


AKBANK
JAZZ FESTIVAL
CASECAMPUS PROJECT • AKBANK VOLUNTEERS
AKBANK SHORT FILM FESTIVAL • JUNIOR SAVERS
AKBANK THINKING CLUB • SUSTAINABILITY REPORT
AKBANK ACADEMY OF FAMILY BUSINESSES
ENDEAVOR SMARTSTARTUP CITIES INITIATIVE
• CENTER OF EXCELLENCE IN FINANCE (CEF)
• AKBANK ENTREPRENEUR DEVELOPMENT PROGRAM
• SIGNATORY OF UNITED NATIONS GLOBAL
COMPACT • CONTEMPORARY ISTANBUL
SPONSORSHIP • SAKIP SABANCI MUSEUM
EXHIBITION SPONSORSHIPS
• YOUNG VOLUNTEERS
• AKBANK ART
CENTER

We have believed in Turkey since the day we were founded. We have always strived to realise Turkey's dreams, and further her vision. Building tomorrow's Turkey is an obligation that goes beyond banking, and merely supporting her economic growth. Therefore, we have adopted as our core responsibilities the fostering of Turkey's entrepreneurial spirit and the enhancing of her level of education and culture.

We bring art and culture to our people through countless projects, with an aim to inspire creativity and critical thinking. We believe that original thinking will lead to progress in all aspects of life. We are committed to supporting our brave entrepreneurs who generate social and economic growth through their myriad projects. We are champions of education, and design various training programmes to advocate high-level financial management in institutions. We also encourage Akbankers to volunteer in all these projects, hoping to make lasting contributions in the lives of others.

As Turkey's most valuable banking brand, we put our heart into everything we do. We want the best for Turkey and work wholeheartedly to realize projects that will move our country forward. 

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MESSAGE FROM THE CHAIRMAN

— Akbank became the first Turkish bank to receive the “Best Bank in Central and Eastern Europe” award.

2016 was a highly volatile year in the global markets. Projections related to the monetary policies of developed country central banks moved the markets while the outcome of the United Kingdom’s “Brexit” vote in June and the result of the US presidential elections in November intensified fluctuations during the year. The main agenda items that will shape the global outlook in 2017 include the economic policies of the new administration in the United States; the timing and course of the Fed’s rate hikes; results of the upcoming elections in Germany, France and the Netherlands; the United Kingdom’s exit process from the EU; developments in the Chinese economy, and geopolitical risks.

These developments, which will chart the course of the US dollar and dollar-denominated interest rates that constitute the primary market risk factors in recent times, will have a major impact on global markets as well as capital flows to and from emerging markets. Against this backdrop, we expect a highly uncertain and volatile year in 2017.

In this highly volatile global environment, the Turkish economy continued to grow strongly led by private consumption and investment spending. After slowing in the third quarter, economic activity began to recover in the fourth quarter thanks to the measures implemented by public authorities and the support of the robust banking industry. We expect this positive trend to continue in 2017 as a result of investments spurred by government incentives.

The banking industry recorded acceleration in annual credit growth rates thanks to the economic policies and incentives unveiled in the final quarter of the year. The sector-wide non-performing loan (NPL) ratio remained low while the capital adequacy ratio continued to exceed both the legal requirement and the target level.

In 2016, Akbank was once again acclaimed by leading European financial circles thanks to its robust capital base, effective risk management practices, strong asset quality, and customer-oriented approach. Akbank became the first Turkish bank to be named the “Best Bank in Central and Eastern Europe” at the 2016 Excellence Awards organized by Euromoney, one of the world’s most prestigious financial publication groups. In the same competition, Akbank was voted the “Best Bank in Turkey” by Euromoney for the seventh time. Akbank was also deemed worthy of the “Bank of the Year in Turkey” designation by The Banker, the prestigious Financial Times magazine, and the “Best Bank in Turkey” award by Global Finance.

Committed to conducting its operations in a way that generates sustainable value, Akbank focused on education, entrepreneurship, culture, arts and savings in its corporate social responsibility efforts as the Bank continued to contribute to social progress in 2016. As always, our first and foremost responsibility in the period ahead will be generating sustainable value for our stakeholders, country, shareholders, employees and customers.

The Bank will continue to support our country and pioneer the banking and finance industry with its strong performance and highly-qualified human capital. I would like to take this opportunity to express my heartfelt gratitude to our employees, partners and stakeholders for their contributions to our success and their unwavering confidence in us.

Suzan Sabancı Dinçer
Chairman of the Board of Directors



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As always, our first and foremost responsibility in the period ahead will be generating sustainable value for our stakeholders, country, shareholders, employees and customers.

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Suzan Sabancı Dinçer

Chairman of the Board of Directors

MESSAGE FROM THE CEO

— Akbank was among the most successful banks in the market during this period thanks to its robust capital, prudent management, efficiency and asset quality.

During 2016, we witnessed numerous unforeseeable developments. In addition to the fluctuations in the global economy, the US Central Bank (Fed)'s much anticipated interest rate hike in the fourth quarter raised the cost of capital for emerging markets. The headline events of the year were Brexit, additional monetary easing by the European Central Bank (ECB) and the Bank of Japan (BoJ), geopolitical developments, and the elections in the United States.

The Turkish economy began losing momentum during the third quarter after growing at an annualized rate of 4.5% in the first two quarters of the year. A recovery ensued in the fourth quarter after effective incentives and policy measures were announced by the administration. The initial signs of recovery suggest that economic growth can accelerate to 3–3.5% in 2017. We expect continued outsized contribution of public sector investments to growth. The recovery under way in the EU, if it continues in accordance with the projections, has the potential to boost Turkey's export performance. In terms of performance by sector, we observed positive developments in the housing and construction industries, particularly in the fourth

quarter. We see this trend continuing in 2017 as a result of projects that are expected to move forward. In addition, we expect the policy measures that aim to boost consumption to support consumer durables, as we recently witnessed favorable developments in this sector as well.

Akbank was among the most successful banks in the market during this period thanks to its robust capital, prudent management, efficiency and asset quality. Leveraging our strong balance sheet, we continued to bring resources to Turkey and channel them to the real sector. The total capital we raised from overseas markets climbed to USD 6.2 billion last year. Ramping up our support to the Turkish economy by 18% compared to the end of last year, we increased our total loans to TL 219 billion, TL 179 billion of which was cash loans. Akbank's support to the real sector especially stood out, as our Turkish lira-denominated commercial loans (including non-cash loans) soared 23%, twice the pace of the banking industry. Our commercial lending resources, including the SME segment, reached 321,000 companies employing a total of 4.1 million persons.

Akbank's total assets grew 17% in 2016, topping TL 294 billion, while deposits went up 16%, rising to TL 174 billion. The Bank posted consolidated net profit of TL 4,854 million after provisioning TL 1,347 million for taxes. As another indicator of our healthy growth during the reporting year, Akbank's non-performing loan (NPL) ratio remained at a low level of 2.3%.

Under Akbank One-Stop Corporate Investment Banking launched last year and reflecting our faith in the strength of the Turkish economy, we began generating much more effective solutions for investment financing in Turkey. This service model enables Akbank corporate banking clients to receive corporate and investment banking services while easily accessing the experience and expertise of Akbank's subsidiaries—all in one step. Akbank Investment Services, created jointly with our subsidiaries Ak Investment and Ak Asset Management to help customers invest their savings confidently, registered major accomplishments in its first year of existence. We introduced more than 100,000 customers to Akbank Investment Services this year thanks to our experience, expertise and digital approach.



“

As we march ahead toward our goal of rendering an excellent banking experience for our customers, we chart our roadmap in line with our commitment to innovation and development.

”

Hakan Binbaşgil

CEO

A handwritten signature in black ink, which appears to read "Binbaşgil". The signature is stylized and fluid.

MESSAGE FROM THE CEO

— We leverage our digitalization and mobile technology-based strategies to meet the demands and needs of customers via truly exceptional services.

As we march ahead toward our goal of rendering an excellent banking experience for our customers, we chart our roadmap in line with our commitment to innovation and development. We offer the banking experience of tomorrow for our customers today using products that are being rolled out for the first time anywhere in the world. We leverage our digitalization and mobile technology-based strategies to meet the demands and needs of customers via truly exceptional services. We continuously undertake a people-focused, technology-driven transformation. Akbank has invested more than USD 500 million in technology over the last five years alone as a clear indication of our focus on innovation and R&D.

Akbank Direkt Mobile was voted the “World’s Best Mobile Banking Application” by many international organizations. Akbank ranked ahead of even Western European banks in terms of mobile banking customer activations. This accomplishment of the Bank was included in the instruction of Harvard Business School students as a case study. In addition, Akbank opened its online digital application services development infrastructure to all programmers worldwide. We won The Banker’s “Technology Project of the Year” award in

recognition of this forward-looking action.

We are executing all our plans and strategies with one of the most qualified, well-educated, highly trained, and productive workforces in Turkey. We recognize that we must employ the best human capital to excel and succeed in our industry. Some 95% of Akbankers are university graduates, while Akbank ranks among the top banks in the sector in terms of the percentage of employees with post-graduate and doctoral degrees. We continue to invest in our young, dynamic and highly-educated human resources who are responsible for the largest share of our success.

It is a source of great satisfaction and pride to us all that the Bank’s high performance is commended by well-respected authorities, in Turkey and abroad. Akbank was designated the “Bank of the Year in Turkey” by The Banker, a highly regarded institution in the global banking industry. We also won the “Best Bank in Turkey” award from the sector’s leading publications, including Euromoney, Global Finance, EMEA Finance, and World Finance in 2016. As a first in the Turkish banking industry, Akbank was also deemed

the “Best Bank in Central and Eastern Europe” by Euromoney this year. We shared the joy of becoming the first bank to bring this award to Turkey. In addition, Akbank was named “The Most Valuable Banking Brand in Turkey” in Brand Finance’s survey for the fifth consecutive year.

We continue to sponsor corporate social responsibility projects that future generations can inherit and that generate sustainable value for the country. Our initiatives that focus on culture and art, education and entrepreneurship are supplemented by volunteer efforts participated by Akbankers and stakeholders. As part of the volunteer-driven projects we undertook this year, we organized nearly 150 activities with the participation of some 300 Akbank volunteers and reached 45,000 students.

As it has done since day one, Akbank will continue to create value not just for the economy, but also for Turkish society and culture. I would like to thank our employees, customers, shareholders and stakeholders for sustaining this track record of success and these accomplishments.

