

**İstanbul Takas ve Saklama Bankası
Anonim Şirketi**

**Unconsolidated Interim Financial Statements as of
For the Three-month Period Ended 31 March 2017
With Auditor's Independent Review Report Thereon**

*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

15 May 2017

*This report consists of 2 pages Independent
Auditors' Review Report and 64 pages of
financial statements and related disclosures
and footnotes.*



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**Convenience Translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish to English (See Note I in Section
Three)**

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

Introduction

We have reviewed the unconsolidated statement of financial position of İstanbul Takas ve Saklama Bankası A.Ş. ("the Bank") at 31 March 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations 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 Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of İstanbul Takas ve Saklama Bankası A.Ş. at 31 March 2017 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

Other Matter

The unconsolidated financial statements of the Bank as at and the year ended 31 December 2016 and as at and for the three month period ended 31 March 2016 were audited and reviewed by another auditor who expressed unqualified opinion and review on the reports dated 20 February 2017 and 13 May 2016, respectively.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in Section VII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative


Alper Güvenc,
Partner, SMMM
15 May 2017
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

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

**THE THREE MONTHS UNCONSOLIDATED FINANCIAL REPORT OF
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 31 MARCH 2017**

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Emirgan, Sarıyer İstanbul

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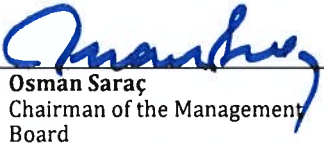
Web site of the Bank : www.takasbank.com.tr

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


The unconsolidated three months 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 İLGİLİ DÖNEMDE UYGULANAN
- 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
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

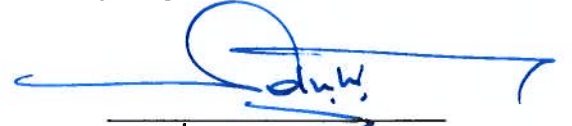
The accompanying three months unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on 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 Tayacık
General Manager



Gökhan Elibol
Vice General Manager



Murat Gergün
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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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION ONE

GENERAL INFORMATION

I. Bank’s establishment 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 who directly or indirectly, solely or jointly undertake the management and control of the Bank, any changes in the period, and information on the Bank’s risk group:

As of 31 March 2017 and 31 December 2016, 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.	378.242	63,04	1	373.515	62,25	1
2	Tacirler Menkul Değerler A.Ş.	27.971	4,66	1	27.971	4,66	1
3	Phillip Capital Menkul Değerler A.Ş.	27.923	4,65	1	27.923	4,65	1
4	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26.280	4,38	1	26.280	4,38	1
5	Türkiye 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)	32.908	5,49	37	37.635	6,28	37
9	Other (Bank)	27.971	4,67	10	27.971	4,67	10
Total		600.000	100,00		600.000	100,00	

63,04% 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 30 December 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 an internal entity under private law. BİAŞ is a self-regulatory entity.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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

GENERAL INFORMATION (continued)

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 (continued):

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

Old Shareholder	New Shareholder	Cost of Share	Ratio (%)	Description
Global Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	4.500	0,7500	Transfer
Taksim Yatırım A.Ş.	Borsa İstanbul A.Ş.	90	0,0150	Transfer
Kapital Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0,0086	Transfer
UBS Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0,0085	Transfer
Pay Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0,0030	Transfer
Alfa Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	10	0,0017	Transfer
Galata Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	6	0,0011	Transfer

Dividend payment:

Since the Ordinary General Assembly meeting of the Bank has not been held yet as of the reporting date, no dividend payment has been made.

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

Name Surname	Area of Responsibility	Education Status
Osman Saraç	President	Ankara University / Faculty of Political Sciences / International Relationships / 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 Sciences / 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 İnce	Member (Audit Committee Member)	Marmara University / Faculty of Economics and Administrative Sciences / Business Administration / Undergraduate / Marmara University / Institute of Social Sciences / Accounting and Funding / Graduate
Dr. Serdar Satoğlu	Member (President of Audit Committee)	Ankara University / Faculty of Political Sciences / 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 Member)	Ankara University / Faculty of Political Sciences / International Relations / Undergraduate Ankara University / Institute of Social Sciences / European Communities Law / Graduate
Mustafa İleri	Member (Credit Committee Associate Member)	İstanbul University / Management Faculty / Management Finance / Undergraduate İstanbul University / Management Faculty / Management Finance / Graduate
Feridun Bilgin	Member (Corporate Management Committee Member, Credit Committee Associate Member)	İstanbul University / Faculty of Electric Electronic Engineering / Undergraduate Yıldız Technical University / Institute of Sciences / Graduate
Ekrem Kerem Korur	Member (Member of Credit Committee)	İstanbul University / Faculty of Economics / Economics (English) / Undergraduate

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

(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 (continued):

General Manager and Assistant General Managers

Name Surname	Area of Responsibility	Education Status
Mahmut Kayacık	General Manager and Board Member (President of Credit Committee)	Boğaziçi University / Faculty of Economics and Administrative Sciences / Political Sciences and International Relations / Undergraduate
Gökhan Elibol	Operations Department	Marmara University / Institute of Social Sciences / International Economics / Graduate
Aydın Sarı ⁽¹⁾	Banking, Support and Financial Transactions	Ankara University / Faculty of Political Sciences / Public Administration / Undergraduate
Ekrem Arıkan	IT Department	Gazi University / Faculty of Economics and Administrative Sciences / Public Administration / Undergraduate
		TC Türkiye and Ortadoğu Amme İdaresi Institute / Faculty of Economics and Administrative Sciences / Public Administration / Graduate
		Boğaziçi University / Engineering Faculty / Computer Engineering
		Yeditepe University / Management / Graduate

⁽¹⁾ Aydın Sarı, Assistant General Manager for Banking, Support and Financial Transactions, resigned from his duty at the meeting of the Board of Directors held on 22 February 2017. No assignment has been made instead of his position.

Cengiz Özübek, Assistant General Manager for Banking, Support and Financial Transactions was appointed as the advisor to the Board of Directors and General Manager after the decision of the Board of Directors held on 23 January 2017.

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. 63,04% of the Bank belongs to BİAŞ. The Bank has nominal TL 200 preferred shares as of 31 March 2017 (31 December 2016: TL 200) (full TL). The preferred shares belonging to BİAŞ, 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	378.242	63,04	378.242	-

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 immovable goods or removing all kinds of moveable and immovable 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 favor or in favor 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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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

GENERAL INFORMATION (Continued)

- 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:**

There is no differences for the Bank between the “Communiqué on Preparation of Consolidated Financial Statements of Banks” and consolidation transactions made in line with Turkish Accounting Standards.

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

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2017**

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

SECTION TWO

BALANCE SHEET

I. ASSETS

	Note	Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	I-(1)	87	-	87	85	-	85
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	I-(2)	1.170	-	1.170	1.158	-	1.158
2.1 Financial Assets held for trading		1.170	-	1.170	1.158	-	1.158
2.1.1 Government Debt Securities		1.170	-	1.170	1.158	-	1.158
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		-	-	-	-	-	-
III. BANKS	I-(3)	4.407.801	5.060.413	9.468.214	4.388.589	3.327.336	7.715.925
IV. MONEY MARKETS	I-(3)	20.964	-	20.964	21.168	-	21.168
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		20.964	-	20.964	21.168	-	21.168
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-(4)	1.171	572	1.743	1.171	543	1.714
5.1 Share Certificates		1.171	572	1.743	1.171	543	1.714
5.2 Government Debt Securities		-	-	-	-	-	-
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	I-(5)	106.776	-	106.776	98.945	-	98.945
6.1 Loans		106.776	-	106.776	98.945	-	98.945
6.1.1 Loans to Bank’s Risk Group		102.274	-	102.274	98.945	-	98.945
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		4.502	-	4.502	-	-	-
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
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY SECURITIES (Net)	I-(6)	96.699	-	96.699	45.943	-	45.943
8.1 Government Debt Securities		96.699	-	96.699	45.943	-	45.943
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	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		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	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		-	-	-	-	-	-
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	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		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-(10)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-(11)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)		14.907	-	14.907	15.535	-	15.535
XV. INTANGIBLE ASSETS (Net)		85.506	-	85.506	85.005	-	85.005
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		85.506	-	85.506	85.005	-	85.005
XVI. INVESTMENT PROPERTY (Net)	I-(12)	-	-	-	-	-	-
XVII. TAX ASSET	I-(14)	-	-	-	1.179	-	1,179
17.1 Current Tax Asset		-	-	-	-	-	-
17.2 Deferred Tax Asset		-	-	-	1.179	-	1.179
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-(13)	-	-	-	-	-	-
18.1 Held for Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-(15)	12.539	280	12.819	14.690	176	14.866
TOTAL ASSETS		4.752.445	5.061.265	9.813.710	4.678.293	3.328.055	8.006.348

