in the table above.

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e) Information on commercial installment loans and corporate credit cards:

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	1.554.550	13.987.183	15.541.733
Business Loans	323	517.473	517.796
Vehicle Loans	46.341	923.281	969.622
Consumer Loans	1.408.842	12.368.189	13.777.031
Other	99.044	178.240	277.284
Commercial Installment Loans- Indexed to FC	119.011	428.732	547.743
Business Loans	-	-	-
Vehicle Loans	-	13.426	13.426
Consumer Loans	-	-	-
Other	119.011	415.306	534.317
Commercial Installment Loans - FC	108.438	16.896.596	17.005.034
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	24.541	16.597.675	16.622.216
Other	83.897	298.921	382.818
Corporate Credit Cards-TL	446.113	2.007	448.120
With Installment	144.318	1.977	146.295
Without Installment	301.795	30	301.825
Corporate Credit Cards-FC	16	-	16
With Installment	-	-	-
Without Installment	16	-	16
Overdraft Account-TL (Legal Entity)	120.195	-	120.195
Overdraft Account-FC (Legal Entity)	67	-	67
Total ⁽¹⁾	2.348.390	31.314.518	33.662.908

⁽¹⁾ Accruals and rediscount amounts are not included in the table above.

f) Loans according to types of borrowers:

	Current Period	Prior Period
Public	4.056.741	3.328.149
Private	235.011.027	184.948.406
Interest Income Accruals of Loans	4.755.128	3.350.947
Total	243.822.896	191.627.502

g) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	227.406.151	181.834.465
Foreign Loans	11.661.617	6.442.090
Interest Income Accruals of Loans	4.755.128	3.350.947
Total	243.822.896	191.627.502

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h) Loans granted to subsidiaries and associates:

None (31 December 2015: None)

h) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	377.489	187.917
Loans and other receivables with doubtful collectability	984.449	480.993
Uncollectible loans and other receivables	2.767.103	1.672.896
Total	4.129.041	2.341.806

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

1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled by the Parent Bank:

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Current Period	14.498	58.203	127.037
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	14.498	58.203	127.037
Rescheduled loans and other receivables	-	-	-
Prior Period	11.844	51.598	92.945
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	11.844	51.598	92.945
Rescheduled loans and other receivables	-	-	-

2) Information on the movement of non-performing receivables:

	Group III: Loans and Receivables with Limited Collectability	Group IV: Loans and Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Receivables
Prior Period Ending Balance	331.723	492.416	2.398.561
Additions (+)	1.856.951	240.956	379.889
Transfers from Other Categories of Loans under Follow-up (+)	-	1.643.570	1.224.288
Transfers to Other Categories of Loans under Follow-up (-)	1.643.570	1.224.288	-
Collections (-) ⁽¹⁾	165.688	159.514	994.804
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current Period End Balance ⁽²⁾	379.416	993.140	3.007.934
Specific Provision (-) ⁽³⁾	377.489	984.449	2.767.103
Net Balance on Balance Sheet ⁽²⁾	1.927	8.691	240.831

⁽¹⁾ The restructured and rescheduled loans, are included on the stated sum.

⁽²⁾ Includes the loans originated from funds amounting to TL 251.449 whose risk does not belong to the Parent Bank.

⁽³⁾ As of 31 December 2015 the Bank made 100% provision for the portion of TL 627.566 of the loans under Group V: The Impairment Loss related Credits and Other Receivables which is TL 156.894 after taking guarantees into consideration. Since date of 30 June 2016, the Bank made 100% specific provision for the whole credit risk by giving up to take guarantees into consideration for that loan.

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3) Information on foreign currency non-performing loans:

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period:			
Period Ending Balance	36.561	41.095	92.092
Specific Provision (-)	36.561	41.095	92.092
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Period Ending Balance	50.271	8.652	34.694
Specific Provision (-)	38.840	8.652	34.694
Net Balance on Balance Sheet	11.431	-	-

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

	Group III: Loans and Other Receivables with Limited Collectability	Group IV: Loans and Other Receivables with Doubtful Collectability	Group V: Uncollectible Loans and Other Receivables
Current Period (Net)	1.927	8.691	240.831
Loans to Real Persons and Legal Entities (Gross)	379.416	917.477	3.007.934
Specific Provisions (-)	377.489	908.786	2.767.103
Loans to Real Persons and Legal Entities (Net)	1.927	8.691	240.831
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	75.663	-
Specific Provisions (-)	-	75.663	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	143.806	11.423	725.665
Loans to Real Persons and Legal Entities (Gross)	331.723	415.807	2.398.561
Specific Provisions (-)	187.917	404.384	1.672.896
Loans to Real Persons and Legal Entities (Net)	143.806	11.423	725.665
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	76.609	-
Specific Provisions (-)	-	76.609	-
Other Loans and Receivables (Net)	-	-	-

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j) 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 Parent Bank are also tried to be collected and liquidated by means of administrative procedures. Transactions are performed within the context of legislation agreement, which ensures the collection of receivables through administrative channels, and authorizations transferred to the Branch/Regional Management. When the debtor offers exceed authorizations transferred to the Branch/Regional Management or includes matters outside the scope of current legislation agreements and the Branch/Regional Management submit favorable opinion to the Head Office regarding this issue, receivables should be restructured on a company/debtor basis in accordance with the decisions made by the related authorities.

k) 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.

l) Other explanations and disclosures:

Current Period	Corporate and Entrepreneurial	Consumer⁽¹⁾	Agricultural⁽¹⁾	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	130.127.678	64.001.050	45.242.573	239.371.301
Past Due but not Impaired Loans	2.405.053	1.071.525	975.017	4.451.595
Impaired Loans	2.797.462	934.653	648.375	4.380.490
Total	135.330.193	66.007.228	46.865.965	248.203.386
Specific Provisions of Impaired Loans(-)	2.796.878	928.172	403.991	4.129.041
Net Loan Amount	132.533.315	65.079.056	46.461.974	244.074.345

⁽¹⁾ TL 3.636.941 consumer, TL 2.061.670 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

Prior Period	Commercial⁽¹⁾	Consumer⁽¹⁾	Agricultural⁽¹⁾	Total
Neither Past Due nor Impaired Loans ⁽¹⁾	101.080.065	50.067.212	36.435.771	187.583.048
Past Due but not Impaired Loans	1.683.745	1.384.628	976.081	4.044.454
Impaired Loans	1.900.395	767.119	555.186	3.222.700
Total	104.664.205	52.218.959	37.967.038	194.850.202
Specific Provisions of Impaired Loans(-)	1.312.594	738.998	290.214	2.341.806
Net Loan Amount	103.351.611	51.479.961	37.676.824	192.508.396

⁽¹⁾ TL 3.442.911 consumer, TL 2.135.499 agricultural, and TL 18 corporate and entrepreneurial loans originated from funds whose risk does not belong to the Parent Bank, are shown under Neither Past Due nor Impaired Loans.