Hakan Binbaşgil
CEO

AKBANK IN BRIEF AND MILESTONES

— The recently-launched “Akbank One-Stop Shop Corporate and Investment Banking” enabled the Bank to begin generating much more effective solutions for investment financing in Turkey.

— A digital banking pioneer in Turkey, Akbank gathered all its efforts in this burgeoning area under the Akbank Direkt umbrella. This will allow the Bank to meet the financial solution needs of its customers, provide services in the most convenient manner possible and deliver an excellent client experience.

Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective of providing funding to local cotton growers, the Bank opened its first branch in the Sirkeci district of Istanbul on July 14, 1950. In 1954, after relocating its Head Office to Istanbul, the Bank rapidly expanded its branch network and had automated all banking operations by 1963.

Floated to the public in 1990, Akbank shares began trading on international markets and as an American Depository Receipt (ADR) after its secondary public offering in 1998.

Akbank's core business is banking activities, consisting of corporate – investment and private banking, commercial banking, SME banking, consumer banking, payment systems and treasury transactions, and international banking services. In addition to traditional banking activities, the Bank also carries out insurance agency operations through its branches on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

With a strong and extensive domestic distribution network of 840 branches and more than 14,000 employees, Akbank operates from its Head Office in Istanbul and 22 regional directorates across Turkey. In addition to providing services through branches, the Bank's traditional delivery channel, Akbank also serves more than 15 million customers through the Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Center, 4,200 ATMs and more than 460,000 POS terminals as well as other high-tech channels.

A digital banking pioneer in Turkey, Akbank gathered all its efforts in this burgeoning area under the Akbank Direkt umbrella. This will allow the Bank to meet the financial solution needs of its customers, provide services in the most convenient manner possible and deliver an excellent client experience. In today's world, where technology advances at lightning speed and customers are ever more demanding, Akbank Direkt strives to satisfy client needs without time or physical location limitations while pioneering technological innovations in both the sector and in Turkey.

Number of Branches

841

Number of Employees

~14 thousand

Number of ATMs

~4,200

AKBANK IN BRIEF AND MILESTONES

— Akbank was named the “Most Valuable Banking Brand in Turkey,” for five years in a row.

Total Loans

TL 179 billion

Loan Volume Growth

17%

NPL Ratio

2.3%

Widely known for anticipating changes in trends and customer dynamics to develop new products and channels for meeting the individual financial needs of clients, Akbank has introduced many innovations to the Turkish banking industry. In addition to launching a significant number of new services in Turkey, including the “Big Red House” mortgage loan-only branches and the iPad Banking Branch, Akbank has also broken new ground globally. The Bank is the originator of such pioneering products and services as the Loan Machine and Mobile Loan innovations, which allow customers to obtain loans without having to visit a bank branch.

The recently-launched “Akbank One-Stop Shop Corporate and Investment Banking” enabled the Bank to begin generating much more effective solutions for investment financing in Turkey. This platform allows Akbank corporate banking clients to receive corporate and investment banking services while easily accessing the experience and expertise of Akbank’s subsidiaries, all in one step.

The Akbank Banking Center, which is the highest transaction capacity operations center in Turkey, commenced service in 2010. Equipped with state-of-the-art technology, this complex is positively contributing to Akbank’s productivity.

Akbank conducts overseas operations through subsidiary in Germany (Akbank AG), representative office in Dubai (Akbank Dubai Limited) as well as a branch in Malta. The Bank’s other subsidiaries, Ak Investment, Ak Asset Management and Aklease, provide non-banking financial services alongside capital markets and investment services.

Equipped with state-of-the-art IT systems and a staff of experienced professionals, Akbank provides top quality services to an extensive portfolio of consumer and corporate banking customers.

Harvard University Kennedy School of Government (Harvard KSG) has turned Akbank’s transformation story and growth strategy in the aftermath of the 2001 crisis into a case study. The Bank adopted the “New Horizons Restructuring Program” in response to the Turkish economic crisis of 2001, when the country’s economy and banking industry were struggling to deal with the impact of the crisis. The management, change and growth strategy which the Bank implemented turned the Bank’s Program into a lecture topic and a reference success story on how to manage and achieve growth during a sharp economic downturn.

In addition, Harvard University conducted a case study last year regarding Akbank’s steps in digital banking. The study emphasized the fact that digital banking will play a growing part in our lives in the years ahead.

Banking will transition from branches to mobile platforms in Turkey, given its young population with high levels of smart phone and internet penetration. The case study underscores the cost-related contributions of Akbank Direkt as well as the advantage of automated transactions in minimizing human errors, and how it represents the beginning of a new era in banking.

With a robust capital base, reliable deposit structure, ability to raise foreign financing on favorable terms and solid asset quality, Akbank maintains its leading position in the Turkish banking sector. As of end-2016, Akbank reported consolidated net profit of TL 4,854 million (approximately USD 1,387 million) and total consolidated assets of about TL 295 billion (approx. USD 84 billion). The Bank's consolidated capital adequacy ratio of 14.2%, calculated according to Basel III standards, is among the highest in the sector.

The total loans of Akbank, which continues to conduct its operations to create sustainable value for the Turkish economy, jumped by 16.6% to TL 179 billion.

Akbank's non-performing loan ratio of 2.3%, attained thanks to the Bank's effective risk management policies, is significantly below the sector average of 3.2%.

Akbank continued to win prestigious awards in 2016 when the global business cycle weighed on the banks. Akbank was voted as the "Bank of the Year in Turkey" by The Banker, winning the sector's most important international award. Akbank also registered major accomplishments for the Turkish banking industry by being deemed the "Best Bank in Turkey" by Global Finance and the "Best Bank in Central and Eastern Europe" by Euromoney. Akbank continues to work with a high level of motivation in an attempt to raise the bar even higher in banking and to create more value.

In addition to these accomplishments, Akbank was reaffirmed as the most valuable banking brand in Turkey for the fifth consecutive year in the international brand valuation company Brand Finance's survey.

As one of the most committed supporters of contemporary art in Turkey and with the aim of being present in all branches of art, Akbank's arts and culture initiatives span a wide range of fields. In addition to providing banking services, Akbank's expansive vision includes investments ranging from arts events geared toward social advancement such as jazz, theatre and contemporary arts to environmental protection practices such as the Carbon Disclosure Project.

The first Turkish bank to be a signatory to the United Nations Global Compact in 2007, Akbank shares its sustainability performance with its stakeholders via the Akbank Sustainability Report. The Bank has published this report in accordance with Global Reporting Initiative (GRI) standards every year since 2009.

51.1% of Akbank's shares are listed on the Borsa Istanbul. The Bank's Level 1 ADRs are traded on the OTCQX in the United States. Akbank's market capitalization stood at USD 8.9 billion as of December 31, 2016. ■■■■

A YEAR FULL OF ACCOMPLISHMENTS-2016

— **Akbank broke new ground in the industry by being the first Turkish bank to win five “Best Bank” designations in a single year.**

Brand Finance

World's Top 500 Most Valuable Banking Brands - 2016 Ranking - The Most Valuable Banking Brand in Turkey for the Fifth Consecutive Year

Euromoney

Best Bank in the Middle and Eastern Europe
Best Bank in Turkey
Best Private Banking Overall in Turkey

The Banker

Best Bank in Turkey
Best Technology Project of the Year in API Category
Best Private Banking Overall in Turkey

Global Finance

Best Mobile Banking in West Europe
Best Bank in Turkey
Best Exchange Supplier in Turkey
Best Private Banking Overall in Turkey

World Finance

Best Bank in Turkey

EMEA Finance

Best Bank in Turkey
Best Syndicated Loan Corporation in Middle and East Europe
Best Borrower Finance Corporation

MasterCard

Best Customer Value of the Year

Extel European Investor Relations Survey

Best CFO, Best Bank Investor Relations Team in Turkey

SAP Awards

Corporate Knowledge Management Project of the Year

Architecture Excellence Awards

SOA (Service Oriented Architecture) Vision for Corporate Services

Stevie International Business Awards

1 Gold, 5 Silver and 5 Bronze Awards

Crystal Apple Awards

2 Crystal Apple, 1 Silver and 1 Bronze Awards

Public Relations Association of Turkey (TÜHİD) Gold Compass Public Relations Awards

Gold Compass in Culture&Art Category

Association of Private Sector Volunteers (ÖSGD) “Voluntary Awards” Program

Best Volunteering Project —

AKBANK IN 2016

— Sabancı University launched the “Sabancı University Center of Excellence in Finance (CEF)” under the founding sponsorship of Akbank.

January

Akbank and Istanbul Provincial National Education Directorate continue cooperation for “savings”

The protocol with the Istanbul Provincial National Education Directorate was renewed as part of the “Akbank Children: Heroes of the Economy” project in 2016. Developed in partnership with Sabancı University, the “Akbank Children: Heroes of the Economy” project will reach an additional 10,000 students this year in an attempt to create awareness on the importance of savings.

February

Akbank named Turkey’s Most Valuable Banking Brand for the fifth consecutive year

Akbank was once again named “The Most Valuable Banking Brand in Turkey” in the international brand valuation company Brand Finance’s survey. For the fifth consecutive year, Akbank took the top spot among the Turkish banks in the “World’s Top 500 Most Valuable Banking Brands - 2016” survey conducted by the prestigious international brand valuation company Brand Finance.

March

“Center of Excellence in Finance (CEF)”: A First in Turkish Finance Industry from Sabancı University and Akbank

Sabancı University launched the “Sabancı University Center of Excellence in Finance (CEF)” under the founding sponsorship of Akbank. The Center aims to create value for the Turkish finance industry by being a bridge between real sector and finance industry representatives, policymakers, academics, and students.

April

Akbank is the first bank to open application programming interface (API) to developers on the portal

Akbank became the first bank to open the Application Programming Interface (API) to all application developers in order to allow them to access and work on the portal from anywhere at any time. Continuing to invest in this area at an increasing pace in keeping with the responsibility of its leadership in technology, Akbank now also targets the next generation companies called “FinTech” that combine finance with technology.

May

Akbank receives “Best Customer Value of the Year” award from MasterCard

Akbank’s “Neo Affluent” card was recognized by MasterCard with the Best Customer Value of 2015 award. Launched in June of last year, this product was awarded the distinction of creating the best customer value in the Turkish payment systems market in 2015 at MasterCard’s Catalyst 2016 event.

June

Akbank secures record-breaking USD 1.4 billion in long-term financing

As part of its efforts to create sustainable resources, Akbank has closed a new securitization issue backed by its foreign currency-denominated receivables in a deal participated by the world’s leading institutions.