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2017**

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

I. LIABILITIES

	Note	Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS		-	-	-	-	-	-
1.1 Deposits of Bank’s Risk Group		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-(1)	-	-	-	-	-	-
III. FUNDS BORROWED	II-(2)	480.730	2.213.453	2.694.183	530.691	1.869.739	2.400.430
IV. MONEY MARKETS		91.800	-	91.800	43.800	-	43.800
4.1 Funds from Interbank Money Market		91.800	-	91.800	43.800	-	43.800
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	II-(3)	2.988.321	2.837.101	5.825.422	2.927.971	1.448.423	4.376.394
VIII. OTHER LIABILITIES	II-(3)	28.463	-	28.463	68.763	17	68.780
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	II-(4)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-(5)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	II-(6)	52.498	-	52.498	55.340	-	55.340
12.1 General Loan Loss Provision		34.378	-	34.378	31.208	-	31.208
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		12.519	-	12.519	12.248	-	12.248
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		5.601	-	5.601	11.884	-	11.884
XIII. TAX LIABILITY	II-(7)	17.797	-	17.797	17.918	-	17.918
13.1 Current Tax Liability		16.771	-	16.771	17.918	-	17.918
13.2 Deferred Tax Liability		1.026	-	1.026	-	-	-
XIV. PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
14.1 Held for Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS		-	-	-	-	-	-
XVI. SHAREHOLDERS’ EQUITY	II-(8)	1.103.547	-	1.103.547	1.043.686	-	1.043.686
16.1 Paid-in Capital		600.000	-	600.000	600.000	-	600.000
16.2 Capital Reserves	II-(8)	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		191.768	-	191.768	191.604	-	191.604
16.3.1 Legal Reserves		51.044	-	51.044	51.044	-	51.044
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		139.119	-	139.119	139.119	-	139.119
16.3.4 Other Profit Reserves		1.605	-	1.605	1.441	-	1.441
16.4 Income or (Loss)		274.672	-	274.672	214.975	-	214.975
16.4.1 Prior Years’ Income/ (Loss)		214.975	-	214.975	3.410	-	3.410
16.4.2 Current Year Income/ (Loss)		59.697	-	59.697	211.565	-	211.565
16.5 Minority Shares	II-(8)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		4.763.156	5.050.554	9.813.710	4.688.169	3.318.179	8.006.348

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 MARCH 2017

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

II. OFF-BALANCE SHEET

	Note (Section Five)	Reviewed Current Period 31 March 2017			Audited Prior Period 31 December 2016		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		13.006.225	-	13.006.225	11.078.283	633	11.078.916
I. GUARANTEES AND WARRANTIES	III-(1)	12.696.546	-	12.696.546	10.768.604	-	10.768.604
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		12.696.546	-	12.696.546	10.768.604	-	10.768.604
1.9. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	III-(1)	309.679	-	309.679	309.679	633	310.312
2.1. Irrevocable Commitments		309.679	-	309.679	309.679	-	309.679
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	309.679	-	309.679
2.2. Revocable Commitments		-	-	-	-	633	633
2.2.1. Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	633	633
III. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
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		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		2.580.836.110	1.379.521	2.582.215.631	2.460.037.449	1.117.821	2.461.155.270
IV. ITEMS HELD IN CUSTODY		2.560.082.237	-	2.560.082.237	2.441.013.247	-	2.441.013.247
4.1. Customer Fund and Portfolio Balances		8	-	8	8	-	8
4.2. Investment Securities Held in Custody	III-(1)	2.560.080.729	-	2.560.080.729	2.441.011.739	-	2.441.011.739
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		-	-	-	-	-	-
V. PLEDGES RECEIVED		20.753.873	1.379.521	22.133.394	19.024.202	1.117.821	20.142.023
5.1. Marketable Securities		7.872.731	1.379.521	9.252.252	7.240.590	1.117.821	8.358.411
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Real Estate		-	-	-	-	-	-
5.6. Other Pledged Items		12.881.142	-	12.881.142	11.783.612	-	11.783.612
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		2.593.842.335	1.379.521	2.595.221.856	2.471.115.732	1.118.454	2.472.234.186

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. UNCONSOLIDATED INCOME
STATEMENT FOR THE THREE-MONTH ENDED 31 MARCH 2017**

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

III. INCOME STATEMENT

	Note	Reviewed Current Period 1 January - 31 March 2017	Reviewed Prior Period 1 January - 31 March 2016
I. INTEREST INCOME	IV-(1)	81.485	79.447
1.1 Interest on Loans		2.351	3.278
1.2 Interest Received from Reserve Requirements		-	-
1.3 Interest Received from Banks		77.107	73.381
1.4 Interest Received from Money Market Transactions		-	-
1.5 Interest Received from Marketable Securities Portfolio		1.948	2.715
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		1.948	2.715
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		79	73
II. INTEREST EXPENSE (-)	IV-(2)	15.220	12.228
2.1 Interest on Deposits (-)		-	-
2.2 Interest on Funds Borrowed (-)		13.954	12.228
2.3 Interest on Money Market Borrowings (-)		1.266	-
2.4 Interest on Securities Issued (-)		-	-
2.5 Other Interest Expenses (-)		-	-
III. NET INTEREST INCOME (I - II)		66.265	67.219
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		34.548	25.527
4.1 Fees and Commissions Received		37.612	27.848
4.1.1 Non-cash Loans		8.503	5.150
4.1.2 Other	IV-(10)	29.109	22.698
4.2 Fees and Commissions Paid (-)		3.064	2.321
4.2.1 Non-cash Loans (-)		-	-
4.2.2 Other (-)		3.064	2.321
V. DIVIDEND INCOME		30	6.177
VI. TRADING INCOME/(LOSS) (Net)	IV-(3)	351	(382)
6.1 Securities trading gains / losses		-	-
6.2 Securities Trading Gains/(Losses) on Derivative Financial Instruments		-	-
6.3 Foreign Exchange Gains/(Losses)		351	(382)
VII. OTHER OPERATING INCOME	IV-(4)	214	4.622
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		101.408	103.163
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-(5)	3.171	2.502
X. OTHER OPERATING EXPENSES (-)	IV-(6)	22.812	20.701
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		75.425	79.960
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)		75.425	79.960
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-(7)	(15.728)	(14.380)
16.1 Current Tax Provision		(13.564)	(12.712)
16.2 Deferred Tax Provision		(2.164)	(1.668)
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)	IV-(8)	59.697	65.580
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XX. INCOME/(LOSS) FROM DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-(9)	59.697	65.580
Earnings per share		0,09950	0,10930

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED
IN EQUITY FOR THE THREE-MONTH ENDED 31 MARCH 2017**

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY

		Reviewed	Reviewed
		Current Period	Prior Period
		1 January -	1 January -
		31 March 2017	31 March 2016
INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY			
ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE			
I.	FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	-	-
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERROR	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	205	186
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(41)	(37)
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	164	149
XI.	CURRENT PERIOD INCOME/LOSS	59.697	65.580
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	59.697	65.580
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	59.861	65.729

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE-MONTH ENDED 31 MARCH 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Valuation Difference of AHS and Discontinued Operations.	Total Equity
1 January 2016 – 31 March 2016																	
I.		600.000	4.088	33.019	-	37.338	-	56.886	1.557	174.728	3.410	-	-	-	-	-	911.026
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	149	-	-	-	-	-	-	-	149
XVII.		-	-	-	-	-	-	-	-	65.580	-	-	-	-	-	-	65.580
XVIII.		-	-	-	-	-	-	-	-	(174.728)	-	-	-	-	-	-	(79.703)
18.1		-	-	-	-	-	-	-	-	(79.703)	-	-	-	-	-	-	(79.703)
18.2		-	-	-	-	-	-	-	-	(95.025)	-	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		600.000	4.088	33.019	-	51.044	-	138.205	1.706	65.580	3.410	-	-	-	-	-	897.052
1 January – 31 March 2017																	
I.		600.000	4.088	33.019	-	51.044	-	139.119	1.441	211.565	3.410	-	-	-	-	-	1.043.686
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	164	-	-	-	-	-	-	-	164
XVII.		-	-	-	-	-	-	-	-	59.697	-	-	-	-	-	-	59.697
XVIII.		-	-	-	-	-	-	-	-	(211.565)	211.565	-	-	-	-	-	-
18.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		600.000	4.088	33.019	-	51.044	-	139.119	1.605	59.697	214.975	-	-	-	-	-	1.103.547

(1) In accordance with the decision taken by the Bank's Ordinary General Assembly Meeting; the remaining tax provision from the taxation of the dividend to be distributed to the personnel is removed from the provision and added to the extraordinary reserves.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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

