

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

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2016**



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

**To the Board of Directors of İstanbul Takas ve Saklama Bankası A.Ş.**

**Report on the Unconsolidated Financial Statements**

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

*Management's Responsibility for the Unconsolidated Financial Statements*

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

*Independent Auditor's Responsibility*

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

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

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



### *Opinion*

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of İstanbul Takas ve Saklama Bankası A.Ş. 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Engin Çubukçu, SMMM  
Partner

Istanbul, 20 February 2017

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

**THE YEAR END UNCONSOLIDATED FINANCIAL REPORT OF  
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 31 DECEMBER 2016**

Address of the Bank's Headquarters : Takasbank Genel Müdürlüğü Reşitpaşa Mahallesi,  
Tuncay Artun Caddesi, Emirgan Sarıyer, İstanbul

Telephone of the Bank : (0 212) 315 25 25

Fax of the Bank : (0 212) 315 25 26

Web site of the Bank : www.takasbank.com.tr


E-mail for correspondence : rap@takasbank.com.tr


The unconsolidated year end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

The accompanying year end unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

  
Osman Saraç  
Chairman of the Management Board

  
Serdar Satoğlu  
Chairman of Audit Committee

  
Selim İnce  
Member of Audit Committee

  
Mahmut Kavacık  
General Manager

  
Aydın Sarı  
Vice General Manager

  
Murat Gökün  
Manager

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

Name-Surname/Title : Arzu Hoplamaz / Assistant Manager  
Telephone Number : (0 212) 315 22 28  
Fax Number : (0 212) 315 22 34

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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**SECTION ONE**

**GENERAL INFORMATION**

**I. Bank's foundation date, start-up statute, history about the changes in this mentioned statute:**

The Bank was originally set up as a department of the Borsa İstanbul A.Ş. ("BİAŞ") (formerly "İstanbul Menkul Kıymetler Borsası") and reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the decision made in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into İstanbul Takas ve Saklama Bankası A.Ş. (Here in after referred to as "Takasbank" or the "Bank") and this title change was approved in 11 April 2013.

**II. Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to:**

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

No	Name of Shareholders	Current Period			Prior Period		
		Paid in Capital	(%)	Number	Paid in Capital	(%)	Number
1	Borsa İstanbul A.Ş.	373.515	62,25	1	373.515	62,25	1
2	Phillip Capital Menkul Değerler A.Ş.	27.923	4,65	1	27.750	4,63	1
3	Tacirler Menkul Değerler A.Ş.	27.971	4,66	1	27.750	4,63	1
4	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26.280	4,38	1	26.280	4,38	1
5	T. Garanti Bankası A.Ş.	26.235	4,37	1	26.235	4,37	1
6	Türkiye İş Bankası A.Ş.	26.235	4,37	1	26.235	4,37	1
7	Türkiye Vakıflar Bankası T.A.O.	26.235	4,37	1	26.235	4,37	1
8	Other (Brokerage house)	37.635	6,28	37	38.029	6,34	37
9	Other (Bank)	27.971	4,67	10	27.971	4,66	10
	<b>Total</b>	<b>600.000</b>	<b>100,00</b>		<b>600.000</b>	<b>100,00</b>	

62,25% of the Bank's shares are owned by BİAŞ. Capital Markets Board Law no. 6362 went into force after being published in the Official Gazette dated December 30, 2012. Pursuant to article 138 of the Law, Borsa İstanbul A.Ş. was founded on the same date, for the purpose of serving as a securities exchange. In accordance with the provisions of the Law and the related legislation, to ensure that capital markets instruments, foreign currencies, precious metals and gems, and other contracts, documents, and assets approved by the Capital Markets Board of Turkey are traded subject to free trade conditions in a facile and secure manner, in a transparent, efficient, competitive, fair and stable environment; to create, establish and develop markets, sub-markets, platforms, systems and other organized market places for the purpose of matching or facilitating the matching of the buy and sell orders for the above mentioned assets and to determine and announce the discovered prices; to manage and/or operate the aforementioned or other exchanges or markets of other exchanges; and to carry out the other activities listed in its Articles of Association." Established on the basis of Capital Markets Law no. 6362, Borsa İstanbul is a internal entity under private law. BİAŞ is a self-regulatory entity.

The changes in shareholders in the current period are shown below:

Old Shareholder	New Shareholder	Cost of Share	Ratio (%)	Description
Bahar Menkul Değerler Ticaret A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	48	0,008	Transfer
Galata Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	173	0,029	Transfer
Galata Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	173	0,029	Transfer

*Dividend payment:*

In accordance with the Ordinary General Meeting dated 31 March 2016, dividend amounting to TL 75.000 has been paid to shareholders and TL 4.703 to employees at 5 April 2016.

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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**GENERAL INFORMATION (Continued)**

**III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess:  
Chairman and Members of the Board of Directors**

<b>Name Surname</b>	<b>Area of Responsibility</b>	<b>Education Status</b>
Osman Saraç	President	Ankara University / Faculty of Political Science / International Relations / Undergraduate Gazi University / Institute of Social Sciences / Finance / Graduate
Adnan Ertürk	Member (Vice President and Member of Corporate Management Committee)	Ankara University / Faculty of Political Science / Public Administration / Undergraduate
Mahmut Kayacık	General Manager and Member (President of Credit Committee)	Boğaziçi University / Faculty of Economics and Administrative Sciences / Political Science and International Relations / Undergraduate Marmara University / Institute of Social Sciences / International Economics / Graduate
Selim Ince	Member (Member of Audit Committee)	Marmara University / Faculty of Economics and Administrative Sciences / Management / Undergraduate Marmara University / Institute of Social Sciences / Accounting and Finance / Graduate
Dr. Serdar Satoğlu	Member (President of Audit Committee)	Ankara University / Faculty of Political Science / Public Administration / Undergraduate Marmara University / Institute of Banking and Insurance / Capital and Stock Markets / Graduate Marmara University / Institute of Banking and Insurance / Banking / Postgraduate
Güzide Meltem Kökden	Member (Credit Committee Permanent Member)	Ankara University / Faculty of Political Science / International Relations / Undergraduate Ankara University / Institute of Social Sciences / European Communities Law / Graduate
Mustafa İleri	Member (Credit Committee Associate Member)	Istanbul University / Management Faculty / Management Finance / Undergraduate Istanbul University / Management Faculty / Management Finance / Graduate
Feridun Bilgin	Member (Corporate Management Committee Member and Credit Committee Associate Member)	Istanbul University / Electric-electronic Faculty / Electric Engineering / Undergraduate Yıldız Teknik University / Institute of Science / Graduate
Ekrem Kerem Korur	Member (Credit Committee Permanent Member)	Istanbul University / Economics Faculty / Economics in English / Undergraduate

**General Manager and Assistant General Managers**

<b>Name Surname</b>	<b>Area of Responsibility</b>	<b>Education Status</b>
Mahmut Kayacık	General Manager and Member (President of Credit Committee)	Boğaziçi University / Faculty of Economics and Administrative Sciences / Political Science and International Relations / Undergraduate Marmara University / Institute of Social Sciences / International Economics / Graduate
Gökhan Elibol	Operations Department	Ankara University / Faculty of Political Science / Public Administration / Undergraduate
Aydın Sarı	Banking, Support and Financial Operation	Gazi University / Faculty of Economics and Administrative Sciences / Public Administration / Undergraduate T.C. Türkiye ve Ortadoğu Amme İdaresi Enstitüsü / Faculty of Economics and Administrative Sciences / Public Administration / Undergraduate
Ekrem Arıkan	IT Department	Boğaziçi University / Engineering Faculty / Computer Engineering Yeditepe University / Management / Graduate

Vice general manager of Operational Department Dr. Sezai Bekgöz has resigned from his job on 3 June 2016, and Gökhan Elibol is assigned to Dr. Sezai Bekgöz's position on 3 August 2016.

Vice general manager of IT Department Galip Karagöz has resigned from his job on 3 June 2016, and Ekrem Arıkan is assigned to Galip Karagöz's position on 23 June 2016.

21st Ordinary general meeting held on 31 March 2016 and Board member Birol Aydemir is dismissed from board, Feridun Bilgin is assigned to board as a member.

Board Member Seyit Ahmet Baş, has assigned to Court of Accounts, in accordance with regulations Mr. Baş has resigned on 26 July 2016, Adnan Ertürk has assigned to Ahmet Baş's position on 5 September 2016.

Vice general manager responsible on from Banking, Support and Financial Operations departments, Dr. Cengiz Özübek has resigned from his job at 23 January 2017 and assigned as Board and General Manager Consultant at 10 February 2017. Aydın Sarı has been assigned to Dr. Cengiz Özübek's former position.



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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**GENERAL INFORMATION (Continued)**

**IV. Information on the Bank's Qualified Shareholders**

Shareholding in the Bank's shares, except BİAŞ, does not exceed 5% as stated in the Articles of Association of the Bank. 62,25% of the Bank belongs to Istanbul Stock Exchange (ISE). The Bank has nominal TL 200 preferred shares as of 31 December 2016 (31 December 2015: TL 200). The preferred shares belonging to ISE, provides the shareholder to be represented with more members in the Board of Directors.

Name-Surname/Business Name	Share Amount	Share Proportions	Paid-in Shares	Unpaid Shares
BİAŞ	373.515	62,25	373.515	-

**V. Information on the Bank's function and areas of activity:**

The main purpose of the Bank is to increase our country's market competitiveness by providing settlement and custody services, providing financial services, and performing all types of economic activities within the scope of the relevant legislation.

The areas of activity that are specified in the Bank's Articles of Association, in general, are as follows:

- Providing all financial services, and primarily central bartering services and central counterparty services, activity of settlement and custody, market management, establishing and making payments, transfer and reconciliation systems, and banking activities;
- Financial services related to international markets including all kinds of payments, transfers, settlements, custody, and reconciliation services;
- Performing judiciary activities and signing all agreements related to its subject, signing written contracts, notes, and miscellaneous notes, acquiring all kinds of rights and receivables and binding debts;
- Purchasing, manufacturing, constructing, acquiring in other ways, renting, partially or completely, selling when necessary, transferring and leasing, and establishing all kinds of real rights on moveable and immoveable goods or removing all kinds of moveable and immoveable goods as well as all kinds of rights associated with them;
- All kinds of loaning and borrowing required by its activities, in line with corporate management principles as determined by banking and capital market legislation, as well as providing and obtaining personal in cash or in kind guarantees such as sureties, pledges, mortgages, and enterprise pledges in its favour or in favour of others, and transferring or cancelling these;
- Issuing all kinds of capital market instruments within the scope of capital market regulations; and becoming a member of current partnerships.

**VI. A short explanation of the differences between the "Communiqué on Preparation Of Consolidated Financial Statements Of Banks" and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods.**

None.

**VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries**

None.

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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**SECTION TWO**

**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

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

	Note (Section Five)	Current Period 31/12/2016			Prior Period 31/12/2015		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	I-(1)	85	-	85	55	-	55
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	I-(2)	1.158	-	1.158	4.396	-	4.396
2.1 Financial Assets held for trading		1.158	-	1.158	4.396	-	4.396
2.1.1 Government Debt Securities		1.158	-	1.158	4.396	-	4.396
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		-	-	-	-	-	-
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	I-(3)	4.388.589	3.327.336	7.715.925	4.012.918	2.585.786	6.598.704
<b>IV. MONEY MARKETS</b>	I-(3)	21.168	-	21.168	18.881	-	18.881
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		21.168	-	21.168	18.881	-	18.881
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	I-(4)	1.171	543	1.714	1.171	465	1.636
5.1 Share Certificates		1.171	543	1.714	1.171	465	1.636
5.2 Government Debt Securities		-	-	-	-	-	-
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS</b>	I-(5)	98.945	-	98.945	172.112	-	172.112
6.1 Loans		98.945	-	98.945	172.112	-	172.112
6.1.1 Loans to Bank’s Risk Group		98.945	-	98.945	141.553	-	141.553
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		-	-	-	30.559	-	30.559
6.2 Loans under Follow-up		1.574	-	1.574	1.574	-	1.574
6.3 Specific Provisions (-)		1.574	-	1.574	1.574	-	1.574
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD-TO-MATURITY SECURITIES (Net)</b>	I-(6)	45.943	-	45.943	180.085	-	180.085
8.1 Government Debt Securities		45.943	-	45.943	180.085	-	180.085
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	I-(7)	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	I-(8)	4.825	-	4.825	4.825	-	4.825
10.1 Unconsolidated Financial Subsidiaries		4.825	-	4.825	4.825	-	4.825
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (NET) (Net)</b>	I-(9)	-	-	-	-	-	-
11.1 Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	I-(10)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	I-(11)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	I-(12)	15.535	-	15.535	16.083	-	16.083
<b>XV. INTANGIBLE ASSETS (Net)</b>	I-(13)	85.005	-	85.005	80.895	-	80.895
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		85.005	-	85.005	80.895	-	80.895
<b>XVI. INVESTMENT PROPERTY (Net)</b>	I-(14)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	I-(15)	1.179	-	1.179	2.629	-	2.629
17.1 Current Tax Asset		-	-	-	-	-	-
17.2 Deferred Tax Asset		1.179	-	1.179	2.629	-	2.629
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	I-(16)	-	-	-	-	-	-
18.1 Held for Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	I-(17)	14.690	176	14.866	11.742	395	12.137
<b>TOTAL ASSETS</b>		<b>4.678.293</b>	<b>3.328.055</b>	<b>8.006.348</b>	<b>4.505.792</b>	<b>2.586.646</b>	<b>7.092.438</b>

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

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

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (Continued)**

	Note (Section Five)	Current Period 31/12/2016			Prior Period 31/12/2015		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	II-(1)	-	-	-	-	-	-
1.1 Deposits of Bank's Risk Group		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	II-(2)	-	-	-	-	-	-
<b>III. FUNDS BORROWED</b>	II-(3)	530.691	1.869.739	2.400.430	812.393	1.600.930	2.413.323
<b>IV. MONEY MARKETS</b>		43.800	-	43.800	-	-	-
4.1 Funds from Interbank Money Market		43.800	-	43.800	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements		-	-	-	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	II-(4)	-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	II-(5)	2.927.971	1.448.423	4.376.394	2.621.184	982.514	3.603.698
<b>VIII. OTHER LIABILITIES</b>	II-(5)	68.763	17	68.780	104.778	78	104.856
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	II-(6)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	II-(7)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	II-(8)	55.340	-	55.340	44.510	-	44.510
12.1 General Loan Loss Provision		31.208	-	31.208	21.686	-	21.686
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		12.248	-	12.248	13.342	-	13.342
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		11.884	-	11.884	9.482	-	9.482
<b>XIII. TAX LIABILITY</b>	II-(9)	17.918	-	17.918	15.025	-	15.025
13.1 Current Tax Liability		17.918	-	17.918	15.025	-	15.025
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	II-(10)	-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	II-(11)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	II-(12)	1.043.686	-	1.043.686	911.026	-	911.026
16.1 Paid-in Capital		600.000	-	600.000	600.000	-	600.000
16.2 Capital Reserves		37.107	-	37.107	37.107	-	37.107
16.2.1 Share Premium		33.019	-	33.019	33.019	-	33.019
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Reserve		-	-	-	-	-	-
16.2.4 Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8 Hedging Reserves (Effective portion)		-	-	-	-	-	-
16.2.9 Value Differences of Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		4.088	-	4.088	4.088	-	4.088
16.3 Profit Reserves		191.604	-	191.604	95.781	-	95.781
16.3.1 Legal Reserves	II-(12)	51.044	-	51.044	37.338	-	37.338
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves	II-(12)	139.119	-	139.119	56.886	-	56.886
16.3.4 Other Profit Reserves	II-(13)	1.441	-	1.441	1.557	-	1.557
16.4 Income or (Loss)		214.975	-	214.975	178.138	-	178.138
16.4.1 Prior Years' Income/ (Loss)		3.410	-	3.410	3.410	-	3.410
16.4.2 Current Year Income/ (Loss)		211.565	-	211.565	174.728	-	174.728
16.5 Minority Shares	II-(14)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4.688.169</b>	<b>3.318.179</b>	<b>8.006.348</b>	<b>4.508.916</b>	<b>2.583.522</b>	<b>7.092.438</b>

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

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

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**II. OFF-BALANCE SHEET**

	Note (Section Five)	Current Period 31/12/2016			Prior Period 31/12/2015		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>11.078.283</b>	<b>633</b>	<b>11.078.916</b>	<b>5.858.321</b>	<b>523</b>	<b>5.858.844</b>
<b>I. GUARANTEES AND WARRANTIES</b>	III-(1)	<b>10.768.604</b>	-	<b>10.768.604</b>	<b>5.628.740</b>	-	<b>5.628.740</b>
1.1. Letters of Guarantee		-	-	-	-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		-	-	-	-	-	-
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		10.768.604	-	10.768.604	5.628.740	-	5.628.740
1.9. Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>309.679</b>	<b>633</b>	<b>310.312</b>	<b>229.581</b>	<b>523</b>	<b>230.104</b>
2.1. Irrevocable Commitments		309.679	-	309.679	229.581	-	229.581
2.1.1. Asset Purchase and Sales Commitments		-	-	-	-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Commitments for Loan Limits		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
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		309.679	-	309.679	229.581	-	229.581
2.2. Revocable Commitments		-	633	633	-	523	523
2.2.1. Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	633	633	-	523	523
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-	-	-	-
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		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign currency call options		-	-	-	-	-	-
3.2.3.2. Foreign currency put options		-	-	-	-	-	-
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		-	-	-	-	-	-
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>2.460.037.449</b>	<b>1.117.821</b>	<b>2.461.155.270</b>	<b>2.003.719.506</b>	<b>1.032.736</b>	<b>2.004.752.242</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2.441.013.247</b>	-	<b>2.441.013.247</b>	<b>1.989.411.706</b>	-	<b>1.989.411.706</b>
4.1. Customer Fund and Portfolio Balances		8	-	8	8	-	8
4.2. Investment Securities Held in Custody	III-(1)	2.441.011.739	-	2.441.011.739	1.989.410.198	-	1.989.410.198
4.3. Cheques Received for Collection		-	-	-	-	-	-
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		1.500	-	1.500	1.500	-	1.500
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>19.024.202</b>	<b>1.117.821</b>	<b>20.142.023</b>	<b>14.307.800</b>	<b>1.032.736</b>	<b>15.340.536</b>
5.1. Marketable Securities		7.240.590	1.117.821	8.358.411	7.561.925	1.032.736	8.594.661
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Real Estate		-	-	-	-	-	-
5.6. Other Pledged Items		11.783.612	-	11.783.612	6.745.875	-	6.745.875
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>2.471.115.732</b>	<b>1.118.454</b>	<b>2.472.234.186</b>	<b>2.009.577.827</b>	<b>1.033.259</b>	<b>2.010.611.086</b>

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED INCOME STATEMENT  
FOR THE PERIODS ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**III. INCOME STATEMENT**

	Note (Section Five)	Current Period 01/01-31/12/2016	Prior Period 01/01-31/12/2015
<b>I. INTEREST INCOME</b>	IV-(1)	<b>294.068</b>	<b>233.635</b>
1.1 Interest on Loans		12.891	9.108
1.2 Interest Received from Reserve Requirements		-	-
1.3 Interest Received from Banks		274.498	208.140
1.4 Interest Received from Money Market Transactions		-	-
1.5 Interest Received from Marketable Securities Portfolio		6.345	16.228
1.5.1 Financial Assets Held for Trading		-	-
1.5.2 Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		-	-
1.5.4 Investments Held-to-maturity		6.345	16.228
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		334	159
<b>II. INTEREST EXPENSE (-)</b>	IV-(2)	<b>50.674</b>	<b>39.350</b>
2.1 Interest on Deposits (-)		-	-
2.2 Interest on Funds Borrowed (-)		50.653	39.350
2.3 Interest on Money Market Borrowings (-)		21	-
2.4 Interest on Securities Issued (-)		-	-
2.5 Other Interest Expenses (-)		-	-
<b>III. NET INTEREST INCOME (I - II)</b>		<b>243.394</b>	<b>194.285</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>110.332</b>	<b>87.070</b>
4.1 Fees and Commissions Received		120.743	94.924
4.1.1 Non-cash Loans		25.739	16.837
4.1.2 Other	IV-(11)	95.004	78.087
4.2 Fees and Commissions Paid (-)	IV-(12)	10.411	7.854
4.2.1 Non-cash Loans (-)		-	-
4.2.2 Other (-)		10.411	7.854
<b>V. DIVIDEND INCOME</b>	IV-(3)	<b>6.217</b>	<b>6.179</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	IV-(4)	<b>1.795</b>	<b>1.122</b>
6.1 Securities trading gains / losses		-	2
6.2 Securities Trading Gains/(Losses) on Derivative Financial Instruments		-	-
6.3 Foreign Exchange Gains/(Losses)		1.795	1.120
<b>VII. OTHER OPERATING INCOME</b>	IV-(5),(11)	<b>4.632</b>	<b>2.884</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>366.370</b>	<b>291.540</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	IV-(6)	<b>13.983</b>	<b>265</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	IV-(7)	<b>87.030</b>	<b>74.857</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>265.357</b>	<b>216.418</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)</b>		<b>265.357</b>	<b>216.418</b>
<b>XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	IV-(8)	<b>(53.792)</b>	<b>(41.690)</b>
16.1 Current Tax Provision		(52.312)	(40.241)
16.2 Deferred Tax Provision		(1.480)	(1.449)
<b>XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)</b>	IV-(9)	<b>211.565</b>	<b>174.728</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from Non-Current Assets Held for Sale		-	-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other Income from Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Expense from Non-Current Assets Held for Sale		-	-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other Expenses from Discontinued Operations		-	-
<b>XX. INCOME/(LOSS) FROM DISCONTINUED OPERATIONS BEFORE TAX (XVIII- XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-
<b>XXIII. NET INCOME/(LOSS) (XVII+XXII)</b>	IV-(9)	<b>211.565</b>	<b>174.728</b>
Earnings/(Loss) per share		<b>0,35261</b>	<b>0,29121</b>

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

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

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED  
IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY**

<b>INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>		<b>Current Period</b>	<b>Prior Period</b>
		<b>01/01-31/12/2016</b>	<b>01/01-31/12/2015</b>
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	-	-
<b>II.</b>	<b>REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	-	-
<b>III.</b>	<b>REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-
<b>IV.</b>	<b>FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V.</b>	<b>INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERROR</b>	-	-
<b>VIII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	(146)	(326)
<b>IX.</b>	<b>DEFERRED TAX ON VALUATION DIFFERENCES</b>	30	65
<b>X.</b>	<b>NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>(116)</b>	<b>(261)</b>
<b>XI.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>211.565</b>	<b>174.728</b>
1.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	-	-
1.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
1.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
1.4	Other	211.565	174.728
<b>XII.</b>	<b>TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>211.449</b>	<b>174.467</b>