AKBANK IN 2016

— Akbank carried goodness to Istanbul and 25 other cities with “Young Volunteers” project.

“Best Customer Value of the Year” Award by MasterCard

Akbank Secures Record-Breaking USD 1.4 Billion in Long-Term Financing

July

Akbank beyond borders: Named Best Bank in Central and Eastern Europe after being Best Bank in Turkey

Winners of the “2016 Excellence Awards” organized by the world’s leading financial publication group Euromoney were announced. Akbank registered a major accomplishment in this prestigious event acclaimed by the international banking industry by being named the Best Bank in Central and Eastern Europe. Akbank became the first Turkish bank to win this major distinction in the prestigious Euromoney survey watched closely by the banking industry. In the same organization, Akbank was voted the Best Bank in Turkey for the seventh time.

August

Akbank secures a new USD 1.2 billion facility from international capital markets

Demonstrating the international financial markets’ confidence in the Turkish economy once again, Akbank rolled over its USD 1.2 billion syndicated loan. The financing obtained by Akbank from international markets in two months topped USD 3 billion.

September

Akbank launches “One-Stop Shop” Corporate Investment Banking

Akbank’s new Corporate Investment Banking business model began to generate solutions for all needs of customers under a single roof. Under this new service model that designs and offers customized solutions for clients, Akbank leverages the strength of its subsidiaries to serve its customers as a ‘one-stop shop.’

October

Akbank carried goodness to Istanbul and 25 other cities with “Young Volunteers” project.

As part of 26th Akbank Jazz Festival’s The “Young Volunteers” 500 young individuals participated in various social projects in Istanbul and 25 other Turkish cities in collaboration with Community Volunteers Association (TOG), Clean Seas Association (Turmepa), Yedikule Animal Lovers Association (YHDD) and ‘Hayat Sende’ Association.

November

Akbank Digital Banking class for Harvard students

Harvard Business School, whose graduates go on to become managers for the world’s top companies, once again analyzed Akbank’s achievements as a “case study”.

December

Akbank receives “The Oscar of Banking”

In 2016, Akbank was designated “Turkey’s Best Bank” by five different institutions, the fifth of which was The Banker magazine. —

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

On February 27, 2017 Akbank's Board of Directors has resolved that The Shareholders' Ordinary General Meeting of our bank shall be held on March 28, 2017, Tuesday, at 14:00, at the Akbank Head Office, Sabancı Center 4. Levent, Istanbul, to discuss the following agenda.

THE AGENDA OF THE ORDINARY GENERAL MEETING OF 2016

- 1 Appointment of the Presidential Board,
- 2 Communication and discussion of the Report of the Board of Directors,
- 3 Communication of the Independent Auditors' Report,
- 4 Communication, discussion and ratification of the Financial Statements of 2016,
- 5 Discharge of liability of the members of the Board of Directors,
- 6 Decision on the appropriation of 2016 net profit,
- 7 Appointment of the Members of the Board of Directors whose terms have expired,
- 8 Determination of the compensation of the Members of the Board of Directors,
- 9 Appointment of the Independent Auditors,
- 10 Amendments in the Bank's articles of association on article 9 and article 48,
- 11 Empowerment of the Board of Directors in connection with matters falling within the scope of articles 395 and 396 of the Turkish Commercial Code,
- 12 Determining the limits of donation for 2017,
- 13 Information regarding the donations realized in 2016

A TRUMPET USED IN THE AKBANK JAZZ FESTIVAL

We brought music lovers together
with Akbank Jazz Festival for the
26th time this year.



REPORT ON COMPLIANCE OF THE ANNUAL REPORT



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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Akbank T.A.Ş.

Report on the Audit of the Annual Report of the Board of Directors in Accordance with the Independent Auditing Standards

We have audited the annual report of Akbank T.A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") as at December 31, 2016.

Responsibility of the Bank's Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code (TCC) no.6102 and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006, the Bank management is responsible for the preparation and fair presentation of annual report consistent with the consolidated and unconsolidated financial statements prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; "BRSA Accounting and Financial Reporting Legislation" ("consolidated and unconsolidated financial statements") and for the internal control considered for the preparation of a report of such quality.

Independent Auditor's responsibility

Our responsibility is to express an opinion based on the independent audit we performed on the Bank's annual report, in accordance with the Article 397 of TCC and "Communique on Independent Audit of Banks" published in the Official Gazette no.29314 dated April 2, 2015 on whether the financial information provided in this annual report is presented fairly and consistent with the Bank's consolidated and unconsolidated financial statements there on which auditor's report dated January 31, 2017 has been issued.

We conducted our audit in accordance Independent Standards of Auditing ("ISA") which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). These standards require compliance with ethical requirements the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated and unconsolidated financial statements. An independent audit involves performing audit procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the independent auditor's professional judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated and unconsolidated financial statements in all material respects.

Report on other responsibilities arising from regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention to be disclosed which causes us to believe that the Bank will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited


Metin Canoğlu, SMMM
Partner

İstanbul, March 3, 2017

AKBANK ANNUAL REPORT 2016

ESTABLISHMENT INFORMATION, CAPITAL AND SHAREHOLDER STRUCTURE AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Establishment Information

Akbank was established as a privately-owned commercial bank pursuant to the authorization issued by Resolution No. 3/6710 of the Council of Ministers of Turkey dated December 12, 1947 to conduct the full array of banking operations and to carry out all types of economic, financial and commercial ventures and activities not prohibited by the laws of the Republic of Turkey and commenced operations on January 30, 1948 in Adana. The Bank's status has not changed since the day it was founded. Akbank's Commercial Registry Number is 90418.

Website: www.akbank.com

Address: Akbank Sabancı Center 4. Levent 34330 Istanbul Turkey

Telephone: +90 212 385 55 55

Branch and ATM locations: can be reached at

<http://www.akbank.com/tr-tr/Sayfalar/akbank-sube-ve-atm.aspx>

Capital Structure

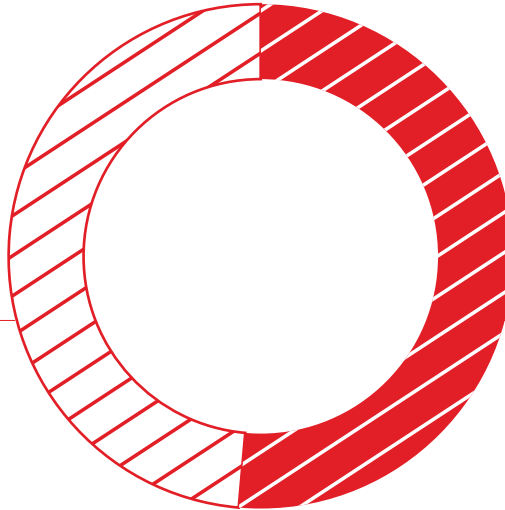
Akbank's issued capital is TL 4,000,000,000.

As of December 31, 2016, the Chairman of the Board of Directors, Ms. Suzan Sabancı Dinçer, holds 0.63% of Akbank's outstanding shares.

Shareholder Structure

Hacı Ömer Sabancı Holding A.Ş., Affiliated Institutions and Individuals

48.9%



Free Float
51.1%

Amendments to the Articles of Association

There was no change to the Articles of Association during the period.

AKBANK'S VISION, MISSION, STRONG FOUNDATIONS AND STRATEGIC GOALS

— Vision

To become a sustainable leader by rendering excellent banking experience and supporting Turkey's growth

— Mission

To become the most admired Turkish company continuously delivering great value to its stakeholders via its highly skilled human resources

— Strong Foundations

- Strong domestic controlling ownership structure
- Highly-qualified human capital
- Turkey's most valuable bank brand,
- Long-term strategic management with successful implementations,
- 840 branches across Turkey and high-tech distribution channels,
- The innovative power of Turkey with countless firsts in the sector,
- A stable and extensive broad funding base,
- High return on equity and strong asset quality with a focus on sustainability,
- A robust capital structure with a capital adequacy ratio of 14.2%,
- Superior asset quality as well as low non-performing loans ratio of 2.3%,
- High level of efficiency with an operational costs/assets ratio of 1.6%.

— Strategic Goals

- Achieve a long-term sustainable return on equity of at least 15-17% and create high value for all our stakeholders
- Be a leader in Turkish banking sector in terms of key market shares,
- Be the best bank in Turkey in terms of customer experience and satisfaction,
- Be the most valuable bank in Turkey.

**THE ROLLER THAT WE
USED TO PAINT THE
PRIMARY SCHOOL**

We painted schools that
needed to be renovated with
our volunteers.



OUR STRATEGY

— Turkey and the Turkish banking industry are Akbank's utmost priority due to their rapid growth potential.

— *Operating with the responsibility of creating value for the Turkish economy, Akbank employs the best human resources in order to provide the highest quality services to its customers to attain these goals.*

As one of Turkey's largest financial institutions, Akbank's short and medium-term strategic goal is to be the leading financial services provider and universal bank in Turkey; and to serve as the house bank in foreign trade and investment activities in the markets where Turkish and foreign companies have a major presence in the international arena.

Operating with the responsibility of creating value for the Turkish economy, Akbank employs the best human resources in order to provide the highest quality services to its customers to attain these goals. The

Bank also strives to render an unprecedented digital and mobile banking experience, serving customers to first and best applications and further improve on its successful performance in technology, efficiency, and innovation.

Akbank believes in the power and future of Turkey. While Turkey and the Turkish banking industry are Akbank's first priority thanks to their high growth potential, the Bank also meticulously monitors overseas developments and regions that can be attractive in terms of the banking and finance industry and seizes the feasible opportunities. —

CORPORATE - INVESTMENT AND PRIVATE BANKING

— Akbank Corporate Banking continued to be the primary solution partner of corporate segment clients, serving as the main bank meeting their strategic and financial needs.

— Akbank Corporate Banking leveraged its synergy with Akbank's other segments and subsidiaries to serve its corporate clients.

Corporate Banking

Akbank Corporate Banking continued to be the primary solution partner of corporate segment clients, serving as the main bank meeting their strategic and financial needs, while offering customized solutions for clients' needs in all banking transactions.

Reorganized in line with evolving market needs, Corporate Banking began serving clients under the name of Corporate and Investment Banking Business Unit as of 2015. In addition to this new organization, the Bank intends to proactively offer all products and services of both Akbank and Akbank's subsidiaries designed exclusively for corporate segment clients under a single roof in 2016 under the new "One-Stop Corporate Investment Banking" business model. The Bank will continue to offer broad-based and structured products to customers at international corporate investment banking standards and to carry out resounding projects.