VI. STATEMENT OF CASH FLOWS

	Note	Reviewed	Reviewed
		Current Period	Prior Period
		1 January- 31 March 2017	1 January- 31 March 2016
A.			
CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	(122.731)	56.198
1.1.1	Interest Received	81.949	81.557
1.1.2	Interest Paid	(15.181)	(12.228)
1.1.3	Dividend Received	30	6.177
1.1.4	Fees and Commissions Received	37.612	27.848
1.1.5	Other Income	214	4.622
1.1.6	Collections from Previously Written-off Loans and Other Receivables	-	-
1.1.7	Payments to Personnel and Service Suppliers	(14.685)	(11.177)
1.1.8	Taxes Paid	(15.958)	(12.041)
1.1.9	Other	(196.712)	(28.560)
1.2	Changes in Operating Assets and Liabilities	1.754.425	487.861
1.2.1	Net (Increase)/Decrease in Trading Securities	-	335
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets	-	-
1.2.3	Net (Increase)/Decrease in Due from Banks	-	(29.038)
1.2.4	Net (Increase)/Decrease in Loans	(7.850)	82.323
1.2.5	Net (Increase)/Decrease in Other Assets	10.611	5.865
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	293.714	(298.450)
1.2.9	Net Increase/(Decrease) in Payables	-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	1.457.950	726.826
I.	Net Cash Provided from Banking Operations	1.631.694	544.059
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from Investing Activities	(48.883)	97.510
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	(31)	(2.220)
2.4	Disposals of Property and Equipment	2.130	-
2.5	Cash Paid for Purchase of Investments Available-for-Sale	-	-
2.6	Cash Obtained from Sale of Investments Available-for-Sale	-	-
2.7	Cash Paid for Purchase of Investment Securities	(49.666)	-
2.8	Cash Obtained from Sale of Investment Securities	-	99.730
2.9	Other	(1.316)	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities	-	(79.703)
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)
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	171.662	41.613
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	1.754.473	603.479
VI.	Cash and Cash Equivalents at the Beginning of the Period	7.723.918	6.603.118
VII.	Cash and Cash Equivalents at the End of the Period	9.478.391	7.206.597

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

(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 2016 and reviewed balances as of 31 March 2016.

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 the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The Bank 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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (Continued)

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 71.215 (full amount) share in Sarajevo Stock Exchange (SASE) 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 CBRT 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 572 (31 December 2016: TL 543). 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 third part of third section, the Bank doesn't have the control or significant efficiency of Merkezi Kayıt Kuruluşu A.Ş., 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.

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.

The Bank collects fees and commissions from its customers for custody, exchange, collateral management services, market operations, securities and cash transfers, numbering, data broadcasting, cash correspondence and collateral services offered by the Bank. On these 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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 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 uses such classification above when permitted or for the purposes of providing a more proper disclosure.

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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Assets (Continued)

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 fulfilment 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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

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.

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 cancelling 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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

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-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:

	Estimated Useful Life (Year)	Depreciation Rate
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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. NOTES TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

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. Transactions related to the operating lease are accounted according to related contractual provisions and accrual basis.

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 Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 31 March 2017 is TL 7.183 (31 December 2016: TL 7.384).

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 March 2017, actuarial gain after deferred tax effect amounting to TL 164 (31 December 2016: TL 116 actuarial loss) was classified as “Other Capital Reserves”.

XVII. 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Explanations on Taxation (Continued)

The carrying amount of deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of 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.

XVIII. 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.

XIX. Explanations on Issuance of Equity Securities

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

XX. 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.

XXI. Explanations on Government Incentives

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXII. Explanations on Segment Reporting

Operational segment is distinguishable section of the Bank that has different characteristics from other operational segment 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.

XXIII. 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.

XXIV. Explanations on Cash and Cash Equivalents

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

XXV. Reclassifications

The Bank does not have any reclassification in the current period.

XXVI. 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”.

The Bank’s current period equity capital is TL 1.047.594 and capital adequacy standard ratio is 15,57%. Prior period’s equity capital is TL 985.064 and capital adequacy standard ratio is 22,81%. The Bank’s capital adequacy standard ratio is above the minimum rate defined by legislation.

Summary information related to the capital shareholders’ equity:

	Current Period	Amount related to treatment before 01.01.2014⁽¹⁾
Common Equity Tier 1 Capital		
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	274.672	
Current Period Profit	59.697	
Prior Period Profit	214.975	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	-	
Common Equity Tier 1 Capital Before Deductions	1.103.760	
Deductions from Common Equity Tier 1 Capital		
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 (-)	213	
Leasehold Improvements on Operational Leases	-	
Goodwill netted off deferred tax liability	-	
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	68.405	85.506
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4 th 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 (2 nd article temporary second paragraph)	-	
investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	3.860	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	72.478	
Total Common Equity Tier 1 Capital	1.031.282	

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

	Current Period	Amount related to treatment before 01.01.2014 ⁽¹⁾
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital		
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	-	
Items to be deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	17.101	
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 (-)	-	
Total Deductions from Additional Tier 1 Capital	17.101	
Total Additional Tier 1 Capital	17.101	
Total Tier 1 Capital (Tier 1 Capital=Common Equity Additional Tier 1 Capital)	1.014.181	
TIER 2 CAPITAL		
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)	34.378	
Tier 2 Capital Before Deductions	34.378	
Deductions From Tier 2 Capital		
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 (-)	965	
Total Deductions From Tier 2 Capital	965	
Total Tier 2 Capital	33.413	

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

	Current Period	Amount related to treatment before 01.01.2014 ⁽¹⁾
Total Capital (The sum of Tier 1 and Tier 2 Capital)	1,047,594	
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	1,047,594	
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 (-)	-	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
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 1 st 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 1 st 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 1 st and 2 nd Paragraph of the 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	1,047,594	
Total Risk Weighted Assets	6,727,986	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	15,33	
Tier 1 Capital Adequacy Ratio (%)	15,07	
Capital Adequacy Ratio (%)	15,57	
BUFFERS		
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 (%)	-	
Amounts below deduction thresholds		
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)	-	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	34,378	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	34,378	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
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	-	

⁽¹⁾ 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)

	Prior Period	Amount related to treatment before 01.01.2014 ⁽¹⁾
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	600.000	
Share Premium	33.019	
Reserves	196.069	
Income recognized under equity in accordance with TAS	-	
Profit	214.975	
Current Period’s Profit	211.565	
Prior Period’s Profit	3.410	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	-	
Common Equity Tier 1 Capital Before Deductions	1.044.063	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	377	
Leasehold improvements on operational lease	-	
Goodwill netted with deferred tax liabilities	-	
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	51.003	82.447
Net deferred tax asset/liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank’s liabilities’ fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and indirect investments of the bank on its own Tier 1 Capital (-)	-	
Shares obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier 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 more of the Issued Share Capital Exceeding the 10% Threshold of above Tier 1 Capital	-	
Mortgage servicing rights exceeding the 10% threshold of Tier 1 Capital (-)	-	
Net deferred tax assets arising from temporary differences exceeding the 10% Threshold of Tier 1 Capital (-)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2 nd article temporary second paragraph (-)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights (-)	-	
Excess amount of deferred tax assets from temporary differences (-)	-	
Other Items Determined by BRSA (-)	2.895	
The amount to be deducted from common equity tier 1 capital (-)	-	
Total Deductions from common equity tier 1 Capital	54.275	
Total Common Equity Tier 1 Capital	989.788	

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

	Prior Period	Amount related to treatment before 01.01.2014 ⁽¹⁾
ADDITIONAL TIER 1 CAPITAL	-	-
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank’s borrowing instruments and related issuance premium (issued after 1.1.2014)	-	-
Bank’s borrowing instruments and related issuance premium (issued before 1.1.2014)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank’s direct or indirect investment in Tier 1 Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 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 (-)	-	-
Total Deductions From Additional Tier 1 Capital	-	-
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. (-)	34.002	-
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. (-)	-	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-	-
Total Deductions From Supplementary Capital	34.002	-
Total Supplementary Capital	34.002	-
Total Capital	955.786	-
SUPPLEMENTARY CAPITAL	-	-
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	31.208	-
General Provisions	31.208	-
Deductions From Supplementary Capital	-	-
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 (-)	-	-
Total Deductions From Supplementary Capital	1.930	-
Deductions From Supplementary Capital	1.930	-
Total Supplementary Capital	29.278	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	985.064	-
The sum of Tier I Capital and Tier II Capital (Total Capital)	985.064	-
Deductions from Capital Loans granted contrary to the 50 th and 51 th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	-	-

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

	Prior Period	Amount related to treatment before 01.01.2014 ⁽¹⁾
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	
TOTAL CAPITAL	985.064	
Total Capital (The sum of Tier I Capital and Tier II Capital)	985.064	
Total risk weighted amounts	4.319.284	
CAPITAL ADEQUACY RATIOS	-	
Core Capital Adequacy Ratio (%)	22,92	
Tier I Capital Adequacy Ratio (%)	22,13	
Capital Adequacy Ratio (%)	22,81	
BUFFERS	-	
Bank specific total Common Equity Tier 1 Capital requirement (%)	-	
Capital conservation buffer requirement (%)	0,625	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Remaining Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
General provisions for standard based receivables (before limit of one hundred and twenty five per ten thousand)	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	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ 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”.