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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:

a.1) Held-to-maturity investments subject to repo transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	2.301.823	2.384.104	1.114.647	3.567.579
Treasury Bills	-	-	-	-
Other Public Sector Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	2.301.823	2.384.104	1.114.647	3.567.579

a.2) Held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and Similar Investment Securities	1.089.898	2.252.339	3.009.483	1.987.576
Other	-	-	-	-
Total	1.089.898	2.252.339	3.009.483	1.987.576

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

	Current Period	Prior Period
Government Bonds	8.647.891	10.133.222
Treasury Bills	-	-
Other Public Sector Debt Securities	-	13.407
Total	8.647.891	10.146.629

c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt securities	8.794.915	10.223.475
Quoted in a Stock Exchange	8.647.891	10.146.629
Not Quoted in a Stock Exchange	147.024	76.846
Provision for Impairment (-)	-	-
Total	8.794.915	10.223.475

d) Movements of held-to-maturity investments:

	Current Period	Prior Period
Beginning Balance	10.223.475	10.239.816
Foreign Currency Differences on Monetary Assets	475.282	1.064.698
Purchases During the Year	937.418	154.288
Disposals through Sales and Redemptions	(2.841.260)	(1.235.327)
Provision for Impairment (-)	-	-
Period End Balance	8.794.915	10.223.475

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Within the year 2008, the Parent Bank has reclassified securities previously classified in available for sale portfolio with nominal values of TL 23.630.115, EUR 717.616 thousand and USD 1.483.317 thousand to held-to-maturity portfolio with fair values of TL 22.971.669, EUR 702.950 thousand and USD 1.562.742 thousand respectively which have been taken into consideration as book values after reclassification. The Bank has also reclassified securities previously classified in financial assets at fair value through profit and loss portfolio with nominal values of EUR 37.951 thousand and USD 45.501 thousand to held-to-maturity portfolio with fair values of EUR 37.178 thousand and USD 62.311 thousand respectively which have been taken into consideration as book values after reclassification in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement” published in the Official Gazette No. 27040 dated 31 October 2008 by Public Oversight Accounting and Auditing Standards Authority (“POA”).

Revaluation differences of reclassified available for sale securities before deferred tax are TL 68.984, EUR (23.067) thousand and USD (15.207) thousand respectively and are recorded under shareholders’ equity. These balances will be amortized until the redemption date of related securities using straight-line method and recorded as interest income or expense. At the end of balance sheet date, negative revaluation differences under shareholders’ equity are amounted as USD 10.547 thousand and EUR 999 thousand respectively.

As of balance sheet date, the total fair values of reclassified held for trading securities to held to maturity securities are EUR 24.246 thousand and USD 62.392 thousand respectively.

If the reclassification from the held for trading securities portfolio to the held-to-maturity portfolio had not been performed, income accrual amounting to TL 5.272 would have been recorded. As of 31 December 2016, the reclassification from held for trading securities to held-to-maturity investments has an income impact of TL 8.613 (expense).

7. Information about associates (net):

a) 1) Information about unconsolidated associates:

	Description	Address (City/Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Bank’s Risk Group Share Percentage (%)
1	Bankalararası Kart Merkezi A.Ş.	Istanbul/TURKEY	12,50	17,98
2	Kredi Kayıt Bürosu A.Ş.	Istanbul/TURKEY	10,00	9,09

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non-Current Assets ⁽²⁾⁽³⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	82.182	38.919	53.921	904	-	13.002	3.869	-
2	224.364	130.960	138.543	33.538	-	39.302	33.299	-

⁽¹⁾ Since shares of associates are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of associates has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of associates has been provided from audited financial statements as of 31 December 2015.

⁽³⁾ Total non-current assets include tangible and intangible assets.

b) 1) Explanation regarding consolidated associates:

	Description	Address (City/Country)	The Parent Bank’s Share Percentage, if Different, Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Arap Türk Bankası A.Ş.	Istanbul/TURKEY	22,22	15,43

	Total Assets ⁽²⁾	Shareholders’ Equity ⁽²⁾	Total Non-Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1	4.842.849	640.756	21.157	129.633	52.565	61.597	70.106	-

⁽¹⁾ Since shares of Arap Türk Bankası A.Ş. are not traded in the stock market, fair values cannot be identified.

⁽²⁾ Current period information of Arap Türk Bankası A.Ş. has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information of Arap Türk Bankası A.Ş. has been provided from audited financial statements as of 31 December 2015.

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2) Information about consolidated associates:

	Current Period	Prior Period
Beginning Balance	92.861	82.116
Movement During the Period	6.008	10.745
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Addition to Scope of Consolidation	-	-
Transfer	-	-
Sales	-	-
Revaluation Increase	6.008	10.745
Impairment Provision	-	-
Ending Balance	98.869	92.861
Capital Commitments	-	-
Period Ending Share of Capital Participation (%)	15,43	15,43

3) Sector information about consolidated associates:

	Current Period	Prior Period
Banks	98.869	92.861
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	-	-

4) Consolidated associates quoted to a stock exchange:

None (31 December 2015: None).

8. Information on subsidiaries (net):

a) Information about unconsolidated subsidiaries:

Description	Address (City/Country)	The Parent Bank's Share Percentage-if different Voting Percentage (%)	The Parent Bank's Group Share Percentage (%)
1 Ziraat Teknoloji A.Ş.	Istanbul/TURKEY	100,00	100,00

Total Assets ⁽²⁾	Shareholders' Equity ⁽²⁾	Total Non-Current Assets ⁽²⁾	Interest Income ⁽²⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽²⁾	Prior Period Profit/Loss ⁽²⁾	Fair Value ⁽¹⁾
1 47.820	13.011	11.784	871	96	2.703	2.984	-

⁽¹⁾ Since shares of subsidiaries are not traded in the stock market, fair values cannot be identified.⁽²⁾ Current period information of subsidiaries has been provided from unaudited financial statements as of 31 December 2016. Prior period profit/loss information has been provided from audited financial statements as of 31 December 2015.

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b) Information about consolidated subsidiaries:

In consolidated financial statements of Parent Bank’s, investments related to subsidiaries and joint ventures operating abroad in foreign currency are followed by their fair values. For these subsidiaries, fair value is determined by valuation reports, TL equivalents of investments related to subsidiaries are fixed as of revaluation date and revaluation differences added to subsidiaries’ values are recognized in “Marketable Securities Value Increase Fund” under shareholder’s equity.

	Description	Address (City/Country)	The Parent Bank’s Share Percentage-if different Voting Percentage (%)	The Parent Bank’s Risk Group Share Percentage (%)
1	Ziraat Hayat ve Emeklilik A.Ş.	Istanbul/TURKEY	100,00	100,00
2	Ziraat Sigorta A.Ş.	Istanbul/TURKEY	100,00	100,00
3	Ziraat Finansal Kiralama A.Ş.	Istanbul/TURKEY	100,00	100,00
4	Ziraat Yatırım Menkul Değerler A.Ş.	Istanbul/TURKEY	100,00	99,60
5	Ziraat Portföy Yönetimi A.Ş.	Istanbul/TURKEY	100,00	99,70
6	Ziraat Katılım Bankası A.Ş.	Istanbul/TURKEY	100,00	100,00
7	Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/TURKEY	100,00	100,00
8	Ziraat Bank International A.G.	Frankfurt/GERMANY	100,00	100,00
9	Ziraat Bank BH d.d.	Sarajevo/BOSNIA HERZEGOVINA	100,00	100,00
10	Ziraat Bank (Moscow) JSC	Moscow/RUSSIA	100,00	100,00
11	Kazakhstan Ziraat Int. Bank	Almaty/KAZAKHSTAN	100,00	99,58
12	Ziraat Bank Azerbaycan ASC	Baku/AZERBAIJAN	100,00	100,00
13	Ziraat Bank Montenegro AD	Podgorica/MONTENEGRO	100,00	100,00