Digitalization is among the priority goals of the Corporate Banking Department, as the digitalization ratio of daily customer transactions of the Department reached 93% in 2016. The efforts in this area will continue to be at the top of the Department's agenda in 2017.

With the Cash Management and Foreign Trade Department, the Corporate and Investment Banking Business Unit assesses customer needs as a whole inclusive of the supply chain and dealer and distributor network with its specialist staff in foreign trade and cash management products. It also continues to grow in products and services offered within this scope.

Akbank Corporate Banking leveraged its synergy with Akbank's other segments and subsidiaries to serve nearly 6,000 corporate clients in 2016. The Corporate and Investment Banking Business Unit aims to bolster its leading market position by supporting the growth of its clients that it sees as "business partners" through an analytic approach that generates customized products and solutions in 2017.

Number of Corporate Banking Clients

~6,000

CORPORATE - INVESTMENT AND PRIVATE BANKING

— Akbank maintains a diversified loan portfolio by evenly distributing its project finance lending to a large number of industries such as energy, real estate, telecommunications, infrastructure, transportation and petrochemicals.

— Akbank maintained and reinforced its position as one of the sector's leading and pioneering banks that have achieved full integration. This advantage also allows the Bank to offer all products and services clients may demand in the investment banking and finance business line in a single package tailored to their needs.

Investment Banking

Specific export credit programs, infrastructure investments, which have been increasing in recent years, acquisition and project finance deals registered significant growth in 2016. The increase in investments both in the corporate scale and in the segment one notch below, as well as the interest of foreign investors in this area, elevated this market to a whole different level compared to previous years.

During this period, Akbank Investment Banking closely monitored the market and the bank's customers, worked proactively, and grew both its share in these loans as well as its client base, and reinforced its market position. These

deals, which are structured professionally with multi-faceted evaluations and vast experience, require long-term, effective and rigorous risk measurement, management and monitoring. Akbank maintained its market-maker position in this business line while remaining steadfast to effective risk management and prudent lending policies in 2016.

With meticulous and deep-rooted relationship management and structuring experience in specific export credit deals, Akbank monitors privatization programs closely. The Bank provides financing for large scale projects such as direct asset sales, transfer of companies' rights of superficies, share transfers, infrastructure projects, PPP (public-private partnership) investments, power generation and real estate development. Akbank has been a major participant in the financing of many of the privatization and acquisition deals and investments that have made headlines in Turkey.

To sustain and manage a healthy risk balance while pursuing growth, Akbank

maintains a diversified loan portfolio by evenly distributing its project finance lending to a large number of industries such as energy, real estate, telecommunications, infrastructure, transportation and petrochemicals.

In addition to all these, thanks to the synergy created with the subsidiaries and its deep knowledge for serving new products in accordance with customer needs, Akbank has preserved and strengthened its position as a pioneer bank, which provides full integration in its sector, offering its clients all the products and services that they desire in the field of investment banking and financing as a whole, tailored according to their needs. In 2016, it reshaped its services as a new service model under the name "One-Stop Shop Corporate and Investment Banking", offering solutions through a customer-focused, customized and all-inclusive perspective. In this scope, together with its subsidiaries, the Bank aims to "create" even more specialized products with higher added value for those large and medium-sized customers looking for sophisticated solutions.

Cash Management and Foreign Trade Division

Akbank's Cash Management and Foreign Trade Division adopted digitalization as its priority goal in 2016 while providing innovative products and platforms to customers.

Akbank became the first bank to open the Application Programming Interface (API) to all application developers. With the Open Banking Platform, Akbank opened its money transfer and invoice infrastructure to Payment Institutions and customers interested in working with web service as part of third party partnerships.

The Cash Management and Foreign Trade Division launched the integration that facilitates money transfers while making purchases from e-commerce sites without having to log into Akbank Direkt and enter information such as the name of the receiving firm or IBAN. A first in the banking industry, this application was developed to meet the needs of customers who do not use credit cards in online shopping.

Focusing on digitalization, Akbank Cash Management and Foreign Trade Division moved customer transactions to non-branch channels through such projects as customs duty payments via SMS, in-cash and cash-against-goods import payments through the Akbank Direkt Corporate Internet Banking channel, and facilitating company payments and collections on ATMs.

The Direct Debiting System (DDS) lending volume increased 26% over the previous year in 2016 while the number of active main companies and dealers in the DDS was up by 35%. In addition, tax payments grew 38% while number of supplier financing and receivables financing transactions increased 30%.

The Cash Management and Foreign Trade Division will focus on Digitalization, close cooperation with Financial Technology (Fin-Tech) companies, and development of innovative products and platforms in 2017 while continuing to stand by its customers.

Akbank became the first bank to open the Application Programming Interface (API) to all application developers.

DDS Lending Volume Growth

26%

Active DDS Client Growth

35%

Tax Payments Volume Growth

38%

Supplier and Receivables Financing Transactions Growth

30%

CORPORATE - INVESTMENT AND PRIVATE BANKING

— Akbank Private Banking was named the “Best Private Bank in Turkey” for a total of nine times by Euromoney, four times by The Banker, and twice by Global Finance, including in 2016.

— *The strategy in “Wealth Management” built on the synergy between Ak Asset Management, Ak Investment and Akbank Treasury Department, is to enable clients to meet their needs and expectations under a single roof, through Akbank Private Banking.*

Akbank Private Banking

Akbank Private Banking offers core banking products along with alternative financial products to its clients with a greater level of specialization. In an effort to get to know the clients, differentiate their needs, and offer suitable solutions, the Private Banking Department generates the fastest and most tailor made solutions for the financial needs and expectations of the client while also touching on their lives with culture & art activities.

Akbank Private Banking provides the necessary information regarding alternative investment products consistent with the needs, risk profile, and return expectations of the customers. Akbank Private Bankers who are subject matter experts in their field establish a relationship and dialog with their clients based on mutual trust, strive to get to know the clients closely, listen to their expectations, understand their risk/ investment profiles, and support them in generating solutions that will accomplish the client’s goals. Private Bankers, each of whom serves a limited number of clients, constantly review their clients’ investment strategies in light of the data flow.

Private banking services are offered through seven dedicated Private Banking branches across Turkey, with five in Istanbul and one each in Ankara and Izmir. In addition, a Private Banking corner is located in the Akbank Zorlu Branch and in the Bursa Fatih Sultan Mehmet Bulvarı Branch.

Aiming to provide service to clients, assist them with their investment decisions, and generate custom solutions tailored to specific clients as needed, Akbank Private Banking was named the “Best Private Bank in Turkey” for a total of nine times by Euromoney, four times by The Banker, and twice by Global Finance, including in 2016.

The “Next Generation Program” that launched as of year-end 2015 with the support of Sabancı University is the first of its kind service in Turkey that prepares the next generation for the future. As part of the program, Akbank meets with high school and college age young people to educate them on such subjects as the responsibility that comes with family wealth, diversity of investment products, the concept of risk, the global economy, and philanthropy. As part of the Program, the Department came together with high school and university groups separately in 2016. In addition, a guided Contemporary Istanbul trip was organized.

In an attempt to render the best and highest quality service for clients' pension, insurance and leasing demands in addition to their investment needs and all other needs with a one-stop shop approach, Akbank Private Banking pays particular attention to establishing cooperation with Group companies and maintaining the vibrant intra-Group synergy. Private bankers, supported by experts and specialists from Ak Investment and Ak Asset Management, constantly monitor their customers' investment strategies and provide them with exclusive solutions.

For the first time in Turkey, Akbank Private Banking began providing innovative, custom-tailored solutions and value propositions in holistic asset management to clients in partnership with Ak Asset Management in 2016. This service also entails generating proposed solutions for transferring the family wealth to future

generations. The Department engages independent and international consulting firms to provide private banking clients with personalized tax advisory service. As part of this effort, advisors and clients meet on various platforms. The strategy in "Wealth Management" built on the synergy between Ak Asset Management, Ak Investment and Akbank Treasury Department, is to enable clients to meet their needs and expectations under a single roof, through Akbank Private Banking.

Akbank Private Banking continued to organize events in 2016 in an effort to get together with the clients and to add value to their social and cultural lives in addition to serving their financial needs. The highlights of these activities include a visit to the Heinz Mack exhibition at the Sakıp Sabancı Museum led by a tour guide; economy-themed breakfasts; a guided Contemporary Istanbul trip; exclusive tasting events;

Number of Private Banking Clients

8,300

Number of Private Banking Branches and Corners

9

Family-Owned Businesses 2023 Conference; a conference on international real estate markets with Knight Frank; and upper-segment brand partnerships.

Based on the results of the annual external client satisfaction survey, Akbank Private Banking identifies areas of improvement as well as strengths to be sustained and takes the necessary actions. —

COMMERCIAL BANKING

— Akbank Commercial Banking continued to improve service quality and customer experience in 2016 thanks to its accelerating digitalization initiatives.

— *Akbank Commercial Banking attained a substantial increase in speed and efficiency in 2016 by simplifying a large number of the Department's business processes.*

Striving to create value for its clients and to ensure their profitable and sustainable growth, Akbank Commercial Banking maintained its successful performance in a fiercely competitive market environment in 2016 thanks to need-based banking solutions and products, its expertise, and effective risk management.

Akbank identifies financial and non-financial needs of clients proactively on an individual customer basis, develops solutions and helps them enhance their competitiveness. Akbank Commercial Banking strives to meet all banking needs of its customers via approximately 850 Commercial Banking specialists in 18 Commercial Branches and 200 Hybrid Branches. The Department continued to maintain close and continuous relations with customers through more than 300,000 client visits in 2016.

Akbank Commercial Banking attained a substantial increase in speed and efficiency in 2016 by simplifying a large number of the Department's business processes. The Department stepped up improvements in

Commercial Banking service locations, designed to deliver the most suitable service to clients based on their scale and specialized needs, and to address the ongoing growth of human resources.

Akbank Commercial Banking continued to improve service quality and customer experience in 2016 thanks to its accelerating digitalization initiatives. The Bank's customers began to be able to take out loans through Akbank Direkt Mobile, in addition to Akbank Direkt Corporate Internet Branch. A first in the industry, this application allows customers to borrow without any transaction limitations within their credit lines and at rates determined for each customer's unique credit profile.