Informations on addition debt instruments to shareholders’ equity calculating:

None.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

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 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 TL 10.711 (31 December 2016: TL 9.876) for the net position between assets and liabilities in foreign currency, and recognized it in the amount basis to market risk.

In the FX transactions of the Bank, the risk management policy that is also regarded in TL 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:

Current Period	1 USD	1 EUR	1 GBP	100 JPY
31 March 2017	3,6362	3,8851	4,5225	3,2434
30 March 2017	3,6416	3,9268	4,5184	3,2722
29 March 2017	3,6186	3,9283	4,5401	3,2627
28 March 2017	3,5931	3,9045	4,5102	3,2513
27 March 2017	3,6185	3,9051	4,5109	3,2472
24 March 2017	3,6134	3,8973	4,5066	3,2443
Simple arithmetic averages for last 30 days	3,6659	3,9158	4,5144	3,2363

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations Related to Currency Risk (continued)

Information on the foreign currency risk of the Bank:

Current Period	EUR	USD	Other	Total
Assets				
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	2.587.310	2.470.305	2.798	5.060.413
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	572	-	-	572
Loans	-	-	-	-
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	6	252	22	280
Total Assets	2.587.888	2.470.557	2.820	5.061.265
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	870.770	1.342.683	-	2.213.453
Securities Issued	-	-	-	-
Sundry Creditors	1.713.709	1.120.839	2.553	2.837.101
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	2.584.479	2.463.522	2.553	5.050.554
Net Balance Sheet Position	3.409	7.035	267	10.711
Net Off-Balance Sheet Position				
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	983.118	2.342.388	2.549	3.328.055
Total Liabilities	980.200	2.335.608	2.371	3.318.179
Net Balance Sheet Position	2.918	6.780	178	9.876
Net Off-Balance Sheet Position				
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. 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 2017. 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):

Current Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and over	Non- Interest Bearing	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	87	87
Due From Other Banks	7.298.223	2.029.393	-	-	-	140.598	9.468.214
Financial Assets at Fair Value Through Profit and Loss	-	-	1.170	-	-	-	1.170
Money Market Placements	20.964	-	-	-	-	-	20.964
Financial Assets Available-For-Sale	-	-	-	-	-	1.743	1.743
Loans	106.776	-	-	-	-	-	106.776
Held-To-Maturity Investments	-	-	84.188	12.511	-	-	96.699
Other Assets ⁽¹⁾	7.725	-	-	-	-	110.332	118.057
Total Assets	7.433.688	2.029.393	85.358	12.511	-	252.760	9.813.710
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	91.800	-	-	-	-	-	91.800
Sundry Creditors	2.337.672	-	-	-	-	3.487.750	5.825.422
Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	2.720.134	-	-	-	-	2.512	2.722.646
Other Liabilities ⁽¹⁾	-	-	-	-	-	1.173.842	1.173.842
Total Liabilities	5.149.606	-	-	-	-	4.664.104	9.813.710
Balance Sheet Long Position	2.284.082	2.029.393	85.358	12.511	-	-	4.411.344
Balance Sheet Short Position	-	-	-	-	-	(4.411.344)	(4.411.344)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	2.284.082	2.029.393	85.358	12.511	-	(4.411.344)	-

⁽¹⁾ Other assets and liabilities in non-interest bearing column are presented below.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations Related to Interest Rate Risk (Continued)

Prior Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and over	Non- Interest Bearing	Total
Assets							
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 ⁽¹⁾	-	-	-	-	-	121.410	121.410
Total Assets	6.895.860	845.867	47.101	-	-	217.520	8.006.348
Liabilities							
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⁾	-	-	-	-	-	1.116.944	1.116.944
Total Liabilities	4.733.716	-	-	-	-	3.272.632	8.006.348
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	-	-	-	-	-	-	-
Total Position	2.162.144	845.867	47.101	-	-	(3.055.112)	-

⁽¹⁾ Other assets and liabilities in non-interest bearing column are presented below.

Other Assets	Current Year
-Intangible assets	85.506
-Tangible assets	14.907
-Custody services commission rediscount	7.757
-Subsidiaries	4.825
-Temporary accounts	3.630
-Sundry assets	1.392
-Stationary supplies	40
Total	118.057
Other Liabilities	Current Year
-Shareholder's equity	1.103.547
-Provisions	52.498
-Current tax liability	17.797
Total	1.173.842

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations Related to Interest Rate Risk (Continued)

Other Assets	Prior Period
-Intangible assets	85.005
-Tangible assets	15.535
-Custody services commission rediscount	8.553
-Subsidiaries	4.825
-Temporary accounts	3.822
-Sundry assets	2.453
-Deferred tax assets	1.179
-Stationary supplies	38
Total	121.410
Other Liabilities	Prior Period
-Shareholder’s equity	1.043.686
-Provisions	55.340
-Current tax liability	17.918
Total	1.116.944

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

Current Period	EUR	USD	JPY	TL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Due From Other Banks	1,76	3,52	-	11,76
Financial Assets at Fair Value Through Profit and Loss	-	-	-	9,60
Money Market Placements	-	-	-	9,49
Financial Assets Available-For-Sale	-	-	-	-
Loans	-	-	-	12,34
Investments held to maturity	-	-	-	9,97
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	-	-	-	9,25
Other Creditors	-	-	-	9,95
Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	0,01	1,07	-	10,88
Prior Period	EUR	USD	JPY	TL
Assets				
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
Liabilities				
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)

IV. Equity Share Position Risk in Banking Accounts

As of 31 March 2017, the Bank has no equity share position risk in banking accounts (31 December 2016: None).

V. 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 cannot be lower than 100 percent and consolidated and unconsolidated total liquidity coverage ratio in foreign currency cannot 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 1 January 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 24 December 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.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

V. Explanations Related to Liquidity Risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Undistributed ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	87	-	-	-	-	-	-	87
Banks	140.598	7.298.223	2.029.393	-	-	-	-	9.468.214
Financial Assets at Fair Value Through Profit and Loss	-	-	-	1.170	-	-	-	1.170
Money Market Placements	-	20.964	-	-	-	-	-	20.964
Financial Assets Available-For-Sale	1.743	-	-	-	-	-	-	1.743
Loans	-	106.776	-	-	-	-	-	106.776
Held-To-Maturity Investments	-	-	-	84.188	12.511	-	-	96.699
Other Assets ⁽¹⁾	-	7.725	-	-	-	-	110.332	118.057
Total Assets	142.428	7.433.688	2.029.393	85.358	12.511	-	110.332	9.813.710
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	-	2.720.134	-	-	-	-	2.512	2.722.646
Money Market Borrowings	-	91.800	-	-	-	-	-	91.800
Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	3.487.750	2.337.672	-	-	-	-	-	5.825.422
Other Liabilities	-	4.041	13.564	12.520	-	-	1.143.717	1.173.842
Total Liabilities	3.487.750	5.153.647	13.564	12.520	-	-	1.146.229	9.813.710
Current Period Liquidity Gap	(3.345.322)	2.280.041	2.015.829	72.838	12.511	-	(1.035.897)	-
Prior Period								
Total Assets	96.110	6.895.860	845.867	47.101	-	-	121.410	8.006.348
Total Liabilities	2.119.659	4.739.211	-	25.291	-	-	1.122.187	8.006.348
Liquidity Gap	(2.023.549)	2.156.649	845.867	21.810	-	-	(1.000.777)	-

⁽¹⁾ 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.

Securitization positions:

The Bank does not apply securitization as of 31 March 2017 (31 December 2016: None).

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. 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 4,60% (31 December 2016: 5,00%). 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:

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
Assets on the Balance Sheet		
Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	9.221.287	8.000.334
(Assets Deducted from Core Capital)	89.038	87.089
Total Risk Amount for Assets on the Balance Sheet	9.310.325	8.087.423
Derivative Financial Instruments and Credit Derivatives		
Renewal Cost of Derivative Financial Instruments and Loan Derivatives	-	-
Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	-	-
Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	-	-
Financing Transactions With Securities Or Goods Warranties		
Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	-	-
Risk Amount Arising from Intermediated Transactions	-	-
Total Risk Amount of Financing Transactions with Securities or Goods Warranties	-	-
Off-the-Balance Sheet Transactions		
Gross Nominal Amount of the Off-Balance Sheet Transactions	12.290.738	10.891.794
(Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
Total Risk Amount for Off-Balance Sheet Transactions	12.290.738	10.891.794
Capital and Total Risk		
Tier 1 Capital	994.596	939.831
Total Risk Amount	21.601.063	18.979.217
Leverage Ratio		
Leverage Ratio	4,60%	5,00%

⁽¹⁾ The amounts in the table are calculated by using the quarterly average amounts.