	Total Assets ⁽³⁾	Shareholders’ Equity ⁽³⁾	Total Non- Current Assets ⁽³⁾	Interest Income ⁽³⁾	Income from Marketable Securities ⁽²⁾	Current Period Profit/Loss ⁽³⁾	Prior Period Profit/Loss ⁽³⁾	Fair Value ⁽¹⁾	Shareholders’ Equity Needed
1	3.792.342	394.081	3.895	135.535	-	231.541	162.350	-	-
2	837.640	265.007	2.418	60.878	-	128.912	86.936	-	-
3	2.355.261	265.209	1.348	1.079	-	28.424	37.407	-	-
4	129.226	99.745	617	9.720	48.063	24.935	23.990	-	-
5	29.775	26.156	760	2.550	18.787	8.204	5.653	-	-
6	7.959.507	764.622	66.547	366.243	24.499	30.673	(11.982)	-	-
7	1.327.028	1.326.409	1.056.312	4.169	-	26.409	-	-	-
8	6.196.471	730.421	17.419	149.943	2.752	48.173	32.382	782.931	-
9	1.618.882	294.407	69.017	56.187	728	319	27.651	280.456	-
10	318.227	132.731	9.263	18.874	228	7.271	5.307	109.090	-
11	605.795	242.045	14.295	29.330	7.559	21.508	16.676	237.838	-
12	260.101	117.708	22.396	13.784	72	10.149	9.262	135.261	-
13	148.846	21.664	4.070	2.754	160	(3.736)	(3.205)	29.540	-

⁽¹⁾ The subsidiaries other than the ones presented with fair value are not traded in stock exchange and accordingly fair values cannot be determined and they are carried at cost less impairment, if any. For the subsidiaries having fair value, fair value shows the portion belonging to Ziraat Bank.

⁽²⁾ The income from marketable securities portfolio of Ziraat Yatırım Menkul Değerler A.Ş. and Ziraat Portföy Yönetimi A.Ş. are representing the net sales.

⁽³⁾ Information on subsidiaries shown in the above table has been provided from the unaudited financial statements as of 31 December 2016, the prior period profit/loss balances have been provided from audited financial statements as of 31 December 2015.

⁽⁴⁾ The amounts shown in Interest Income column belong to Ziraat Katılım Bankası A.Ş. and contain dividend income.

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2) Information about consolidated subsidiaries (Represents the values belong to the Parent Bank):

	Current Period	Prior Period
Balance at the Beginning of the Period	2.442.943	1.453.735
Movements During the Period	1.658.409	989.208
Additions to Scope of Consolidation	-	-
Purchases ⁽¹⁾	1.446.624	997.857
Bonus Shares Obtained	2.996	16.921
Dividends from Current Year Income	-	-
Transfers to Available for Sale Assets	-	-
Sales	-	-
Revaluation Increase	281.824	227.760
Impairment Provision	73.035	253.330
Balance at the End of the Period	4.101.352	2.442.943
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

⁽¹⁾ Paid Capital Increases made during the period are classified under “Purchases” account.

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

	Current Period	Prior Period
Banks	2.322.116	1.966.702
Insurance Companies	129.972	129.972
Factoring Companies	-	-
Leasing Companies	282.839	282.839
Financing Companies	-	-
Other Financial Subsidiaries	1.366.425	63.430

c) Subsidiaries which are quoted on a stock exchange:

None (31 December 2015: None).

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

Entities under Common Control (Joint Ventures) ⁽¹⁾	Parent Bank's Share ⁽²⁾	Group's Share	Current Assets	Non- Current Assets	Long Term Liabilities	Income	Expense
Turkmen Turkish Joint Stock Commercial Bank	47.649	47.649	967.937	12.930	11.755	37.513	25.788
UTBANK JSC	51.015	51.035	257.090	3.474	21	29.323	20.389
Total	98.664	98.684	1.225.027	16.404	11.776	66.836	46.177

⁽¹⁾ Information on entities under joint control is provided from the unaudited financial statements as of 31 December 2016.⁽²⁾ Represents the Parent Bank's share in the shareholders' equity of these entities under common control based on the shareholding rate of the Bank.

Entities under common control domiciled and operating abroad are followed by their fair values. For these entities under common control, fair value is determined by independent valuation firm's report and revaluation differences are accounted as the value of entities under common control and in “Marketable Securities Value Increase Fund” under shareholders' equity.

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10. Information on finance lease receivables (net):

Information on finance lease receivables are as below:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1.017.502	892.067	360.879	317.383
1-5 Years	1.553.514	1.356.447	2.192.205	1.874.178
More than 5 Years	285.154	235.153	190.422	171.841
Total	2.856.170	2.483.667	2.743.506	2.363.402

11. Information on derivative financial assets for hedging purposes:

The Group has no derivative financial assets for hedging purposes. (31 December 2015: None)

12. Information on investment property

The Group has investment property amounted TL 643.290 as of 31 December 2016 (31 December 2015: None).

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

The group does not have any discontinuing operations. The assets held for sale are composed of immovables acquired due to consumer, commercial and agricultural loans and immovables for which has no necessity of usage exists by the Parent Bank. Those immovables considered for sales are announced at the web site of the Parent Bank.

The Group's immovables acquired amount to TL 567.177 consisting of TL 14.160 due to consumer loans, TL 488.565 on its commercial loans and TL 64.452 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 2.798. Total depreciation expense is TL 6.960 for these held for sale assets. (31 December 2015: The Bank's immovables acquired amount to TL 244.367 consisting of TL 13.494 due to consumer loans, TL 185.021 on its commercial loans and TL 45.852 on its agricultural loans. Also, the sum of movables acquired from consumer loan amounts to TL 1.849. Total depreciation expense is TL 4.658 for these held for sale assets).

14. Explanations on property and equipment:

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs ⁽¹⁾	Other Tangibles	Total
Prior Period End:						
Cost	5.287.271	9.869	45.931	210.178	824.742	6.377.991
Accumulated Depreciation (-)	869.320	2.186	23.008	111.378	410.675	1.416.567
Impairment (-)	3.740	-	-	-	-	3.740
Net Book Value	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Current Period End:						
Net Book Value at the Beginning of the Period	4.414.211	7.683	22.923	98.800	414.067	4.957.684
Change During the Period (Net)	890.423	1.357	(3.404)	1.506	24.443	914.325
Cost	957.259	2.590	(81)	41.823	136.698	1.138.289
Depreciation - Net (-)	68.264	1.233	3.323	40.317	111.793	224.930
Impairment (-)	(1.428)	-	-	-	462	(966)
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-
Cost at Period End	6.244.530	12.459	45.850	252.001	961.440	7.516.280
Accumulated Depreciation at Period End (-)	937.584	3.419	26.331	151.695	522.468	1.641.497
Impairment (-)	2.312	-	-	-	462	2.774
Closing Net Book Value	5.304.634	9.040	19.519	100.306	438.510	5.872.009

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a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

15. Explanations on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Establishment Costs	7.686	6.815	871	5.904	5.398	506
Goodwill	-	-	-	-	-	-
Intangible Rights	531.831	164.838	366.993	366.035	120.424	245.611
Total	539.517	171.653	367.864	371.939	125.822	246.117

a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.

d) The book value of intangible fixed assets that are pledged or restricted for use: None.

e) Amount of purchase commitments for intangible fixed assets: None

f) Information on revalued intangible assets according to their types: None.

g) Amount of total research and development expenses recorded in income statement within the period if any: None.

h) Positive or negative consolidation goodwill on the Group basis: Not applicable for the consolidated financial statements.

i) Information on Goodwill: None.

16. Information on deferred tax asset:

Deferred tax is recognized on 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 in accordance with the Turkish Accounting Standards (TAS 12) “Income Taxes”. In the computation of deferred tax, effective tax rates as of the balance sheet date are used in accordance with the current tax legislation.

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. Calculated deferred tax assets and deferred tax liabilities are net off in the financial statements.