Akbank Commercial Banking continues to offer customized solutions that meet the needs of companies doing business in international markets, from their purchasing decisions to production and the collection of their sales receivables. Leveraging its extensive correspondent network to intermediate the foreign trade transactions of companies with many different locations

in the world, Akbank supports the success of customers in overseas markets.

Akbank continues to offer foreign trade financing solutions such as Country-Specific Loans, GSM Loans, Cash against Goods Export Credit, Installment Export Credit, Eximbank Loans, Discounted Export Letters of Credit and Export Factoring, and advance payments against L/C.

Hedging products such as options, forwards, asymmetric forwards and zero-cost collars are offered to customers who are seeking protection against foreign exchange, interest rate and commodity price fluctuation risk. Akbank Commercial Banking also structures unique derivative products in accordance with customer requirements.

In addition, Akbank extends long-term financing for industrial energy efficiency projects, insulation of buildings and renewable energy investments including geothermal, solar, biomass and biogas energy projects.

Other renewable energy project finance initiatives include the project financing of hydroelectric power plants (HEPP), wind power plants (WPP) and geothermal energy facilities.

Akbank Dubai allows the Bank to provide intermediation services for all cooperation and partnership opportunities of clients engaged in commercial activities in the Middle East and Gulf Region or who see these regions as part of their growth strategy. Akbank Dubai offers a comprehensive range of solutions to meet the needs of clients in medium to long term project financing, strategic advisory and risk management.

Commercial Banking continues to promote and sell products provided by its subsidiaries and/or sister companies such as Aklease, Ak Insurance, Ak Investment, Ak Asset Management and AvivaSA Pensions and Life Insurance.

Akbank Commercial Banking again devised its strategies for 2017 on digitalization and generating value for the client. ■■■

■■■ *Akbank Commercial Banking maintained its successful performance in a fiercely competitive market environment in 2016 thanks to need-based banking solutions and products, its expertise, and effective risk management.*

Number of Commercial Banking Branches

218

Number of Commercial Banking Specialists

850

Number of Commercial Banking Clients

~240 thousand

SME BANKING⁽¹⁾

— The new service model launched by Akbank in 2016 enables the Bank to develop more expedited and effective solutions for the needs of SMEs.

Number of SME Customer Relationship Managers

825

Number of SME Clients

~800 thousand

Acting with the philosophy that “SMEs Power Turkey, Akbank Powers SMEs,” Akbank carries out its SME-oriented initiatives in accordance with the long-term objectives of creating value for SMEs and supporting their sustainable development. The SME Banking Department serves the customers as determined in accordance with Akbank’s business model. Akbank believes that supporting SMEs in any way is synonymous with providing support to the Turkish economy.

Year of Change at Akbank SME Banking

Akbank unveiled major changes in SME Banking in 2016. Under the new service model, micro segment customers are served by SME Customer Relationship Managers (CRMs) while small business and commercial segment customers are served by more experienced SME Banking Managers. Thanks to this practice, the Bank is now able to identify ahead of time and differentiate customer needs quickly and effectively, and position the SME customer

representative that fits the client’s profile. Specialized SME Banking Managers render more niche services to customers. This change is intended to focus the efforts of SME Customer Relationship Managers on product-based growth within their broad customer bases and increasing their customer penetration levels. As of year-end 2016, Akbank employs 521 SME Banking Managers and 825 SME Customer Relationship Managers.

Akbank on the Side of Craftsmen at all Times

Akbank continued to execute initiatives for artisans under the “Craftsmen Fraternity” concept in 2016. Believing that craftsmanship is not just a profession but also a distinctive culture, Akbank builds campaigns for this segment around the values of understanding and solidarity, which also constitute the essence of craftsmanship. Launched with the “Pay When You Can Loan,” designed to fit the cash flow patterns of customers which offers flexible repayment terms for the credit craftsmen need, the offerings

⁽¹⁾ SME Banking serves those customers that are determined in accordance with the business model of Akbank.

in this segment continued to expand with “Pay as You Wish, Craftsmen,” Member Merchant Campaigns, “First Sale Savings Account,” and “Cost Saving Tariffs.” The products and services tailored to the needs of craftsmen were enriched with the introduction of Eco Pos Tariffs last year.

Under the Eco Pos construct, which was publicized by the Bank in April 2016, businesses that want to fix their member merchant expenses pay a monthly fixed fee based on the limits of their package of choice thanks to the budget-friendly tariffs. Eco Pos tariffs are offered under the Eco Pos 2,500, Eco Pos 5,000 and Eco Pos 10,000 packages to meet the needs of craftsmen operating in various industries. Eco Pos tariffs do not entail any revenue shortfall penalties or POS service fees. In addition, member merchants can transfer their POS revenues to their accounts the next day without any commission expenses.

Recipient of a number of awards in previous years owing to its “Craftsmen Fraternity” approach, Akbank was recognized with the silver award in 2016 in the Bank and Card Payment Systems category at the Effie Awards, one of the most prestigious competitions in the advertising and marketing communication field. In addition, the Bank won two bronze Stevie awards, in the categories of Marketing

Campaign of the Year - Financial Cards, Products & Services and Communications or PR Campaign of the Year - Marketing - Consumer Products - EMEA, at the International Business Awards organized by Stevie Awards in 2016.

The validity of this relationship strategy, which Akbank designed exclusively for SME segment customers and improves with each passing day as the Bank continues to learn from the SMEs, is also reflected in survey results. The following 2016 data from the SME Omnibus survey conducted regularly by TNS, a leading global market research firm, reaffirmed the Bank’s success in SME Banking:

Innovative Products Giving SMEs an Edge in Competition

Mobile banking is growing by leaps and bounds both globally and in Turkey due to rapidly advancing mobile technologies and strong demand. Armed with this awareness, Akbank continues to invest in the deployment of mobile technologies without interruption. Digitalization of the SMEs is paramount in order for them to run their businesses more efficiently, meet their customers’ demands, reduce costs, and ensure survival. To this end, Akbank and Vodafone joined forces for the digitalization of the SMEs.

22%

Akbank is the top brand with the highest spontaneous (unaided) brand awareness among SMEs.

44%

Akbank has the highest spontaneous (unaided) brand awareness score.

33%

Akbank is the popular choice among SMEs.

22%

Akbank is the first choice among banks that SMEs prefer to work with.

SME BANKING

— Akbank's SME segment customers can take out commercial loans within their respective credit limits conveniently and quickly at attractive interest rates using Akbank Direkt.

As part of this partnership, Akbank has launched a special SME version of the Digitalization Index, provided by Vodafone over the web site www.yarinahazirim.com to enterprises of all sizes.

As part of the second leg of the partnership between Akbank and Vodafone, the "Hackathon" event was organized in an attempt to develop digital applications that will facilitate the business processes and growth of SMEs. At the three-day a 48-hour Hackathon entitled "CODE: SME - Digital Codes of Growth for SMEs" was organized. At the event participated by software developers, design professionals and students, the focus was on developing digital solutions such as e-commerce, social media, CRM applications, and collection and payment systems.

The mobile applications offered by Akbank make the lives of SMEs easier. POS-owner SMEs can access all information on service terms and conditions, daily

revenue realizations, end-of-day reports, and campaigns through the Akbank Direkt My Business application. In addition, Akbank member merchants can reach average turnover of other member merchants operating in the same sector by location and segment, which allows them to assess where they stand with respect to their competitors.

The rapid growth of the digital world enabled SMEs to access credit, their most basic banking need, through digital channels. Akbank's SME segment customers can take out commercial loans within their respective credit limits conveniently and quickly at attractive interest rates using Akbank Direkt.

SMEs can also utilize the Akbank Direkt Corporate application for their Cash Management and Foreign Trade transactions. This application facilitates quick and easy execution of employee salary payments or bulk payments. Further, foreign trade customers can perform their import payment transactions on the Akbank Direkt Corporate Internet Branch. They can also

carry out in-cash and cash-against-goods import transfer transactions using the import payments function.

Akbank is also leveraging its resources to digitalize its employees, in addition to its customers. SME Customer Relationship Managers offer 12 products, from credit cards and POS to bill and tax payments and debit cards, in accordance with customer needs through the intra-Bank mobile application, and complete product sales instantaneously.

Akbank also takes a closer look at FinTech companies that will make the lives of SMEs easier. Aiming to foster solution partnerships with FinTech companies which develop digital applications that will meet SMEs' needs and enhance their productivity, Akbank strives to pioneer the growth of the FinTech ecosystem in Turkey. The Bank entered into its first cooperation in this area with Paraşüt, a user-friendly bookkeeping application. Paraşüt enables SMEs to monitor the financial operations of their companies on a 24/7 basis using their personal computers, tablets or smart phones; download their

Akbank SME Banking's support for the SMEs is not limited to financing. The Bank also renders advisory and guidance services, provides the necessary information for SMEs to tap this funding resource, and encourages their growth.

Akbank account transactions into their accounting systems automatically; and carry out the money transfer transactions with suppliers via the application.

As part of Akbank's cooperation with the Small and Medium Enterprises Development Organization (KOSGEB), SMEs are provided with no-interest financial support within the scope of "Emergency Support Loan", "Machinery & Equipment Loan Interest Support" and Zero-Interest Enterprise Loan Support programs. The "Emergency Support Loan Program" supplies loans to customers that are impacted by natural disasters, general strikes, fires, popular movements and terrorism while the "Machinery & Equipment Loan Interest Support Program" provides funding for the domestic and new machinery & equipment purchases of clients operating in the manufacturing industry and "Zero-Interest Enterprise Loan Support Program" provides loans to all enterprises registered in the KOSGEB database can apply for loans.

Pursuant to the protocols signed between Akbank and the Credit Guarantee

Fund of Turkey (KGF), the Bank participates in KGF's programs and provides collateral support to SMEs. As part of this effort, Akbank extended KGF-guaranteed loans exceeding TL 250 million in 2016.

Pursuant to the contract signed with the European Investment Bank (EIB), Akbank disburses the funds created for SMEs to tap at attractive interest rates for their working capital needs and investment financing.

The Advisory Bank of SMEs

Akbank SME Banking's support for the SMEs is not limited to financing. The Bank also renders advisory and guidance services, provides the necessary information for SMEs to tap this funding resource, and encourages their growth.