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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR ENDED YEAR 31 DECEMBER 2015**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extra- ordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Valuation Difference of AHS and Operations.	Total Equity Before Minority Shares	Minority Shares	Total Equity
<b>I</b>	<b>Beginning Balance</b>	<b>600.000</b>	<b>4.088</b>	<b>33.019</b>	-	<b>27.857</b>	-	<b>9.531</b>	<b>1.818</b>	-	<b>123.931</b>	-	-	-	-	-	<b>800.244</b>	-	<b>800.244</b>
<b>II.</b>	<b>Corrections according to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The effect of changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>New Balance (I+II)</b>	<b>600.000</b>	<b>4.088</b>	<b>33.019</b>	-	<b>27.857</b>	-	<b>9.531</b>	<b>1.818</b>	-	<b>123.931</b>	-	-	-	-	-	<b>800.244</b>	-	<b>800.244</b>
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV.</b>	<b>Increase/Decrease related to merger</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	<b>Marketable securities valuation differences</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	<b>Hedging Funds (Effective Portion)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Tangible assets revaluation differences</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Intangible assets revaluation differences</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint vent.)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Foreign exchange differences</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>The disposal of assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	<b>The reclassification of assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	<b>The effect of change in associate's equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	<b>Capital increase</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	<b>Share premium</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	<b>Share cancellation profits</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	<b>Inflation adjustment to paid-in capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII.</b>	<b>Other</b>	-	-	-	-	-	-	-	(261)	-	-	-	-	-	-	-	(261)	-	(261)
<b>XIX.</b>	<b>Period net income/(loss)</b>	-	-	-	-	-	-	-	-	<b>174.728</b>	-	-	-	-	-	-	<b>174.728</b>	-	<b>174.728</b>
<b>XX.</b>	<b>Profit distribution</b>	II-(15)	-	-	-	<b>9.481</b>	-	<b>47.355</b>	-	-	<b>(120.521)</b>	-	-	-	-	-	<b>(63.685)</b>	-	<b>(63.685)</b>
20.1	Dividends distributed	-	-	-	-	-	-	864	-	-	(64.549)	-	-	-	-	-	(63.685)	-	(63.685)
20.2	Transfers to reserves	-	-	-	-	<b>9.481</b>	-	<b>46.491</b>	-	-	<b>(55.972)</b>	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Closing Balance 31.12.2014 (I+II+III+...XIX+XX)</b>	<b>600.000</b>	<b>4.088</b>	<b>33.019</b>	-	<b>37.338</b>	-	<b>56.886</b>	<b>1.557</b>	<b>174.728</b>	<b>3.410</b>	-	-	-	-	-	<b>911.026</b>	-	<b>911.026</b>

(\*) According to the Ordinary General Assembly meeting, the Bank decided that tax provision that remains after the taxation of the dividend, which was to be distributed to employees, was extracted from the provision account and added to the extraordinary reserves.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR ENDED YEAR 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)**

	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Before Minority Shares	Minority Shares	Total Equity
<b>I. Current Period – 01.01 – 31.12.2016</b>																			
Prior Period End Balance		600.000	4.088	33.019	-	37.338	-	56.886	1.557	174.728	3.410	-	-	-	-	-	911.026	-	911.026
<b>II. Changes in the Period</b>																			
Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Hedging Reserves (Effective Portion)</b>																			
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Revaluation Differences of Tangible Assets</b>																			
Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures</b>																			
Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Changes due to the Disposal of Assets</b>																			
Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effects of Changes in Equity of Investments in Associates</b>																			
Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Share Premium</b>																			
Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>									(116)								(116)		(116)
<b>XVII. Current Year Income or Loss</b>										211.565							211.565		211.565
<b>XVIII. Profit Distribution</b>	II-(15)					13.706		82.233		(174.728)							(78.789)		(78.789)
18.1 Dividend Paid(*)		-	-	-	-	-	-	914	-	(79.703)							(78.789)		(78.789)
18.2 Transfers to Reserves		-	-	-	-	13.706		81.319		(95.025)							-		-
18.3 Other		-	-	-	-	-	-	-		-							-		-
<b>Period End Balance (I+II+III+...+XVI+XVII+XVIII)</b>		<b>600.000</b>	<b>4.088</b>	<b>33.019</b>	<b>-</b>	<b>51.044</b>	<b>-</b>	<b>139.119</b>	<b>1.441</b>	<b>211.565</b>	<b>3.410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.043.686</b>	<b>-</b>	<b>1.043.686</b>

(\*) According to the Ordinary General Assembly meeting, the Bank decided that tax provision that remains after the taxation of the dividend, which was to be distributed to employees, was extracted from the provision account and added to the extraordinary reserves.

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



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**VI. STATEMENT OF CASH FLOWS**

	Note (Section Five)	Current Period 31/12/2016	Prior Period 31/12/2015
<b>A.</b>			
<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>231.827</b>	<b>175.104</b>
1.1.1	Interest Received	301.200	236.850
1.1.2	Interest Paid	(50.674)	(39.350)
1.1.3	Dividend Received	6.217	6.179
1.1.4	Fees and Commissions Received	120.743	94.924
1.1.5	Other Income	4.632	2.886
1.1.6	Collections from Previously Written-off Loans and Other Receivables	-	63
1.1.7	Payments to Personnel and Service Suppliers	(47.313)	(42.921)
1.1.8	Taxes Paid	(49.449)	(36.665)
1.1.9	Other	(53.529)	(46.862)
1.2	Changes in Operating Assets and Liabilities	<b>1.376.871</b>	<b>1.942.417</b>
1.2.1	Net (Increase)/Decrease in Trading Securities	3.200	(3.113)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets	-	-
1.2.3	Net (Increase)/Decrease in Due from Banks	395.129	305.845
1.2.4	Net (Increase)/Decrease in Loans	80.507	6.058
1.2.5	Net (Increase)/Decrease in Other Assets	(2.744)	20.095
1.2.6	Net Increase/(Decrease) in Bank Deposits	-	-
1.2.7	Net Increase/(Decrease) in Other Deposits	-	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed	119.553	751.151
1.2.9	Net Increase/(Decrease) in Payables	-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	781.226	862.381
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>	<b>1.608.698</b>	<b>2.117.521</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>	<b>125.564</b>	<b>(85.011)</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(8.500)	(82.460)
2.4	Disposals of Property and Equipment	-	50
2.5	Cash Paid for Purchase of Investments Available-for-Sale	(78)	(138)
2.6	Cash Obtained from Sale of Investments Available-for-Sale	-	-
2.7	Cash Paid for Purchase of Investment Securities	(45.943)	(177.463)
2.8	Cash Obtained from Sale of Investment Securities	180.085	175.000
2.9	Other	-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>(79.703)</b>	<b>(64.549)</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	(79.703)	(64.549)
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(533.759)</b>	<b>(426.051)</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1.120.800</b>	<b>1.541.910</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>6.603.118</b>	<b>5.061.208</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>7.723.918</b>	<b>6.603.118</b>

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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**VII. PROFIT DISTRIBUTION TABLE**

	(*)Current Period 31/12/2016	Prior Period 31/12/2015
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	265.357	216.418
1.2 TAXES AND DUTIES PAYABLE (-)	(53.792)	(41.690)
1.2.1 Corporate Tax (Income tax)	(52.312)	(40.241)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(1.480)	(1.449)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>211.565</b>	<b>174.728</b>
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-) (**)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>211.565</b>	<b>174.728</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	4.703
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	75.000
1.9.1 To Owners of Ordinary Shares	-	75.000
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 (-)	-	13.706
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	81.319
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and (loss) sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	0,3526	0,29121
3.2 TO OWNERS OF ORDINARY SHARES ( % )	35,26	29,12
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES ( % )	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

(\*) Ordinary General Assembly has not been held as of the report date, no decision on dividend distribution has been made.

(\*\*) The amount that must be kept on the bank and presented on the mandatory legal funds is deferred tax income of the related period

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**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. Basis of Presentation**

*Presentation of financial statements*

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

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

Current period financial statements are presented comparatively with independently audited balances as of 31 December 2015.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.

*The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles*

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

**Additional paragraph for convenience of translation into English:**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The Bank has placed its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in money markets. The most significant financing resources are guarantees of the members, short term placements and the shareholders’ equity of the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has no area of operations for which a return is achieved above the average rate of return.

The Bank carries transactions in securities and money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. Related to the transactions in securities and money markets, transaction limits are established as risk limits.

Income and expenses which arise from foreign currency translation are accounted for at the period when transaction takes place. The Bank has EUR (full amount) 71.215 (SASE) share in Sarajevo Stock Exchange and EUR (full amount) 75.215 share in S.W.I.F.T.SCRL. At period ends, balances of foreign currency asset and liability accounts are translated into TL by using period end T.R. Central Bank. Foreign exchange purchase rates. Exchange rate differences are accounted for as foreign currency gains and losses.

The Bank has available for sale instruments in foreign currencies amounting to TL 543 (31 December 2015: TL 465). In order to hedge interest rate risks arising from fixed or floating rate instruments, the Bank prefers short-term transactions.

The Bank hedges exchange rate risk arising from foreign currency denominated transactions by matching foreign currency liabilities with foreign currency assets.

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

As it is explained on the 8. Footnote of the first part of fifth section, the Bank doesn’t have the control or significant efficiency of Central Registration Entity, although the Bank owns 65% of it. Since the fair value measurement has not been properly realized in the financial statements, the related association has been measured with the historical cost after the deduction of impairment provision.

**IV. Explanations on Forward and Option Contracts and Derivative Instruments**

The Bank has no derivative instruments used for hedging purposes as of the balance sheet date.

**V. Explanations on interest Income and Expenses**

Interest income and expenses are recognized at fair value and accounted for on accrual basis by effective interest rate method (the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability) by taking into account principle amount.

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. Explanations on fees and Commission Income and Expenses**

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the ISE and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services.

On the above operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

**VII. Explanations and Disclosures on Financial Assets**

Financial instruments comprise financial assets and financial liabilities. Financial instruments constitute the basis of Bank’s trading activities and operations. The risks related with these instruments comprise a major part of the total risk taken by the Bank. Financial instruments affect liquidity, market and credit risks on the Bank’s balance sheet in all respects.

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets carried at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the statement of income; gain or loss of available for sale assets are accounted for under the shareholders’ equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are mentioned below.

*Cash, Banks, and Other Financial Institutions*

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book values of these assets approximate their fair values.

*Financial Assets at Fair Value through Profit and Loss*

These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale and buying back in a near future. (ii) The financial assets which are classified as financial assets at fair value through profit or loss by the Bank at inception. The Bank use such classification above when permitted or for the purposes of providing a more proper disclosure.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Assets (Continued)**

In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of debt securities that are traded in an active market are determined based on quoted prices.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to interest income or diminution in value of marketable securities accounts. As explained in detail in Section VI: “Other Explanations and Notes”, the realized gains and losses and related interest income/expense accruals of these securities are recorded in related income statement accounts, unless the securities belong to problematic securities intermediary members.

*Held to Maturity Investments*

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Interest income gained from held to maturity investments are accounted for as interest income in income statement.

*Available for Sale Financial Assets*

Available for sale financial assets comprise from all of the securities except originated loans and receivables, held to maturity investments and trading assets. These assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. At the disposal of available for sale financial assets, value increase/decrease that are recorded in the securities value increase fund under equity are transferred to income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

*Loans and Specific Provisions*

Loans are financial assets which have fixed payment terms and are not traded in an active market.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

In case of the evidences regarding the uncollectibility of the loans given, the Bank classifies these and allocates provision in accordance with the regulations and accounts them in the related period’s profit/loss accounts.

The collections made related to loans for which provision is made in the current period are offset in “Provision for Loans and Other Receivables” and “Interest Received from Non-performing Loans” account. As per the Bank management’s evaluation of the loan book, there is a provision set for the loans and other receivables that may be doubtful or uncollectible in accordance with the related regulations.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the initial recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not recognized. The explanations on impairment of loans and receivables have been disclosed in Section three, VII.

**IX. Explanations on offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, no offsetting is made with respect to financial assets and liabilities.

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

Repurchase agreements are classified as their purposes on the securities portfolio and evaluated by the principals of the portfolio which they belong to. The bank has no repurchase transaction as of the balance sheet date.

Receivables from reverse repurchase agreements are accounted for under "Receivables from Reverse Repurchase Agreements" account in the balance sheet. The difference between purchase and Sale price determined by these agreements is accrued over the life of agreements according to effective interest rate method. The interest income accrual calculated is disclosed under other liabilities as a liability when reverse repurchase agreements are related to problematic securities intermediary members, as described in detail in Section Six: "Other Explanations and Notes". In the current situation, reverse repo transactions are made with Ziraat Bank on behalf of the accounts and brokerage houses opened by the Bank in accordance with the provisions of the interlocutory and interim measures intervened temporarily or permanently by the CMB. Within this scope, securities subject to reverse repo are located in the accounts of Ziraat Bank.

**XI. Explanations on Assets Held for Sale and Discontinued Operations**

Assets which satisfy to be classified as held for sale are measured by the lower of carrying value and fair value less costs to sell and these assets are not amortized; and are separately presented in the financial statements. For an asset (or else the group of assets) to be classified as held for sale; the asset should be ready for immediate sale in frequently seen and accustomed terms and the probability of sale should be high. For the probability of sale to be high, appropriate level of management should have made a plan for the sale of the asset (or else the group of assets) and a program should have been initiated in order to determine buyers as well as complete the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low. Certain events and conditions may extend the duration of completion of sale to more than one year.

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

The Bank has no discontinued operations during the period.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XII. Explanations on Goodwill and Other Intangible Assets**

As of the balance sheet date, there is no goodwill in the accompanying non-consolidated financial statements of the Bank.

The intangible assets which have been bought before 1 January 2005 are amortized based on historical cost which has been revised according to inflation effects dated 31 December 2004 and the items which have been bought in the following dates are amortized based on purchase cost with the allocation of accumulated depreciation and impairments. The intangible assets are amortized based on straight line amortization regarding useful life periods. The amortization method and period are revised periodically every year.

Intangible assets of the Bank are basically software license costs. There is no criteria applied for determination of amortization period of those assets, but Turkish Tax Legislations have been taken into consideration. Economic useful life of assets acquired before 2004 is determined as 5 years, and the assets acquired in 2004 and in the following periods is determined as 3 years. Economic useful lives determined are in accordance with the criteria stated in the Turkish Accounting Standards- that is TAS 38-Intangible Assets. Computer programs widely used in the Bank are generated within the Bank by the personnel of the Bank, and the expenses related to those assets are not capitalized. Computer software is only purchased in case of urgent need and special projects.

Within the scope of the agreement made between Borsa İstanbul and Nasdaq, new bistech technology, which was developed under Borsa İstanbul's processing system; data distribution; index calculation; market surveillance; reporting systems; and also the Bank's swap and risk management systems were put into effect on 30 November 2015. Bistech technology was first carried into effect in the Borsa İstanbul Equity Market. In the following phases of the project, the Derivatives Market, Debt Securities Market, Precious Metals and Diamonds Markets, E-Warehouse Receipt, and OTC processing systems will be carried into effect. In the evaluation conducted with Borsa İstanbul, it was determined that Nasdaq software has a useful life of 20 years. Since the project's first of three phases was completed, depreciation is allocated over a 20 year period for one-third of the software's price.

**XIII. Explanations on Tangible Fixed Assets**

Tangible fixed assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible fixed assets are depreciated with straight-line method. Tangible fixed assets are depreciated with the rates determined by the Ministry of Finance based on useful lives. These useful lives are in line with the criteria stated in “TAS 16 - Tangible Assets” released by Turkish Accounting Standards Board. Depreciation Rates for Tangible Fixed Assets are as following:

	<b>Estimated Useful Life (Year)</b>	<b>Depreciation Rate</b>
Buildings	50	%2
Furniture, Fixture and Office Equipment	4-15	%6,67 - 25
Other Tangible Fixed Assets	2-16	%6,67 - 50

Tangible fixed assets are accounted for at cost less accumulated depreciation and impairment, if any. Along with the statement of the property and equipment, the effects of any revaluation according to related regulations are eliminated.

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

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible fixed assets.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIV. Explanations on Leasing Transactions**

The Bank as Lessor:

The Bank does not have any leasing transactions as lessor.

The Bank as Lessee:

The Bank does not have any assets which are acquired by financial leasing as of the balance sheet date.

**XV. Explanations on Provisions and Contingent Liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. Provisions are determined by using the Bank’s best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

**XVI. Explanations on Liabilities Regarding Employee Benefits**

*Defined Benefit Plans*

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

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

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 31 December 2016 is TL 8.830 (31 December 2015: TL 7.185).

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 2013 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2016, actuarial loss after deferred tax effect amounting to TL 116 (31 December 2015: TL 261 actuarial loss) was classified as “Other Capital Reserves”.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Explanations on Taxation**

Income tax expense represents the sum of the current tax payable and deferred tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 at enacted tax rates, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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.

The carrying amount of a deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled is recognized in income statement as income or expense. Deferred tax that relates to items that are recognized directly in equity, in the same or a different period, is recognized directly in equity. Deferred tax assets and liabilities are netted of.

The current taxes payable and advance taxes are offset since they relate to each other.

The Bank has adjusted its statutory financial statements with inflation accounting as of 1 January 2004 in accordance with Law No. 298.

Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

**XVII. Additional Explanations on Funds borrowed**

The Bank has not issued any convertible bonds

The Bank has not also issued any borrowing instruments.

*Cash Warrants Received:*

BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions and Warrant Deputy (OPIC) cash warrant amounts are tracked in asset side under banks account, in liability side under various liabilities account. These funds provide creditor members not to be affected in case debtor members may undergo cash default. Cash warrant mechanisms are created in order to provide continuous cash flow in the market by tracking payments to be made in time and in full amounts.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVIII. Turkish Derivative Exchange Cash Guarantees**

The Bank does not have any shares issued in the current period.

**XIX. Explanations on Acceptances**

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

**XX. Explanations on Government Incentives**

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

**XXI. Explanations on Segment Reporting**

Operational field is distinguishable section of the Bank that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note VII in Section Four. The Bank operates mainly in clearing-operation, custody, loans and treasury.

**XXII. Explanations on Related Parties**

For the purpose of these financial statements, key management personnel and board members are referred to as related parties in accordance with “Turkish Accounting Standard for Related Parties” in the Article 49 of the Banking Act No: 5411. The transactions with related parties are disclosed in detail in Note V of Section Five.

**XXIII. Explanations on Cash and Cash Equivalents**

For the purposes of the preparation of statement of cash flows, “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.

**XXIV. Reclassifications**

Financial statements dated 31 December 2015 can be classified to comply with 31 December 2016 financial statements.

**XXV. Explanations on Other Matters**

None.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I. Explanations Related to Components of Shareholders' Equity**

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks".

Bank's current period equity capital is TRY 985.064 and capital adequacy standard ratio is 22,81%. Prior period equity capital is TRY 846.992 and capital adequacy standard ratio is 26,31%. Bank's capital adequacy standard ratio is above the minimum rate defined by legislation.

**Summary information related to the capital shareholders equity:**

	<b>Current Period 31.12.2016</b>	<b>Amount related to treatment before 01.01.2014(*)</b>
<b>Common Equity Tier 1 Capital</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	600.000	
Share Premium	33.019	
Reserves	196.069	
Gains Recognized in Equity as per TAS	-	
Profit	214.975	
Current Period Profit	211.565	
Prior Period Profit	3.410	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1.044.063</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	377	
Leasehold Improvements on Operational Leases	-	
Goodwill netted off deferred tax liability	-	
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	51.003	82.447
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	2.895	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>54.275</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>989.788</b>	

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

	Amount	Amount related to treatment before 01.01.2014(*)
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier 1 Capital before deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's direct or indirect investment on its own Tier 1 Capital	-	-
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
<b>Items to be deducted from Tier I Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	34.002	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	<b>34.002</b>	-
<b>Total Additional Tier 1 Capital</b>	<b>34.002</b>	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>955.786</b>	-
<b>TIER 2 CAPITAL</b>		
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	31.208	-
<b>Tier 2 Capital Before Deductions</b>	<b>31.208</b>	-
<b>Deductions From Tier 2 Capital</b>		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	-
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	1.930	-
<b>Total Deductions From Tier 2 Capital</b>	<b>1.930</b>	-
<b>Total Tier 2 Capital</b>	<b>29.278</b>	-

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

	<b>Current Period 31.12.2016</b>	<b>Amount related to treatment before 01.01.2014(*)</b>
<b>Total Capital (The sum of Tier 1 and Tier 2 Capital)</b>	<b>985.064</b>	
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	<b>985.064</b>	
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 (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period</b>	<b>-</b>	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
<b>TOTAL CAPITAL</b>	<b>985.064</b>	
Total Capital	985.064	
Total Risk Weighted Assets	4.319.284	
<b>Capital Adequacy Ratios</b>	<b>-</b>	
Common Equity Tier 1 Capital Adequacy Ratio (%)	22,92	
Tier 1 Capital Adequacy Ratio (%)	22,13	
Capital Adequacy Ratio (%)	22,81	
<b>BUFFERS</b>	<b>-</b>	
Total buffer requirement (%)	-	
Capital conservation buffer requirement (%)	0,625	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	-	
<b>Amounts below deduction thresholds</b>	<b>-</b>	
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Limits related to provisions considered in Tier 2 Calculation</b>	<b>-</b>	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	31.208	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	390	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>	<b>-</b>	
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(\*) The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the Provisional Articles of the "Regulation on Shareholders' Equity of Banks".