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Information on calculated deferred tax including deductible temporary differences, financial losses, tax deductibles and tax exemptions is shown below:

	Current Period	Prior Period
Deferred Tax Assets	86.569	266.827
Deferred Tax Liabilities	3.463	2.357
Net Deferred Tax Assets	83.106	264.470
Net Deferred Tax Income/Expense	(92.825)	(582.642)
	Current Period	Prior Period
Reserve for Employment Termination Benefits	139.047	141.076
Short Term Employee Benefits	38.447	35.870
Financial Assets Valuation	(93.267)	49.940
Other	(1.121)	37.584
Net Deferred Tax Assets	83.106	264.470
	Current Period	Prior Period
As of 1 January	264.470	222.649
Addition to Scope of Consolidation	-	-
Effect of Change in the Effective Tax Rate	-	-
Deferred Tax (Expense)/Income	(92.825)	(582.642)
Deferred Tax Expenses (Net)	(92.825)	(582.642)
Deferred Tax Recognized Under Shareholders' Equity	(88.539)	624.463
Deferred Tax Assets	83.106	264.470

17. Information on other assets:

As of 31 December 2016 and 2015, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. a) Information on maturity structure of deposits collected:

1) For deposit banks:

Current Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	22.548.091	-	3.211.532	60.686.575	4.404.259	1.024.789	857.926	44.170	92.777.342
Foreign Currency Deposits	16.043.174	-	6.158.621	19.113.290	5.174.283	4.969.554	16.427.978	619	67.887.519
Residents in Turkey	13.814.369	-	5.883.031	15.986.117	4.411.314	3.059.414	10.853.638	619	54.008.502
Residents Abroad	2.228.805	-	275.590	3.127.173	762.969	1.910.140	5.574.340	-	13.879.017
Public Sector Deposits	6.223.181	-	2.935.849	7.310.177	2.090.069	4.742.350	13.571	-	23.315.197
Commercial Inst. Deposits	6.319.002	-	6.593.154	9.922.821	497.592	67.658	52.483	-	23.452.710
Other Inst. Deposits	1.815.386	-	2.709.644	4.398.157	412.382	827.365	946.954	-	11.109.888
Precious Metals	2.066.664	-	32.607	240.919	23.444	16.479	13.292	-	2.393.405
Interbank Deposits	1.496.123	-	5.033.318	1.687.431	636.144	1.973.477	1.149.439	-	11.975.932
CBRT	5.252	-	-	-	698	-	-	-	5.950
Domestic Banks	420.083	-	4.405.931	87.962	191.176	-	6.364	-	5.111.516
Foreign Banks	164.921	-	627.387	1.599.469	444.270	1.973.477	1.143.075	-	5.952.599
Participation Banks	905.867	-	-	-	-	-	-	-	905.867
Other	-	-	-	-	-	-	-	-	-
Total	56.511.621	-	26.674.725	103.359.370	13.238.173	13.621.672	19.461.643	44.789	232.911.993

Prior Period	Demand	7 Days Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposits	Total
Saving Deposits	15.846.134	-	2.775.653	54.063.340	4.248.745	990.796	799.896	5.538	78.730.102
Foreign Currency Deposits	12.371.997	-	8.909.641	16.467.457	4.792.177	3.626.058	13.137.046	431	59.304.807
Residents in Turkey	10.900.141	-	8.712.995	14.420.590	4.280.762	2.921.964	9.726.044	431	50.962.927
Residents Abroad	1.471.856	-	196.646	2.046.867	511.415	704.094	3.411.002	-	8.341.880
Public Sector Deposits	5.765.117	-	3.440.895	4.511.961	1.247.351	2.865.402	94.380	13.276	17.938.382
Commercial Inst. Deposits	4.553.542	-	3.605.918	5.111.621	1.071.958	328.128	1.166.738	-	15.837.905
Other Inst. Deposits	1.533.085	-	1.857.417	3.081.800	259.595	737.257	474.829	252.326	8.196.309
Precious Metals	1.039.897	-	25.203	123.939	18.613	9.393	8.662	-	1.225.707
Interbank Deposits	279.728	-	6.127.518	995.229	1.094.520	1.116.474	73.416	-	9.686.885
CBRT	11.521	-	-	-	-	-	-	-	11.521
Domestic Banks	35.674	-	5.046.468	51.023	109.610	36.885	-	-	5.279.660
Foreign Banks	87.163	-	1.049.200	944.206	984.910	1.079.589	73.416	-	4.218.484
Participation Banks	145.370	-	31.850	-	-	-	-	-	177.220
Other	-	-	-	-	-	-	-	-	-
Total	41.389.500	-	26.742.245	84.355.347	12.732.959	9.673.508	15.754.967	271.571	190.920.097

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b) Information on saving deposits:

1) Amounts exceeding the deposit insurance limit:

a) Saving deposits under the guarantee of deposit insurance and exceeding the deposit insurance limit: (It reflects the values of the Parent Bank)

	Under the Guarantee of Deposit Insurance		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits				
Saving Deposits ⁽²⁾	60.568.084	52.356.589	29.701.060	25.598.381
Foreign Currency Saving Deposits ⁽²⁾	21.431.931	19.394.479	28.972.511	23.644.817
Other Deposits in the form of Saving Deposits	-	-	-	-
Deposits at Foreign Branches and under the Guarantees of Foreign Authority Insurance ⁽¹⁾	636.306	549.775	42.853	57.489
Deposits at Off-Shore Banking Regions' and under Foreign Authorities' Insurance	-	-	-	-

⁽¹⁾ In Bulgaria and Greece, since both real person and legal entity's saving deposits are under the guarantee of insurance and since such balances included in insurance limit are calculated by the system, the legal entity saving deposits amounting to TL 47.282 and TL 13.226 respectively, cannot be decomposed by type and are therefore included in the table above (31 December 2015: Bulgaria and Greece, TL 57.299 and TL 7.465, respectively).

⁽²⁾ Related deposit balances do not include foreign branches.

Based on the Council of Minister's decree dated 29 December 2003 and numbered 2003/6668, TL 940 of demand deposits is not included in the above calculation, since the Bank paid the saving deposits amount attributable to T. İmar Bank T.A.Ş.

Savings Deposit Insurance Fund premiums are calculated based on deposit amount attributable to real persons in domestic branches of banks. As total of capital amount and interest expense accruals of saving deposits up to TL 100 attributable to a real person is covered by the insurance, TL 514.083 of interest expense accrual is included in the above-mentioned figures in accordance with the Communiqué on Insurance Deposits and Participation Funds and Premiums Collected by the Savings Deposit Insurance Fund published in the Official Gazette dated 15 February 2013 and numbered 28560.

2) Information on saving deposits/real persons' private current and accession accounts not related to commercial transactions in a Turkish branch of the Parent Bank whose head office is abroad, and reasons if it is covered in where the head office is located (Information belongs to the Parent Bank):

The Parent Bank's head office is located in Turkey.