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INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. 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.

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 31 March 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 31 March 2017 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

a) Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum capital
	Current Period	Prior Period	Current Period
Credit risk (excluding counterparty credit risk) (CCR)	6.180.656	3.904.417	494.453
Of which standardized approach (SA)	6.180.656	3.904.417	494.453
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	4	3	-
Of which standardized approach for counterparty credit risk (SA-CCR)	4	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	-	-	-
Securitization 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	10.813	9.975	865
Of which standardized approach (SA)	10.813	9.975	865
Of which internal model approaches (IMM)	-	-	-
Operational risk	536.513	404.889	42.921
Of which Basic Indicator Approach	536.513	404.889	42.921
Of which Standardized Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total	6.727.986	4.319.284	538.239

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VIII. Explanations on Segment Reporting

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

Current Period	Clearing and Operation	Loans and MM	Treasury	Others	Total
Net interest income	-	2.431	63.834	-	66.265
Net fees and commission income and other operating income	26.045	8.503	-	-	34.548
Dividend income	-	-	30	-	30
Net trading income	-	-	351	-	351
Other operating income	-	-	-	214	214
Provision for loan losses and other receivables	-	3.171	-	-	3.171
Other operating expenses	-	-	-	22.812	22.812
Profit/Loss before tax	26.045	7.763	64.215	(22.598)	75.425
Tax provision	-	-	-	(15.728)	(15.728)
Net Profit/Loss	26.045	7.763	64.215	(38.326)	59.697

Prior Period	Clearing and Operation	Loans and MM	Treasury	Others	Total
Net interest income	-	3.351	63.868	-	67.219
Net fees and commission income and other operating income	20.377	5.150	-	-	25.527
Dividend income	-	-	6.177	-	6.177
Net trading income	-	-	(382)	-	(382)
Other operating income	-	-	-	4.622	4.622
Provision for loan losses and other receivables	-	2.502	-	-	2.502
Other operating expenses	-	-	-	20.701	20.701
Profit/Loss before tax	20.377	5.999	69.663	(16.079)	79.960
Tax provision	-	-	-	(14.380)	(14.380)
Net Profit/Loss	20.377	5.999	69.663	(30.459)	65.580

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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	20	-	14	-
Balances with the Central Bank of Turkey	67	-	71	-
Other	-	-	-	-
Total	87	-	85	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	67	-	71	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Total	67	-	71	-

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 2016: None).

2.a) ii. Financial assets at fair value through profit and loss subject to repurchase agreements: None (31 December 2016: None).

2.b) Positive differences related to derivative financial assets held-for-trading: None (31 December 2016: 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	4.407.801	5.060.413	4.388.589	3.327.336
Domestic	4.407.801	4.920.333	4.388.589	3.233.612
Foreign	-	140.080	-	93.724
Branches and head office abroad	-	-	-	-
Total	4.407.801	5.060.413	4.388.589	3.327.336

3.b) 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	20.964	21.168
Total	20.964	21.168

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 2016: None).

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

None (31 December 2016: None).

4.b) Information on available for sale assets:

Name	Acquired On	Current Period		Prior Period	
		Amount	Ratio (%)	Amount	Ratio (%)
Borsa İstanbul A.Ş (VOBAŞ Transfer Shares)	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	294	0,024	279	0,024
SASE-Sarajevo Stock Exchange	18 May 2011	278	5,00	264	5,00
Total		1.743		1.714	

	Current Period	Prior Period
Debt Securities	-	-
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	-	-
Share certificates	1.743	1.714
Quoted on a stock exchange	-	-
Not quoted on a stock exchange ⁽¹⁾	1.743	1.714
Impairment provision(-)	-	-
Total	1.743	1.714

⁽¹⁾ All unquoted available for sale financial investments of the Bank are accounted for at cost.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (continued)

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	102.274	2.128.550	98.945	2.382.963
Corporate shareholders	102.274	2.128.550	98.945	2.382.963
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
Total	102.274	2.128.550	98.945	2.382.963

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (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		Restructured or Rescheduled	Other
Non-specialized loans	106.776	-	-	-	-	-
Working capital loans	-	-	-	-	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	106.776	-	-	-	-	-
Foreign loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Precious metal credit	-	-	-	-	-	-
Other	-	-	-	-	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	106.776	-	-	-	-	-

c) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel: None (31 December 2016: None).

d) Information on commercial loans with instalments and corporate credit cards: None (31 December 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

5. Information on loans (Continued):

e) Loans according to borrowers:

	Current Period	Prior Period
Private	106.776	98.945
Public	-	-
Total	106.776	98.945

f) Allocation of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	106.776	98.945
Foreign loans	-	-
Total	106.776	98.945

g) Loans granted to subsidiaries and associates: None (31 December 2016: None).

h) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
Uncollectable loans and receivables	1.574	1.574
Total	1.574	1.574

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

i.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2016: None).

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

5. Information on loans (Continued):

i.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2016: None).

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

	Group III	Group IV	Group V
	Loans and Receivables With Doubtful Collectability	Loans and Receivables With Doubtful Collectability	Uncollectable Loans and Receivables
Current Period (Net)	-	-	-
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)	-	-	-
Prior Period (Net)	-	-	-
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)	-	-	-

j) 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 2016: None).

k) Explanations about the policy for the write-off of assets: The general policy for the receivables write-off under follow-up which cannot be collected in process of a legal enforcement is to write-off the receivables from assets.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Investments held to maturity:

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

	Current Period	Prior Period
Held-to-maturity investments given as collateral or blocked	36.466	-
Unrealized accrual related to these investments	689	-
Total	37.155	-

6.a) ii. Held-to-maturity investments subject to repurchase agreements: None (31 December 2016: None).

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

	Current Period	Prior Period
Government Bonds	96.699	45.943
Treasury Bills	-	-
Other Public Sector Debt Instruments	-	-
Total	96.699	45.943

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

	Current Period	Prior Period
Debt securities	96.699	45.943
Quoted on a stock exchange	96.699	45.943
Not quoted on a stock exchange	-	-
Impairment provision (-)	-	-
Total	96.699	45.943

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

	Current Period	Prior Period
Beginning balance	45.943	180.085
Foreign currency differences on monetary assets	-	-
Purchases during year	49.666	45.943
Disposals through sales and redemptions	-	(180.085)
Impairment provision (-)	-	-
Effect of valuation	1.090	-
Closing balance	96.699	45.943

7. Information on associates (net):

7.a) The reasons why not to consolidate if there is subsidiary according to disclosure related to Financial Statements Consolidation of Accounting Standards of Turkey: The Bank has no unconsolidated associates (31 December 2016: None).

7.b) Information on the unconsolidated associates: None (31 December 2016: None).

7.c) Explanations of consolidated associates: None (31 December 2016: None).

7.d) Information on sector information on consolidated associates: None (31 December 2016: None).

7.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

8. Information on subsidiaries (Net):

8.a) Information on the unconsolidated subsidiaries:

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

The 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. Therefore, the associate is not consolidated. This subsidiary is carried at cost amounting to TL 4.825 in the financial statements.

Total Assets⁽¹⁾	Shareholder’s Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/(Loss)	Prior Period’ Profits / (Losses)	Fair Value
105.402	85.997	30.951	1.790	-	6.222	16.067	-

⁽¹⁾ Non-audited financial statements, prepared as of 31 March 2017, in accordance with the Turkish Accounting Standards have not been prepared yet.

8.b) Information on the consolidated subsidiaries:

- i Information on the consolidated subsidiaries: None (31 December 2016: None).
- ii Information on movement of consolidated subsidiaries: None (31 December 2016: None).
- iii Sectoral information on the consolidated subsidiaries: None (31 December 2016: None).
- iv Consolidated subsidiaries quoted on the stock exchange: None (31 December 2016: None).

9. Information on entities under common control (joint ventures): None (31 December 2016: None).

10. Information on finance lease receivables (Net): None (31 December 2016: None).

11. Information on derivative financial assets for hedging purposes: None (31 December 2016: None).

12. Information on investment property: None (31 December 2016: None).

13. Information on assets held for sale and discontinued operations:

None (31 December 2016: None).

14. Explanations on deferred tax asset:

- a) As of 31 March 2017, deferred tax liability is TL 1.026 (31 December 2016: TL 1.179 deferred tax asset).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None (31 December 2016: None).
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None (31 December 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

15. Information on other assets:

Other assets do not exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Breakdown of other assets:

	Current Period	Prior Period
Commissions and receivables from members	7.757	8.553
Prepaid expenses	3.553	3.755
Custody accruals	1.051	2.169
Stationary supplies	40	38
Cash guarantees given	10	10
Other	408	341
Total	12.819	14.866

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities

1. Information on derivative financial liabilities held-for-trading:

None (31 December 2016: None).

2. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Central Bank of the Republic of Turkey	91.800	-	43.800	-
From Domestic Banks and Institutions	480.730	2.213.453	530.691	1.869.739
From Foreign Banks, Institutions and Funds	-	-	-	-
Total	572.530	2.213.453	574.491	1.869.739

b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	572.530	2.213.453	574.491	1.869.739
Medium and long-term	-	-	-	-
Total	572.530	2.213.453	574.491	1.869.739

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

The liabilities of the Bank consist of tax payables and analog payments, cash collaterals and current accounts of the members. The Bank also has liabilities for the regarding amounts held due to managing the guarantee funds established for common stock, electricity, government bond and Treasury bill markets on the BİST and managing the guarantee funds and guarantees of transactions in Turkish Derivative Exchange.

3. 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
Cash Pool Electricity	9.985	16.524
BİAŞ Guarantee Fund – Share Certificates	1.113	1.092
BES Government Contribution Account	480	685
BİAŞ Guarantee Fund – Borrowing Instruments	393	333
IVP Profit and Loss Cash Pool	-	31.253
Other	16.492	18.893
Total	28.463	68.780

The breakdown of miscellaneous payables which is the main liabilities of the Bank is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash Guarantees	2.868.518	2.589.884	2.818.424	1.288.493
Members’ Receivables	118.969	247.217	108.927	159.930
Expense Accruals	834	-	620	-
Total	2.988.321	2.837.101	2.927.971	1.448.423

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to the Liabilities (Continued)

4. Explanations on financial lease obligations (net):

- a) The general explanations on criteria used in determining instalments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank: None (31 December 2016: None).
- b) The explanation on modifications in agreements and new obligations resulting from such modifications: None (31 December 2016: None).
- c) Explanation on finance lease payables: None (31 December 2016: None).
- d) Explanations regarding operational leases: None (31 December 2016: None).
- e) Explanations on the lesser and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None (31 December 2016: None).

5. Information on derivative financial liabilities for hedging purposes:

None (31 December 2016: None).

6. Information on provisions:

- a) Information on general loan loss provisions:

	Current Period	Prior Period
General Provisions		
Provisions for First Group Loans and Receivables	2.548	2.088
Provisions for Second Group Loans and Receivables	-	-
Provisions for Non-cash Loans	31.830	29.120
Other	-	-
Total	34.378	31.208

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: None (31 December 2016: None).
- c) The specific provisions provided for unindemnified non cash loans: None (31 December 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on provisions (Continued):

d) Information on employee termination benefits and unused vacation accrual (continued):

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 (1 January 2016: TL 4.092,53) (full TL) effective from 1 January 2017 has been taken into consideration in calculation of provision for employment termination benefits.

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 March 2017, 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 7,00% (31 December 2016: 6,5%) and interest rate 11% and a discount rate of 3,74% (31 December 2016 3,29%). The estimated rate of severance pay amount which is not paid and to be held in the bank as a result of optional leavings are also considered.

	Current Period	Prior Period
The ratio of provision to undiscounted total liabilities	8.910	9.152
Provision for employee termination (Presented in financial statements)	7.183	7.384
Total liabilities of employee terminations (Undiscounted) (%)	80,62	80,68

As of 31 March 2017, the Bank provided a reserve of TL 5.336 (31 December 2016: TL 4.864) for the unused vacation. This balance is classified under Reserve for Employee Benefits in the financial statements.

d.1) Movement of employee termination benefits

	Current Period	Prior Period
As of January 1	7.384	8.830
Paid during the year	(335)	(2.900)
Actuarial (gain)/loss	(205)	146
Charge for the year	339	1.308
Service charge	141	570
Interest charge	198	738
Total	7.183	7.384

d.2) The reserve for employee benefits

	Current Period	Prior Period
Unused vacation provision	5.336	4.864
Total	5.336	4.864

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on provisions (Continued):

e) Information on other provisions

e.1) Information on provisions for possible losses: None (31 December 2016: None).

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

	Current Period	Prior Period
Provisions for Capital Market Board’s Share Fee ⁽¹⁾	2.838	9.984
Provision for Legal Claims	2.763	1.900
Total	5.601	11.884

⁽¹⁾ Capital Market Board’s Share Fee consists of commission fee which will be paid to the CMB in 2017 accordance with the CMB’s regulation.

	Current Period	Prior Period
Provisions for Cases Beginning Balance	1.900	342
Additions	863	1.588
Payments	-	(30)
Provisions for Cases Year End	2.763	1.900

f) Liabilities Resulting from Retirement Benefits: None (31 December 2016: None).

f.1) Liabilities for pension funds established in accordance with “Social Security Institution”: None (31 December 2016: None).

f.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post-retirement benefits for the employees: None (31 December 2016: None).

7. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for Corporate Taxes	65.876	52.312
Advance Taxes (-)	52.312	39.269
Corporate Income Tax Payable	13.564	13.043

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	13.564	13.043
Banking Insurance Transaction Tax (BITT)	1.278	1.468
Taxation on Securities	509	502
Value Added Tax Payable	98	55
Other	548	1.970
Total	15.997	17.038

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Explanations on taxes payable (Continued):

a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employer	369	416
Social Security Premiums-Employee	334	382
Unemployment Insurance-Employer	47	55
Unemployment Insurance-Employee	24	27
Total	774	880

b) Explanations on deferred tax liabilities, if any: As of 31 March 2017, the Bank has deferred tax liability amounting to TL 1.026 (31 December 2016: TL 1.179 deferred tax asset).

Breakdown of deferred tax asset / (liability):

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/(liability)	Accumulated temporary differences	Deferred tax asset/(liability)
Provision for Employee Termination	7.183	1.437	7.384	1.477
Unused Vacation Provision	5.336	1.067	4.864	973
Provisions for Capital Market Board’s Share Fee – Other Provisions	2.838	568	9.985	1.997
Difference between IRR and Market Value of Government Debt Securities held to maturity	-	-	115	23
Provision for Legal Claims	2.763	553	1.900	380
Interest Accruals	42	8	-	-
Deferred Tax Asset		3.633		4.850
Difference between Book Value and Tax Value of Fixed Assets	22.628	4.526	18.355	3.671
Difference between IRR and Market Value of Government Debt Securities held to maturity	664	133	-	-
Deferred Tax Liability		4.659		3.671
Deferred Tax Asset / (Liability), Net		(1.026)		1.179

Deferred Tax Movement:

	Current Period	Prior Period
As of 1 January	1.179	2.629
Deferred Tax (Expense)/Income	(2.164)	(1.480)
Deferred Tax Recognized under Equity	(41)	30
Deferred Tax Asset / (Liability)	(1.026)	1.179

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on Shareholders’ Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock ⁽¹⁾	600.000	600.000
Preferred stock	-	-

⁽¹⁾ As of 31 March 2017, 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, and amount of registered share capital ceiling: Registered share capital system is not applied as of the balance sheet date (31 December 2016: 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 2016: None).

d) Other information on the share of capital increased through capital contributions performed during the current period and capital funds: None (31 December 2016: None).

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 2016: 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 March 2017, 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 valuation reserve:

None (31 December 2016: None).

i) Information on distribution of prior years’ profits:

Since the Ordinary General Assembly meeting has not been held, there is no decision regarding the dividend distribution.

i) Information on minority shares:

None (31 December 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2016: 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

	Current Period	Prior Period
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 ⁽¹⁾	12.696.546	10.768.604
Total	12.696.546	10.768.604

⁽¹⁾ Guarantees given to Stock Exchange Money Market for Payables.

- b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2016: 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	-	216.775	633
Capital commitment for Central Counterparty Service (Bank is central counterparty services (CCP))	83.614	-	83.614	-
Capital commitment for Loan Share Market (Bank is central counterparty services (CCP))	9.290	-	9.290	-
Total	309.679	-	309.679	633

- c) Information related to non-cash loans:

As the Bank functions as a bridge between seller and buyer in money market operations in which the 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, and Derivatives Exchange Market and there is a continuing guarantee for these limits. These mentioned guarantees are hold in the Bank as defined credit limits’ multiples according to their liquidity.

- d) Information related to Market Securities Hedges; the markets securities hedges, TL 2.560.080.729 (31 December 2016: TL 2.441.011.739) of the TL 2.559.848.255 balance of market securities hedges are investment funds as the other TL 232.474 balance consists of share certificate hedges.

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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
Short term loans	2.351	-	3.278	-
Medium and long term loans	-	-	-	-
Interest on non-performing loans	-	-	-	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	2.351	-	3.278	-

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks	48.620	28.487	58.245	15.136
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	48.620	28.487	58.245	15.136

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	1.948	-	2.715	-
Total	1.948	-	2.715	-

d) Information on interest income received from associates and subsidiaries: None (31 March 2016: None).

e) Other information: None (31 March 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on interest expense

a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	15.220	-	12.228	-
The Central Bank of Turkey	1.266	-	-	-
Domestic banks	13.954	-	12.228	-
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	15.220	-	12.228	-

b) Information on interest expense to associates and subsidiaries: None (31 March 2016: None).

c) Information on interest expense to marketable securities issued: None (31 March 2016: None).

d) Distribution of interest expense on deposits based on maturity of deposits: None (31 March 2016: None).