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

	<b>Prior Period 31 December 2015</b>
<b>Common Equity Tier 1 Capital</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	600.000
Share Premium	33.019
Share Cancellation Profits	-
Reserves	100.130
Income recognized under equity in accordance with TAS	-
Profit	178.138
Current Period’s Profit	174.728
Prior Period’s Profit	3.410
General Reserves for Possible Losses	-
<b>Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit</b>	<b>-</b>
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>911.287</b>
<b>Deductions from Common Equity Tier 1 Capital</b>	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	261
Leasehold Improvements on Operational Leases (-)	-
Goodwill and intangible asset and the related deferred tax liability (-)	32.358
Net Deferred Tax Asset / Liability (-)	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-
Bank’s direct or indirect investments on its own Tier 1 Capital (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Amounts related to mortgage servicing rights (-)	-
Excess amount of deferred tax assets from temporary differences (-)	-
Other Items Determined by BRSA (-)	1.930
The amount to be deducted from common equity tier 1 capital (-)	-
<b>Total Deductions from common equity tier 1 Capital</b>	<b>34.549</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>876.738</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Premiums that are not included in Common Equity Tier 1 capital	-
Bank’s borrowing instruments and related issuance premium (issued after 1.1.2014 )	-
Bank’s borrowing instruments and related issuance premium (issued before 1.1.2014 )	-
<b>Additional Tier 1 Capital before deductions</b>	<b>-</b>
<b>Deductions from Additional Tier 1 Capital</b>	
Bank’s direct or indirect investment in Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other Items Determined by BRSA(-)	-
The amount to be deducted from Additional Tier 1 Capital (-)	-

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

	<b>Prior Period 31 December 2015</b>
<b>Total Deductions From Additional Tier 1 Capital</b>	-
<b>Total Additional Tier 1 Capital</b>	-
<b>Deductions From Tier 1 Capital</b>	
Non deducted Common Tier 1 capital part in accordance with deferred tax expense and goodwill impairment and other intangible fixed assets which is in temporary article 2/1 of Regulation of Shareholders’ Equity of Banks. (-)	48.537
Non deducted Common Tier 1 capital part in accordance with net deferred tax income/expense which is in temporary article 2/1 of Regulation of Shareholders’ Equity of Banks. (-)	-
<b>Total Tier 1 Capital</b>	<b>828.201</b>
<b>SUPPLEMENTARY CAPITAL</b>	
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported before 1.1.2014)	-
Pledged sources to bank from shareholders which is used for share capital increasing of bank	-
General Provisions	21.686
<b>Supplementary Capital Before Deductions</b>	<b>21.686</b>
<b>Deductions From Supplementary Capital</b>	
Direct or indirect investments which bank provides for its’ own supplementary capital (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	2.895
<b>Total Deductions From Supplementary Capital</b>	<b>2.895</b>
<b>Total Supplementary Capital</b>	<b>18.791</b>
<b>CAPITAL</b>	<b>846.992</b>
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks’ equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	-
Investments to 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 (-)	-
Deduction from equity in accordance with 2nd article of 20th item in Regularity of Measurement and Valuation of Capital Adequacy of Banks (-)	-
Other accounts determined by board (-)	-
Non deducted part of comon equity tier1 , additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders’ Equity of Banks which is 10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
Non deducted part of comon equity tier1, additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders’ Equity of Banks which is 10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above (-)	-
Non deducted part of comon equity tier1 generating from exceed amount generating from investments to Common Tier 1 capitals of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above, temporary differences of deferred tax income and the right of offering mortgage services explained in the 1st and 2nd paragraphs of temporary article 2 of Regulation of Shareholders’ Equity of Banks. (-)	-
<b>SHAREHOLDERS’ EQUITY</b>	<b>846.992</b>
<b>Amounts Below Overrun Amounts In Applied Reducing Procedures</b>	
Amount generating from long position of investments to shareholders’ equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10%	-
Amount generating from long position of investments to shareholders’ equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above.	-
Amount generating from right of offering mortgage service	-
Amount generating from temporary differences of deferred income tax income	-



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

**Informations on addition debt instruments to shareholders' equity calculating:**

None.

**Explanations on reconciliation of balance sheet items with equity items:**

The main difference between the amount of "Equity" given in the equity table and the amount of "Equities" in non-consolidated balance sheet arises from general provisions. The portion of the general provisions up to 1.25% of the amount subject to credit risk is considered as Additional Capital in the calculation of the "Equity" amount given in the equity table. Operating lease development costs, intangible assets and related deferred tax liabilities that are accounted for under Property, Plant and Equipment are considered in the calculation as "Assets Deducted from Capital" in the calculation of "Equity" amount.

**Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:**

The evaluation period for internal capital adequacy in the Bank has been designed within in accordance with the principle of proportionality and is consistent with the Guidelines on ISEDES Report and Guidelines on Stress Tests To Be Used By Banks For Capital and Liquidity Planning which is published by the Banking Regulation and Supervision Agency, and with the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process (ISEDES) which entered into effect upon being published in Official Gazette No. 29057 dated 11 July 2014. The Bank is in compliance with the said regulation and good practice guidelines in line with its small-scale structure, task environment, and requirements

In accordance with ISEDES, it is aimed for the Bank to internally determine a level of capital which covers the risks it has faced or is likely to face and to continue its operations with capital above that level. Maximum attention is paid to the ISEDES processes so that they are implemented with a long-term view and are risk focused, internalized within the Bank and that its consequences are used in the decision-making process.

Evaluations of the Bank's capital and liquidity adequacy are done from a risk-based perspective, considering the strategic plan, three-year budget projections, bank policies on capital adequacy, liquidity and funding, risk measurement outcomes for risks that the company is exposed to, ISEDES, and stress test reports. Within this scope, activities performed and services provided by the Bank are considered.

The Bank determines its capital level in such a way that it is above the minimum level and legal ratios required by the legal regulations of the Banking Regulation and Supervision Agency, and so that it is able to continue all its operations. Also, scenario analyses, and particular, plenary, and reverse-stress tests are done in order to measure the effects of parameters that affect the financial power of the Bank at the capital level. In addition, via sensitivity analyses, primary and secondary structural block risks that the Bank is exposed to are determined within the scope of the proportionality principle.

The Bank takes stress tests, scenario analyses, risk appetites, the capital plan, the strategic plan and budget, the emergency and unexpected situation action plan for various risks, and other issues deemed necessary into consideration, and calculates and establishes a capital planning buffer, which is designed to prevent the capital adequacy level from becoming lower than the internal and legal minimum capital adequacy over the next three years as a result of possible negative situations and losses. The capital planning buffer is determined by considering worst case scenarios. Whether the current capital adequacy rates of the Bank are above the internal capital adequacy rate calculated in the scope of the stress test and described as the target ratio is evaluated and the internal capital buffer is calculated.

According to the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the ISEDES report and the Stress Test report are prepared annually with the participation of all relevant units of the Bank and the coordination of the Risk Management Unit. These reports are approved by the Board of Management or the Bank after being examined.

The senior management of the Bank and members of the Board of Management are jointly responsible for designing ISEDES and its implementation within the Bank. All units of the Bank execute their duties, authorities, and responsibilities which are within the scope of ISEDES in accordance with their own regulations. The inspection report regarding the data, systems, and processes is prepared by the Internal Audit Unit, and the validation report regarding the models and/or methods that are used for risk measurement within the scope of the internal capital adequacy calculation is prepared by the Internal Control and Compliance Unit.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**II. Explanations Related to Credit Risk**

The Board of Management is responsible for Bank operations performed within the scope of credit risk management and these operations are performed in compliance with the “Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks” and the “Regulation on Measuring and Reviewing Capital Adequacy of Banks”. When calculating capital adequacy rates, the amount which is taken as a basis for credit risk and which is calculated via a standard method is considered.

The Bank also calculates counterparty credit risk for banking accounts due to reverse-repo transactions, and these amounts are taken into consideration in the amount used as a basis for credit risk.

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

Credit limits are categorised according to the Bank’s credit types. The assigned credit limits are determined for cash and non-cash by taking the credit types into consideration. Loans provided are further classified as having (1-12) month, (12-24) month, or (24+) month maturity. In addition, the maturity of the cash loans provided are maximum six months and there are frequent financial futures between 30-40 days. Loans provided by the Bank provides efficiency and convenience in capital market transactions, helps intermediary institutions benefit from barter debts through timely/early clearing of debts, and helps markets gains more depth. Since payments and collections are secured by the Bank in the Takasbank money market, which is similar to an interbank money market, these transactions are followed under non-cash loan items.

The Bank acts as the central counterparty in the Securities Lending Market and in the Financial Futures and Options Market and Istanbul Stock Exchange, and liabilities in these markets are considered by our Bank to be non-cash credits.

Our credit transactions assume credit risk. This risk can be defined as the possibility that the members and guarantors who use the credit do not fulfil the liabilities defined in agreements and that they have undertaken beforehand in written form.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements of the borrowers prepared as per the regulation of Capital Markets Board are examined for the loans extended. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no liquidated non-cash loans, restructured loans or long-term commitments.

The Bank has no lending and banking transactions in foreign countries.

The Bank calculates general provisions for credit risk and receives cash and/or cash equivalent collaterals.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

As of the balance sheet date;

Number of Customers - Cash Loan	5
Number of Customers - Non-Cash Loan	69
General Loan Loss Reserves (TL)	31.208
Specific Provision for Non Performing Loans (TL)	1.574

Credits, collection of principal or interest payments which are deferred for more than thirty days after their maturity date or payment date for various reasons, but which do not fulfil the delay time condition necessary for classification as "Third Class" as specified in "Regulation on Principles and Procedures in Respect of Qualifying Loans and Other Receivables by Banks and Equivalents to Be Allocated for the Same" are qualified as "non-performing loans" in the accounting application, and all receivables under third, fourth and fifth groups in the same Regulation are accepted as "depreciated loans" in the application of this Regulation. They are accepted as such regardless of whether accrued interests and quasi-profit liabilities of the borrower are added to the capital or refinanced.

The Bank allocates equivalents for III, IV. and V. group credits pursuant to "Regulation on Principles and Procedures in Respect of Qualifying Loans and Other Receivables by Banks and Equivalents to Be Allocated for the Same."

Total amount of incurred risks after offsetting transactions (before credit risk reduction), regardless of the credit risk reduction, and average amount of risks separated according to different risk classes and types for the related period:

<u>Exposure classifications</u>	<u>Current Period Risk Amount</u>	<u>Average Risk Amount</u>
Conditional and unconditional receivables from central governments or central banks	103.263	60.539
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	15.573.722	13.855.986
Conditional and unconditional corporate receivables	2.977.019	1.965.566
Conditional and unconditional retail receivables	-	-
Conditional and unconditional secured mortgage receivables	-	-
Past due receivables	-	-
Receivables defined in high risk category by BRSA	-	-
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	379.540	337.664

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

	Exposure Categories															Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings		Other receivables
<b>Current Period</b>																	
Domestic	103.263	-	-	-	-	12.008.029	1.488.510	-	-	-	-	-	-	-	-	378.907	13.978.709
European Union (EU) Countries	-	-	-	-	-	93.724	-	-	-	-	-	-	-	-	-	-	93.724
OECD Countries* Off-Shore Banking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regions USD, Canada	-	-	-	-	-	1.739	-	-	-	-	-	-	-	-	-	-	1.739
Other Countries Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>103.263</b>	-	-	-	-	<b>12.103.492</b>	<b>1.488.510</b>	-	-	-	-	-	-	-	-	<b>378.907</b>	<b>14.074.172</b>

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

**Risk profile by Sectors or Counterparties:**

	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Other receivables	TL	FC	Total
<b>Agriculture</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Production</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Construction</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Services</b>	-	-	-	-	-	12.103.492	1.488.510	-	-	-	-	-	-	10.263.947	3.328.055	13.592.002	
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Telecom.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	12.103.492	1.488.510	-	-	-	-	-	-	10.263.947	3.328.055	13.592.002	
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	103.263	-	-	-	-	-	-	-	-	-	-	-	-	378.907	482.170	-	482.170
<b>Total</b>	<b>103.263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.103.492</b>	<b>1.488.510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>378.907</b>	<b>10.746.117</b>	<b>3.328.055</b>	<b>14.074.172</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

Exposure classifications	Term To Maturity				
	Up to 1Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	57.319	-	-	45.944	-
2 Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
4 Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
5 Conditional and unconditional exposures to international organisations	-	-	-	-	-
6 Conditional and unconditional exposures to banks and brokerage houses	10.753.240	1.347.944	233	2.076	-
7 Conditional and unconditional exposures to corporates	1.195.202	293.308	-	-	-
8 Conditional and unconditional retail exposures	-	-	-	-	-
9 Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
10 Past due receivables	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	-	-	-	-	-
16 Other receivables	378.906	-	-	-	-
<b>Total</b>	<b>12.384.667</b>	<b>1.641.252</b>	<b>233</b>	<b>48.020</b>	<b>-</b>

**Information about the risk exposure categories:**

The credit rating of banks and intermediary institutions are inspected via the Takasbank Internal Credit Evaluation System and credit or position limits based on the maximum nominal limits or value at risk limits, which can be assigned within the scope of banking or central counterparty actions are determined. The membership types of banks and intermediary institutions which will perform the transaction in the market, or the capital market instruments that are provided by the central counterparty service, are also determined by this system.

There are no financial assets, the maturity or contract conditions of which are revised again (31 December 2015: None).

Details on the Bank’s overdue depreciated financial assets are provided in the fifth chapter, first part, footnote Note 5 of the report.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

**Exposures by risk weights:**

<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Deductions from Equity</b>
Exposures before Credit Risk								
Mitigation	47.208	-	10.389.651	3.245.920	-	391.393	-	-
Exposures after Credit Risk								
Mitigation	975.560	-	9.468.607	3.238.612	-	391.393	-	-

**Informations in terms of major sectors and type of counterparties:**

None.

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

	<b>31.12.2015 Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Write off from Asset</b>	<b>Other Adjustments</b>	<b>31.12.2016 Balance</b>
Specific Provisions	1.574	-	-	-	-	1.574
General Provisions	21.686	13.983	(4.461)	-	-	31.208

**III. Explanations Related to Market Risk**

The Bank’s market risk management operations are conducted in compliance with the “Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks” and the “Regulation on Measuring and Reviewing Capital Adequacy of Banks” and within the scope of the responsibility of the Board of Directors.

In the in-balance sheet and off-balance sheet accounts, interest and currency risks that arise from the fluctuations of the positions held by the Bank in financial markets are measured. When calculating capital adequacy rates, the amount which is taken as a basis for market risk, which is calculated using the standard method shown in the table below, is taken into consideration.

**Information Related to Market Risk:**

	<b>Current Period</b>	<b>Prior Period</b>
(I) Capital Requirement against General Market Risk - Standard Method	8	18
(II) Capital Requirement against Specific Risks - Standard Method	-	-
Capital requirement against Specific Risks of Securitisation Positions– Standard Method	-	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	790	250
(IV) Capital Requirement against Commodity Risks - Standard Method	-	-
(V) Capital Requirement against Exchange Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	-	-
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	-	-
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	798	268
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)	9.975	3.350

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**III. Explanations Related to Market Risk (Continued)**

**Average market risk table calculated at month ends during the period:**

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	13	27	1	13	25	3
Stock Risk	-	-	-	-	-	-
Currency Risk	922	1.560	540	635	1.264	250
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	-	-	-	-	-	-
<b>Total Value Subject to Risk</b>	<b>935</b>	<b>1.587</b>	<b>541</b>	<b>648</b>	<b>1.289</b>	<b>253</b>

**Information on Counterparty Credit Risk**

Bank has no counterparty credit risk for purchase and sell accounts as of 31 December 2016 (31 December 2015: None).

**IV. Explanations Related to Operational Risk**

The Bank’s market operational risk management activities are conducted in compliance with the “Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks” and the “Regulation on Measuring and Reviewing the Capital Adequacy of Banks” and within the scope of the responsibility of the Board of Directors. When calculating the capital adequacy rates, the amount which is taken as a basis for operational risk is calculated using the basic indicator approach method. Balance subject to operational risk is calculated by considering gross income of prior three fiscal years 2015, 2014 and 2013. The amount subject to Operational Risk for the current period is TRY 536.513 (31 December 2015: TL 404.889).

- a) Operational risk amount is measured by basic indicator approach on a yearly basis
- b) In case of basic indicator approach is used, information in below table should be used:

	2 Prior Period Amount	1 Prior Period Amount	31.12.2016	Total/Positive Year	Rate (%)	Total
Gross Income	212.862	285.373	360.185	286.140	15	42.921
Amount subject to Operational Risk (Total*12,5)						536.513

	2 Prior Period Amount	1 Prior Period Amount	31.12.2015	Total/Positive Year	Rate (%)	Total
Gross Income	150.392	212.623	284.808	215.941	15	32.391
Amount subject to Operational Risk (Total*12,5)						404.889

- c) Bank is not using standard method.
- d) Bank is not using alternative execution in standard method.
- e) Bank is not using advanced measurement method.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**V. Explanations Related to Currency Risk**

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank’s accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-weekly periods in ratios designated in blocked accounts of the Central Bank of Turkey. The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities.

The Bank calculated foreign exchange capital liability of TRY 9.876 (31 December 2015: TRY 3.124) for the net position between assets and liabilities in foreign currency, and recognised it in the amount basis to market risk.

In the FX transactions of the Bank, the risk management policy that is also regarded in TRY transactions is used, and asset-liability is managed so as not to be exposed to foreign exchange risk in transactions that affect FX assets and liabilities.

The Bank’s foreign exchange bid rates as of the date of the financial statements and five working days prior to that date:

<b>Current Period</b>	<b>1 USD</b>	<b>1 EUR</b>	<b>1 GBP</b>	<b>100 JPY</b>
30 December 2016	3,5192	3,7099	4,3189	3,0025
29 December 2016	3,5318	3,6939	4,3222	3,0264
28 December 2016	3,5329	3,6901	4,3231	2,9961
27 December 2016	3,5135	3,6711	4,3040	2,9883
26 December 2016	3,5041	3,6639	4,2963	2,9852
<b>Simple arithmetic averages for last 31 days</b>	<b>3,4936</b>	<b>3,6846</b>	<b>4,3528</b>	<b>3,0026</b>

**Foreign currency sensitivity:**

According to TFRS 7, sensitivity of foreign currency assets and liabilities of the Bank to a probable change in exchange rates that might have a substantial effect is analyzed. In the analysis presented below, a 10% change in USD and Euro currencies are anticipated.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
USD	10% increase	678	42	678	42
USD	10% decrease	(678)	(42)	(678)	(42)
EURO	10% increase	292	40	292	40
EURO	10% decrease	(292)	(40)	(292)	(40)

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

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

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks	982.511	2.342.276	2.549	3.327.336
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	543	-	-	543
Loans	-	-	-	-
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	64	112	-	176
<b>Total Assets</b>	<b>983.118</b>	<b>2.342.388</b>	<b>2.549</b>	<b>3.328.055</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	854.399	1.015.340	-	1.869.739
Securities Issued	-	-	-	-
Sundry Creditors	125.801	1.320.268	2.354	1.448.423
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	-	-	17	17
<b>Total Liabilities</b>	<b>980.200</b>	<b>2.335.608</b>	<b>2.371</b>	<b>3.318.179</b>
<b>Net Balance Sheet Position</b>	<b>2.918</b>	<b>6.780</b>	<b>178</b>	<b>9.876</b>
Net Off-Balance Sheet Position	-	-	-	-
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
Total Assets	787.708	1.795.454	3.484	2.586.646
Total Liabilities	787.307	1.795.039	1.176	2.583.522
<b>Net Balance Sheet Position</b>	<b>401</b>	<b>415</b>	<b>2.308</b>	<b>3.124</b>
Net Off-Balance Sheet Position	-	-	-	-
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	-	-	-	-

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

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

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

To evaluate its funding resources, the Bank enters into foreign currency and TL depot transactions, repurchase agreements, time and demand deposit transactions and foreign exchange transactions with the Central Bank of Turkey or other banks. The related transactions undertaken by the Fund Management Department are made with the banks having transaction limits designated by the Board of Directors under the regulations set out in “Treasury Transaction Limits”.

Other than securities guaranteed or issued by the Turkish Treasury, the Bank does not include any debt instruments in its portfolio during the year 2016. The Bank does not undertake any liability due to using derivative financial instruments attributable to its transactions in evaluating its funding resources.

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

<b>Closing Balances of Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	85	85
Due From Other Banks	6.775.747	845.867	-	-	-	94.311	7.715.925
Financial Assets at Fair Value Through Profit and Loss	-	-	1.158	-	-	-	1.158
Money Market Placements	21.168	-	-	-	-	-	21.168
Financial Assets Available-For-Sale	-	-	-	-	-	1.714	1.714
Loans	98.945	-	-	-	-	-	98.945
Held-To-Maturity Investments	-	-	45.943	-	-	-	45.943
Other Assets (*)	-	-	-	-	-	121.410	121.410
<b>Total Assets</b>	<b>6.895.860</b>	<b>845.867</b>	<b>47.101</b>	<b>-</b>	<b>-</b>	<b>217.520</b>	<b>8.006.348</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	43.800	-	-	-	-	-	43.800
Sundry Creditors	2.256.735	-	-	-	-	2.119.659	4.376.394
Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	2.433.181	-	-	-	-	36.029	2.469.210
Other Liabilities (*)	-	-	-	-	-	1.116.944	1.116.944
<b>Total Liabilities</b>	<b>4.733.716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.272.632</b>	<b>8.006.348</b>
Balance Sheet Long Position	2.162.144	845.867	47.101	-	-	-	3.055.112
Balance Sheet Short Position	-	-	-	-	-	(3.055.112)	(3.055.112)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>2.162.144</b>	<b>845.867</b>	<b>47.101</b>	<b>-</b>	<b>-</b>	<b>(3.055.112)</b>	<b>-</b>

(\*) Other assets and liabilities in non-interest bearing column are presented below.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations Related to Interest Rate Risk (Continued)**

<b>Closing Balances of Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	55	55
Due From Other Banks	4.774.499	1.793.656	-	-	-	30.549	6.598.704
Financial Assets at Fair Value Through Profit and Loss	-	-	4.396	-	-	-	4.396
Money Market Placements	18.881	-	-	-	-	-	18.881
Financial Assets Available-For-Sale	-	-	-	-	-	1.636	1.636
Loans	172.112	-	-	-	-	-	172.112
Held-To-Maturity Investments	103.805	-	76.280	-	-	-	180.085
Other Assets (*)	1	-	-	-	-	116.568	116.569
<b>Total Assets</b>	<b>5.069.298</b>	<b>1.793.656</b>	<b>80.676</b>	<b>-</b>	<b>-</b>	<b>148.808</b>	<b>7.092.438</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	1.938.714	-	-	-	-	1.664.984	3.603.698
Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	2.459.898	-	-	-	-	58.281	2.518.179
Other Liabilities (*)	-	-	-	-	-	970.561	970.561
<b>Total Liabilities</b>	<b>4.398.612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.693.826</b>	<b>7.092.438</b>
Balance Sheet Long Position	670.686	1.793.656	80.676	-	-	-	2.545.018
Balance Sheet Short Position	-	-	-	-	-	(2.545.018)	(2.545.018)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>670.686</b>	<b>1.793.656</b>	<b>80.676</b>	<b>-</b>	<b>-</b>	<b>(2.545.018)</b>	<b>-</b>

(\*) Other assets and liabilities in non-interest bearing column are presented below.