Pursuant to extremely positive feedback from the participants, the Akbank Family-Owned Business Academy that was initially launched as a joint venture of Akbank and Sabancı University in 2014 was organized for the seventh time at the end of last year. In response to the requests from the leading companies in the industry, the program was administered for Akbank customers as well as their distributors and dealers. The Akbank Family-Owned Business Academy targets family-owned businesses that wish to institutionalize their enterprises, who want to come up to speed on contemporary enterprise

management, and which plan to turn the business over to the next generation. The program covered a wide variety of subjects of particular interest to family-owned business representatives including strategic management, business development, innovation, institutionalization, finance, best corporate governance practices, legal matters and human resources management. The Academy's training sessions were taught by EDU consultants, all of whom are expert in their respective subject matter and have executive-level corporate experience, and the instructors of Deloitte Turkey and Pekin & Bayar Ortak Avukat Bürosu (Law Firm), the program partners. During the Academy, visits were organized to the manufacturing plants of Sabancı Holding companies and participants received a certificate from the Sabancı University's Executive Development Unit (EDU) at the completion of the program.

The Bank also sprang into action in order for family-owned businesses, which are important assets for the Turkish economy in Akbank's opinion, to continue to deploy their experience in support of economic development. While the Akbank Family-Owned Business Academy continues to operate, Akbank conducted the "Keys to Sustainable Success for Family-Owned Businesses" study in conjunction with Sabancı University, Deloitte, and the Family Business Association of Turkey (TAİDER). The survey, conducted among family-owned businesses that have been in existence

SME BANKING

— Akbank will continue to support the growth and development of SMEs by adding to its existing lineup of credit products while increasing its support through funding facilities offered at attractive terms and conditions.

for many years with proven track records, addressed topics such as sustainable success at family-owned businesses, management-level organization, succession planning, and nepotism. The study is intended to guide businesses in setting their future strategies.

Akbank SME Banking offers many solutions that create value-added for the entrepreneurial ecosystem. The Department undertook initiatives for entrepreneurs in a large number of areas including funding support, training programs and competitions. As part of its partnership with Endeavor Foundation, the international non-governmental organization that supports active entrepreneurs in the developing world, Akbank makes available a credit pool for Endeavor entrepreneurs offering such advantages as convenient collateral terms, long loan terms and low interest rates.

The Bank continued to administer the Akbank Entrepreneur Development Program in 2016 jointly with Sabancı University in order

to guide, support and train entrepreneurs. The program accepted applications from all individuals who are actively engaged, as a founding partner or executive, in the management of a company established in Turkey. As a result of the selection process, 50 entrepreneurs participated in five full days of training under the program. Participants received training and knowledge transfer in a wide range of subjects, from managing finances during an organization's growth phase and drafting marketing and operations plans according to different business models, to raising capital for financing needs and growing in domestic and overseas markets. Participants also had the opportunity to hear successful entrepreneurs who attended the program as guest speakers, as well as joining office visits to famous entrepreneurs to meet them.

As part of its iftar (breaking the fast) dinner organizations during the month of Ramadan, Akbank got together with SMEs and industry representatives in Balıkesir, Çanakkale, Denizli, Diyarbakır, İstanbul, Sakarya

and Sivas, and listened to their demands and needs firsthand. In light of this information, the Bank continues to develop innovative products and services for SMEs.

Akbank meets the needs of the agriculture sector via banking products and insurance services that are designed in accordance with the seasonal nature of the cash flows of customers in this segment. The Bank educated farmers about Akbank products and services at the fairs it participated in Ankara, İzmir, Bursa, Konya, Adana, Burdur, Tekirdağ and Antalya.

Akbank will continue to support the growth and development of SMEs by adding to its existing lineup of credit products while increasing its support through funding facilities offered at attractive terms and conditions. In addition to providing funding support to the SMEs, the Bank will continue to generate new solutions that will support them through innovative applications they can use in their businesses that ease the burden on their banking transactions and support their growth. —

CONSUMER BANKING

— Continuing to deliver its experience in savings to customers using all channels and technological innovations, Akbank carried on with its campaigns geared toward small savings at full speed in 2016.

As part of its “satisfied customer” vision, Akbank has embraced the principle of placing the customer at the focal point of every Consumer Banking product and service that it develops and provides. The Bank continues to be the main bank of its customers thanks to its technology infrastructure, extensive branch and service network, and award-winning success in digital channels.

The Leading Bank in Customer Satisfaction with the “Akbankian are Always Different” Vision

Akbank focused on customer acquisition by being part of customers’ lives through day-to-day banking products as well as the power of the Axess credit card and Neo card, adding 1 million new customers in 2016 and expanding its customer base to 14 million customers. Addressing the customers’ financial needs promptly by leveraging its robust database capability for personalized marketing, Akbank deepened

its relationships with customers and established long-term relationships.

Akbank is aware of the importance of establishing long-standing relationships with clients based on customer satisfaction. Therefore, Akbank’s Consumer Banking customer relationship management is carried out by more than 1,700 professional Consumer Banking customer relationship and portfolio managers. Akbank Consumer Banking was ranked at the top spot in the “Customer Satisfaction in Turkey Index” survey conducted by the Turkish Society for Quality in 2015, reaffirming the quality of the Bank’s services for consumer banking segment customers.

Expanding Deposits by Growing Savings

Akbank carried out effective deposit acquisition and cost management despite the instability in the marketplace throughout the year and expanded its customer base and deposit volume thanks to its high-quality service.

The Bank improved the Nar Account, bill payment, and tuition and membership fee payment services while offering convenient digital solutions for customers’ day-to-day banking transactions. Akbank’s demand deposits jumped 24% in 2016 compared to year-end 2015.

Continuing to disseminate its experience in savings to customers using all channels and advances in technology, Akbank continued its small savings-related activities at full speed in 2016. The number of customers adding to their savings through digital channels, by way of the Direkt Serbest Account (Flexible Account) available exclusively through the Internet and Mobile channels, surged 25%. The “Dowry Account with Government Contributions” was added to the Bank’s lineup of savings products in 2016.

While developing attractive products and services to encourage savings, Akbank also carries out corporate social responsibility projects that raise savings awareness.

CONSUMER BANKING

— Akbank, one of the leaders in the consumer loans market, focused on the objectives of acquisition of new creditworthy customers and profitable and healthy growth with a broad customer base in 2016.

Client Base

14.3 million

New Client Acquisition in 2016

1 million

Demand Deposit Volume Growth

24%

Share of General Purpose Loans Originated on Digital Channels

40%

Akbank was among the institutions lending the strongest support to initiatives to improve financial literacy and to boost national savings with the “Savings Campaign” and “Akbank Children: Heroes of the Economy” projects that launched in 2012; plays communicating savings themes at the Akbank Children’s Theatre that was launched in 2014; and Akbank Money Boxes given out to the children.

General Purpose Loans Growing with Target Customers; “My Loan is at Akbank” Customers Meet Their Needs

Akbank, one of the leaders in the consumer loans market, focused on the objectives of acquisition of new creditworthy customers and profitable and healthy growth with a broad customer base in 2016. Akbank, the first bank in the sector to accept loan applications from non-branch channels with the

“Mobile Loan” service, added the internet branch and mobile channels to its range of loan sales channels, which allow customers to obtain loans without having to visit a bank branch. The number of general purpose loans originated on digital channels reached 40% of the total originations in this segment in 2016. Loan marketing efforts continued throughout the year under the “My Loan is at Akbank” platform while the Bank focused on mobile among the marketing channels.

In an effort to improve the quality of its services, Akbank intends to take advantage of state-of-the-art technologies effectively and overhaul services in all channels in 2017. The Bank plans to carry out initiatives to grow and deepen in its target customer segments. Akbank aims to boost net interest margins by continuing cost management efforts in deposit collection while engaging in healthy growth and profit optimization in consumer lending.

— Digitalizing in 2016, Akbank Investment Services further expanded the limits of better managing customer investments in accordance with their investment preferences and expectations.

Akbank Investment Services

Launched on October 27, 2015, Akbank Investment Services was designed to bring a breath of fresh air, not just to Akbank but also to the entire industry, and to effectively serve customer needs in non-deposit investment products.

Allowing customers to find answers to all of their investment-related questions on a single platform, Akbank Investment Services is a product of cooperation and strong synergies with Ak Investment and Ak Asset Management, Akbank subsidiaries that are the leading companies in their respective markets.

Digitalizing in 2016, Akbank Investment Services further expanded the limits of better managing customer investments in accordance with their investment preferences and expectations.

Akbank registered three groundbreaking innovations in Turkey by digitalizing Akbank Investment Services in 2016:

- Enabled investors to determine their investor profiles and receive asset allocation recommendations using their mobile devices with Robo Advisor, which is a first in Turkey.
- Enabled investors to make video calls with an Ak Investment investment advisor from anywhere using their mobile devices, as another first in Turkey.
- Enabled customers equipped with sufficient information and competence in equity trading to open brokerage accounts whenever they want and wherever they want without having to sign a single document.

Thanks to these services that are first of their kinds in Turkey, Akbank made another major stride toward Akbank Investment Services' charter macro-vision of "promoting financial investment vehicles in Turkey in the best possible manner."

Ak Asset Management, Ak Investment and Akbank under the roof of Investment Services manage TL 250 billion in total as of year-end 2016. —

Total AUM*

TL 250 billion

*Total AUMs (Akbank, Ak Investment and Ak Asset combined)

**THE SUITCASE USED
IN A PLAY**

Akbank Children's Theater has
entertained and educated over
2 million children to date.



Affluent Banking

— The Affluent Specialist Line, a remote service delivery model that broke new ground in Turkey, continued to serve 65,000 Affluent Banking customers across the country via 120 specialist customer representatives in 2016.

— Akbank Affluent Banking continues to generate solutions for the needs of customers' social lives in addition to serving their financial needs. The unique "World of Affluent Privileges" continued to enrich the lives of customers, their families and loved ones and to offer exclusive benefits for every moment of everyday life in 2016.

Affluent Banking is an all-encompassing financial advisory services package that offers exclusive service, various advantages in banking products, and non-banking services for clients' social lives, through dedicated Affluent Customer Relationship Managers and an Affluent Specialist Line.

Expanding in scope across Turkey, Akbank's Affluent Banking privileged service model offers a diversified lineup of products, special pricing and daily financial notifications complemented by benefits in many areas as well as exclusive social events.

Continuing to expand and grow as of year-end 2016, Akbank Affluent Banking reached 135,000 clients across Turkey served by 350 Affluent Banking Managers in more than 280 branches. The Affluent Specialist Line, a remote service delivery model that broke new ground in Turkey, continued to serve 65,000 Affluent Banking customers across the country via 120 specialist customer representatives in 2016.