3) Amounts which are not covered by deposit insurance:

a) Saving deposits of real persons not covered by the deposit insurance fund (Values belong to the Parent Bank):

	Current Period	Prior Period
Deposits and other Accounts in Branches Abroad	81.373	52.302
Deposits of Ultimate Shareholders and Their Close Family Members	-	-
Deposits of Chairman and Members of the Board of Directors, CEO, Executive Vice Presidents and Their Close Family Members	6.448	3.923
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off-Shore Banking Activities	-	-

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2. Information on derivative financial liabilities held for trading:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	33.498	50.329	24.700	43.551
Swap Transactions	206.170	363.333	3.956	227.951
Futures Transactions	-	-	-	-
Options	35	-	3	21
Other	-	-	-	-
Total	239.703	413.662	28.659	271.523

3. a) General information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from CBRT	-	-	-	-
Domestic Banks and Institutions	403.098	1.653.704	269.760	1.001.940
Foreign Banks, Institutions and Funds	935.448	21.434.279	944.015	18.571.688
Total	1.338.546	23.087.983	1.213.775	19.573.628

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	394.462	7.048.505	255.656	7.155.010
Medium and Long-Term	944.084	16.039.478	958.119	12.418.618
Total	1.338.546	23.087.983	1.213.775	19.573.628

3. 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:

62,63% of the Group's liabilities consist of deposits. Deposits have a diversified base and have steady structures. The Group's liabilities are not subject to a significant concentration risk.

d) Information on funds supplied from repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	30.385.206	-	27.289.499	-
Financial Institutions and Organizations	30.211.399	-	27.068.715	-
Other Institutions and Organizations	166.520	-	212.000	-
Real Person	7.287	-	8.784	-
From Overseas Operations	-	12.270.423	-	14.744.813
Financial Institutions and Organizations	-	12.270.423	-	14.744.813
Other Institutions and Organizations	-	-	-	-
Real Person	-	-	-	-
Total	30.385.206	12.270.423	27.289.499	14.744.813

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e) Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.156.778	-	2.199.333	756.233
Asset-Backed Securities	101.459	-	-	-
Treasury Bills	131.822	4.680.692	131.791	2.332.040
Total	2.390.059	4.680.692	2.331.124	3.088.273

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 do not exceed 10% of the balance sheet total.

5. Information on finance lease payables (net):

In the financial lease agreements, lease payments are determined according to the price of leasehold, the Group's interest rate of commercial loan and maturity of the agreement. The amounts in the lease agreements are paid in equal installments. There are not any restrictions in these agreements that create significant obligations to the Group.

The Group has no liabilities from finance leases (31 December 2015: None).

6. Information on derivative financial liabilities for hedging purposes:

There are no derivative financial liabilities for hedging purposes (31 December 2015: None).

7. Explanations on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions	4.042.425	2.925.818
Allocated for Group-I Loans and Receivables	3.271.408	2.506.562
Additional Provision for Loans and Receivables with Extended Maturities	233.456	121.600
Allocated for Group-II Loans and Receivables	181.621	152.015
Additional Provision for Loans and Receivables with Extended Maturities	61.127	28.425
Allocated for Non-Cash Loans	466.954	164.752
Other	122.442	102.489

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

Foreign exchange loss provisions on foreign currency indexed loans and finance lease receivables amount to TL 327 (31 December 2015: TL 5.561).

c) Information on specific provisions for unindemnified non-cash loans:

The Parent Bank's specific provisions for unindemnified non-cash loans amount to TL 150.916 (31 December 2015: TL 55.629).

d) Information on other provisions:

1) Information on free provisions for possible risks:

These financial statements include a free provision which is not in accordance with BRSA Principles amounting to TL 945.000 (TL 295.400 of this provision amount was reversed from the income statement in the current year), provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions. Moreover, the provision of TL 19.700 and other provision of TL 244 exist for cash transfers made by the Parent Bank officials.

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	Current Period	Prior Period
Provisions for Possible Risks	964.944	1.257.419

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

Based on the information provided by the legal department, lawsuits against the Parent Bank over TL 100 amounts to TL 65.095. Full provision has been provided in these financial statements for law suits ended against the Bank but not finalized yet, amounting to TL 35.709

Based on the decision of the Bank management, provision amounting to TL 60.400 is provided for the consumer loans followed under standard loan portfolio that also have amounts in the non-performing loan portfolio in compliance with the Act on Preservation of Consumers numbered 4077. The provision is made in accordance with the “Communiqué on the Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, published in Official Gazette numbered 26333, dated 1 November 2006 and considering the conservatism principle without taking into consideration the guarantees of these loans.

The Group also provided provisions amounting to TL 150.916 for unindemnified non-cash loans (31 December 2015: TL 55.629), TL 102.026 for other provisions (31 December 2015: TL 45.625). As a result of the provisions mentioned above, the other provision balance on the Group’s balance sheet amounts to TL 1.313.995 (31 December 2015: TL 1.482.032).

e) Liabilities on reserve for employee termination benefits:

1) Employment termination benefits and unused vacation rights

The Group accounts for its vacation and retirement pay obligations in accordance with the TAS 19 “Employee Benefits”. The vacation and retirement pay obligations recognized in the balance sheet represent the present value of the defined benefit obligation. As of 31 December 2016, unpaid vacation liability amounted to TL 192.237 (31 December 2015: TL 170.572), and employment termination amounted to TL 695.237 (31 December 2015: TL 689.727) are presented under the “Employee Benefits Provision” in the financial statements.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
As of 1 January	683.269	666.464
Current Service Cost	55.867	46.701
Interest Cost	73.999	46.244
Severance Pay	(114.314)	(93.519)
Payment/Abating Benefits/Gain (Loss) in consequence of Layoff	(212)	(76)
Actuarial Gain (Loss)	(8.420)	17.455
Balance at period end	690.189	683.269

2) Pension Rights

The technical balance sheet reports which are prepared in accordance with the principles Act numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, by using a technical interest rate of 9,80%, concluded that no technical deficit arises in the mentioned fund as of 31 December 2015 and 2014.

The liability related to Parent Bank’s benefits to be transferred to SSI as of the balance sheet date is expected payment to be made to SSI during the transfer. Actuarial parameters and results used in calculation of this amount reflects the Act’s, numbered 5754 declared in the Official Gazette dated 8 May 2008 numbered 26870, principles related to pension and health benefits to be transferred to SSI (9,80% real discount rate, etc.).

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According to related Actuary Report, the Fund's surplus is TL 2.835.975 as of 31 December 2016 (31 December 2015: TL 2.284.502)

	Current Period	Prior Period
Present value of funded obligations	1.197.092	911.002
- Pension benefits transferable to SSI	361.635	212.216
- Post employment medical benefits transferable to SSI	835.457	698.786
Fair value of plan assets	1.638.883	1.373.500
Actuarial Surplus	2.835.975	2.284.502

The principal actuarial assumptions used are as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

To represent mortality rates both before and after retirement, CSO 1980 Female/Male mortality table is used.

Plan assets are comprised as follows:

	Current Period Amount	Prior Period Amount
Bank Placements	1.284.298	1.114.760
Property and Equipment	66.844	149.281
Marketable Securities	-	-
Other	287.741	109.459
Total	1.638.883	1.373.500

8. Information on tax liability:

a) Information on current tax liability:

1) Information on tax provisions:

As of 31 December 2016, the remaining corporate tax liability after deducting temporary taxes paid for the period is TL 444.505 (31 December 2015: TL 416.922).

2) Information on current taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	444.505	416.922
Taxation on Income From Securities	215.147	202.372
Property Tax	2.491	2.237
Banking Insurance Transactions Tax (BITT)	144.072	117.824
Foreign Exchange Transactions Tax	59	28
Value Added Tax Payable	7.091	4.341
Other	67.194	59.961
Total	880.559	803.685

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3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	39	239
Social Security Premiums - Employer	56	341
Bank Social Aid Pension Fund Premium - Employee	8.840	330
Bank Social Aid Pension Fund Premium - Employer	12.400	528
Pension Fund Membership Fees and Provisions - Employee	13	13
Pension Fund Membership Fees and Provisions - Employer	59	45
Unemployment Insurance - Employee	1.382	559
Unemployment Insurance - Employer	2.763	1.118
Other	-	-
Total	25.552	3.173

b) Information on deferred tax liabilities, if any:

The Group's deferred tax liability, for the current term, amounts to TL 3.463 (31 December 2015: TL 2.357).