<b>Other Assets</b>	<b>Current Year</b>
-Intangible assets	85.005
-Tangible assets	15.535
-Custody services comission rediscount	8.553
-Sundry assets	2.453
-Subsidiaries	4.825
-Temporary accounts	3.822
-Deferred tax assets	1.179
-Stationary supplies	38
<b>Total</b>	<b>121.410</b>
<b>Other Liabilities</b>	
-Shareholder's equity	1.043.686
-Provisions	55.340
-Current tax liability	17.918
<b>Total</b>	<b>1.116.944</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations Related to Interest Rate Risk (Continued)**

<b>Other Assets</b>	<b>Önceki Dönem</b>
-Intangible assets	80.895
-Tangible assets	16.083
-Sundry assets	8.072
-Subsidiaries	4.825
-Temporary accounts	4.016
-Deferred tax assets	2.629
-Stationary supplies	48
-Custody services comission rediscount	1
<b>Total</b>	<b>116.569</b>
<b>Other Liabilities</b>	<b>PriorYear</b>
-Shareholder’s equity	911.026
-Provisions	44.510
-Current tax liability	15.025
<b>Total</b>	<b>970.561</b>

**Average interest rates applied to monetary financial instruments (%):**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Due From Other Banks	2,02	3,36	-	9,29
Financial Assets at Fair Value Through Profit and Loss	-	-	-	9,60
Money Market Placements	-	-	-	7,04
Financial Assets Available-For-Sale	-	-	-	
Loans	-	-	-	10,26
Investments held to maturity	-	-	-	9,97
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	-	-	-	8,50
Other creditors	-	-	-	8,67
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	0,05	0,90	-	8,47

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VI. Explanations Related to Interest Rate Risk (Continued)**

**Average interest rates applied to monetary financial instruments (%):**

<b>Prior Period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks And Financial Institutions	1,55	2,21	-	10,41
Financial Assets At Fair Value Through Profit And Loss	-	-	-	9,69
Money Market Placements	-	-	-	-
Financial Assets Available-For-Sale	-	-	-	-
Loans	-	-	-	13,31
Held-To-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	-	-	-	-
Other Creditors	-	-	-	8,84
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	0,17	0,65	-	9,73

According to IFRS 7 sensitivity of assets and liabilities of the Bank to a probable change in interest rates that might have a substantial effect is not important as Bank’s financial instruments are short term and have fixed interest rate. Thus, presentation of financial information related with interest rate sensitivity is not required.

**Interest rate risk on banking accounts:**

<b>Type of Currency</b>	<b>Shock Applied (+/- x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity- (Losses)/Equity</b>
TRY	(+) 500 bp	4.081	0,39
TRY	(-) 400 bp	(3.271)	(0,31)
EURO	(+) 200 bp	991	0,09
EURO	(-) 200 bp	(991)	(0,09)
USD	(+) 200 bp	1.383	0,13
USD	(-) 200 bp	(1.383)	(0,13)
<b>Total (of negative shocks)</b>		<b>(5.645)</b>	<b>(0,54)</b>
<b>Total (of positive shocks)</b>		<b>6.455</b>	<b>0,62</b>

**Equity share position risk in banking accounts**

As of balance sheet date, bank has no equity share position risk (31 December 2015: None).

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk**

The Bank management takes guarantees for Takasbank Money Market, Derivatives Exchange Market, Loan Share Market, Istanbul Stock Exchange Money Market and settlement transactions and places TL funds in short-term in order to remain liquid.

The effective management of the risks arising from money market instruments is the fundamental strategy of the management. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and is a fund provider in the Over-the-Counter Money Market and CB Interbank markets. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the Board of Directors and periodical inspections of the compliance of these transactions with limit conditions are carried out by the Internal Audit Unit and the control activities are carried out by the Internal Control and Legal Compliance Unit.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank’s short and long-term liquidity needs are met by its own resources.

Cash warrants that are received for cash flows of the Bank, amounts that are kept in its Equities and members' free accounts, BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Istanbul Stock Exchange Money Market, Leveraged call-put transactions, Warrant Deputy (OPIC) are made use of in Over-the-Counter Market with other banks via overnight repo in order to manage liquidity risk.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

Liquidity position is assessed and managed considering the market-wide and Bank-specific factors. The most important scenario among these scenarios is to maintain the ratio of net liquid assets/payables to clients in limits.

According to the fourth paragraph of Article 4 of the Regulation on the Calculation of Liquidity Coverage Rate of Banks, consolidated and unconsolidated total liquidity coverage ratio can not be lower than 100 percent and consolidated and unconsolidated total liquidity coverage ratio in foreign currency can not be lower than 80 percent and in accordance with Provisional Article I of the Regulation, The total and foreign currency liquidity coverage rates to be applied until January 1, 2019 are governed by the Board of Directors, with the appropriate opinion of the Central Bank of the Republic of Turkey.

According to the Decree of the Banking Regulation and Supervision Board dated December 24, 2015 and numbered 6613, for development and investment banks,

It has been decided to apply the total and foreign currency liquidity adequacy ratios related to the first and second maturity brackets according to the first paragraph of Article 13 of the Regulation Regarding the Measurement and Evaluation of Banking Liquidity Adequacy and to continue to report to the Authority.

According to the fifth section of Article 4 of the Regulation on the Calculation of Liquidity Cover Ratio of Banks, it was decided that the ratio of consolidated and unconsolidated total and foreign currency liquidity coverage ratios shall be zero percent until 2017.

**Ratios throughout the period are as below:**

	<b>Current Period (%)</b>	<b>Prior Period (%)</b>
Period average	144	144
Highest	182	169
Lowest	126	133

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (continued)**

**Presentation of assets and liabilities according to their remaining maturities:**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	85	-	-	-	-	-	-	85
Banks	94.311	6.775.747	845.867	-	-	-	-	7.715.925
Financial Assets at Fair Value Through Profit and Loss	-	-	-	1.158	-	-	-	1.158
Money Market Placements	-	21.168	-	-	-	-	-	21.168
Financial Assets Available-For-Sale	1.714	-	-	-	-	-	-	1.714
Loans	-	98.945	-	-	-	-	-	98.945
Held-To-Maturity Investments	-	-	-	45.943	-	-	-	45.943
Other Assets (*)	-	-	-	-	-	-	121.410	121.410
<b>Total Assets</b>	<b>96.110</b>	<b>6.895.860</b>	<b>845.867</b>	<b>47.101</b>	<b>-</b>	<b>-</b>	<b>121.410</b>	<b>8.006.348</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	-	2.433.181	-	-	-	-	36.029	2.469.210
Money Market Borrowings	-	43.800	-	-	-	-	-	43.800
Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	2.119.659	2.256.735	-	-	-	-	-	4.376.394
Other Liabilities	-	5.495	-	25.291	-	-	1.086.158	1.116.944
<b>Total Liabilities</b>	<b>2.119.659</b>	<b>4.739.211</b>	<b>-</b>	<b>25.291</b>	<b>-</b>	<b>-</b>	<b>1.122.187</b>	<b>8.006.348</b>
<b>Current Period Liquidity Gap</b>	<b>(2.023.549)</b>	<b>2.156.649</b>	<b>845.867</b>	<b>21.810</b>	<b>-</b>	<b>-</b>	<b>(1.000.777)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	32.240	5.069.298	1.793.656	80.676	-	-	116.568	7.092.438
Total Liabilities	1.664.984	4.403.907	-	23.918	-	-	999.629	7.092.438
<b>Liquidity Gap</b>	<b>(1.632.744)</b>	<b>665.391</b>	<b>1.793.656</b>	<b>56.758</b>	<b>-</b>	<b>-</b>	<b>(883.061)</b>	<b>-</b>

(\*) Accounts that constitute the balance sheet assets such as fixed assets, participation and subsidiaries, prepaid expenses, receivables for follow up those are required to maintain banking operations and are not convertible to cash in short term period are recorded into this account.

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

	<b>Demand</b>	<b>Up to one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Total</b>	<b>Adjustments</b>	<b>Total</b>
<b>31 December 2016</b>								
Placements	-	-	-	-	-	-	-	-
Repo	-	-	-	-	-	-	-	-
Funds borrowed	-	2.399.679	-	-	-	2.399.679	751	2.400.430
Other	-	68.780	-	-	-	68.780	-	68.780
<b>Total</b>		<b>2.468.459</b>				<b>2.468.459</b>	<b>751</b>	<b>2.469.210</b>
<b>31 December 2015</b>								
Placements	-	-	-	-	-	-	-	-
Repo	-	-	-	-	-	-	-	-
Funds Borrowed	-	2.412.697	-	-	-	2.412.697	626	2.413.323
Other	-	104.856	-	-	-	104.856	-	104.856
<b>Total</b>		<b>2.517.553</b>				<b>2.517.553</b>	<b>626</b>	<b>2.518.179</b>

**Securitisation positions:**

The Bank does not apply securitisation as of 31 December 2016 (31 December 2015: None).



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (continued)**

**Explanations Related to Leverage Ratio:**

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

The leverage ratio calculated by the Bank in accordance with the "Regulation on Measurement and Assessment of Leverage of Banks" is 5,00% (31 December 2015: 6,42%). This ratio is above the minimum ratio and the regulation stipulates the minimum leverage ratio as 3%. The increase in the off-balance sheet transactions is the main reason for the change in the leverage ratio compared to the previous period.

**b) Leverage ratio:**

	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Assets on the Balance Sheet</b>		
Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	8.000.334	7.309.294
(Assets Deducted from Core Capital)	87.089	81.624
<b>Total Risk Amount for Assets on the Balance Sheet</b>	<b>8.087.423</b>	<b>7.390.918</b>
<b>Derivative Financial Instruments and Credit Derivatives</b>		
Renewal Cost of Derivative Financial Instruments and Loan Derivatives	-	-
Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	-	-
<b>Total Risk Amount of Derivative Financial Instruments and Loan Derivatives</b>	<b>-</b>	<b>-</b>
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	-	-
Risk Amount Arising from Intermediated Transactions	-	-
<b>Total Risk Amount of Financing Transactions with Securities or Goods Warranties</b>	<b>-</b>	<b>-</b>
<b>Off-the-Balance Sheet Transactions</b>		
Gross Nominal Amount of the Off-Balance Sheet Transactions	10.891.794	5.941.930
(Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
<b>Total Risk Amount for Off-Balance Sheet Transactions</b>	<b>10.891.794</b>	<b>5.941.930</b>
<b>Capital and Total Risk</b>		
Tier 1 Capital	939.831	816.350
<b>Total Risk Amount</b>	<b>18.979.217</b>	<b>13.332.848</b>
<b>Leverage Ratio</b>		
Leverage Ratio	5,00%	6,42%

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (continued)**

**Credit Risk Mitigation Techniques:**

The Bank does not perform in-and off-balance sheet netting. The Bank's cash credit transactions consist of loans extended to intermediary firms. Equity securities, treasury bills, government bonds, a letter of guarantee, investment fund participation certificates and cash blockage collateral may be obtained for extended cash credits. Takasbank Money Market (TMM) and Istanbul Stock Exchange Money Market transactions are regarded as non-cash credits because of our guarantorship in TPP. Cash, a letter of guarantee, treasury bills, government bonds, investment fund participation certificates, equity securities and Euro bonds are accepted as guarantee in TMM.

Regarding guarantees taken for TMM and cash credit transactions, equity securities are valued according to their weighted average price in the last session on the day of valuation, or, if the transaction is not realised, according to the arithmetic average of best purchase and best sales orders in the last session; Government Bonds and Treasury Bills are valued according to "Current Bond Rates" determined at BİAŞ (Debt Instruments Market) on the day of valuation; FC cash amounts and FC letters of guarantee are valued according to the currency buying rate announced by Central Bank of the Republic of Turkey for the day following the day of valuation; Investment Fund Participation Certificates are valued according to the prices announced on the day of valuation; and Euro Bonds are valued according to Bloomberg Generic Price (BGN) published at 17:00. In consequence of guarantee valuation carried out every day, in the event that the depreciation of the guarantees exceeds the limits determined by the Bank, a margin call is made to ensure that the guarantees are brought to the level of the initial guarantee.

Government borrowing securities, share certificates in BIST 30 index, investment fund participation certificate, cash (TL, USD, EUR) for guarantee fund contribution, government domestic borrowing note, share certificate, investment fund participation certificate are taken as collateral in Derivatives Exchange. In the Istanbul Stock Exchange Market, cash TL, convertible foreign exchange (USD, EUR), government debt securities and T.C. Treasury Asset Lease Inc. Lease Certificates are considered as collateral.

The Bank performs valuation of collateral and risk at the end of each day. On the other hand, shares and exchange traded funds are also subject to valuation during the day. The method used for day-end and intra-day collateral valuation is as follows:

- a) Shares and exchange traded funds are valued by taking into account the weighted average price emerging in the last session of the BİAŞ share market on the day of the valuation for day-end valuations, while the weighted average prices of the first session are taken into account for intra-day valuation. If no transaction has been performed in the stock exchange, the arithmetic average of the best purchase and sale orders in the last session is used. If no best purchase or best sale order exists, then the weighted average price of the last session in which a transaction was performed is used.
- b) Government bonds and treasury bonds are valued based on "current bond rates" defined within the BİAŞ, Debt Instruments Market on the day of valuation. If these prices cannot be obtained, then the daily values of government debt securities determined by the Turkish Central Bank are used as indicators.
- c) Cash amounts in foreign currency are valued based on the foreign exchange buying rate determined by the Turkish Central Bank for the day after the valuation.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VII. Explanations Related to Liquidity Risk (continued)**

**Collaterals in terms of Risk Categories:**

<b>Exposure classifications</b>	<b>Amount</b>	<b>Financial Collaterals</b>	<b>Other/Physical Collaterals</b>	<b>Guarantees and Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	103.263	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	12.103.492	928.352	-	-
Conditional and unconditional corporate receivables	1.488.510	-	-	-
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional secured mortgage receivables	-	-	-	-
Past due receivables	-	-	-	-
Receivables in high risk category defined by BRSA	-	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	378.907	-	-	-
<b>Total</b>	<b>14.074.172</b>	<b>928.352</b>	-	-

**VIII. Risk management objectives and policies**

The purpose of the risk management system is to define, measure, track, and report the risks, through policies, implementing procedures, and limitations identified to track, control, and, when necessary, change the risk-gain structure of future cash flows of the Bank and therefore the nature and level of its activities.

The purpose of the internal capital adequacy assessment process (ISEDES) is to internally determine the capital level which is adequate to compensate for the risks that the Bank is or is likely to be exposed to, and to enable the Bank to continue its operations with capital above this level.

When establishing and implementing the Risk Management System and ISEDES, the proportionality principle is considered, in accordance with BRSA legislation and good practice guidelines.

The general risk policy of the Bank is to perform its activities taking manageable, controllable, and reasonable risks, which maintain the balance between income and expenses. The Bank manages its risks in such a way that they stay above the minimum and below the maximum levels stated in the regulations published by the BRSA, and below the risk appetite confirmed by the Board of Directors.

The risk capacity of the Bank is decided in accordance with its capital adequacy policy. When doing capital and liquidity planning, the current and under-stress liquidity requirements of the Bank, as well as its risk appetite and capacity, are considered together.

The fund management strategy of the Bank is designed to avoid any liquidity problems, to sustain optimization of the risk-income balance, and to obtain maximum benefits from resources while taking a reasonable level of risk.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies**

The footnotes and related explanations prepared in accordance with the Communiqué on "Public Disclosures related with Banks' Risk Management Regulations " published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 30 September 2016 are given in this section. The following tables, which should be given in quarterly periods in accordance with the related communiqué, have not been presented as of 30 September 2016 as the standard approach is used in the calculation of Bank's capital adequacy.

- The Change Table of Risk Weighted Assets (RWA) under the Internal Grading Based (IGB) approach
- RWA changes for Counterparty Credit Risk under the Internal Capital Method
- The market risk RWA change table, according to the internal model approach

**1. Risk management approach and risk weighted amounts**

**1.1. Bank's risk management approach**

- a) How the business model determines and interacts with the overall risk profile (eg the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board.**

The Bank's activities basically consist of settlement, custody, collateral management, banking, central counterparty services (CCP), treasury operations and other transactions executed at the markets operated by the Bank. The risks exposed due to these activities are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Risks arising from information technologies and business continuity are evaluated in the operational risk framework. Capital is also allocated by the Bank to the covered risks under central counterparty general business risk with respect to CCP.

With respect to information technologies risks, development of indicators such as business disruptions, compliance to service level agreements of support service providers etc. are monitored by Risk Management Department, and reported to Executive Management. However, actions suggested for risks that are aligned with or above the operational risk appetite, and their key risk indicators are monitored by Internal Control and Compliance Department, and reported to Executive Management by the Risk Management Department.

Specific significance is attributed to business continuity risks as a possible disruption in services provided by the Bank align with its structure and operations, may be to the extent of affecting entire capital markets. Effectiveness and its compliance with international standards of the Bank's business continuity management system and information security management system operations have been registered within this scope ISO 22301- Business Continuity Management System Certificate and ISO 27001- Information Security Management System Certificate were received by the Bank.

In determining the risk profile, the risk factors and relationship between them that the Bank may be sensitive due to its structure and operations, are taken into account.

Risk appetites have been set by the Bank Board of Directors for the entire risk exposure, and risk limits and signal values have been established based on general and critical risk types to control the current risk profile, which is in turn to prevent exceeding overall risk appetite and risk appetites based on risk types determined by the Board of Directors. The development of the risk limits and signal values are monitored regularly by the Risk Management Department and reported to Executive Management.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

The Bank’s risk appetite is reviewed according to results of internal capital adequacy assessment process (ICAAP) at least once a year, risk limits and signal values determined in terms of general and risk types are reviewed according to the changes in market conditions and Bank’s strategies. The review process is conducted to determine if the limits are significant and sufficient with respect to risks and the Bank’s risk appetite. The primary responsibility for the review of limits, and overseeing that the risks assumed by the Bank are within the risk limits and monitored by the Executive Management lies with the Board of Directors.

Signal value overflows are reported via e-mail by the Risk Management Department to the Audit Committee, Senior Management and unit managers who perform the respective process at the management of the business line. If the overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures to be taken.

In the markets, where the Bank provides CCP service, there are trade limits allocated to members in order to limit risks of the members against the Bank. The maximum risk limits are determined using the shareholder’s equity and/or ratings issued by the internal rating and assessment system of the Bank. Risk limits can be set over nominal open position amounts or another indicator (e.g. value at risk) that measures member risks, such as initial margin. Along with this, there are also liquidity risk, credit risk and concentration risk limits based on markets, where CCP service is provided.

Credit risk exposure of the Bank by the reason of the CCP service is monitored by comparing existing (deposited) margin with the required margin. Concentration risk is monitored to based on the ratio of required margin level for each member to total margin requirement in the respective market, and the limit is monitored on daily basis by the Central Counterparty Department of the Bank. However, if in any market the ratio of the risks belonging to members outside the top 3, to total risk doesn’t exceed a certain rate (if the market does not have enough depth) and/or, if there are members that use less then a certain ratio of the allocated limit in the respective market, the limit cannot be applied.

If concentration limits are exceeded by any member, the member may be prevented from taking an additional position, the member may be demanded for additional trade margin, and its trade limits may be reduced until the end of a period to be set with the approval of the General Manager of the Bank and if required with the decision of Board of Directors,

It is essential that the ratio of the sum of liquid trade margins of the top 2 members with highest risk at each market, where the Bank is CCP, liquid assets in the respective market’s guarantee fund and the highly liquid assets that the Bank allocates and commits from its own capital, to the risk amount of these members is not below a certain limit.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

- b) The risk governance structure: responsibilities attributed throughout the bank (eg oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc); relationships between the structures involved in risk management processes (eg board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function).**

Duties, authorities and responsibilities within the scope of risk management system are performed by Executive Management in accordance with the legislation and by all the units of the Bank as part of the framework of communiquéés, procedures and directives. It is mandatory to ensure that risk management policy and implementing procedures adapt to the changing conditions. The Board of Directors assesses regularly the sufficiency of such policy and implementing procedures and makes the necessary changes. Bank Senior Management is jointly and Board Members are severally responsible for the design and its application within the Bank of ICAAP. ICAAP Report and Stress Test Report are prepared in coordination with Risk Management Department with the participation of all respective units, and the results of the reports are used in the Bank’s decision-making processes.

Three line of defense approach that comprising of business line management, central risk management function and independent review, is employed in risk management. Accordingly;

- Under the management of the business line, risks arising from product and services provided by each unit of the Bank, employed process, human resource and systems are determined, process and sub-process based risks and controls are defined, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and if necessary international practices in an effective and adequate manner at first line, as” secondary phase protection” element. Such activities and their control periods are determined annually in Internal Control Program. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analyzed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defense have reached risk management and risk control targets or not, and on effectiveness and efficiency of risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

The assumed risks due to CCP activities are managed within a comprehensive risk management framework. The framework of this risk management has been determined within the scope of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation. The respective regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management practices, model security and back tests, the position of internal system units activities in CCP risk management framework, risk mitigation methods and crisis management tools. Such activities are performed by the Central Counterparty Department within the Bank’s organization structure.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (continued)**

The Bank has established a CCP Risk Advisory Committee designated to submit opinion to Board of Directors on CCP regulations and management of CCP risks and relevant matters. The Committee consists of CCP member representatives, representatives CCP members’ legal entity clients and independent members of Takasbank Board of Directors and chaired by one of the independent member of Board of Directors. At Risk Advisory Committee, matters that may affect CCP’s risk management such as change in risk models used in CCP risk management, default procedures, membership admission criteria, settlement of new type of capital market instruments or usage of insurance or external resource use in the transactions are discussed.

The Bank allocates capital for covered risk exposed due to CCP services in order to prevent systemic risk and also determines the committed capital from the remaining capital. In stress tests conducted as part of CCP application, it is assessed whether the available margins, guarantee funds and resources consisting of allocated and committed capital at markets where the Bank is CCP are large enough to meet the fund requirements of default of 2 members with the highest risk under extreme market conditions. At the same time, models used to calculate initial margin at CCP markets and confidence levels are analyzed by the Bank via back tests. Stress test and back test results and recommended measures if exist, are reported on quarterly basis through internal system units to the Board of Directors and to the Capital Markets Board by the CCP Department.

- c) **Channels to communicate, decline and enforce the risk culture within the bank (eg code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions).**

At least, in order for creating a Bank-wise risk culture through the framework of operational risk management established by the Bank in accordance with Takasbank Operational Risk Management Procedure; Risk Management Department consult on management of risk exposure by the through mutual negotiations with all the risk and control officer or process owners at workshop studies, training documents are sent to the Bank personnel and if required training is provided and operational risk policy and procedures are announced to the relevant Bank staff.

The Bank’s risk and control self-assessment process involves assessment of the impacts, possibilities and controls of risks that Bank processes are exposed to, and appropriate actions for risks aligned with or above the Bank’s operational risk appetite.

During self-assessment studies, in coordination with Risk Management Department and Internal Control and Compliance Department, sub-processes risks and controls established against these risks are reviewed and updated by holding mutual negotiations with all units. Risks belonging to all units are also screened by Internal Audit Department and Internal Control and Compliance Department for the usage of audit and control activities.

Procedures and principles have been regulated regarding promptly and adequately execution of activities that shall be carried out pursuant to İstanbul Settlement and Custody Bank Inc. Organization and Duties Communiqué, Banking Law, Capital Markets Law and provisions of other relevant legislations, determination of the organizational structure and role and realm of authority of the units and facilitation of coordination among units.

Pursuant to Takasbank Risk Management Communiqué, signal value overflows are reported to the Audit Committee Senior Management and unit managers whose performing the respective process at the business line management via e-mail by the Risk Management Department. In addition to this, if an overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures are taken. Also Banking Ethical Principles that was published by the BRSA are adopted by the Bank personnel.