The "Affluent Banking Investor Meetings," where the domestic and global investment environment is assessed and the expectations and questions of Akbank Affluent Banking customers regarding the markets are addressed as part of Akbank Investment Services, were organized in Istanbul, Ankara, Izmir, Antalya and Adana.

Akbank Affluent Banking continues to generate solutions for the needs of customers' social lives in addition to serving their financial needs. The unique "World of Affluent Privileges" continued to enrich the lives of customers, their families and loved ones and to offer exclusive benefits for every

moment of everyday life in 2016. Akbank customers who are part of this privileged world continued to get together in unique events and social occasions held with special themed concepts last year.

Akbank Direkt Plus, a web-based premium services platform that exclusively serves Affluent Banking clients, continued to provide privileged service to its customers including Live Support via video chat, particularly for investment products, along with personal agenda tracking and reminders.

As part of the Affluent Banking concept, Akbank developed the "Expat Banking" service to better serve the increasing number of foreign professionals and retirees residing in Turkey. The Expat Banking service network is comprised of 18 branches in seven provinces where foreign nationals live in large numbers and continued providing all types of banking services for customers in the English language. Branches that do not have an expat customer representative on premises continued to offer remote service via the Affluent Specialist Line Expat staff.

The Bank will continue existing projects while also launching new ones in 2017 for customer satisfaction and process perfection.

Growing Product Portfolio in Mutual Funds

Assuming the active distributorship of the mutual funds of its subsidiary Ak Asset Management, Akbank broke another new ground under the Akbank Investment Services platform and underwrote the public offerings of Turkey's first Real Estate Investment Fund and Venture Capital Investment Fund.

Akbank continues to offer investors a full array of investment options with an extensive lineup of mutual funds, including equities, fixed-income securities and commodities, in the domestic and overseas markets. According to data from year-end 2016, Akbank posted 2.5% growth over the previous year and reached to 18.5% market share in specialty funds.

Akbank's Flexible Savings Account - Mutual Funds allows clients to build a nest egg with regular contributions. In addition to the mutual funds chartered by Ak Asset Management, Akbank also offers three umbrella funds, appealing to different risk tolerance levels, comprised of AkAssest Management mutual funds.

AkAssest Management helped customers to diversify their non-deposit assets into mutual funds in accordance with investor risk profiles, risk-return expectations, and

prevailing market conditions with the "Portfolio Ideas" and "Investment Baskets" products. The Bank makes asset allocation recommendations to its customers through these products by leveraging the expertise of Ak Asset Management under the Akbank Investment Services platform.

Ak Investment continued to offer alternative investment choices to the Bank's qualified investor clients through Corporate Bond placements. The Company carried out a total of 46 bank, non-bank financial institution and real sector corporate bond issues as of year-end 2016, creating investment alternatives for customers.

Akbank Continues to Grow in Gold Banking in 2016

After introducing the Akbank Gold Deposit Account in February 2012, Akbank reached a market share of 12.3% in the private sector as of year-end 2016.

Akbank helped channel more than 2 tons of gold from "under the mattress" into the economy via "Gold Invitation Days" and personalized express service.

Stock Trading and VIOP at Akbank

Having always made significant contributions to further develop capital markets, Akbank offers customers fast and easy trade executions, both in stocks and in futures and options contracts, through digital channels as well as Ak Investment branches.

Number of Affluent Banking Clients

135 thousand

Number of Affluent Banking Service Branches

280

Number of Affluent Banking Managers

350

Development efforts in the stock trading and VIOP order channels continued at full pace in 2016. Akbank continued to carry out developments in the mobile channels in order to enable customers to place orders and follow the markets from wherever they happen to be. The Bank took innovative steps as part of its digitalization objective by enabling equity trading account opening from digital channels.

Thanks to its synergistic relationship with Ak Investment, Akbank accelerated its customer acquisition pace and efforts to inform the Bank's customers on market developments. Rewards campaigns for existing clients continued throughout the year, as the Bank offered opportunities to inactive customers to get acquainted with the capital markets.

THE PENCIL CASE THAT WE GAVE TO STUDENTS

With the voluntary assistance campaigns that we carried out each month, Akbankers met the needs of nearly 4,000 underprivileged students in Turkey with clothing, school supplies and toys.



BANCASSURANCE

— Akbank maintained its vision of customer focus by employing innovative approaches and creating simpler and more transparent processes in an attempt to maximize customer satisfaction and experience.

Share of Bancassurance
Revenues in fee income

7%

Number of Active
Bancassurance Clients

Over 2 million

Akbank delivers insurance sales and after-sales services to customers through an extensive branch network, 24/7 Call Center, ATM network easily accessible in every corner of Turkey, and Akbank Direkt Internet, thanks to a sound technology systems infrastructure.

As a result of its cooperation with Ak Insurance and AvivaSA Pension and Life, both of which rank among the leaders in their respective sectors, Akbank once again maintained a brisk pace of growth in bancassurance in 2016, as bancassurance commission income jumped to 7% of Akbank's overall fee and commission income.

More than 2 million active customers chose Akbank in 2016 for nearly 4 million Private Pension System, non-life and life insurance products.

Akbank maintained its vision of customer focus in 2016 by employing innovative approaches and creating simpler and more transparent processes in an attempt to ensure the sustainability of the process of change that was initiated with the Bancassurance Transformation Program, comply with the regulations that govern the bancassurance sector, and maximize customer satisfaction and experience.

PAYMENT SYSTEMS

— Akbank's mass credit card brand Axess was brought closer to Akbank's corporate identity and it was redesigned in line with customer needs and demands under a new image.

Akbank ranks among the four large players in the Turkish Payment Systems market with 4.6 million cardholder customers, over 6 million credit cards and 7 million debit cards, and a merchant member network of more than 360,000 businesses.

Growing at the customer level, increasing per-customer profit, customer retention and sustaining market share in revenues were at the core of the operations of Akbank Payment Systems in 2016.

As part of its increased focus on customer acquisition in 2016, the Bank met with all branch managers at the regional directorates and emphasized the importance of growing the number of customers in the credit cards market, which is constrained by regulations. The attention of the field turned to payment systems after card receivables were included in branch assets and card income and expenses began to be reflected in branch profits. As a result of the performance-based bonus system that was devised to achieve this growth, the Bank attained a net increase

of 467,000 in the number of credit cards, which made Akbank the fastest-growing bank among private banks. The second topic that was underlined in region meetings was the strategic importance of right member merchant pricing and credit card annual fee collections on profitability. As a result of these efforts, member merchant profitability jumped 21% while the collection rate of credit card annual fees increased from 65% to 72% in 2016.

Overhauled customer programs, retention actions, and customer satisfaction-oriented process improvement initiatives also constituted an important portion of the operations in 2016. As a result of these initiatives, net increase of 79,000 was achieved in the number of customers.

Akbank stabilized its credit card receivables market share while maintaining issuing market shares in 2016. Akbank's credit card issuing volume grew 6% over the previous year while the Bank's market share in lending volume remained at approximately 12%. Akbank

Number of Credit Card Holder Customers

4.6 million

Number of Credit Cards

6.2 million

Number of Debit Cards

7.1 million

also sustained its market share in debit cards at 9.2% as of year-end. The Bank raised its market share in member merchant issuing volume from 11.7% to 12.2%. Consumer credit card lending contracted 4% in 2016, compared to 2015, to TL 10.5 billion. As a result, the Bank kept revolving credit balances in check.

Akbank's mass credit card brand Axess was brought closer to Akbank's corporate identity and it was redesigned in line with customer needs and demands under a new image. The "fulfil" with Axess" slogan and the warm and sincere discourse of the brand's new advertising face Seda Bakan boosted the brand's perception by 5% and propensity to use the credit card by 68%. As of the end of the year, Axess

PAYMENT SYSTEMS

— Akbank stabilized its credit card receivables market share while maintaining issuing market shares in 2016.

— *The growth in credit cards was overshadowed by the growth in debit cards in 2016. The limit-conscious shopping card Neo achieved 31% cumulative growth in 2016 in shopping purchase use over the previous year.*

helped customers meet their needs thanks to sales and portfolio-oriented campaigns that distinguish Axess in the market while also gaining the loyalty and acclaim of customers with the rewards it helped customers earn. Axess campaigns, supported via robust communication campaigns throughout the year and offered to customers through different mechanisms than the campaign methods used in the industry in general, contributed to credit card income.

Akbank focused on the Wings Style program in 2016. As part of the program, the restaurant network offering discounts to Wings credit cards was expanded particularly in Istanbul, Ankara, Izmir, Bodrum and Çeşme. Discount opportunities were created for Wings cardholders and card use was boosted at these locations.

Commercial Card

Due in part to the new regulations, the share of commercial cards in the profitability of the Bank's payment systems increased significantly. In 2015,

Opportunities to acquire commercial cards presented to business owners who nevertheless use consumer credit cards proliferated; owing to the improvements in the technical infrastructure, it became simpler to guide these clients into obtaining a commercial credit card in an easy and quick manner. Akbank launched the Çatı (Roof) Limit product for sole proprietorships in 2016, which increases the customers' limit potential while aiming to ensure the continuity of sales speed. The Tedarik (Supply) Card project, which the Bank recently initiated the improvement and development efforts for, will intermediate the collections of distributors and dealers that purchase goods from corporations and large companies in an attempt to boost revenue and profitability.

As of year-end 2016, the commercial cards market grew 4.3% in terms of the number of cards while Akbank attained 12.2% growth by this measure. The number of Akbank commercial cards in circulation jumped from 209,000 at year-end 2015 to 235,000 by year-end 2016.

Number of POS Merchants

352 thousand

Number of Commercial Cards

235 thousand

Commercial Cards Number Growth

12%

As of year-end 2016, some 251,000 merchant members offer installment and rewards benefits to Axess cardholders.

The share of commercial cards in total cards issued by Akbank rose to 4.4%. Thanks to the portfolio management actions in cross selling and activation alongside the growth in the number of customers, Akbank's issuing volume increased 39% while the commercial card issuing volume grew 18.5% in the market. As a result, the Bank's market share in this metric jumped more than 100 basis points.

Debit Cards

The growth in debit cards overshadowed the growth in credit cards in 2016. The limit-conscious shopping card Neo achieved 31% growth in 2016 in shopping purchase use over the previous year. The share of Neo in all purchases made with Akbank consumer cards topped 7%.

Member Merchants

Acquiring 29,000 new members, Akbank's member merchant network climbed to 352,000 businesses with 464,000 POS terminals as of year-end 2016, continuing a strong performance in this segment.