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	Prior Period
Common Stock	5.100.000	5.000.000
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 Parent 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:

In accordance with the decision taken at the Ordinary General Assembly, carried out on 30 March 2016, the paid-in capital of the Parent Bank which was TL 5.000.000 has been increased by TL 28.000 from internal sources, and TL 72.000 cash to TL 5.100.000 and the capital increase has been registered to Trade Registry Gazette No. 9071 dated 9 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:

The Parent Bank has no capital commitments.

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f) Indicators of the Parent Bank’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:

In the current period, the Parent Bank follows its operations in line with the previous periods. The Parent Bank’s balance sheet has been managed with precaution by being affected by the interest, rate of exchange and credit risks at the minimum level. This helps to reduce the effects of fluctuations in the market to the Parent Bank’s performance and contributes to the profitability structure to be sustainable.

g) Information on preferred shares representing the capital:

The Parent Bank has no preferred shares.

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	615.642	1.025	342.182	61.381
Revaluation Difference		1.025	-	61.381
Foreign Exchange Difference	615.642	-	342.182	-
From Available for Sale Marketable Securities	(1.460.361)	(550.321)	(1.718.652)	809.922
Revaluation Difference	(1.657.745)	(550.250)	(1.618.036)	810.012
Deferred Tax Effect	396.407	(71)	275.247	(90)
Foreign Exchange Difference	(199.023)	-	(375.863)	-
Total	(844.719)	(549.296)	(1.376.470)	871.303

III. EXPLANATIONS AND NOTES TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Payment Commitments for Cheques	3.173.767	3.079.630
Asset Purchase and Sale Commitments	2.136.524	1.848.592
Commitments for Credit Card Expenditure Limits	7.275.913	7.131.274
Loan Granting Commitments	3.742.487	3.007.694
Other Irrevocable Commitments	7.204.521	4.855.029
Commitments for Credit Cards and Banking Services Promotions	22.138	20.185
Tax and Fund Liabilities from Export Commitments	458	27
Share Capital Commitments to Associates and Subsidiaries	-	-
Total	23.555.808	19.942.431

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.

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

	Current Period	Prior Period
Guarantee Letters	68.592.339	49.707.786
Bank Acceptances	9.327.602	6.957.456
Letter of Credits	4.261.898	4.194.107
Other Guarantees	532.131	31.525
Other Securities	7.145	-
Total	82.721.115	60.890.874

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2) Certain guarantees, temporary guarantees, surety ships and similar transactions:

	Current Period	Prior Period
Letters of Certain Guarantees	42.394.237	31.862.854
Letters of Advance Guarantees	18.614.529	13.052.987
Letters of Temporary Guarantees	3.767.887	2.754.448
Letters of Guarantees Given to Customs Offices	786.137	655.110
Other Letters of Guarantees	3.029.549	1.382.387
Total	68.592.339	49.707.786

c) 1) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	1.675.735	1.054.138
With Original Maturity of One Year or Less	25.218	84.954
With Original Maturity of More than One Year	1.650.517	969.184
Other Non-Cash Loans	81.045.380	59.836.736
Total	82.721.115	60.890.874

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

	Current Period				Prior Period			
	TL	(%)	TL	(%)	TL	(%)	TL	(%)
Agricultural	69.794	0,27	14.374	0,03	38.976	0,20	23.711	0,06
Farming and Raising Livestock	28.426	0,11	92	-	154	0,01	-	-
Forestry	41.368	0,16	14.282	0,03	38.822	0,20	23.711	0,06
Fishing	-	-	-	-	-	-	-	-
Manufacturing	6.524.288	25,02	28.576.126	50,45	5.062.105	25,58	21.697.254	52,79
Mining and Quarrying	245.428	0,94	268.696	0,47	147.703	0,75	211.946	0,52
Production	4.092.001	15,69	26.241.468	46,33	3.215.109	16,25	19.399.630	47,20
Electric, Gas and Water	2.186.859	8,39	2.065.962	3,65	1.699.293	8,59	2.085.678	5,07
Construction	7.027.294	26,95	15.424.719	27,23	4.364.482	22,05	10.932.056	26,60
Services	11.904.745	45,65	11.824.555	20,88	9.218.292	46,58	6.328.226	15,40
Wholesale and Retail Trade	5.892.322	22,60	3.705.689	6,54	5.048.269	25,51	2.875.098	7,00
Hotel, Food and Beverage Services	141.846	0,54	327.446	0,58	111.654	0,56	176.718	0,43
Transportation and Telecommunication	1.144.919	4,39	3.593.041	6,34	844.375	4,27	1.717.099	4,18
Financial Institutions	3.465.541	13,29	2.715.909	4,79	2.166.818	10,95	374.183	0,91
Real Estate and Leasing Services	1.143.848	4,39	1.413.797	2,50	943.923	4,77	1.103.380	2,68
Self-employment Services	-	-	1.572	-	-	-	4.988	0,01
Education Services	68.225	0,26	7.067	0,01	52.607	0,27	18.500	0,05
Health and Social Services	48.044	0,18	60.034	0,11	50.646	0,26	58.260	0,14
Other	550.743	2,11	804.477	1,42	1.105.710	5,59	2.120.062	5,16
Total	26.076.864	100,00	56.644.251	100,00	19.789.565	100,00	41.101.309	100,00

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c) 3) Information on the non-cash loans classified under Group I and Group II:

	Group I:		Group II:	
	TL	FC	TL	FC
Non-Cash Loans	25.922.626	56.471.056	154.238	173.195
Letters of Guarantee	25.718.747	42.574.392	154.238	144.962
Bank Acceptances	34.549	4.226.121	-	1.228
Letters of Credit	157.159	9.143.438	-	27.005
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)	72.348.255	52.280.161
Forward Transactions	5.073.231	5.335.699
Swap Transactions	67.252.706	46.888.042
Futures Transactions	-	-
Option Transactions	22.318	56.420
Interest Related Derivative Transactions (II)	9.322.634	6.235.626
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	9.322.634	6.235.626
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	81.670.889	58.515.787
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)	81.670.889	58.515.787

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The Group has no derivative instruments for hedging purposes. There are no unrealized transactions (those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized) or expense and income from agreements in the income statement in the current period.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	113.541	(2.490)	507.204	588.518	-	1.206.773
- Inflow	23.745.723	7.461.879	2.929.318	2.640.594	-	36.777.514
- Outflow	(23.632.182)	(7.464.369)	(2.422.114)	(2.052.076)	-	(35.570.741)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	4.661.317	4.661.317
- Outflow	-	-	-	-	(4.661.317)	(4.661.317)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total inflow	23.745.723	7.461.879	2.929.318	2.640.594	4.661.317	41.438.831
Total outflow	(23.632.182)	(7.464.369)	(2.422.114)	(2.052.076)	(4.661.317)	(40.232.058)
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives	55.826	13.237	31.571	296.163	-	396.797
- Inflow	21.376.770	853.321	1.705.788	2.402.600	-	26.338.479
- Outflow	(21.320.944)	(840.084)	(1.674.217)	(2.106.437)	-	(25.941.682)
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	3.117.813	3.117.813
- Outflow	-	-	-	-	(3.117.813)	(3.117.813)
Derivatives held for hedging						
Foreign exchange derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Interest rate derivatives	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total inflow	21.376.770	853.321	1.705.788	2.402.600	3.117.813	29.456.292
Total outflow	(21.320.944)	(840.084)	(1.674.217)	(2.106.437)	(3.117.813)	(29.059.495)

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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.

Group’s liability resulting from the cheques given to its customers amounts to TL 3.173.767 (31 December 2015: TL 3.079.630).

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 Parent Bank acts as an intermediary for purchases and sales of government securities on behalf of individuals and entities, conducts repo transactions, and provides custody services. The Parent Bank does not provide consultancy and management services.