3. Information on net trading income:

	Current period	Prior Period
Income	1.023	12
Gains on capital market operations	-	-
Gains on derivative financial instruments	-	-
Foreign exchange gains	1.023	12
Losses (-)	(672)	(394)
Losses on capital market operations	-	-
Losses on derivative financial instruments	-	-
Foreign exchange losses	(672)	(394)
Total(Net)	351	(382)

4. 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.

	Current Period	Prior Period
Provisions no longer required	-	4.508
Collection of prior year expenses	212	96
Income from sales of the assets	2	17
Other income	-	1
Total	214	4.622

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.

Information about the factors that affect the Bank’s profit materially and including new developments and the amount and quality of extraordinary accounts: None (31 March 2016: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
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	3.171	2.502
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	-	-
Total	3.171	2.502

6. Information on other operating expenses:

	Current Period	Prior Period
Personnel Expenses	9.474	11.177
CMB Council Portion	2.838	2.414
Tax, Duty and Charge Expenses	1.247	1.175
Litigation Provision Expenses	863	-
Intangible Amortization Expenses	815	653
Tangible Amortization Expenses	661	645
Unused Vacation Provision Expense	473	196
Provisions for Termination Indemnities	339	401
Other Management Expenses	6.102	4.040
-Computer Using Expenses	1.433	970
-Communication Expenses	502	545
-Insurance Expenses	48	377
-Other	4.119	2.148
Total	22.812	20.701

7. Information on continued and discontinued operations from tax provisions:

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

	Current Period	Prior Period
Current income tax benefit / (charge)	(13.564)	(12.712)
Deferred tax benefit / (charge)	(2.164)	(1.668)
Total	(15.728)	(14.380)

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on continued and discontinued operations from tax provisions (Continued)

b) Deferred tax benefit on temporary differences:

	Current Period	Prior Period
Provision for Capital Markets Board’s Share Fee- Other Provisions	(1.429)	(1.345)
Difference Between Book Value and Tax Value of Fixed Assets	(855)	(408)
Difference Between IRR and Market Value of Government Debt Securities Held to Maturity	(156)	(15)
Retirement Pay Provision	(40)	29
Interest Accruals	8	-
Deferred Tax Income Recognized in Equity	41	37
Unused Vacation Provision Expense	94	40
Litigation Provision Expenses	173	(6)
Total	(2.164)	(1.668)

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

For the three month period ended 31 March 2017, net profit of the Bank is TL 59.697 (31 March 2016: TL 65.580).

9. 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 March 2016: 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 March 2016: 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 March 2016: None).

10. 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:

	Current Period	Prior Period
Other fees and commissions		
Commissions on options exchange	6.325	4.639
Customer account maintenance commissions	5.924	4.513
Custody commissions	5.580	4.843
Service commissions	4.242	3.554
Bank transfer transactions	2.162	1.958
Transfer commissions	1.392	945
Other	3.484	2.246
Total	29.109	22.698

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. 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:

Bank’s Risk Group	Subsidiaries, associates and entities under common control (Joint Venture)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	98.945	2.783.755	70.038	-
Balance at end of period	-	-	102.274	2.473.354	70.024	-
Interest and commission income	258	-	4.693	4.391	444	-

b) Prior Period:

Bank’s Risk Group	Subsidiaries, associates and entities under common control (Joint Venture)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	141.553	1.751.219	138.134	-
Balance at end of period	-	-	98.945	2.783.755	70.038	-
Interest and commission income ⁽¹⁾	9.341	-	6.507	3.257	172	-

⁽¹⁾ Represents the balances as of 31 March 2016.

c) Information on related party deposits balances: None (31 December 2016: None).

d) Information on forward and option agreements and other similar agreements made with related parties: None (31 December 2016: 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 2016: 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 2016: None).

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 2016: None).

d) Transactions accounted for under the equity method: None (31 December 2016: 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 2016: None).

VI. Explanations and Notes Related To Subsequent Events

None.

VII. Other Explanations

None.

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SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. Explanations on the Independent Auditor’s Review Report

The unconsolidated financial statements for the three month period ended 31 March 2017 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors’ Review Report dated 15 May 2017 is presented in the introduction of this report.

II. Other Footnotes and Explanations Prepared by Independent Auditor

None.

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SECTION SEVEN ⁽¹⁾

EXPLANATIONS AND DISCLOSURES ON INTERIM ACTIVITY REPORT

Chairman of the Board of Director's Evaluation regarding the Operating Period

Perpetually developing its service scope day by day within the framework of the big transformation of Turkish capital markets, Takasbank continues to contribute to the enhancement of Turkish capital markets to have a stable and sustainable structure.

Due to the moderation of post-election uncertainty in the US economy as of the end of January 2017; financial markets volatility decreased and global economic business took on a favourable trend in general. US Federal Reserve (FED) increased the interest rates in March for the second time due to the gradual recovery in the US economy as well as the support of the global economic outlook. Capital inflows being interrupted as of 2016 year-end and tended towards the developed economies resumed as of the end of January due to the reducing of uncertainty put on the global economy by the FED economic policies. In the aforementioned period, similar to the other developing economies, portfolio inflow is monitored at equity and debt securities markets in Turkey. Deterioration occurred in inflation indicators due to the increase in commodity prices and devaluation in TL. Central Bank of the Republic of Turkey /CBRT) answered with tightening steps in the monetary policy in order to avoid the deterioration in price movements. On the other hand, macro preventive policies are implemented alongside finance policies and contributed to the economic growth and financial stability by keeping credit growth alive via public finance incentives.

Our Bank completed a successful 2017 first quarter financial period, our pre-tax profit being realized as 75.4 million TL, total assets as 9.8 billion TL and shareholder equity as 1.1 billion TL.

Takasbank perpetually continues its practices in order to provide its services in a more swift, efficient and uninterrupted manner. Clearing and settlement software configuration process is going on within the framework of the agreement signed between our controlling shareholder Borsa Istanbul and Nasdaq OMX, being one of the major global exchanges as well as being a technology leader. Subsequent to equity market transactions migration to the BISTECH platform, Futures and Options market migration process to the platform is successfully completed on March 2017. Process regarding the migration of Debt Securities and precious metals and Diamond markets is still continuing.

Being conscious of the vital importance of the success of “Istanbul International Finance Center” project being contingent upon our markets to be an integrated element of international finance web as well as having an institutional competence able to fulfil the expectations of global investors; Takasbank will persistently embark upon the development practices of its CCP services in the incoming periods.

On behalf of the Board of Directors and myself, I would like to extend my sincere thanks to our stakeholders, particularly our employees and managers playing a role in the successful performance of our bank in this period.

Best regards,

Osman Saraç

Chairman of the Board of Directors

⁽¹⁾ The amounts in the seventh section are expressed in full TL unless otherwise stated.

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CEO's Evaluation regarding the Operating Period

Throughout the first three months of 2017, our Bank continued its efficient and effective progress for Turkish capital markets and customers and showed a successful performance.

Evaluating the 2017 three months financial results of our Bank, it is observed that a pre-tax profit of 75 million TL is obtained. The aforementioned tax result points out a profit being 14% higher than the projected budgeted amount. Also, our total assets are realized as 9,8 billion TL.

Throughout the period, a total of 2.518 billion TL transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, 5,8 billion TL are corporate bond transactions. As a result of multilateral netting process in the Takasbank system, Takasbank executed cash settlement with a value of 401,9 billion Turkish lira and securities settlement with a market value of 1.281 billion Turkish lira.

Total number of members in the Futures and Options Market (VIOP) was 72 as of March 2017. In the same period, the number of open positions in VIOP reached 1.709.179 with a market value of 6,3 billion Turkish lira.

Throughout the period, Takasbank cash credit volume reached a daily average volume of 85 million TL with the active utilization of 8 brokerage houses.

At Takasbank Money Market (TMM), trading volume once in a three month period reached 130,5 billion TL and transaction number was 55.493. Daily average trading volume was realized as 2 billion TL and average transaction size was 2,4 billion TL.

Takasbank Securities Lending Market at which CCP service is provided, a total of 881,6 million transactions are executed once in a three month period. In this market, 226 different type of securities were subject to the transactions and the trading volume was realized as 3,3 billion TL.

As of 31 March 2017, 18 private pension companies held 300 private pension funds with Takasbank having a total assets value of 65,3 billion TL. At the same period, 445 mutual funds had a total asset value of 46,6 billion TL and 10 mutual trusts had a total asset value of 4.378 million TL.