In the Asset Liability Committee meeting held with the participation of Senior Management, relevant unit managers and Risk Management Department Manager on monthly basis, a consultation is held on the Bank’s entire operations and it is ensured that necessary action is taken.

Details of ICAAP process established at the Bank and stress test procedure and principles are provided in the Takasbank ICAAP Communiqué and Takasbank Stress Test Program Policy and Implementation Procedures respectively.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (continued)**

**d) The scope and main features of risk measurement systems.**

Systems, which may be applied in a reliable and integrate with the operations, have been built to measure quantifiable risk exposure of the Bank and assess non-quantifiable risks, procedures and principles are provided in the communiqué and procedures which are endorsed by the Board of Directors.

Board of Directors and Senior Management evaluate assumptions underlying the used models and their limitations, data sources used to measure risks and adequacy and suitability of implementation procedures. Accuracy and reliability of risk measurement methodologies, methods or models are determined by using actual results via back tests. To reflect the changing market conditions, methodologies, methods and models used in risk measurement are updated periodically.

In all risk analysis and assessments as part of principle of proportionality first and second pillar risks are taken into account. Credit risk (counterparty credit risk is included), market risk and operational risk which are part of the first pillar risk measured periodically according to standardised approach, standard method and basic indicator approach respectively and reported pursuant to Communiqué on Measurement and Assessment of Banks’ Capital Adequacy and its sub-regulations. Also, credit risk that the Bank is exposed to due to guarantees provided under CCP activities and the transactions causing this risk, are measured under legal credit risk capital requirement. Second pillar risks are assessed within the scope of ICAAP.

Value at market risk and internal market risk capital requirement are calculated on daily basis by using internal method which is determined in the Communiqué on Measurement and Assessment of Banks’ Capital Adequacy and its sub-regulations, and the loss amount that the portfolio may be exposed to is reported to Senior Management via stress tests and scenario analysis.

Legal risk, reputational risk, strategic risk, business continuity risk, information technologies risk and risks arising from critical stakeholders and subsidiaries, which may affect the Bank’s operations and reputation, are considered as operational risk. As part of operational risk, all quantifiable and non-quantifiable risks are addressed in the Operational Risk Database, and losses, which are quantifiable, and reflected to booking records as expenses are addressed in the Operational Risk Loss Database.

Risk assessment is conducted in coordination with Risk Management Department with all the respective units by the Bank in the considering of the entire risk exposure before new product and services are offered. In addition to this, also Risk Analysis Report and Technical Adequacy Report are prepared in accordance with the Communiqué Regarding Banks Receiving Support Service and Takasbank Support Service Purchasing Procedure before support service purchasing contract is signed by the Bank or service contract with the support service provider is renewed and then are submitted for Board of Directors approval annexed to the Audit Committee Assessment Report.

**e) Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure:**

The Banks establishes extensive reporting systems and prepares reports to be used in the management of risk exposure, processes involving determination of strategies and decision-making. The reports prepared should at the least include information such as;

- Risk analysis results and development,
- Results of stress tests and scenario analysis are intended to respective risk type and the whole of the Bank,
- Whether there was an overflows of risk limits and signal values,
- Assumptions underlying risk assessment process, parameters, and constraints regarding the used models and any changes in these,
- Risk mitigation techniques and risk transfer strategies

The Bank ensures that measurement, assessment, monitoring, stress test and scenario analysis studies aligned with operational structure and complexity are carried out with respect to risk management and the respective results are reported regularly. It is ensured that the reports are submitted at regular intervals to the Board of Directors and via Senior Management to the units responsible for occurrence and monitoring of risk.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**f) Qualitative information on stress testing (eg portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management):**

A stress test program has been built by the Bank to measure that the risks and fragilities may arise from adverse development pertain to the Bank or come to light in economic and financial environment under stress, the procedures and principles related to the process have been provided in the Takasbank Stress Test Program Policy and Implementation Procedures. Stress tests are designed in coherence with the Bank’s risk appetite and strategy and with a forward-looking perspective and include risk mitigating management actions.

Risk concentrations existing in different areas are revealed upon application of partial stress test for certain portfolio and/or critical risk types affecting the bank. Holistic stress tests targeting the entire Bank, employed in capital and liquidity planning, are carried out with the participation of all the relevant units of the Bank and in coordination with Risk Management Department in the context of ICAAP at least once a year, and sent to BRSA following Board of Directors approval with ICAAP report. The Bank takes into account stress tests that carried out under ICAAP, scenario analysis and their results in creating budget, strategic plan, fund management strategy and policies. In the stress tests apply fundamentally scenarios such as the increase in interest rates and downgrade of sovereign rating are tackled.

In the stress tests conducted under CCP application, it is evaluated whether the resources consisting of margins available in case of default for the Bank’s use at CCP markets, guarantee fund and portions of allocated and committed capital are large enough to meet the fund requirement that shall arise in case of default of 2 members with the highest risks under extreme market conditions. In addition to this, the models used in calculation of initial margin at CCP markets, and sufficiency of confidence levels are analyzed by the Bank with back tests. Stress test and back test results and if exist, recommended measures are reported on quarterly basis through internal system units to the Board of Directors and by the CCP department to the Capital Markets Board.

In reverse stress tests conducted on quarterly basis by the CCP department, it is analyzed as to how many CCP member defaults shall be met by total default resources under extreme market conditions, where the defaulted CCP members have not fulfilled their additional contribution share obligations, or have not been able to do so. Reverse stress tests are conducted to identify the number of CCP member default that shall be met with total default management resources under extreme market condition defined in stress test, and the analysis of market conditions that equal total default resources to fund requirements that may arise in case of default of 2 members with highest risk.

**g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank’s business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.**

Bank operations basically consist of settlement, custody, collateral management, banking, central counterparty services and treasury operations and other transactions executed at the markets operated by the Bank. The risk exposure due to these operations are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Information technologies risks and business continuity risks are considered as operational risk. Capital is also allocated by the Bank to covered risks under central counterparty general business risk with respect to CCP.

The Bank manages its risks ensuring that they remain over/under the minimum/maximum limits in all the governing legal regulations and below the risk appetites endorsed by the Board of Directors based on overall risk and risk types. The bank has determined signal values under risk limits based on overall risk and risk type, and early warning systems in the name of controlling current risk profile to avoid overflows of overall risk appetite and risk appetites based on risk types endorsed by the Board of Directors and such values are monitored regularly by the Risk Management Department.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

Within the scope of Takasbank Restructuring Plan endorsed by the Bank’s Board of Directors, required actions are taken by Executive Management to reduce the risk levels that the Bank is exposed to, aforesaid plan is reviewed at least once a year in coordination with Risk Management Department with participation of all related units of the Bank.

In reducing credit risk level, the Bank may take into account besides risk mitigant effect of collaterals, risk mitigation techniques such as insurance or derivative products for hedging risks. In addition to this, while using margins, guarantee fund contribution shares, and Takasbank resources that may be resorted to in the default event of CCP members pursuant to Article 36 of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation, the following priority order should be followed:

- Collaterals in the accounts of the defaulted CCP member itself or in the customer accounts under itself where a deficit of collateral occurs,
- The deposited guarantee fund contribution share of the defaulted CCP member
- Compensations to be made from insurance policies, if any
- Allocated capital of Takasbank for covered risks
- Deposited guarantee fund contributions of the other CCP members,
- Additional guarantee fund contributions which may be requested from the CCP members,
- Commitment made from the remaining capital of Takasbank

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. This situation legally leaves collaterals provided to the Bank by the members out of bankruptcy and acts as a credit mitigant on the credit risk that the Bank may be exposed to.

The Bank’s fund management strategy has been created to avoid any liquidity problem, ensure optimization of risk-return balance, invest resources at the utmost efficiency rates by taking reasonable level of risk and in line with this strategy treasury operations are executed with banks to whom limit has been allocated by the Board of Directors. Only Government Debt Securities are issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury may be purchased for the Bank’s securities portfolio. In addition to this derivate instruments may also be used for hedging purposes.

Actions suggested for risks aligned with or above operational risk appetite and key risk indicators are monitored by Internal Control and Compliance Department and reported by Risk Management Department to Executive Management. Moreover, operational risk losses, process and sub-process risks and unit based key performance indicators established for Operational Risk Database and Operational Risk Loss Database are monitored periodically. The operational risks that the Bank is/may be exposed to covered to a large extent by purchasing insurance policies.

It is assessed by the Senior Management whether risks shall be accepted or not for risks aligned with or above the Bank’s operational risk appetite, for uncontrollable risks and risks that cannot be mitigated, and whether the level of activity in such line of business shall be reduced or not or entirely terminated or not and submitted to the approval of Board of Directors.

Distribution of the Bank’s asset and liability items are based on certain currencies and maturity/repricing period, liquidity deficit/surplus, resources that may be generated during possible liquidity crisis situations and free shareholders’ equity level are monitored regularly.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**1.2. Overview of Risk Weighted Amounts**

	Risk Weighted Amounts		Minimum capital
	Current Period	Prior Period	Current Period
Credit risk (excluding counterparty credit risk) (CCR)	3.904.417	3.659.381	312.353
Of which standardised approach (SA)	3.904.417	3.659.381	312.353
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	3	3	-
Of which standardised approach for counterparty credit risk (SA-CCR)	3	3	-
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	9.975	17.400	798
Of which standardised approach (SA)	9.975	17.400	798
Of which internal model approaches (IMM)	-	-	-
Operational risk	536.513	405.392	32.391
Of which Basic Indicator Approach	536.513	405.392	32.391
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustments	-	-	-
<b>Total</b>	<b>4.450.908</b>	<b>4.082.176</b>	<b>345.543</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

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

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

	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	85	85	-	-	-
Financial assets held for trading	1.158	-	-	1.158	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	7.715.925	7.715.925	-	3.327.336	-
Receivables from money markets	21.168	-	21.167	-	-
Available for sale financial assets (net)	1.714	1.714	-	543	-
Loans and receivables	98.945	98.945	-	-	-
Factoring receivables	-	-	-	-	-
Held to maturity investments (net)	45.943	45.943	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	4.825	-	-	-	4.825
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	15.535	15.535	-	-	-
Intangible assets (net)	85.005	-	-	-	85.005
Investment properties (net)	-	-	-	-	-
Tax assets	1.179	1.179	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-
Other assets	14.866	54.135	-	176	-
<b>Total assets</b>	<b>8.006.348</b>	<b>7.933.461</b>	<b>21.167</b>	<b>3.329.213</b>	<b>89.830</b>
Liabilities					
Deposits	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-
Loans	2.400.430	-	-	1.869.739	-
Debt to money markets	43.800	-	-	-	-
Debt securities in issue	-	-	-	-	-
Funds	-	-	-	-	-
Various debts	4.376.394	-	-	1.448.423	-
Other liabilities	68.780	-	-	17	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-
Provisions	55.340	-	-	-	-
Tax liability	17.918	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated loans	-	-	-	-	-
Equity	1.043.686	-	-	-	377
<b>Total liabilities</b>	<b>8.006.348</b>	<b>-</b>	<b>-</b>	<b>3.318.179</b>	<b>377</b>

(\*) Refers to the Bank's non-consolidated financial statements.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

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

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

	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
<b>Asset carrying value amount under scope of regulatory consolidation</b>	-	-	-	-
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-
<b>Total net amount under regulatory scope of consolidation</b>	-	-	-	-
Off-balance sheet amounts	-	6.119.544	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>		<b>19.012.377</b>	<b>21.167</b>	<b>11.034</b>

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

- a) Banks must explain the origins of any significant differences between the amounts in columns (a) and (b) in LI1.

There are no significant differences. As there is no difference according to the explanation of the regulation, the table has been filled by merging with the respective column.

- b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2.

- c) In accordance with the implementation of the guidance on prudent valuation (Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 3) banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: -Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. - Description of the independent price verification process. -Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**3. Credit Risk Disclosure**

**3.1 General information about credit risk**

**3.1.1 General qualitative information about credit risk**

a) How the business model translates into the components of the bank’s credit risk profile:

Our loan transactions bear the possibility of borrower member or guarantors’ inability to perform their obligations that they have committed and undertaken in writing and as per the agreements, meaning credit risk.

The Bank’s cash loan transactions consist of loans offered to brokerage houses. Additionally, cash loans may also be offered to members, who are unable to perform their cash obligation at Turkey Electronic Fund Trading Platform on effective date, meaning defaulted members. As the Bank acts as a guarantor in the mutual obligations of members at Takasbank Money Market, these transactions are considered as non-cash loan according to banking regulation. The Bank acts as CCP at Security Lending Market, Futures and Options Market and Borsa Istanbul Money Market, obligations in these markets are also of non-cash loans.

In addition to this the Bank may also be exposed to credit risk due to treasury transactions executed as part of fund management operations and transactions executed under the Bank’s collateral management functions.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits:

Credit risk appetite has been determined by the Bank’s Board of Directors taking into account concentration in cash and non-cash loan transactions of the Bank that are subject to credit risk. The Bank’s credit risk appetite is reviewed at least once a year. In addition to this, to control risk in question, limit and signal values have been set by the Board of Directors to avoid overflow of credit risk appetite and these limits are monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated credit risk limits and credit risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Credit risk limits and signal values are reviewed according to market conditions and changes in the Bank’s strategies, and the review process is handled to determine if limits are significant and sufficient against risks and the Bank’s credit risk appetite. The supervisory responsibility regarding reviewing of credit risk limits and overseeing that risks assumed by the Bank are within risk limits and for monitoring by the Executive Management belongs to the Board of Directors.

The Bank has trade limits that allocated to members at markets, where the Bank acts as CCP, to limit members’ risks against the Bank. In determining maximum risk limits are used with shareholders’ equity and/or ratings issued by the Bank’s internal rating and assessment system are used. Risk limits may be set over nominal open position amounts or another indicator such as initial margin that measures member risks. (for instance value at risk) In addition, there is also concentration risk limit determined based on CCP –markets, and in this regard the ratio of required margin for each member to the total requirement at the market is monitored on daily basis by CCP Department.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

c) Structure and organisation of the credit risk management and control function:

In credit risk management three line of defense consisting of business line management, central risk management function and independent review, is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Derivatives Clearing and Settlement Team, Debt Securities Clearing and Settlement Team, Treasury and Credits Departments, Markets Department and Central Counterparty Department, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing credit risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as “secondary phase protection” element. Such activities and their control periods are determined annually in Internal Control Program. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analyzed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defense have reached credit risk management and risk control targets or not, and on effectiveness and efficiency of credit risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, credit risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Roles, authorities and responsibilities as part of credit risk management are performed by the Executive Management in line with the governing regulation, and by all of the Bank’s units subject to their own communiqué, procedure and directives.

In cases where credit risk limit and signal values are overflowed, and members fail to perform their obligations at markets, where CCP service is provided by the Bank, required actions are put into effect by Executive Management in accordance with Takasbank Restructuring Plan. In particular for CCP activities, liquidity risk is related to credit risk and in this regard in terms of cashing in margins liquidity risk is evaluated specifically and at the same time restructuring tools include actions against liquidity crunch that the Bank may face due to the CCP service it provides. These action are chosen as to minimize financial risk that the Bank faces, and at the same time to have minimal negative impact on the market, and systemic risk is evaluated in terms of providing assurance to the market, and its impacts on member/clients.

An authorized CCP Risk Advisory Committee has been established by the Bank to provide advice to the Board of Directors on CCP risks management related issues, in such committee matters, which may affect CCP’s risk management such as changes in risk models used in CCP risk management, default procedures, member admission criteria, settlement of new type of capital market instrument or use of insurance or external resources in transactions, are discussed.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

d) Relationships between the credit risk management, risk control, compliance and internal audit functions:

Credit risk related operations are maintained by business lines with a perspective focused on risk. At the first line of defense; credit risk is managed through the existence of an effective and strong collateral mechanism and allocation of appropriate limits. In determining credit or position limits to be allocated to financial institutions and membership types of members, who shall execute trades at CCP markets or CCP- enabled capital market instruments, ratings resulting from internal credit rating and assessment system study and representing credit worthiness of the financial institutions and their strength to serve their existing or future commitments to the Bank, are used after such limits entry into force following Board of Directors approval.

Credit worthiness of the members is monitored by the Bank at regular intervals, and credit limits are updated according to the changes in the members’ financial structures. Continuous and transaction basis execution of limits, risk and collateral controls in electronic environment for minimizing operational errors.

Liquid and/or almost liquid collaterals are obtained during credit allocation in accordance with communiqué, procedures, and directives were prepared by Derivatives Clearing and Settlement Team, Debt Securities Clearing and Settlement Team, Credits Team, Markets Department and Central Counterparty Department. The collaterals are valued at the end of each day, and valuation coefficient are used in the calculation of non-cash collateral values to avoid any impairment and liquidity problem while cashing in collaterals whenever required.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. In this regard, collaterals entrusted to Takasbank are taken under legal protection and this situation creates a risk mitigating effect for the Bank’s credit risk exposure.

In all CCP markets ensure that members perform their obligations promptly and in full to Takasbank, it is essential that risks are measured in an effective manner and monitored. In this regard;

- Initial margin level is calculated at regular intervals to include the recently experiences financial volatilities and monitored continuously in considering of market conditions and revised when required.
- Guarantee fund size is created used confidence levels, which describe very strong financial volatilities but of low possibility.
- Trade margin sufficiency should be followed to the extent of intraday price movement and position changes.
- Trade margins, guarantee fund contributions shares, sufficiency of resources allocated and committed from the Bank capital to CCP risks are followed at regular intervals via stress tests.
- Financial strength of members is monitored continuously and their trades are limited via established limits in light of financial strength.

Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management applications, model security and back test, position of internal system units activities within CCP risk management framework, risk mitigation methods and crisis management tools.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

In the second line of defense; within the scope of Takasbank Risk Management Communiqué the Bank manages credit risk by taking into account credit risk appetite, credit risk limits, signal values that set under early warning system, partial and holistic stress test and scenario analysis and internal capital adequacy assessment process. Measurement, monitoring, limit, stress test and scenario analysis studies are conducted at the bank by Risk Management Department subject to principle of proportionality and in alignment with the volume, nature and complexity of the operations in the three line of defense. It is essential that to reveal the credit risk that the Bank may face, risk measurement and monitoring activities are performed and the results are taken into consideration in the Bank’s strategic decision-making processes. Furthermore, Internal Control and Compliance Department must control transaction of units that may cause credit risk, in line with legal regulations and internal regulation. Such control activities and control periods of the operations are determined annually in the Internal Control Program. In addition to the related studies, Internal Control and Compliance Department and Internal Audit Department perform studies related to the Management Statement.

In the third line of defense, operations of these units are audited periodically by the Internal Audit Department, which inspects and audits on behalf of the Board of Directors. As an element, which has the ability to act independently and impartially within the organization, Internal Audit Department provides extensive assurance to Board of Directors and Senior Management. Audit provides assurance as to whether first and second lines of defense have reached credit risk management and risk control targets or not, on governance, credit risk management and effectiveness and efficiency of the designed controls. Factors such as the general effectiveness and efficiency of activities, the protection of assets, the reliability and robustness of reporting processes, the framework of credit risk management and internal control, operations units and their functions, infrastructure, asset management and information technology are included in the scope of the assurance reported to the Board of Directors and Senior Management. In this regard, the compliance of Bank's activities with the legislation, internal strategies, policies, principles and targets are examined.

Pursuant to article 46, paragraph 2 of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation is titled “Infrastructure of internal systems and information technologies” the soundness of the Bank’s risk management and information technology infrastructures are audited semi-annually and the final report is sent to Capital Markets Board. In addition to this, subject to article 12 of again the respective regulation is titled “General obligations of CCP members” the task of overseeing and auditing whether CCP members serve their obligation or not, has been assigned to Takasbank, and the members must ensure the continuity of essential internal control, risk management and internal audit mechanisms to be a party to this service at CCP markets or CCP capital market instruments. In this regard on-site CCP member audits are conducted by Internal Audit Department.

- e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors:

The report containing credit risk based amount (including counterparty credit risk based amount as well) calculated according to standardised approach on monthly basis pursuant to Communiqué on Measurement and Assessment of Banks’ Capital Adequacy and their sub-regulations, and the progress of credit risk appetite, credit risk limit and signal values and credit risk concentrations, are reported by Risk Management Department on daily basis to the Senior Management, monthly basis to the Audit Committee and Senior Management and on quarterly basis to the Executive Management.

Stress Test Report containing credit risk stress test and scenario analysis results, and ICAAP report are submitted to Executive Management annually by the Risk Management Department, and reported to the BRSA. In addition, adequacy of model employed in calculation of initial margin at CCP markets, and confidence level are analyzed with back tests by the Bank. Results of stress tests and back tests performed by CCP Department, and if there are, suggested measures, are reported on quarterly basis via internal system units to the Board of Directors.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**3.1.2 Credit quality of assets**

Current Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	1.574	98.945	1.574	98.945
Debt Securities	-	45.943	-	45.943
Off-balance sheet exposures	-	11.078.283	-	11.078.283
<b>Total</b>	<b>1.574</b>	<b>11.223.171</b>	<b>1.574</b>	<b>11.223.171</b>

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

<b>1 Defaulted loans and debt securities at end of the 31 December 2015</b>	<b>1.574</b>
2 Loans and debt securities that have defaulted since the last reporting period	-
3 Returned to non-defaulted status	-
4 Amounts written off	-
5 Other changes	-
<b>6 Defaulted loans and debt securities at end of 31 December 2016 (1+2-3-4±5)</b>	<b>1.574</b>

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

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

The Bank has no different receivable under the scope and definitions of “non-performing loans” and receivables for which “provisions have been reserved”.

The Bank has a non-performing loan from Merkez Menkul Kıymetler A.Ş. amounting to TRY 1.574.

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

100% provision has been reserved for the aforementioned receivable.

- c) Description of methods used for determining impairments.

100% provision is reserved against receivables.

- d) The bank’s own definition of a restructured exposure.

The Bank does not have restructured receivables.

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

The Bank has an outstanding claim from Merkez Menkul Kıymetler A.Ş. in the financial sector and this claim has no maturity. The respective amount is classified under non-performing loans.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry;

None.

g) Ageing analysis of accounting past-due exposures;

None.

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

There is no restructured receivable.

**3.2 Credit Risk Mitigation**

**3.2.1 Qualitative disclosure requirements related to credit risk mitigation techniques**

a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on-and off-balance sheet netting. On-balance sheet and off-balance sheet nettings are not applied at the Bank.

b) Core features of policies and processes for collateral evaluation and management. Trade margins and guarantee funds include trade and membership collaterals received at markets where service is provided, guarantee funds and assets kept by the Bank due to collateral agency service and invested by the Bank at best effort. Under the best performance effort criteria framework minimize credit risk, the method involving depositing at the outset The Central Bank of The Republic of Turkey with state banks and large scale banks, are chosen. In determining investment maturities, the collateral or guarantee fund structure of markets, where service is provided, and those markets’ needs to use, are taken into account.