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans ⁽¹⁾	18.992.637	3.094.642	14.653.128	2.260.303
Short Term Loans	4.760.476	159.502	3.801.983	108.553
Medium and Long Term Loans	14.109.708	2.933.732	10.685.902	2.151.457
Interest on Non-Performing Loans	122.453	1.408	165.243	293
Premiums from Resource Utilization Support Fund	-	-	-	-

⁽¹⁾ Includes fees and commissions income on cash loans.

⁽²⁾ The dividend income amount belong to Ziraat Katılım Bank A.Ş shown in interest income from loans column.

b) Information on interest received from the banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	4.508	-	1.231	2.024
Domestic Banks	186.166	5.365	159.958	1.197
Foreign Banks	2.182	22.437	1.547	17.066
Head Office and Branches	-	-	-	-
Total	192.856	27.802	162.736	20.287

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	938	2.362	1.299	252
Financial Assets at Fair Value through Profit or Loss	6.757	-	5.432	1.419
Financial Assets Available-for-Sale	4.057.061	678.948	3.951.477	495.713
Investments Held-to-Maturity	419.755	361.924	424.006	368.124
Total	4.484.511	1.043.234	4.382.214	865.508

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d) Information on interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	171	111

2. a) Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks ⁽¹⁾	122.297	394.045	118.534	322.848
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	35.496	24.041	31.347	11.289
Foreign Banks	86.801	370.004	87.187	311.559
Head Office and Branches	-	-	-	-
Other Institutions	6.395	4.975	-	42
Total	128.692	399.020	118.534	322.890

⁽¹⁾ Includes fees and commissions expenses on cash loans.

b) Information on interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest Expenses Given to Subsidiaries and Associates	3.807	2.974

c) Information on interest given on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Given on Securities Issued	234.988	162.533	187.920	106.639

d) Maturity structure of the interest expense on deposits:

Account Name	Demand Deposit	Time Deposit						Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year			
TL									
Bank Deposit	-	374.045	-	-	-	-	-	-	374.045
Saving Deposit	1	225.477	5.198.683	366.469	76.570	72.004	2.558	5.941.762	
Public Sector Deposit	215	342.069	428.687	103.464	308.449	762	-	1.183.646	
Commercial Deposit	174	475.218	609.940	51.439	35.050	7.448	-	1.179.269	
Other Deposit	100	138.653	378.420	38.739	69.423	29.390	-	654.725	
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-	
Total	490	1.555.462	6.615.730	560.111	489.492	109.604	2.558	9.333.447	
FC									
Foreign Currency Deposit	1.431	79.366	250.925	55.881	50.008	210.293	15	647.919	
Bank Deposit	17	75.252	334	207	1	-	-	75.811	
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-	
Gold Vault	-	126	969	142	79	83	-	1.399	
Total	1.448	154.744	252.228	56.230	50.088	210.376	15	725.129	
Grand Total	1.938	1.710.206	6.867.958	616.341	539.580	319.980	2.573	10.058.576	

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3. Explanations on dividend income:

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-Sale Financial Assets	31.318	2.188
Other ⁽¹⁾	1.583	4.231
Total	32.901	6.419

⁽¹⁾ Shows the Group's dividend income from equity investments, subsidiaries, associates and entities under common control.

4. Information on trading profit/loss (net):

	Current Period	Prior Period
Profit	34.427.463	37.926.627
Profit from the Capital Market Transactions	30.919.244	34.305.620
Profit on Derivative Financial Instruments	3.472.812	3.541.214
Foreign Exchange Gains	35.407	79.793
Loss (-)	34.597.456	38.068.344
Loss from the Capital Market Transactions	29.303.467	33.265.184
Loss on Derivative Financial Instruments	5.290.339	4.801.835
Foreign Exchange Loss	3.650	1.325

5. Information on profit/loss on derivative financial operations:

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	1.517.551	152.933
Effect of the change in interest rates on profit/loss	(3.335.078)	(1.413.554)
Total	(1.817.527)	(1.260.621)

6. Information on other operating income:

Information on factors covering the recent developments which has significant effect on the Parent Bank's income and the extent of effect on income:

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income. Main component of the Bank's other operating income consists of reversals from prior period provisions amounting to TL 839.296 TL (31 December 2015: TL 776.168) and income from sales of assets amounting to TL 212.041 (31 December 2015: TL 98.170).

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7. a) Provision expenses for impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables ⁽¹⁾	2.322.549	912.964
Group III Loans and Receivables	405.978	175.295
Group IV Loans and Receivables	960.422	414.706
Group V Loans and Receivables	956.149	322.963
General Provision Expenses ⁽²⁾	1.122.469	552.669
Provision Expenses for the Possible Losses	3.960	7.350
Marketable Securities Impairment Expense	618	2.189
Financial Assets at Fair Value through Profit and Loss	142	33
Financial Assets Available for Sale	476	2.156
Impairment Losses from Associates, Subsidiaries, Joint Ventures and Marketable Securities Held to Maturity	-	60
Associates	-	-
Subsidiaries	-	-
Entities under Common Control (Business Partners)	-	-
Investment Securities Held to Maturity	-	60
Other	126.656	72.039
Total	3.576.252	1.547.271

⁽¹⁾ The relevant balance includes the expenses related to the current period. The provision reversals within the period amounting to TL 440.027 are presented in other operating income (31 December 2015: TL 545.644).

⁽²⁾ The relevant balances include the expenses related to the current period. The provision reversals within the period amounting to TL 5.862 are presented in other operating income.

8. a) Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2.503.144	2.205.013
Reserve for Employee Termination Benefits	23.070	31.517
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	320.419	284.626
Intangible Assets Impairment Expense	-	1.177
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	53.160	48.734
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	2.803	2.619
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	1.414.660	1.261.941
Operational Leasing Expenses	237.969	191.479
Maintenance Expenses	81.235	87.416
Advertisement Expenses	98.614	113.716
Other Expenses	996.842	869.330
Loss on Sales of Assets	1.290	1.605
Other ⁽¹⁾	2.369.281	2.309.552
Total	6.687.827	6.146.784

⁽¹⁾ TL 475.532 of the relevant balance is Savings Deposit Insurance Fund expense accrual (31 December 2015: TL 405.201), TL 499.342 is taxes, fees and tolls expenses (31 December 2015: TL 407.768).

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9. Information on profit/(loss) before tax from continuing and discontinuing operations:

The Group 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 Interest Income	14.674.566	11.025.129
Net Fees and Commissions Income	1.516.567	1.230.276
Dividend Income	32.901	6.419
Trading Income/Expense (Net)	(169.993)	(141.717)
Other Operating Income	3.227.587	2.433.906
Provision for Loan or Other Receivables Losses (-)	3.576.252	1.547.271
Other Operating Expenses (-)	6.687.827	6.146.784
Earning/Loss from Subsidiaries Consolidated with Equity Pick-up	21.914	28.025
Profit/(Loss) from Continuing Operations	9.039.463	6.887.983

10. Information on tax provision for continuing and discontinuing operations

As of 31 December 2016, TL 2.154.328 (31 December 2015 TL 1.510.009) of the Group's total tax provision expense amounting to TL 2.061.503 (31 December 2015: TL 927.367), consists of current tax expense while the remaining balances amounting to TL 92.825 (31 December 2015: TL 582.642 deferred tax income) consists of deferred tax expense.

11. Explanation on net income/loss for the period for continued and discontinued operations:

The Group's net operating income after tax amounts to TL 6.885.135 (31 December 2015 TL 5.377.974).