With the belief that our employees having a big role in the high performance of our bank will continue their devoted efforts in the upcoming periods, I would like to extend my thanks to everyone having a labor in this success.

Best regards,

Mahmut KAYACIK

CEO and Board Member

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Bank’s Historical Development

The Bank was originally set up as a department of the Borsa İstanbul Inc. (“BİAŞ”) and, 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 resolution 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. (Istanbul Settlement and Custody Bank Inc.).

Shareholding Structure

Takasbank has a paid-in capital of 600 million TL. The Bank has 47 shareholders with Borsa İstanbul having 63,04%, 13 banks having 17,78 % and 33 brokerage houses having 19,18% of shares.

Shareholder Name	Paid-in Capital (Thousand TL)	Capital ratio (%)
Borsa İstanbul A.Ş.	378.242	63,04
Tacirler Menkul Değerler A.Ş.	27.971	4,66
Phillip Capital Men. Değerler A.Ş.	27.923	4,65
Yapı Kredi Yatırım Men. Değerler. A.Ş.	26.280	4,38
Türkiye Garanti Bankası A.Ş.	26.235	4,37
Türkiye İş Bankası A.Ş.	26.235	4,37
Türkiye Vakıflar Bankası T.A.O.	26.235	4,37
Other (47)	65.879	10,16
TOTAL	600.000	100,00

Titles and Shares of the Real or Legal Persons having more than 10% of the capital:

Business Name	Share Amount (Thousand TL)	Ratio (%)
Borsa İstanbul A.Ş.	378.242	63,04

Share transfers of the shareholders within the reporting period:

Old Shareholder	New Shareholder	Cost of Share (thousand TL)	Ratio (%)	Description
Global Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	4.500	0,7500	Transfer
Taksim Yatırım A.Ş.	Borsa İstanbul A.Ş.	90	0,0150	Transfer
Kapital Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0,0086	Transfer
UBS Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0,0085	Transfer
Pay Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0,0030	Transfer
Galata Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	6	0,0011	Transfer
Alfa Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	10	0,0017	Transfer

Branch and Personnel Information

The Bank has a total of 246 employees and does not have any branches. The Bank is operating as Head Office.

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Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors

Name Surname	Area of Responsibility
Osman Saraç	President
Adnan Ertürk	Member (Vice President and Member of Corporate Management Committee)
Serdar Satoğlu	Member (President of Audit Committee)
Feridun Bilgin	Member, (Corporate Management Committee Member, Credit Committee Associate Member)
Mahmut Kayacık	General Manager and Member (President of Credit Committee)
Selim İnce	Member (Member of Audit Committee)
Güzide Meltem Kökden	Member (Member of Credit Committee)
Ekrem Kerem Korur	Member (Member of Credit Committee)
Mustafa İleri	Member (Credit Committee Associate Member)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Mahmut Kayacık	General Manager and Board Member (President of Credit Committee)
Gökhan Elibol	Assistant General Manager– Operations Department
Aydın Sarı ⁽¹⁾	Assistant General Manager – Banking Operations and Support Services
Ekrem Arıkan	Assistant General Manager – IT Departments

⁽¹⁾ Aydın Sarı, Assistant General Manager for Banking, Support and Financial Transactions, resigned from his duty at the meeting of the Board of Directors held on 22 February 2017. No assignment has been made instead of his position.

Cengiz Özübek, Assistant General Manager for Banking, Support and Financial Transactions was appointed as the advisor to the Board of Directors and General Manager after the decision of the Board of Directors held on 23 January 2017.

Information Related to Transactions the Bank Performs Conducts with its Risk Group

Within the scope of the transactions executed with its risk group, the transactions executed with the Bank’s major shareholder Borsa Istanbul as well as the transactions executed by the member of the Board of Directors with the institutions of which they hold CEO or Board member posts are taken into account. As of the first quarter of 2017, stock guarantee fund with an amount of 1.113 thousand TL and debt securities guarantee fund with an amount of 393 thousand TL are present in the “Miscellaneous Payables” item.

Bank’s Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL)		Direct and indirect shareholders of the Bank (Thousands of Turkish Lira (Thousand TL)		Other entities included in the risk group (Thousand TL)	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Opening Balance at the beginning of the period	-	-	98.945	2.783.755	70.038	-
Closing Balance at the end of the period	-	-	102.274	2.473.354	70.024	-
Received Interest and Commission Income	258	-	4.693	4.391	444	-

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Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	31 March 2017	31 December 2016	Change	Ratio
Cash and Balances with Central Bank	87	85	2	2,35%
Financial Assets at Fair Value through Profit or Loss (Net)	1.170	1.158	12	1,04%
Banks	9.468.214	7.715.925	1.752.289	22,71%
Money Markets	20.964	21.168	(204)	(0,96)%
Available-for-Sale Financial Assets (Net)	1.743	1.714	29	1,69%
Loans	106.776	98.945	7.831	7,91%
Held-to-Maturity Securities (Net)	96.699	45.943	50.756	110,48%
Subsidiaries	4.825	4.825	-	-
Property and Equipment (Net)	14.907	15.535	(628)	(4,04)%
Intangible Assets (Net)	85.506	85.005	501	0,59%
Tax Assets	-	1.179	(1.179)	(100)%
Other Assets	12.819	14.866	(2.047)	(13,77)%
Total Assets	9.813.710	8.006.348	1.807.362	22,57%
LIABILITIES (Thousand TL)	31 March 2017	31 December 2016	Change	Ratio
Funds Borrowed	2.694.183	2.400.430	293.753	12,24%
Money Market Placements	91.800	43.800	48.000	109,59%
Miscellaneous Payables	5.825.422	4.376.394	1.449.028	33,11%
Other Liabilities	28.463	68.780	(40.317)	(58,62)%
Provisions	52.498	55.340	(2.842)	(5,14)%
Tax Liability	17.797	17.918	(121)	(0,68)%
Shareholders' Equity	1.103.547	1.043.686	59.861	5,74%
Total Liabilities	9.813.710	8.006.348	1.807.362	22,57%
INCOME STATEMENT (Thousand TL)	31 March 2017	31 March 2016	Change	Ratio
Interest Income	81.485	79.447	2.038	2,57%
Interest Expense (-)	15.220	12.228	2.992	24,47%
Net Interest Income/Expense	66.265	67.219	(954)	(1,42)%
Net Fees and Commissions Income/Expense	34.548	25.527	9.021	35,34%
Dividend Income	30	6.177	(6.147)	(99,51)%
Trading Income/(Loss) (Net)	351	(382)	733	(191,88)%
Other Operating Income	214	4.622	(4.408)	(95,37)%
Total Operating Income/Expense	101.408	103.163	(1.755)	(1,70)%
Provision for Loan Losses and Other Receivables	3.171	2.502	669	26,74%
Other Operating Expenses	22.812	20.701	2.111	10,20%
Income/(Loss) from Continuing Operations Before Tax	75.425	79.960	(4.535)	(5,67)%
Tax Provision	(15.728)	(14.380)	(1.348)	9,37%
Net Income/(Loss)	59.697	65.580	(5.883)	(8,97)%

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Evaluation on the Bank's Financial Indicators and Performance (Continued)

FINANCIAL RATIOS	31 March 2017	31 December 2016
Operating Income / Total Assets	0,77%	1,00%
Shareholders Equity / Total Assets	11,24%	13,04%
Operating Income / Shareholders Equity	6,83%	7,66%
Net interest revenue / Operating revenue	65,34%	65,16%

Total assets size being 8.006.348 thousand TL as of the end of 2016 reached to 9.813.710 thousand TL as of the end of March 2017. Banks item being the highest amount among the asset items increased from 7.715.925 thousand TL to 9.468.214 thousand TL and recorded an increase of 23%.

Miscellaneous Payables item taking an important place among the liability items increased from 4.376.394 thousand TL as of the previous year-end to 5.825.422 thousand TL and recorded an increase of 33%. Also funds borrowed increased from 2.400.430 thousand TL to 2.694.183 thousand TL and recorded an increase of 12%.

Bank's credit portfolio decreased by 8% and reached to 106.776 thousand TL from 98.945 thousand TL.

Also Money Market Payables item increased by 109% and reached to 91.800 thousand TL from 43.800 thousand TL.

The Bank obtained a pre-tax profit of 75.425 thousand TL and a post-tax profit of 59.697 thousand TL as of 2017 1st quarter end.

Of 81.485 thousand TL interest revenue obtained as of the end of March 2017, 77.107 thousand TL is obtained from banks, 1.948 thousand TL from securities and 2.351 thousand TL from the interest earned from loans. Total interest expense regarding this period is realized as 15.220 thousand TL.

The Bank earned 37.612 thousand TL commission revenue as the result of the services provided and paid a commission of 3.064 thousand TL for TL and FX money transfer transactions. Net fee and commission income is realized as 34.548 thousand TL for the three month period ended 31 March 2017.