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

In credit risk mitigation, cash collateral and Government Debt Securities issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury considered as liquid assets are used as collateral.

**3.2.2 Credit risk mitigation techniques – overview**

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which:secure d amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
1 Loans	98.945	-	-	-	-	-	-
2 Debt securities	45.943	-	-	-	-	-	-
<b>3 Total</b>	<b>144.888</b>	-	-	-	-	-	-
4 Of which defaulted	1.574	-	-	-	-	-	-

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**3.3 Credit risk under standardised approach**

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

- a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;  
As of 31 December 2016 in the calculation of the Bank’s credit risk based amount, “Fitch Ratings” and “Japan Credit Rating Agency (JCR)” ratings are used for determining risk weights for “Receivables from Central Governments or Central Banks” risk class. Export credit agency ratings are not used by the Bank.
- b) The asset classes for which each ECAI or ECA is used;  
External credit ratings are used by the Bank for “Receivables from Central Governments or Central Banks” risk class. Export credit agency ratings are not used by the Bank.
- c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book,  
In credit risk based amount calculation of the Bank, external credit ratings are not used except for the “Receivables from Central Governments or Central Banks” risk class.
- d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply).  
External credit rating agency ratings that are not on the organization’s matching table, are not used.

**3.3.2 Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects**

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density	
	On-balance sheet Amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts density
1 Exposures to central governments or central banks	47.194	-	103.263	-	-	-
2 Exposures to regional governments or local authorities	-	-	-	-	-	-
3 Exposures to public sector entities	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-
6 Exposures to institutions	7.838.206	7.791.585	7.838.206	4.265.286	3.216.325	%82,4
7 Exposures to corporates	-	2.977.019	-	1.488.510	309.202	%7,9
8 Retail exposures	-	-	-	-	-	-
9 Exposures secured by residential property	-	-	-	-	-	-
10 Exposures secured by commercial real estate	-	-	-	-	-	-
11 Past-due loans	-	-	-	-	-	-
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16 Other assets	69.228	310.312	69.228	309.679	378.893	%9,7
17 Investments in equities	-	-	-	-	-	-
<b>18 Total</b>	<b>7.954.628</b>	<b>11.078.916</b>	<b>8.010.697</b>	<b>6.063.475</b>	<b>3.904.420</b>	<b>%100</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**3.3.3 Standardised approach – exposures by asset classes and risk weights**

<b>Asset Classes / Risk Weights</b>	<b>0%</b>	<b>10%(*)</b>	<b>20%(*)</b>	<b>50%(*)</b>	<b>50% (secured by real estate) (*)</b>	<b>75%</b>	<b>100%(*)</b>	<b>150%</b>	<b>200%</b>	<b>Other risk weights(**)</b>	<b>Total credit risk exposure amount (after CCF and CRM)</b>
1 Exposures to central governments or central banks	103.263	-	-	-	-	-	-	-	-	-	103.263
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
3 Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	872.283	-	7.997.597	3.233.612	-	-	-	-	-	-	12.103.492
7 Exposures to corporates	-	-	1.471.010	5.000	-	-	12.500	-	-	-	1.488.510
8 Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9 Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past-due loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16 Other assets	-	-	-	-	-	-	-	-	-	-	-
17 Investments in equities	14	-	-	-	-	-	378.893	-	-	-	378.907
<b>18 Total</b>	<b>975.560</b>	<b>-</b>	<b>9.468.607</b>	<b>3.238.612</b>	<b>-</b>	<b>-</b>	<b>391.393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.074.172</b>

(\*) Means unrated receivables.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**4. Counterparty Credit Risk**

**4.1 Qualitative disclosure related to counterparty credit risk**

Transactions subject to counterparty credit risk are considered as credit risk. These transactions consist of reverse repo transactions executed on behalf of closed brokerage houses depending on assignment by Capital Markets Board.

Performance of Bank’s operation within the limits of legal and internal capital limits and below the credit risk appetite established by the Board of Directors , constitutes credit risk policy of the Bank.

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

	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
SA-CCR (for derivatives)	-	-		1,4	-	-
Internal Model Method (for derivatives and SFTs)				-	-	-
Simple Approach for credit risk mitigation (for SFTs)					14	2,8
Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
<b>Total</b>						<b>2,8</b>

(\*) Effective Expected Positive Exposure

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**4. Counterparty Credit Risk**

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

<b>Risk Weight/ Regulatory portfolio</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	<b>Total credit exposure(*)</b>
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries(***)	-	-	14	-	-	-	-	-	-	14
Corporates	-	-	-	-	-	-	-	-	-	-
Retail portfolios	-	-	-	-	-	-	-	-	-	-
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims.	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>14</b>	-	-	-	-	-	-	<b>14</b>

(\*) Means unrated receivables.

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

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

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

**4.5 Composition of collateral for CCR exposure**

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	21.153	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>21.153</b>	-

**4.6 Credit derivatives exposures**

None.

**4.7 Exposures to central counterparties**

None.

**5. Securitisation Disclosures**

Since the Bank does not securitize, the relevant tables and explanations that should be prepared within the scope of "Communiqués on Public Disclosure of Risk Management of Banks" are not given.

**6. Market Risk Disclosures**

**6.1 Qualitative disclosure requirements related to market risk**

- a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.

Market risk is defined as the loss that the Bank's on-balance and off-balance sheet positions may be exposed to in the context of FX risk and interest rate risk arising from movements on market prices.

The Bank's fund management strategy has been devised in alignment with the objectives to avoid any liquidity issue, ensure optimization on the risk-return balance and invest resources at highest return rates by taking reasonable level of risk. It is essential that fund management operations remain within legal limits and is executed in light of the Bank's market risk appetite and market risk limits and signal values.



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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

In accordance with the fund management strategy in effect, treasury operations are executed with banks to whom limits have been allocated by the Board of Directors and largely with state owned banks, only highly liquid government debt securities are issued by Republic of Turkey Prime Ministry Undersecretariat of Treasury are purchased for the Bank’s securities portfolio. Nevertheless, derivative products may be used for hedging purposes. In the balance sheet composition, it is shown attention to match of asset and liability by the maturity and currency .

Risk-free government debt securities are purchased on behalf of closed brokerage houses (brokerage houses that have gone bankrupt or whose operations have been temporarily or permanently been suspended by the Capital Markets Board, and accounts opened due to sequestration and precautionary injunctions) by the Bank subject to Capital Markets Board instructions, and these securities are included into trading portfolio in on-balance sheet accounts. There resources where the bank has no right over amount of the notional or interest and is obliged to pay upon client’s demand are subjected to market risk in regulatory capital adequacy calculations as they are included into the trading book. Additionally, capital requirement is calculated for FX risk over foreign currency on-balance sheet and off-balance sheet net position amounts. Market risk is measured by the Bank with standard method, subject to the Communiqué on Measurement and Assessment of Banks’ Capital Adequacy and the points as per its sub-regulations.

Value at market risk and internal capital requirement for market risk are calculated on daily basis to inform Senior Management, using internal method specified in Communiqué on Measurement and Assessment of Banks’ Capital Adequacy and its sub-regulations. Moreover, with respect to market risk, partial stress tests are conducted on daily and monthly basis, whereas holistic stress tests and scenario analyses are executed on annually basis, and FX net general position/shareholders’ equity standard ratio trend is followed.

Market risk appetite has been determined by the Board of Directors and is reviewed at least once a year. Moreover, to control market risk, market risk limit and signal value have been established by the Board of Directors to avoid overflows of the market risk appetite. Market risk limit is monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated market risk limit and market risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Details regarding risk management activities and actions performed under market risk, take part in the Takasbank Restructuring Plan endorsed by the Board of Directors.

- b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.

In market risk management three-line of defense approach consisting of business line management, central risk management function and independent review is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Fund Management Team and Cash Operations Department, and Senior Management is informed ensuring that appropriate actions are taken.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

- Central risk management function is facilitated by establishing market risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as “secondary phase protection” element. Such activities and their control periods are determined annually in the Internal Control Program. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting independently and impartially within the organization. During audit activities, primarily compliance of the Bank activities with the regulations, internal strategies, policies, principles and targets are analyzed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defense have reached market risk management and risk control targets or not, and on effectiveness and efficiency of market risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, market risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Market risk related operations are maintained by business lines with a perspective focused on risk. At the first line of defense; distribution of the Bank portfolio based on maturity and instrument and market developments are monitored constantly by Fund Management Team and Executive Management, the strategy in question is reviewed at least once a year in light of the Bank’s business and trade volume and area of activity. Segregation of duties principle is applied at authority and responsibility level in front office and back office practices.

To be able to manage effectively market risk exposure arising from CCP operations, in determining collateral valuation coefficients at the outset market risk and the risk exposure that shall be faced during conversion of collateral to cash are taken into account, variation margins are calculated on daily basis and settlement prices are set in a healthy manner. Position and margins are valued at intraday and end of day market prices, thus margin-risk balance is monitored by CCP Department close to real-time.

At the second line of defense; within the Takasbank Risk Management Communiqué framework, the Bank manages market risk by taking into account market risk appetite, established market risk limit, signal value determined within the scope of early warning system and internal capital requirement. Moreover, on daily basis the portfolio’s value at risk is calculated; the amount of loss that the portfolio may face in the utmost adverse market conditions is calculated using partial and holistic stress tests and scenario analyses monitored by internal capital requirement calculation, and results are reported on daily and monthly basis to Senior Management, quarterly and annually basis to Executive Management.

In addition to the controls performed in the first line of defense, operations of the respective units are also controlled based on risk during certain periods by Internal Control and Compliance Department in second line of defense in terms of compliance with legal regulations and internal regulations. And in third line of defense operations of these units are audited periodically by Internal Audit Department inspecting and auditing on behalf of the Board of Directors. As an element, which is capable of acting independently and impartially within the organization, Internal Audit Department provides extensive assurance to the Board of Directors and Senior Management. The audit provides assurance as to whether the first and second lines of defenses have reached market risk management and risk control targets or not, and on governance, market risk management and effectiveness/efficiency of designed controls. Usually elements such as effectiveness and efficiency of operations, protection of assets, reliability and soundness of reporting processed, market risk management and internal control framework, operational units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management. In this regard relevance of Bank operations to the regulations, internal strategies, policies, principles and targets, is reviewed.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**VIII. Risk management objectives and policies (Continued)**

- c) Scope and nature of risk reporting and/or measurement systems.

Market risk is measured on monthly basis according to standard method in accordance with Communiqué on Measurement and Assessment of Banks’ Capital Adequacy and its sub-regulations, and reported to the BRSA. In addition to this market risk based amount, internal market risk capital requirement and market risk limit are calculated on daily basis to inform the Senior Management, by using the internal method as per the respective Communiqué and its sub-regulations, and the results are reported by the Risk Management Department to Senior Management, and the respective unit managers.

Reports containing information regarding the Bank’s market risk based amount, market risk appetite and market risk limit and signal value conformity levels, treasury operations, FX net general position/shareholders’ equity standard ratio trend and market risk internal model outcomes are reported by the Risk Management Department on monthly basis to the Audit Committee and Senior Management, and on quarterly basis to the Executive Management. Back tests are conducted to establish that conceptual soundness of the employed internal model and all critical risks are embodied in the model, and the results are reported to the Executive Management. Moreover, partial stress tests performed by Risk Management Department with respect to market risk are reported on daily basis to the Senior Management, and operational unit managers in charge of risk, and on monthly basis to the Executive Management.

Furthermore, Stress Test Report containing market risk holistic stress test and scenario analyses results and ICAAP report are submitted annually to the Executive Management by the Risk Management Department, and following approval by the Board of Directors, reported to the BRSA.

**6.1 Standardised Approach**

	<b>Risk Ağırlıklı Tutar</b>
Outright products	
1 Interest rate risk (general and specific)	100
2 Equity risk (general and specific)	-
3 Foreign exchange risk	9.875
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitisation	-
<b>9 Total</b>	<b>9.975</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IX. Explanations Related To Presentation of Financial Assets and Liabilities at Fair Value**

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

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

The table below shows the book value and the fair value of the financial assets and liabilities.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>7.884.853</b>	<b>6.975.814</b>	<b>7.886.012</b>	<b>6.980.210</b>
Financial Assets at Fair Value Through profit / (Loss)	1.158	4.396	1.158	4.396
Money Market Placements	21.168	18.881	21.168	18.881
Banks	7.715.925	6.598.704	7.715.925	6.598.704
Available-For-Sale Financial Assets	1.714	1.636	1.714	1.636
Held-To-Maturity Investments	45.943	180.085	47.102	184.481
Loans	98.945	172.112	98.945	172.112
<b>Financial Liabilities</b>	<b>6.889.404</b>	<b>6.121.877</b>	<b>6.889.404</b>	<b>6.121.877</b>
Placements on banks	-	-	-	-
Other placements	-	-	-	-
Payables to Money Market	43.800	-	43.800	-
Funds Borrowed From Other Financial Institutions	2.469.210	2.518.179	2.469.210	2.518.179
Securities Issued	-	-	-	-
Sundry Creditors	4.376.394	3.603.698	4.376.394	3.603.698

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**IX. Explanations Related To Presentation of Financial Assets and Liabilities at Fair Value**

IFRS 7, "Financial Instruments: Disclosures" standard, the items presented in the financial statements at their fair value, are classified according to certain levels. These levels are based on observability of data used in the calculation of the fair value. Fair value classifications is as follows:

Level 1: Registered in active markets price for identical assets or liabilities (unadjusted)

Level 2: Other than published prices included within Level 1, either directly (by price) or indirectly (derived from price) observable datas in terms of assets or liabilities

Level 3: Not based on observable market data in relation to assets or liabilities.

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>47.101</b>	<b>1.714</b>	<b>-</b>	<b>48.815</b>
Government Bonds	1.158	-	-	1.158
Available-For-Sale Financial Assets	-	1.714	-	1.714
Held-to-Maturity Investments	45.943	-	-	45.943
Financial Derivative Assets for Trading	-	-	-	-
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>184.481</b>	<b>1.636</b>	<b>-</b>	<b>186.117</b>
Government Bonds	4.396	-	-	4.396
Available-For-Sale Financial Assets	-	1.636	-	1.636
Held-to-Maturity Investments	180.085	-	-	180.085
Financial Derivative Assets for Trading	-	-	-	-
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-

**X. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transactions**

The Bank carries out trading, custody, management and advisory services on others' behalf and account.

TRY 8 (31 December 2015: TRY 8), in the off balance sheet contingencies and commitments table, consists of sales and securities which are traded on BİAŞ. Under the fiduciary transactions agreement, there are no transactions carried out with other financial institutions and there are no financial services rendered directly in this context. According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank also provides settlement and custody services for Derivatives Exchange Market, Electricity Market and Leveraged Trading Operations . Related to above mentioned transactions, the total amount of guarantees obtained from Bank's customers comprising treasury bills, government bonds, letter of guarantees and stocks are listed below.

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**INFORMATION ON FINANCIAL STRUCTURE (Continued),**

**XI. Explanations on Segment Reporting**

The Bank operates mainly in clearing-operation, custody, loans and treasury.

<b>Current Period</b>	<b>Custody, Loans and Clearing and Operation</b>	<b>Money Market</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
Cash and Balances with Central Bank	-	-	85	-	85
Financial Assets At Fair Value Through Profit or Loss (Net)	-	-	-	1.158	1.158
Banks	-	-	7.715.925	-	7.715.925
Money Markets	-	-	-	21.168	21.168
Aavailable-For-Sale Financial Assets (Net)	-	-	1.714	-	1.714
Loans	-	98.945	-	-	98.945
Held-to-Maturity Securities (Net)	-	-	45.943	-	45.943
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4.825	-	4.825
Property and Equipment (Net)	-	-	-	15.535	15.535
Intangible Assets (Net)	-	-	-	85.005	85.005
Tax Asset	-	-	-	1.179	1.179
Other Assets	8.553	-	-	6.313	14.866
<b>Total Assets</b>	<b>8.553</b>	<b>98.945</b>	<b>7.768.492</b>	<b>130.358</b>	<b>8.006.348</b>

Funds Borrowed	-	-	2.400.430	-	2.400.430
Other Miscellaneous Liabilities	-	-	43.800	-	43.800
Miscellaneous Payables	4.293.400	58.976	-	24.018	4.376.394
Other Liabilities	68.780	-	-	-	68.780
Provisions	-	31.208	-	24.132	55.340
Tax Liability	-	-	-	17.918	17.918
Shareholder’s Equity	-	-	-	1.043.686	1.043.686
<b>Total Liabilities</b>	<b>4.362.180</b>	<b>90.184</b>	<b>2.444.230</b>	<b>1.109.754</b>	<b>8.006.348</b>

<b>Prior Period</b>	<b>Custody, Loans and Clearing and Operation</b>	<b>Money Market</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
Cash and Balances with Central Bank	-	-	55	-	55
Financial Assets At Fair Value Through Profit or Loss (Net)	-	-	-	4.396	4.396
Banks	-	-	6.598.704	-	6.598.704
Money Markets	-	-	-	18.881	18.881
Aavailable-For-Sale Financial Assets (Net)	-	-	1.636	-	1.636
Loans	-	172.112	-	-	172.112
Held-to-Maturity Securities (Net)	-	-	180.085	-	180.085
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4.825	-	4.825
Property and Equipment (Net)	-	-	-	16.083	16.083
Intangible Assets (Net)	-	-	-	80.895	80.895
Tax Asset	-	-	-	2.629	2.629
Other Assets	7.219	-	-	4.918	12.137
<b>Total Assets</b>	<b>7.219</b>	<b>172.112</b>	<b>6.785.305</b>	<b>127.802</b>	<b>7.092.438</b>

Funds Borrowed	-	-	2.413.323	-	2.413.323
Other Miscellaneous Liabilities	-	-	-	-	-
Miscellaneous Payables	3.576.031	-	-	27.667	3.603.698
Other Liabilities	104.856	-	-	-	104.856
Provisions	21.686	-	-	22.824	44.510
Tax Liability	-	-	-	15.025	15.025
Shareholder’s Equity	-	-	-	911.026	911.026
<b>Total Liabilities</b>	<b>3.702.573</b>	<b>-</b>	<b>2.413.323</b>	<b>976.542</b>	<b>7.092.438</b>

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**INFORMATION ON FINANCIAL STRUCTURE (Continued)**

**XI. Explanations on Segment Reporting (Continued)**

<b>Current Period</b>	<b>Clearing and Operation</b>	<b>Loans and MM</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
Net interest income	-	13.225	230.169	-	243.394
Net fees and commission income and other operating income	84.592	25.740	-	-	110.332
Dividend income	-	-	6.217	-	6.217
Net trading income	-	-	1.795	-	1.795
Other operating income	-	-	-	4.632	4.632
Provision for loan losses and other receivables	-	13.983	-	-	13.983
Other operating expenses	-	-	-	87.030	87.030
<b>Profit/Loss before tax</b>	<b>84.592</b>	<b>24.982</b>	<b>238.181</b>	<b>(82.398)</b>	<b>265.357</b>
Tax provision	-	-	-	(53.792)	(53.792)
<b>Net Profit/Loss</b>	<b>84.592</b>	<b>24.982</b>	<b>238.181</b>	<b>(136.190)</b>	<b>211.565</b>

<b>Prior Period</b>	<b>Clearing and Operation</b>	<b>Loans and MM</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
Net interest income	-	9.267	185.018	-	194.285
Net fees and commission income and other operating income	70.233	16.837	-	-	87.070
Dividend income	-	-	6.179	-	6.179
Net trading income	-	-	1.122	-	1.122
Other operating income	-	-	-	2.884	2.884
Provision for loan losses and other receivables	-	265	-	-	265
Other operating expenses	-	-	-	74.857	74.857
<b>Profit/Loss before tax</b>	<b>70.233</b>	<b>25.839</b>	<b>192.319</b>	<b>(71.973)</b>	<b>216.418</b>
Tax provision	-	-	-	(41.690)	(41.690)
<b>Net Profit/Loss</b>	<b>70.233</b>	<b>25.839</b>	<b>192.319</b>	<b>(113.663)</b>	<b>174.728</b>

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations Related to the Assets**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	14	-	13	-
Balances with the Central Bank of Turkey	71	-	42	-
Other	-	-	-	-
<b>Total</b>	<b>85</b>	<b>-</b>	<b>55</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	71	-	42	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
<b>Total</b>	<b>71</b>	<b>-</b>	<b>42</b>	<b>-</b>

1.c) Information on required reserves:

In accordance with the Official Statement numbered 2013/15 about Required Reserves, liabilities that are subject to required reserves have been changed. Required reserves are not kept in the Central Bank of Turkey as the liabilities stated in the newly announced Official Statement are lacked in Takasbank A.Ş.

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

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

2.a) ii. Financial assets at fair value through profit and loss subject to repurchase agreements: None (31 December 2015: None).

2.b) Positive differences related to derivative financial assets held-for-trading: None (31 December 2015: None).



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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**3. Information on Banks:**

3.a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	4.388.589	3.327.336	4.012.918	2.585.786
Domestic	4.388.589	3.233.612	4.012.918	2.555.571
Foreign	-	93.724	-	30.215
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>4.388.589</b>	<b>3.327.336</b>	<b>4.012.918</b>	<b>2.585.786</b>

3.b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	82.161	29.786	-	-
USA and Canada	11.563	429	-	-
OECD Countries(*)	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>93.724</b>	<b>30.215</b>	<b>-</b>	<b>-</b>

(\*) OECD Countries outside U.S., Canada and European Union Countries

3.c) Information on receivables from money markets

The details about the receivables from Money Markets are as below:

	Current Period	Prior Period
Reverse Repo belongs to closed member cash balance	21.168	18.881
<b>Total</b>	<b>21.168</b>	<b>18.881</b>

**4. Information on financial assets available-for-sale:**

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

None (31 December 2015: None).

4.a) ii. Information on financial assets available-for-sale subject to repurchase agreements:

None (31 December 2015: None).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

4.b) Information on available for sale assets:

Name	Acquired On	Current Period		Prior Period	
		Amount	Ratio(%)	Amount	Ratio(%)
Borsa İstanbulA.Ş (VOBAŞ Devir Hisseleri)	31 May 2013	324	0,15	324	0,15
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	3 January 2011	637	4,12	637	4,12
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29 July 2011	210	10,50	210	10,50
S.W.I.F.T SCRL	24 April 2009	279	0,024	239	0,024
SASE-Sarajevo Menkul Kıymetler Borsası	18 May 2011	264	5,00	226	5,00
<b>Total</b>		<b>1.714</b>		<b>1.636</b>	

	Current Period	Prior Period
<b>Debt securities</b>		
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	-	-
<b>Share certificates</b>	<b>1.714</b>	<b>1.636</b>
Quoted on a stock exchange	-	-
Not quoted on a stock exchange(*)	1.714	1.636
Impairment provision(-)	-	-
<b>Total</b>	<b>1.714</b>	<b>1.636</b>

(\*) All unquoted available for sale financial investments of the Bank are accounted for at cost.