12. 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 Parent Bank in the current period:

The Parent Bank, mainly utilizes its resources from domestic deposits on loans, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations and insurance agencies.

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 (31 December 2015: None).

13. 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:

The “Other” item under “Fees and Commissions Received” in the Income Statement consists of fees and commission income from credit cards and banking transactions.

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

1. In accordance with the Turkish Accounting Standards, the disclosures on shareholders' equity are made accordingly in the order of financial statement items in this section:

a) Explanations on inflation adjustment differences for equity items:

As per the BRSA's Circular numbered 5 announced on 28 April 2005 it is stated that the indicators of hyperinflationary period are eliminated to a large extent, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 on 21 April 2005.

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b) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2015 which was carried out on 30 March 2016, from TL 5.162.470 net profit as of 31 December 2015 which is subject to distribution, TL 258.124 is transferred to first legal reserve and TL 24.200 is transferred to second legal reserve. TL 220.000 is distributed as dividend to employees and TL 231.200 is distributed to Treasury after deducting withholding tax of 15% (TL 40.800) in cash. In this context, TL 4.388.146 of the profit is preserved; dividend payment made to Treasury on 15 April 2016, and within the framework of the dividend to be distributed to employees, at total TL 186.788 is paid. The remaining TL 33.212 from the dividends distributed to the personnel according to the decision taken in the General Assembly of the year.

The Parent Bank is planning to distribute its 2016 profit in accordance with its articles of association. However, as of the report date, there is no decision taken regarding the profit distribution.

c) 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 Parent Bank’s intention to hold the previously classified as available for sale securities to maturity the Parent 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.

Subsidiaries and jointly controlled entities domiciled and operating abroad are followed by their fair values. For such subsidiaries and entities under common control, the fair value is determined with revaluation report prepared by independent valuation firm and revaluation differences are recognized under “Marketable Securities Revaluation Fund” under equity.

d) Profit Reserves:

As of the balance sheet date, profit reserves amount to TL 22.871.718, legal reserves amount to TL 3.393.778, profit reserves amount to TL 18.052.605 and other profit reserves amount to TL 1.425.335.

e) Explanations Related to Previous Period Profit/Loss:

The revaluation increase which was carried under “Property, Plant and Equipment Revaluation Differences” amounting to TL 746.547 related with the properties transferred to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. as capital is classified in the Prior Years Profit/Loss under the “TAS 16- Property, Plant and Equipment” standard.

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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 8.121.027 is composed mainly from interest received from loans and securities amounting to TL 27.012.143 and interest paid to deposit and money market operations which is amounting to TL 13.228.937. Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1.183.517 as of 31 December 2016 (31 December 2015: TL 589.946).

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”.

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Period opening and end cash and cash equivalents balance:

Period Opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	2.577.170	1.869.429
Central Bank of the Republic of Turkey and Other Banks	6.424.794	4.524.233
Money Market Operations	116.173	51.529
Total Cash and Cash Equivalents	9.118.137	6.445.191
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	2.792.776	2.577.170
Central Bank of the Republic of Turkey and Other Banks	12.854.193	6.424.794
Money Market Operations	252.944	116.173
Total Cash and Cash Equivalents	15.899.913	9.118.137

VII. EXPLANATIONS AND NOTES TO THE RISK GROUP OF THE PARENT BANK

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

a) Current Period:

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	25.125	-	-	-	-	-
Closing Balance	22.397	-	-	-	-	-
Interest and Commissions Income	171	-	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

b) Prior Period:

Risk Group of the Parent Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		Direct or Indirect Shareholders of the Parent Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables ⁽¹⁾						
Opening Balance	8.558	-	-	-	-	-
Closing Balance	25.125	-	-	-	-	-
Interest and Commissions Income	111	-	-	-	-	-

⁽¹⁾ The cash loans balance includes the investments to associates, subsidiaries and entities under common control.

c) 1) Deposits held by the Parent Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Venture)		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
Deposits						
Opening Balance	38.385	261.835	-	-	-	-
Closing Balance	52.520	38.385	-	-	-	-
Interest Expense on Deposits	3.807	2.974	-	-	-	-

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2) Information on forward transactions, option agreements and similar transactions between the Parent Bank’s risk group:

None (31 December 2015: None).

3) Information about fees paid to the Group’s key management:

Fees paid to the Group’s key management amount to TL 44.194 (31 December 2015: TL 28.787).

VIII. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

1) The Parent Bank was continuing its national and international banking activities via its domestic/foreign branches and subsidiaries that serve in different financial areas under the ownership of Undersecretariat of Treasury. With the decision agreed, decree no. 2017/9756 dated 24 January 2017, the Parent Bank will continue its operations under the ownership of the Turkey Wealth Fund.

2) A protocol has been signed with SSO on 1 February 2017 regarding the payment of promotions by the Bank to customers who receive Emekli Sandığı, SSK, Bağ-Kur (all referred as Social Security Organization) pension payments through the Bank.

IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

1) Information on the Parent Bank’s domestic and foreign branches and foreign representatives of the Bank:

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch ⁽¹⁾	1.786	24.932			
Foreign Representative Office ⁽²⁾	1	-	1- Iran		
Foreign Branch ⁽²⁾	1	2	1- USA	1.295.174	412.020
	1	2	2- England	5.375.390	184.104
	4	2	3- Bulgaria	199.844	52.051
	3	6	4- Georgia	97.975	20.149
	2	3	5- Iraq	307.190	49.106
	4	4	6- Greece	382.891	122.093
	1	2	7- Saudi Arabia	120.251	52.614
	1	-	8- Kosovo	68.419	36.998
	10	42	9-T.R. of Northern Cyprus	1.201.983	136.238
Off-Shore Banking Region Branches	1	1	1-Bahrein	2.434.370	17.538

⁽¹⁾ Includes the employees of the domestic branches, including the employees of head office and regional management.

⁽²⁾ Excluding the local employees of the foreign branches.

2) Information on the Parent Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Parent Bank:

In the Parent Bank, 15 new branches were opened, 15 branches were closed within 2016 in Turkey. On the other side, Bahrain branch in Bahrain has started to its operations in 28 November 2016 in abroad.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE PARENT BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL CREDIT RATING AGENCIES

Information on the assessment done by the international rating agencies Moody’s Investor Services, Fitch Ratings and JCR Eurasia are as follows:

Moody’s Investor Services: September 2016

Outlook	Stable
Long term Foreign Currency Deposit	Ba2
Short term Foreign Currency Deposit	Not-Prime
Long term Turkish Liras Deposit	Ba1
Short term Turkish Liras Deposit	Not-Prime
Long term Foreign Currency Bond	Ba1
Long term Turkish Lira Bond	Ba1
Basic Credit Note	ba2
Adjusted Basic Credit Note	ba2

Fitch Ratings: October 2016

Foreign Currency Commitments	BBB-
Outlook	Negative
FC Long Term	F3
TL Long Term	BBB-
Outlook	Negative
TL Short Term	F3
National Long Term	AAA (tur)
Outlook	Stable
Support	2
Support Rating Base	BBB-
Financial Capability Grade	bbb-

JCR Eurasia: November 2016

Long Term International FC	BBB -
Outlook	Stable
Long Term International TL Grade	BBB -
Outlook	Stable
Long Term National Grade	AAA (Trk)
Outlook	Stable
Short Term International FC	A - 3
Outlook	Stable
Short Term International TL Grade	A - 3
Outlook	Stable
Short Term National Grade	A-1+ (Trk)
Supporting Grade	1
Independence from Affiliates Grade	A

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 in Note I. of Section Three)

SECTION SEVEN

EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON 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. Independent Auditor’s Report dated 17 February 2017 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.