**5. Information on loans:**

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	<b>98.945</b>	<b>2.382.963</b>	<b>141.553</b>	<b>1.598.502</b>
Corporate shareholders	98.945	2.382.963	141.553	1.598.502
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
<b>Total</b>	<b>98.945</b>	<b>2.382.963</b>	<b>141.553</b>	<b>1.598.502</b>

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms		Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	
		Restructured or Rescheduled	Other	Cash Loans	Restructured or Rescheduled	Other
<b>Cash Loans</b>						
<b>Non-specialized loans</b>	<b>98.945</b>	-	-	-	-	-
Working capital loans	-	-	-	-	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial Sector						
Foreign loans	98.945	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Precious metal credit	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Specialized loans</b>	-	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>98.945</b>	-	-	-	-	-

- c) Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
<b>Short-term loans and other receivables</b>	<b>98.945</b>	-	-	-
Non-specialized loans	98.945	-	-	-
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and long-term loans and other receivables</b>	-	-	-	-
Non-specialized loans	-	-	-	-
Non-specialized loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>98.945</b>	-	-	-

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel: None (31 December 2015: None).

e) Information on commercial loans with installments and corporate credit cards: None (31 December 2015: None).

f) Loans according to borrowers:

	<b>Current Period</b>	<b>Prior Period</b>
Public	-	-
Private	98.945	172.112
<b>Total</b>	<b>98.945</b>	<b>172.112</b>

g) Domestic and foreign loans:

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	98.945	172.112
Foreign loans	-	-
<b>Total</b>	<b>98.945</b>	<b>172.112</b>

h) Loans granted to subsidiaries and associates: None (31 December 2015: None).

i) Specific provisions provided against loans:

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
Uncollectable loans and receivables	1.574	1.574
<b>Total</b>	<b>1.574</b>	<b>1.574</b>

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2015: None).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations Related to the Assets (Continued)**

j.2) Information on movement of non-performing loans:

	<b>III.Group</b>	<b>IV.Group</b>	<b>V.Group</b>
	<b>Loans and Receivables With Limited Collectability</b>	<b>Loans and Receivables With Doubtful Collectability</b>	<b>Uncollectible Loans and Receivables</b>
<b>Prior period end balance</b>	-	-	1.574
Additions (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	-	-	1.574
Specific provision (-)	-	-	1.574
<b>Net Balances on Balance Sheet</b>	-	-	<b>1.574</b>

j.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2015: None).

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Receivables With Doubtful Collectability</b>	<b>Loans and Receivables With Doubtful Collectability</b>	<b>Uncollectable Loans and Receivables</b>
<b>Current Period (Net)</b>	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1.574
Specific Provision Amount (-)	-	-	1.574
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1.574
Specific Provision Amount (-)	-	-	1.574
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

- k) Main principles of liquidation policy for uncollectible loans and receivables: The Bank has no uncollectible loans and receivables as of the balance sheet date (31 December 2015: None).
- l) Explanations about the policy for the asset’s write-off: The general policy for the receivables write-off under follow-up is to write-off the receivables from asset which can not be collected in process of a legal enforcement.
- m) Other explanations and disclosures: Collaterals and credit enhancement obtained during the year: The details of the collaterals obtained for cash loans as of 31 December 2016 and 2015 are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Equity Shares (quoted)	17.055	5.891
Letters of Guarantee	98.750	372.450
<b>Total</b>	<b>115.805</b>	<b>378.341</b>

**6. Investments held to maturity:**

- 6.a) i. Information on held-to-maturity investments given as collateral or blocked:

	<b>Current Period</b>	<b>Prior Period</b>
Held-to-maturity investments given as collateral or blocked	-	-
Unrealized accrual related to these investments	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

- 6.a) ii. Held-to-maturity investments subject to repurchase agreements: None (31 December 2015: None).

- 6.b) Information on held-to-maturity public sector debt instruments:

	<b>Current Period</b>	<b>Prior Period</b>
Government Bond	45.943	180.085
Treasury Bill	-	-
Other Public Sector Debt Instruments	-	-
<b>Total</b>	<b>45.943</b>	<b>180.085</b>

- 6.c) Information on held-to-maturity investments:

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	45.943	180.085
Quoted on a stock exchange	45.943	180.085
Not quoted on a stock exchange	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>45.943</b>	<b>180.085</b>

- 6.d) Movement of held-to-maturity investments

	<b>Current Period</b>	<b>Prior Period</b>
Beginning balance	180.085	168.467
Foreign currency differences on monetary assets	-	-
Purchases during year	45.943	177.463
Disposals through sales and redemptions	(180.085)	(175.000)
Impairment provision (-)	-	-
Effect of unearned coupon income on cost	-	9.155
<b>Closing Balance</b>	<b>45.943</b>	<b>180.085</b>

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on associates (net):**

7.a) Information on the unconsolidated associates: The Bank has no unconsolidated associates (31 December 2015: None).

7.b) Information on the unconsolidated associates: None (31 December 2015: None).

7.c) Explanations of consolidated associates: None (31 December 2015: None).

7.d) Information on sector information on consolidated associates: None (31 December 2015: None).

7.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2015: None).

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

8.a) Information on the unconsolidated subsidiaries:

<b>Description</b>	<b>Address (City/ Country)</b>	<b>Bank’s share percentage- If different voting percentage (%)</b>	<b>Bank risk group’s share percentage (%)</b>
Merkezi Kayıt Kuruluşu A.Ş.	İstanbul/Turkey	28,57	65

Bank’s share in Merkezi Kayıt Kuruluşu A.Ş. (“MKK”) is 65% and the Bank’s voting right is 28,57% (2/7) according to its Articles of Association. Although the Bank possesses more than 20% of the voting rights of MKK. The Bank does not have significant influence over the company. For this reason the associate is not consolidated. This subsidiary is carried at cost amounting to TRY 4.825 thousand in the financial statements.

<b>Total Assets (*)</b>	<b>Shareholder’s Equity</b>	<b>Total Fixed Asset</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit/(Loss)</b>	<b>Prior Periods’ Profits / (Losses)</b>	<b>Fair Value</b>
103.354	80.143	35.099	6.249	-	16.067	19.861	-

(\*) Non-Audited financial statements yet, prepared as of 31 December 2016, in accordance with the Turkish Accounting Standards.

	<b>31 December 2016</b>	<b>31 December 2015</b>
Paid-in capital	36.000	36.000
Legal reserves	13.442	18.948
Other reserves	17.904	-
Profit/loss	17.858	20.113
Prior periods profit/loss	1.791	2.162
Current period net profit/loss	16.067	17.951
Intangible Assets (-)	(24.626)	(12.453)
Total Core Capital	60.578	62.608
Supplementary Capital	-	-
Capital	60.578	62.608
<b>Net Usable Equity</b>	<b>60.578</b>	<b>62.608</b>

There is no assessment of subsidiaries’ internal capital adequacy

Paid capital is indicated in the main agreement of the Bank as Turkish Liras and registered in the trade registry.

Legal reserves are the reserve funds which are indicated in the Turkish Trade Act’s (numbered 6762) 466. dam’s first paragraph and second paragraph’s third subparagraph, and 467.dam and accounted from related year’s profit.

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

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

8.b) Information on the consolidated subsidiaries:

- i. Information on the consolidated subsidiaries: None (31 December 2015: None).
- ii. Information on movement of consolidated subsidiaries: None (31 December 2015: None).
- iii. Sectoral information on the consolidated subsidiaries and the related carrying amounts: None (31 December 2015: None).
- iv. Consolidated subsidiaries quoted on the stock exchange: None (31 December 2015: None).

**9. Information on entities under common control (joint ventures):** None (31 December 2015: None).

**10. Information on finance lease receivables (Net):** None (31 December 2015: None).

**11. Information on derivative financial assets for hedging purposes:** None (31 December 2015: None).

**12. Information on tangible assets:**

	Prior Year's Closing Balance 31 December 2015	Additions	Disposals	Closing Year Balance 31 December 2016
<b>Cost:</b>				
Land and buildings	14.376	-	-	14.376
Leased tangible assets	-	-	-	-
Vehicles	1.046	68	(809)	305
Other	12.584	2.450	(68)	14.966
<b>Total Cost</b>	<b>28.006</b>	<b>2.518</b>	<b>(877)</b>	<b>29.647</b>

	Prior Year's Closing Balance 31 December 2015	Charge for the Year	Disposals	Closing Year Balance 31 December 2016
<b>Accumulated Depreciation:</b>				
Land and buildings	(4.267)	(308)	-	(4.575)
Leased tangible assets				
Vehicles	(340)	(121)	262	(199)
Other	(7.316)	(2.064)	42	(9.338)
<b>Total Accumulated Depreciation</b>	<b>(11.923)</b>	<b>(2.493)</b>	<b>304</b>	<b>(14.112)</b>
<b>Net Book Value</b>	<b>16.083</b>	<b>25</b>	<b>(573)</b>	<b>15.535</b>



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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	Prior Year's Closing Balance 31 December 2014	Additions	Disposals	Closing Year Balance 31 Aralık 2015
<b>Cost:</b>				
Land and buildings	14.394	-	(18)	14.376
Leased tangible assets	-	-	-	-
Vehicles	1.046	-	-	1.046
Other	11.052	1.564	(32)	12.584
<b>Total Cost</b>	<b>26.492</b>	<b>1.564</b>	<b>(50)</b>	<b>28.006</b>

	Prior Year's Closing Balance 31 December 2014	Charge for the Year	Disposals	Closing Year Balance 31 December 2015
<b>Accumulated Depreciation:</b>				
Land and buildings	(3.960)	(307)	-	(4.267)
Leased tangible assets	-	-	-	-
Vehicles	(281)	(59)	-	(340)
Other	(5.136)	(2.092)	(88)	(7.316)
<b>Total Accumulated Depreciation</b>	<b>(9.377)</b>	<b>(2.458)</b>	<b>(88)</b>	<b>(11.923)</b>
<b>Net Book Value</b>	<b>17.115</b>	<b>(894)</b>	<b>(138)</b>	<b>16.083</b>

12.a) If impairment amount on individual asset booked or reversed in the current period is material for the overall financial statements:

- i. Reason and conditions for booking or reversing impairment: The details for reason and conditions for booking or reversing impairment are given in note (12.b) of the report.
- ii. Amount of impairment booked or reversed in the financial statements: The details for amount recorded or reversed impairment in the financial statements are given in part (12.b) of the Report.

12.b) 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: There is no material impairment provision set or cancelled in the current period (31 December 2015: None).

There is no impairment accounted related to property and equipment in the current period.

12.c) 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 (31 December 2015: None).

**13. Information on intangible assets:**

	Prior Year Closing Balance 31 December 2015	Additions	Disposals	Closing Balance 31 December 2016
<b>Cost:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	87.190	5.982	-	93.172
<b>Total Cost</b>	<b>87.190</b>	<b>5.982</b>	<b>-</b>	<b>93.172</b>
<b>Accumulated Amortization:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	(6.295)	(1.872)	-	(8.167)
<b>Total Accumulated Amortization</b>	<b>(6.295)</b>	<b>(1.872)</b>	<b>-</b>	<b>(8.167)</b>
<b>Net Book Value</b>	<b>80.895</b>	<b>4.110</b>	<b>-</b>	<b>85.005</b>

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

	Prior Year Closing Balance 31 December 2014	Additions	Disposals	Closing Balance 31 December 2015
<b>Cost:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	6.294	80.896	-	87.190
<b>Total Cost</b>	<b>6.294</b>	<b>80.896</b>	-	<b>87.190</b>
<b>Accumulated Amortization:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	(4.871)	(1.424)	-	(6.295)
<b>Total Accumulated Amortization</b>	<b>(4.871)</b>	<b>(1.424)</b>	-	<b>(6.295)</b>
<b>Net Book Value</b>	<b>1.423</b>	<b>79.472</b>	-	<b>80.895</b>

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None (31 December 2015: None).
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None (31 December 2015: 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 (31 December 2015: None).
- d) The book value of intangible fixed assets that are pledged or restricted for use: None (31 December 2015: None).
- e) Amount of purchase commitments for intangible fixed assets: None (31 December 2015: None).
- f) Information on revalued intangible assets according to their types: None (31 December 2015: None).
- g) Amount of total research and development expenses recorded in income statement within the period if any: None (31 December 2015: None).
- h) Positive or negative consolidation goodwill on entity basis: None (31 December 2015: None).
- i) Information on goodwill: None (31 December 2015: None).
- j) Movements on goodwill in the current period: None (31 December 2015: None).
- 14. Information on investment property:** None (31 December 2015: None).

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

**15. Explanations on deferred tax asset:**

- a) As of 31 December 2016, deferred tax asset is TRY 1.179 (31 December 2015: TRY 2.629).

Distribution of deferred tax asset:

	Current Period		Prior Period	
	Cumulative temporary differences	Deferred Tax Assets /(Liabilities)	Cumulative temporary differences	Deferred Tax Assets /(Liabilities)
CMB provisions	9.985	1.997	9.140	1.828
Severance provision	7.384	1.477	8.830	1.766
Provision for Employee Termination Benefits	4.864	973	4.512	902
Litigation Provision	1.900	380	342	68
Difference between Internal Efficiency and Market Value of GDDS held to maturity	115	23	393	79
<b>Deferred Tax Provision</b>		<b>4.850</b>		<b>4.643</b>
Difference between Book Value and Tax Value of Fixed Assets	18.355	3.671	10.071	2.014
<b>Deferred Tax Liabilities</b>		<b>3.671</b>		<b>2.014</b>
<b>Deferred Tax Assets /(Liabilities),net</b>		<b>1.179</b>		<b>2.629</b>

- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None (31 December 2015: None).
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None (31 December 2015: None)
- d) Movement of deferred tax asset:

	Current Period	Prior Period
January 1	<b>2.629</b>	<b>4.013</b>
Effect of change in effective tax rate	-	-
Deferred tax (charge)/benefit	(1.480)	(1.449)
Deferred tax (charge)/benefit (Net)	<b>(1.480)</b>	<b>(1.449)</b>
Deferred tax accounted in Shareholders' Equity	30	65
<b>Deferred Tax Asset</b>	<b>1.179</b>	<b>2.629</b>

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

None (31 December 2015: None).

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

**17. Information on other assets:**

Other assets exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Breakdown of other assets:

	<b>Current Period</b>	<b>Prior Period</b>
Commission, receivables from members	8.553	7.218
Prepaid expenses	3.755	3.935
Custody accruals	2.169	335
Cash guarantees given	38	48
Seller advances (BİAŞ)	10	10
Other	341	591
<b>Total</b>	<b>14.866</b>	<b>12.137</b>

**II. Explanations and Notes Related to the Liabilities**

**1. Explanations related to deposits:**

a) Information on maturity structure of deposits:

The Bank is not authorized to accept deposits.

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

The Bank is not authorized to accept deposits.

c) Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad:

The Bank’s head office is in Istanbul, Turkey.

d) Saving deposits not guaranteed by insurance:

The Bank is not authorized to accept deposits.

**2. Information on derivative financial liabilities held-for-trading:**

None (31 December 2015:None).

**3. Information on funds borrowed:**

a) Information on banks and other financial institutions:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Loans from Central Bank of Turkey	43.800	-	-	-
From Domestic Banks and Institutions	530.691	1.869.739	812.393	1.600.930
From Foreign Banks, Institutions and Funds	-	-	-	-
<b>Total</b>	<b>574.491</b>	<b>1.869.739</b>	<b>812.393</b>	<b>1.600.930</b>

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**II. Explanations and Notes Related to the Liabilities (Continued)**

b) Maturity analysis of Funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	574.491	1.869.739	812.393	1.600.930
Medium and long-term	-	-	-	-
<b>Total</b>	<b>574.491</b>	<b>1.869.739</b>	<b>812.393</b>	<b>1.600.930</b>

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

The liabilities of the Bank consist of taxes payable, similar payables and cash collaterals and current accounts of the members. The Bank also has liabilities regarding the amounts held due to managing the guarantee funds established for common stock, government bond and Treasury bill markets on the Istanbul Stock Exchange Warrant Deputy (OPIC) and managing the guarantee funds and guarantees of transactions in Turkish Derivative Exchange.

**4. Information on funds provided from repurchase agreement transactions:**

None (31 December 2015: None).

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

The breakdown of other liabilities is as below:

	Current Period		Prior Period	
IVP Profit and Loss Cash Pool		31.253		56.668
Cash Pool Electricity		16.524		33.624
BİAŞ Guarantee Fund - Share Certificates		1.092		1.022
BES Government Contribution Account		685		578
BİAŞ Guarantee Fund - Bond		333		172
Other		18.893		12.792
<b>Total</b>		<b>68.780</b>		<b>104.856</b>

The Breakdown of Miscellaneous Payables which is the majority of the passive total of the balance sheet is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash Guarantees	2.818.424	1.288.493	2.357.986	859.165
Other Cash Guarantees	108.927	159.930	262.354	123.349
Expense Accruals	620	-	844	-
<b>Total</b>	<b>2.927.971</b>	<b>1.448.423</b>	<b>2.621.184</b>	<b>982.514</b>

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**II. Explanations and Notes Related to the Liabilities (Continued)**

**6. Explanations on financial lease obligations (Net):**

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank: None (31 December 2015: None).
- b) The explanation on modifications in agreements and new obligations resulting from such modifications: None (31 December 2015: None).
- c) Explanation on finance lease payables: None (31 December 2015: None).
- d) Explanations regarding operational leases: None (31 December 2015: None).
- e) Explanations on the lesser and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None (31 December 2015: None).

**7. Information on derivative financial liabilities for hedging purposes:**

None (31 December 2015: None).

**8. Information on provisions**

- a) Information on general loan loss provisions:

	<b>Current Period</b>	<b>Prior Period</b>
<b>General Provisions</b>		
Provisions for First Group Loans and Receivables	2.088	6.548
Provisions for Second Group Loans and Receivables	-	-
Provisions for Non-cash Loans	29.120	15.138
Other	-	-
<b>Total</b>	<b>31.208</b>	<b>21.686</b>

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: None (31 December 2015: None).
- c) The specific provisions provided for unindemnified non cash loans: None (31 December 2015: None).
- d) Information on employee termination benefits and unused vacation accrual:

Under Turkish Labor Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law’s 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. As the maximum liability is revised semi annually, the maximum amount of TL 4.426,16 (31 December 2015: TL 4.092,53) effective from 1 January 2016 has been taken into consideration in calculation of provision for employment termination benefits.

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**II. Explanations and Notes Related to the Liabilities (Continued)**

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The main assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 6,50% (31 December 2015: 4,5% ) and interest rate 10,00% and a discount rate of 3.29% (31 December 2015 3,75%). The anticipated rate of forfeitures is considered. The severance pay has been calculated for the personnel who have completed 15 years.

	<b>Current Period</b>	<b>Prior Period</b>
<b>Total</b>	<b>16.536</b>	<b>18.994</b>
The ratio of provision to undiscounted total liabilities	9.152	10.164
Provision for employee termination (Presented in financial statements)	7.384	8.830
Total liabilities of employee terminations (Undiscounted)(%)	80,68	86,88

As of 31 December 2016, the Bank provided a reserve of TL 4.864 (31 December 2015: TL 4.512) for the unused vacation. This balance is classified under Reserve for Employee Benefits in the financial statements.

d.1) Movement of employee termination benefits

	<b>Current Period</b>	<b>Prior Period</b>
As of January 1	8.830	7.185
Paid during the year	(2.900)	(261)
Actuarial (gain)/loss	146	326
Charge for the year	1.308	1.580
Service charge	570	696
Interest charge	738	884
<b>Total</b>	<b>7.384</b>	<b>8.830</b>

d.2) The reserve for the employee benefits

	<b>Current Period</b>	<b>Prior Period</b>
Unused vacation provision	4.864	4.512
<b>Total</b>	<b>4.864</b>	<b>4.512</b>

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**II. Explanations and Notes Related to the Liabilities (Continued)**

**7. Information on other provisions:**

e.1) Information on provisions for possible losses: None (31 December 2015: None).

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

	<b>Current Period</b>	<b>Prior Period</b>
Provisions for Capital Market Board's Share Fee(*)	9.984	9.140
Provision for Legal Claims (**)	1.900	342
<b>Total</b>	<b>11.884</b>	<b>9.482</b>

(\*) Capital Market Board's Share Fee consists of commission fee which will be paid to the CMB in 2016 accordance with the CMB's regulation.

(\*\*) As of the balance sheet date, there are thirty lawsuits filed against the Bank that are still in progress according to the information received from the legal department of the Bank. Twenty-three of these cases are related to the return of work and the payment of overtime pay. The seventh of these cases is a lawsuit filed by the Investors Protection Fund against the lawsuit filed by the Bank on the demand for determination of the pledge right on the capital market instruments which constitute the guarantees of the credits used by an intermediary institution whose activities are suspended by the CMB and which are determined to be liquidated. The seven lawsuits are lawsuits filed by the brokerage houses of the related CMB case and related with refund of the penalties of the capital market instruments. In accordance with TAS 37, the Bank has reflected these cases in the accompanying financial statements amounting to TL 1.900 (31 December 2015: TL 342).

	<b>Current Period</b>	<b>Prior Period</b>
Provisions for Cases Beginning Balance	342	549
Additions	1.588	-
Payments	(30)	(207)
<b>Provisions for Cases Year End</b>	<b>1.900</b>	<b>342</b>

**8. Liabilities Resulting from Retirement Benefits: None (31 December 2015: TL None).**

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2015: None).

f.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post retirement benefits for the employees: None (31 December 2015: None).

**9. Explanations on taxes payable:**

a) Information on current tax liability:

a.1) Corporate tax:

	<b>Current Period</b>	<b>Prior Period</b>
Provision for Corporate Taxes	52.312	40.241
Advance Taxes (-)	39.269	29.665
<b>Corporate Income Tax Payable</b>	<b>13.043</b>	<b>10.576</b>



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**II. Explanations and Notes Related to the Liabilities (Continued)**

a.2) Information on taxes payable:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Taxes Payable	13.043	10.576
Taxation on Securities	1.468	1.186
Banking Insurance Transaction Tax (BITT)	502	438
Value Added Tax Payable	55	69
Other	1.970	2.028
<b>Total</b>	<b>17.038</b>	<b>14.297</b>

a.3) Information on premiums:

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	416	333
Social Security Premiums-Employer	382	326
Unemployment Insurance-Employee	55	46
Unemployment Insurance-Employer	27	23
<b>Total</b>	<b>880</b>	<b>728</b>

b) Explanations on deferred tax liabilities, if any: None (31 December 2015: None).

**10. Information on liabilities regarding assets held for sale and discontinued operations:**

None (31 December 2015: None).

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

None (31 December 2015: None).

**12. Information on Shareholders’ Equity:**

**a) Presentation of Paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
Common stock (*)	600.000	600.000
Preferred stock	-	-

(\*) As of 31 December 2016 The Bank has totally 6.000.000.000 issued share certificates. 2.000 of these shares are preferred shares.

**b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so, amount of registered share capital ceiling:** Registered share capital system is not applied as of the balance sheet date (31 December 2015: Not applied).

**c) Other information on the share of capital increased through capital contributions performed during the current period and capital funds:** None (31 December 2015: None)

**d) Other information on the share of capital increased through capital contributions performed during the current period and capital funds:** None (31 December 2015: None).

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**II. Explanations and Notes Related to the Liabilities (Continued)**

e) **Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:** None (31 December 2015: None).

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

Due to the Bank’s liquid position and good relations with other banks, the Bank has the means to provide low cost financing and place it in domestic market which leads to profits. In parallel with this, if similar circumstances will occur in the future, it can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

g) **Information on preferred shares:**

As of 31 December 2016, the Bank has preferred shares with a nominal value of TL 200. According to the article six of the Articles of Association, the shares which represent group A shares of the newly issued group A and B shares belong only to BİAŞ and cannot be transferred. Besides, according to the Bank’s Articles of Association - article 9/2, four members of the board of directors are chosen by the General Assembly, among the candidates presented by group A shareholders.

h) **Information on marketable securities value increase fund:** None (31 December 2015: None).

i) **Information on extraordinary reserves:**

	<b>Current Period</b>	<b>Prior Period</b>
Reserves appropriated by the General Assembly	139.119	56.886
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Capital Exchange Difference	-	-
<b>Total</b>	<b>139.119</b>	<b>56.886</b>

**13. Other Information on Shareholders’ Equity:**

The Bank has not been added to capital from capital reserve ended in 31 December 2016 (31 December 2015: None).

**14. Information on minority shares:**

None (31 December 2015: None).

**15. Information on past year profit distribution:**

The Bank transfers the distributable net period profit of TL 174,728 for the year 2015 and allocates TL 13,706 from the profit for legal reserves and TL 81,139 for extraordinary reserves. Pursuant to the decision taken at the Ordinary General Assembly Meeting held on March 31, 2016, on April 5, 2016, the personnel paid a dividend of TL 4.703 and the shareholders were paid a dividend of TL 75.000.

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**III. Explanations and Notes Related to the Off-Balance Sheet Accounts**

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

- a) Nature and amount of irrevocable loan commitments: None (31 December 2015: None).
- b) Possible losses and commitments related to off-balance sheet items including items listed below:
- b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits: There are no non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits as of the balance sheet date

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given against achieving cash loans	-	-
With maturity of 1 year or less than 1 year	-	-
With maturity of more than 1 year	-	-
Other non-cash loans (*)	10.768.604	5.628.740
<b>Total</b>	<b>10.768.604</b>	<b>5.628.740</b>

(\*) Guarantees given to Stock Exchange Money Market for Payables.

Information on sectoral risk breakdown of non-cash loans:

	<b>Current Period</b>				<b>Prior Period</b>			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>								
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
<b>Services</b>	<b>10.768.604</b>	<b>100,00</b>	-	-	<b>5.628.740</b>	<b>100,00</b>	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel, food and beverage services	-	-	-	-	-	-	-	-
Transportation and telecommunication	-	-	-	-	-	-	-	-
Financial institutions	10.768.604	100,00	-	-	5.628.740	100,00	-	-
Real estate and renting services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10.768.604</b>	<b>100</b>	-	-	<b>5.628.740</b>	<b>100,00</b>	-	-

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Notes Related to the Off-Balance Sheet Accounts (Continued)**

Information on I. and II. Group non-cash loans:

	I. Group		II. Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>10.768.604</b>	-	<b>5.628.740</b>	-
Letters of guarantee	10.768.604	-	5.628.740	-
Bank acceptances	-	-	-	-
Letters of credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	10.768.604	-	5.628.740	-

b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2015: None).

b.3) Explanation of irrevocable commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Derivatives Exchange (Bank is central counterparty services (CCP))	216.775	-	212.363	-
Capital commitment for Central Counterparty Service (Bank is central counterparty services (CCP))	9.290	-	17.218	-
Capital commitment for Loan Share Market (Bank is central counterparty services (CCP))	83.614	-	-	-
<b>Total</b>	<b>309.679</b>	-	<b>229.581</b>	-

c) Information related to Non-Cash Loans:

As bank functions as a bridge between seller and buyer in money market operations in which bank has a market maker role and guarantees that the debts will be paid, bank follows the risks which occurred in this market in non-cash loans accounts. The limits are defined for the members and it is required to have continued guarantees. A limit is set for members for Takasbank Money Market, Loan Share Market, Derivatives Exchange Market and there is a continuing guarantee for these limits. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

d) Information related to Market Securities Hedges; the markets securities hedges, TL 2.441.011.739 (31 December 2015: TL 1.989.410.198) of the TL 2.440.779.253 balance of market securities hedges are investment funds as the other TL 232.486 balance consists of share certificate hedges.

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

The Bank has no derivative financial instruments as of 31 December 2016 and 2015.

**Breakdown of the Bank's foreign currency forward and swap transactions as of the balance sheet date based on currencies are disclosed below in their TL equivalents:** None (31 December 2015: None).

**Fair Value Hedges**

**Net profit/(loss) due to hedging instruments of the Bank:** None (31 December 2015: None).

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Notes Related to the Off-Balance Sheet Accounts (Continued)**

**Net Investment Hedges:**

**The periods when cash flows are expected to be realized regarding cash flow hedges and the periods when cash flows are expected to affect profit or loss, as of 31 December 2016:** None (31 December 2015: None).

**Net Investment Hedges at the Foreign Companies**

None (31 December 2015: None).

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

**a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other ventures:** None (31 December 2015: None).

**a.2) Share of entity under common control (joint ventures) in its own contingent liabilities:** None (31 December 2015: None).

**a.3) The Bank's contingent liabilities resulting from liabilities of other ventures in entities under common control (joint ventures):** None (31 December 2015: None).

**b) Accounting and presentation of contingent assets and liabilities in the financial statements:** None (31 December 2015: None).

**4. Custodian and intermediary services:**

The Bank carries out custody transactions for marketable securities, precious metals and other securities and executes the settlement of commitments and receivables arising from cash and securities purchase and sale in the stock exchanges. Besides, the Bank opens custody accounts for its customers, institutional investors and companies quoted on the BİAŞ and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the individual investors; performs the procedures related to the obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing the marketable and other securities and additional financial services.

**5. The information on the Bank's rating by the international rating introductions:**

The Bank has credit rating from Fitch Ratings International Rating agency.

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes Related to the Income Statement**

**1. Information on interest income**

**a) Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on Loans</b>	<b>12.891</b>	-	<b>9.108</b>	-
Short term loans	12.891	-	9.108	-
Medium and long term loans	-	-	-	-
Interest on non-performing loans	-	-	-	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>12.891</b>	-	<b>9.108</b>	-

**b) Information on interest received from banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	203.057	71.441	157.730	50.410
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>203.057</b>	<b>71.441</b>	<b>157.730</b>	<b>50.410</b>

**c) Interest received from marketable securities portfolio:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	-	-	-	-
Held-to-maturity securities	6.345	-	16.228	-
<b>Total</b>	<b>6.345</b>	-	<b>16.228</b>	-

**d) Information on interest income received from associates and subsidiaries:** None (31 December 2015: None).

**e) Other information:** None (31 December 2015: None).

**2. Information on interest expense**

**a) Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	50.674	-	39.350	-
The Central Bank of Turkey	21	-	-	-
Domestic banks	50.653	-	39.350	-
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>50.674</b>	-	<b>39.350</b>	-

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**IV. Explanations and Notes Related to the Income Statement (Continued)**

- b) **Information on interest expense to associates and subsidiaries:** None (31 December 2015: None).
- c) **Information on interest expense to marketable securities issued:** None (31 December 2015: None).
- d) **Distribution of interest expense on deposits based on maturity of deposits:** None (31 December 2015: None).

**3. Information on dividend income:**

	<b>Current period</b>	<b>Prior Period</b>
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	52	13
Other (Investment in subsidiaries)	6.165	6.166
<b>Total</b>	<b>6.217</b>	<b>6.179</b>

**4. Information on net trading income:**

	<b>Current period</b>	<b>Prior Period</b>
Income	<b>2.720</b>	<b>1.745</b>
Gains on capital market operations	-	2
Gains on derivative financial instruments	-	-
Foreign exchange gains	2.720	1.743
<b>Losses (-)</b>	<b>(925)</b>	<b>(623)</b>
Losses on capital market operations	-	-
Losses on derivative financial instruments	-	-
Foreign exchange losses	(925)	(623)
<b>Total(Net)</b>	<b>1.795</b>	<b>1.122</b>

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

Other operating income mainly consists of the income received from selling assets and collection income relating to the previous year's expenses.

	<b>Current Period</b>	<b>Prior Period</b>
Provisions no longer required	4.461	2.666
Income from sales of the assets	146	144
Other income	25	74
<b>Total</b>	<b>4.632</b>	<b>2.884</b>

In the fifth section and fourth part Note 10, details of sub-accounts of balances that are grouped under "Others" section that constitute at minimum 20% of the balances under "Other" section are included if the accounted under "Other" section excludes 10% of the total balance of the Income Statement.

Including new developments and significant factors affecting the Bank's income and unusual items arising from the information about the nature and amount of income:

The Bank does not have extraordinary income that substantially affects the profit and loss (31 December 2015: None)

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes Related to the Income Statement**

**6. Provision expenses of banks for loans and other receivables:**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for loans and other receivables	-	-
- III. Group Loans and Receivables	-	-
- IV. Group Loans and Receivables	-	-
- V. Group Loans and Receivables	-	-
General provision expenses	13.983	265
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
- Financial assets at fair value through profit and loss	-	-
- Investment securities available for sale	-	-
Impairment provision expense	-	-
- Associates	-	-
- Subsidiaries	-	-
- Entities under common control (Joint Ventures)	-	-
- Investments held to maturity	-	-
Other	-	-
<b>Total</b>	<b>13.983</b>	<b>265</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Personnel Expenses	47.313	42.921
CMB Council Portion	9.985	9.141
Tax, Duty and Charge Expenses	3.363	2.639
Tangible Amortisation Expenses	2.493	2.458
Provision Expenses for Employee Rights	1.872	1.424
Intangible Amortisation Expenses	1.588	-
Employee Benefits Provision Expense	1.308	1.580
Litigation Provision Expenses	352	783
Other Management Expenses	18.756	13.912
-Computer Using Expenses	5.121	3.430
-Communication Expenses	2.258	1.957
-Insurance Expenses	1.472	1.426
-Other	9.905	7.098
<b>Total</b>	<b>87.030</b>	<b>74.857</b>

**8. Information on profit/ (loss) from continued and discontinued operations before taxes:**

a) Bank presents deferred tax asset and the resulting deferred tax benefit in its financial statements.

	<b>Current Period</b>	<b>Prior Period</b>
Current income tax benefit / (charge)	(52.312)	(40.241)
Deferred tax benefit / (charge)	(1.480)	(1.449)
<b>Total</b>	<b>(53.792)</b>	<b>(41.690)</b>



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**IV. Explanations and Notes Related to the Income Statement (Continued)**

- b) Deferred tax benefit on temporary differences

	<b>Current Period</b>	<b>Prior Period</b>
Difference between Internal Efficiency and Market Value of GDDS held to maturity	(56)	(57)
Retirement pay provision	(289)	329
CMB Provision	169	124
Difference between Book Value and Tax Value of Fixed Assets	(1.657)	(1.894)
Employee Benefits Provision Expense	71	156
Litigation Provision Expenses	312	(42)
Deferred Tax Income recognized in Equity	(30)	(65)
<b>Total</b>	<b>(1.480)</b>	<b>(1.449)</b>

- c) Tax reconciliation:

	<b>Current Period</b>	<b>Prior Period</b>
Profit before tax	265.357	216.418
Corporate tax rate	%20	%20
Calculated tax	(53.071)	(43.284)
Effects of undeductable expenses	13.713	10.071
Other tax exempt income	(14.434)	(8.477)
<b>Tax expense</b>	<b>(53.792)</b>	<b>(41.690)</b>

**9. Information on net profit/ (loss) from continued and discontinued operations:**

As of 31 December 2016, net profit of the Bank is TRY 211.565 (31 December 2015: TRY 174.728).

**10. The explanations on net income / loss for the period:**

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding

Bank's performance for the period: None (31 December 2015: None).

- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: There is no effect of changes in accounting estimates on income statement for the current period (31 December 2015: None).

- c) Profit or loss attributable to minority shares: There is no profit or loss attributable to minority shares as of the balance sheet date (31 December 2015: None).

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**IV. Explanations and Notes Related to the Income Statement (Continued)**

**11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Other fees and commissions</b>	<b>90.575</b>	<b>74.386</b>
-Service commissions	13.751	18.259
-Custody commissions	20.853	16.672
-Commissions on options Exchange	18.939	15.795
-Customer account maintenance commissions	17.760	12.973
-Bank transfer transactions	8.370	6.791
-Transfer commissions	4.429	3.896
-Other	10.902	3.701
<b>Total Banking Service Income</b>	<b>95.004</b>	<b>78.087</b>
<b>Provisions No Longer Required</b>	<b>4.466</b>	<b>2.666</b>
Collection due to previous year’s expenses	146	144
Income on sales of assets	17	1
Other income	3	73
<b>Total Non-Interest Income</b>	<b>4.632</b>	<b>2.884</b>

**12. Information for the fees and commissions given:**

	<b>Current Period</b>	<b>Prior Period</b>
Central Securities depository commissions	5.947	4.556
Electronic fund transfer commissions	1.378	1.189
Other Commissions	3.086	2.109
<b>Fees and commissions expense</b>	<b>10.411</b>	<b>7.854</b>

**b) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods: None (31 December 2015: None).**

**V. Explanations and Notes Related to Statement of Shareholders' Equity Movement**

**a) Decrease resulting from revaluation of financial assets available for sale: None (31 December 2015: None).**

**b) Increase in cash flow risk hedging items: None (2015: None).**

**b.1) Reconciliation of beginning and ending balances: None (2015: None).**

**b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders’ equity: None (2015: None).**

**c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None (2015: None).**

**d) Net investment hedges: None (2015: None).**

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. Explanations and Notes Related to Statement of Shareholders' Equity Movement (Continued)**

- e) **Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements:** None.
- f) **Dividends per share proposed subsequent to the balance sheet date:** Profit appropriation will be resolved in the General Assembly meeting which has not been held as of the date of the accompanying financial statements are authorized for issue.
- g) **Proposals to the General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this:** The Board of Directors has not decided for profit appropriation as of the date of the financial statements is authorized for issue.
- h) **Amounts transferred to legal reserves:**

Bank, 2015 distributable net profit of TL 174.728, added to the legal reserve account amounting TL 13.706 and transferred to extraordinary reserve account amounting TL 81.319. As per the decision taken at the Bank's Ordinary General Assembly meeting dated 31 March 2016, a dividend amounting to TL 4.703 was distributed to personnel and TL 75.000 was distributed to shareholders on 5 April 2016.

	<b>Current Period</b>	<b>Prior Period</b>
Amounts transferred to reserves from retained earnings (+)	13.706	9.481

- i) Information on shares issued: None (31 December 2015: None)

**VI. Explanations and Notes Related To Statement of Cash Flows**

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:**

"Other items" amounting to TL 53.291 (31 December 2015: TL 46.862) in "Operating profit before changes in operating assets and liabilities" consist of fees and commissions paid and other expenses other than personnel expenses, leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

"Net increase/decrease in other liabilities" amounting to TL 781.226 (31 December 2015: TL 862.381 ) in "Changes in operating assets and liabilities" consists of changes in sundry creditors and other liabilities. "Net increase/decrease in other assets" with a total amount of TL 2.744 (31 December 2015: 20.095) consists of changes in sundry debtors and other assets.

The effect of changes in foreign currencies on cash and cash equivalents is TL 533.759 (31 December 2015: TL 426.051).

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**VI. Explanations and Notes Related To Statement of Cash Flows (Continued)**

**2. Cash and cash equivalents in the beginning and at the end of the period:**

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flows statement:

<b>Beginning of the period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>55</b>	<b>54</b>
Cash in TL/Foreign Currency	13	15
Central Bank - Unrestricted amount	42	39
Other	-	-
<b>Cash equivalents</b>	<b>6.617.585</b>	<b>5.095.564</b>
Banks	6.598.704	5.070.778
Money market placements	18.881	24.786
<b>Total Cash and Cash Equivalents</b>	<b>6.617.640</b>	<b>5.095.618</b>
Capital Market Council Share (*)	-	(21.013)
Accruals (-)	(14.522)	(13.397)
<b>Total cash and cash equivalents in cash flow statement</b>	<b>6.603.118</b>	<b>5.061.208</b>
<b>End of the period</b>		
<b>Cash</b>	<b>85</b>	<b>55</b>
Cash in TL/Foreign Currency	14	13
Central Bank - Unrestricted amount	71	42
Other	-	-
<b>Cash equivalents</b>	<b>7.737.093</b>	<b>6.617.585</b>
Banks	7.715.925	6.598.704
Money market placements	21.168	18.881
<b>Total Cash and Cash Equivalents</b>	<b>7.737.178</b>	<b>6.617.640</b>
Accruals (-)	(13.260)	(14.522)
<b>Total cash and cash equivalents in cash flow statement</b>	<b>7.723.918</b>	<b>6.603.118</b>

(\*) Since 1st January 2014, according to the instruction of CMB, Debt of Council Portion is considered as blocaged amount and is discounted from the sum of cash and cash equivalents since 31st December 2015.

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**VII. Explanations and notes related to Bank’s risk group**

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

a) Current Period:

<b>Bank's Risk Group</b>	<b>Subsidiaries, associates and entities under common control (Joint Venture)</b>		<b>Direct and indirect shareholders of the Bank</b>		<b>Other entities included in the risk group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>
Loans and other receivables						
Balance at beginning of period	-	-	141.553	1.751.219	138.134	-
Balance at end of period	-	-	98.945	2.783.755	70.038	-
Interest and commission income	236	-	25.723	15.455	2.538	-

b) Prior Period:

<b>Bank's Risk Group</b>	<b>Subsidiaries, associates and entities under common control (Joint Venture)</b>		<b>Direct and indirect shareholders of the Bank</b>		<b>Other entities included in the risk group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>
Loans and other receivables						
Balance at beginning of period	-	-	92.124	2.333.793	80.161	-
Balance at end of period	-	-	141.553	1.751.219	138.134	-
Interest and commission income	261	-	19.436	11.541	2.396	-

c) **Information on related party deposits balances:** None (31 December 2015: None).

d) **Information on forward and option agreements and other similar agreements made with related parties:** None (31 December 2015: None).

**2. Disclosures for the risk group of the bank:**

a) **The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:** None (31 December 2015: None).

b) **Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:** None (31 December 2015: None).

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**VII. Explanations and notes related to Bank’s risk group (continued)**

- c) **In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:** None (31 December 2015: None).
- d) **Transactions accounted for under the equity method:** None (31 December 2015: None).
- e) **Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:** None (31 December 2015: None).

**VIII. Explanations and Notes on the Bank’s domestic branches, agencies and branches abroad and off-shore branches**

**1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches**

	Number	Employees			
Domestic branches	1	261			
			Country		
Rep-offices abroad	-	-	-		
				Total Asset	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

**2. Explanations on Branch and Agency Openings or Closings and on Substantial Change in the Organization of the Bank:**

None (31 December 2015: None).

**IX. Explanations and Notes Related To Subsequent Events**

Main partner of the Bank is Borsa Istanbul A.Ş. and it was operating under the Undersecretariat of Treasury, but from now on it will continue to be in the possession of the Asset Management Fund of Turkey with the decision of Decree No. 2017/9756 dated January 24, 2017.

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(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other Explanations on the Operations of the Bank**

- i) As of 31 December 2016, under the Financial Assets at Fair Value through Profit and Loss account, the Bank has government bonds, amounting to TL 1.154 belonging to problematic brokerage houses, as a guarantee. In addition, under the receivables from reverse repurchase agreements account, as a guarantee, the Bank has investment securities purchased under commitments to resell amounting to TL 21.168 which also belongs to problematic brokerage firms. The corresponding liability accounts for these securities are followed under sundry creditors account. The increase in the fair values of these government bonds and treasury bills amounting to TL 4 and the income accrual of the reverse repo transactions amounting to TL 14 based on the difference between the sale and repurchase prices, are recorded under other liabilities without recognizing the amounts in the income statement.
- ii) Bank has decided to support the World Bank Development Center of the Global Islamic Finance for 5 years with the decision of Board of Management No:8 dated 30 May 2013. In this scope, total amount of USD 450.000 contribution has planned to be made on the basis of voluntariness and USD 180.000 (full amount) of this amount has been paid in 2014 and USD 90.000 (full amount) has been paid on 2 October 2015.
- iii) The Bank's board of directors decided that within the framework of strategic collaboration carried out between BİAŞ (Borsa İstanbul A.Ş) and Nasdaq OMX, the Bank would purchase Nasdaq OMX software's license; source codes; purchase software and source codes to be carried into effect; and information transfer, maintenance, and support services, which it needs for swap and collateral management; and risk management, from BİAŞ for USD 26.985.000 (full amount). Within this scope, the bank paid the first instalment of TL 22.862 to BİAŞ, corresponding to USD 10.794.000, on 30 April 2014. On 30 September 2015 the Bank recorded the second instalment of TL 28.174, which corresponds to USD 10.794.000 (full amount), and also recorded TL 11.722, which is total amount of the invoice, as of 30 September 2015 which is the invoice date and then paid this amount on 2 April 2015. The payment of the third installment amount of US Dollars 5.397.000 (full amount) amounting to TL 15.292 paid on 4 April 2016. The Bank classifies the invoiced amount and the total personnel expenses for the project amounting to TL 85.075 as "Intangible Assets" in the financial statements.
- iv) The results of the ratings performed by Fitch Ratings are shown below:

<b>Fitch Ratings:</b>	<b>August 2016</b>	<b>February 2017</b>
Foreign currency long term <b>View</b>	<b>BBB-</b> <b>Negative</b>	<b>BB+</b> <b>Stable</b>
Foreign currency short term	F3	B
TL long term <b>View</b>	<b>BBB-</b> <b>Negative</b>	<b>BBB-</b> <b>Stable</b>
TL short term	F3	F3
National long term <b>View</b>	AAA (tur) <b>Stable</b>	AAA (tur) <b>Stable</b>
<b>Support Points</b>	<b>2</b>	<b>3</b>
<b>Support Rating Base</b>	<b>BBB-</b>	<b>BB+</b>
<b>Financial Capacity Rating</b>	<b>bbb-</b>	<b>bb+</b>

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

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION SEVEN**

**INDEPENDENT AUDITOR’S REPORT**

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

The unconsolidated financial statements for the year ended 31 December 2016 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 20 February 2017 has been presented prior to the unconsolidated financial statements.

**II. Other Footnotes and Explanations Prepared by Independent Auditor**

None (31 December 2015: None).

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