As part of the efforts to boost fee income in 2016, Akbank overhauled its member merchant fee infrastructure. In line with the market standards, the Bank changed the way it collects fees from a per-company structure to a per-terminal structure. As a result of these initiatives, fee collections jumped 35%.

Akbank has further strengthened its market position by broadening the Bank's member merchant network via agreements with sector leading companies and running consumer-oriented promotional campaigns. As of year-end 2016, some 251,000 merchant members offer installment and rewards benefits to Axess cardholders.

Akbank continued to expand the contactless POS network in 2016, as the number of merchant members capable of contactless transactions topped 77,000. Merchant members using Eco Pos tariffs, to allow Akbank merchant members to operate with a fixed monthly fee of as little as TL 29, without incurring any other commission or fees, reached 35,000 in 2016.

Pursuant to communiqués numbered 69 and 70 published by the Revenue Administration, as of October 1, 2013, taxpayers who own a cash register and use a portable POS device are required to start using a next generation payment-recording device. Akbank performed the requisite work with cash register manufacturers and offered its merchant members the option of using one of six different cash register POS brands in conjunction with the Akbank POS application. As of year-end 2016, Akbank has ongoing cash register POS initiatives with nearly 103,000 merchant members.

THE T-SHIRT OF ONE OF OUR VOLUNTEERS

Under Young Volunteers Project, 500 college volunteers from 26 cities carried out 300 social responsibility initiatives that ranged from cleaning up the coastline to painting schools.

**ŞEHRİN
İYİ
HALİ**

DIRECT BANKING

— Our customers prefer digital channels especially for money transfer and payment transactions due to their convenience and speed advantages.

Money Transfer
Transactions via Direct
Banking Channels

90%

Bill Payments via Direct
Banking Channels

95%

As a result of advances in technology, internet, mobile and social networks led to significant changes in lifestyles and preferences of individuals. Accordingly, the importance of “speed” became an undeniable force. One of the first industries to notice this change, the banking sector continues to invest in technology uninterruptedly while pioneering the digitalization of the society through the Digital Banking approach. As the variety of transactions that can be performed using Direct Banking channels increases by the day, more and more customers prefer Direct Banking channels for their banking transactions with each passing day. According to the September 2016 report of the Banks Association of Turkey (TBB), approximately

19 million banking customers actively use internet banking while active users of mobile banking number nearly 17 million in Turkey.

Direct Banking channels are very popular for all non-cash transactions, particularly for viewing account information and balances, money transfers, and payment transactions.

Heavy Customer Interest in Akbank Direkt

Utilization rates of mobile channels are soaring across the globe alongside the digitalization trend. The number of Akbank Direkt users grows with each passing day as internet and mobile phone penetration increases. Akbank leverages its Digital Banking channels to reach customers who value mobility and speed, and focuses on providing a mobile banking service that is always in the palm of their hands where customers can perform banking transactions from wherever they happen to be and at any time. About 3.5 million Akbank customers actively use Akbank Direkt.

A typical Akbank customer visits a branch 2-3 times each year while using Akbank Direkt Banking 4-5 times a month and Akbank Direkt Mobile 15-20 times each month. 80% of Akbank Direkt Mobile users in particular now utilize this channel regularly every month.

Our customers prefer digital channels especially for money transfer and payment transactions due to their convenience and speed advantages. 90% of money transfers and 95% of bill payments at Akbank are performed through the Direct Banking channels. The share of branches in all cash transactions, led by cash withdrawals, is declining, as nine out of every 10 cash withdrawal transactions are performed using the ATMs. Thanks to its investment and developments, Akbank transfers a large number of simple transactions that can be performed by customers on a self-service basis to the direct channels, led by Direkt Mobile. The Bank's Direct Banking channels are becoming a major sales channel, in addition to being a transaction channel, thanks to the products offered to ensure

— Thanks to the Akbank Direkt Mobile application which was developed with an innovative approach in order to render an unprecedented banking experience to its users, Akbank was once again awarded a number of prestigious international prizes last year.

excellence in digital customer experience such as e-time deposit, Direkt Loan, Serbest Account (Flexible Account), Installment Commercial Loan, Artı Para (Plus Money), Credit Card Cash Products, Investment Basket, the Akbank Direkt Loan that can be tapped instantaneously under attractive interest rates without having to visit a branch.

The Bank of Mobile Akbank

Within the scope of the developments in mobile banking, the Bank of Mobile Akbank emphasizes the “easy use” of banking services as well as shifting the banking services to mobile channels. One of our main strategies in Direct Banking, is to use technology much better and more effectively.

With the developing and changing technology, banking has become independent of time and place. Pioneering all this rapid change in Turkey, the motto “Akbank branch everywhere with Akbank Direkt” was introduced in 2016 and “The Bank of Mobile Akbank” was publicized.

Akbank Direkt Mobile Now in English!

Already providing English language support in its Android application for consumer banking customers, Akbank began providing the same convenience for iPhones and iPads that run on the iOS operating system as of May 2016. As a result of this development, the Bank began serving foreign national customers, in Turkey and in 200 other countries, using the iOS operating system through mobile channels and expanded its user base.

World of Digital Payments with Akbank Direkt

Digital payment solutions, expanding rapidly across the globe, are also growing in Turkey. The sector came to the fore after financially and technologically advanced companies entered the market and launched digital payment platforms and digital payment applications.

Akbank entered world of digital payments with Akbank Direkt Pay.

Since September 2016, the Bank has been allowing users to make cardless payments using their Android phones with the Akbank Direkt Mobile application over Host Card Emulation (HCE), the world's most secure and most advanced mobile payment technology. The project empowers Akbank Direkt Mobile users to define all of their Akbank credit cards and Neo cards for mobile payment on their NFC (Near

Field Communication)-enabled phones, and use them at all contactless POS devices in the world with only a mobile phone. Breaking another new ground in the Turkish banking industry, Akbank began providing mobile payment service for all Visa and MasterCard-branded debit and credit cards.

The array of payments that can be made through Akbank Direkt Mobile was expanded in 2016 with the addition of traffic fine, university entrance exam and other standardized testing fee, social security premium, and tax payments to the application.

Option to Withdraw or Deposit Money to Your Account Using ATMs with Akbank Direkt Mobile without Your Credit/Debit Card

With the investments made in the field of mobile banking, iBeacon technology was used for the first time in the world to withdraw money in the recent years. Moreover, by entering the reference code they receive from Akbank Direkt Mobile, our customers were offered the option to withdraw money from Akbank ATMs without having to carry credit cards or neo cards. Within this scope, activities to make our customers' lives easier incessantly continue.

As result of the improvement made in 2016, our customers were offered the option to deposit money to their accounts and pay credit card debts, with their reference code, using Akbank Direkt Mobile – without using their cards.

DIRECT BANKING

— **Akbank ATMs served approximately 5 million customers and performed 17 million transactions on average each month during 2016.**

All You Need to Know About Investment: Akbank Investment Services

Customers who define their Investor Profile on Akbank Investment Services and Akbank Direkt Internet and Mobile are given asset allocation options and offered the opportunity to purchase packaged products that are based on the total assets and profiles of the customers. This flow is initiated by opening an account on digital platform for customers who do not have an Investment Account or a Securities Account, and guiding them to the appropriate products and services. In this sense, Akbank has made an important difference in the sector as the first bank to digitalize the process of opening a Securities Account.

As the speed of investment transactions is of great importance, Akbank puts Akbank Direkt Mobile at the heart of its innovations that are deployed with a view prioritizing mobile. By providing appropriate services, investment transactions are not only

limited to Akbank Direkt channels while customers who invest more actively keeping track of the prices, are guided to Investor Mobile and Real Time Stock Exchange applications.

Another important innovation within the scope of Akbank Investment Services is that customers who receive Investment Consultancy services can make video conferences with investment advisors via Akbank Direkt.

Developments in Open Banking and e-Government integration

After becoming the first bank to open the Application Programming Interface (API) to all application developers, Akbank also made its Akbank Direkt money transfer screens available to users as a result of the Payments integration it implemented jointly with the payment solutions firm ComPay. Increasing the number of firms it is integrated with throughout the year, Akbank enabled customers who do not own or want to shop with credit cards to make online purchases.

In addition, as part of its open banking applications, Akbank became the first bank to establish direct integration with Bilyoner and Nesine.com, which are among the largest firms in the betting industry. Consequently, Bilyoner and Nesine.com users can now access their Akbank accounts through the “add cash” function on the websites and transfer money from their Akbank accounts without having to leave the websites.

New Technologies and Experience Improvements

Being aware of the fact that it is important for customers to be able to use the “built-in” features of their mobile devices on the mobile applications, Akbank has accelerated its efforts to improve the user experience. Another noticeable feature added in 2016, is that Akbank Direkt Mobile users can search frequently used banking words so that they can reach Akbank Direkt quickly with the help of Spotlight Search feature on iPhone and iPad with iOS 9 and above.

The Bank continued to work on a number of major projects under the theme of “Migration and Efficiency” in an attempt to migrate transactions from human-based channels to Direkt Banking channels, increase the efficiency of the channels, and create higher value-added for all Akbank stakeholders.

Akbank Direkt Mobile’s Pioneering Reinforced with Awards

With an innovative approach Akbank aims to bring a unique banking experience to its users with Direkt Mobile. Within this scope, Akbank has won many prestigious awards in the international arena. In 2016, according to Forrester’s research, Akbank was ranked among the top 10 banks in the world in mobile banking. Furthermore, another confirmation of Akbank’s success in 2016 was to be awarded by The Banker with the “Technology Project of 2016” award for its API Portal.

Akbank continues its technological investments with emphasis on mobile, and makes improvements focusing on the “Human” factor while using creative marketing ideas. In this sense, Akbank aims to provide its customers with the best service in the field of mobile banking. Akbank pioneers in the field of mobile banking by adapting technological developments to its products and services as fast as possible.

By combining the possibilities of mobile technology with the experiences of its expert staff, Akbank offers its customers a mobile banking experience that can be used easily and that will not interrupt their daily routines as they make their transactions within seconds.

ATM

Akbank has one of the most extensive ATM networks in Turkey, with 4,201 ATMs deployed on the principle of expansive geographic reach and ease of access. In 2016, the Bank maintained its strategy of positioning its ATM network as a cash transactions center available to, preferred by, and

recommended by everyone, whether an Akbank customer, or not.

Akbank’s ATM network consists 99% of cash-deposit ATMs and 22% of Recycle ATMs, which increase service continuity and reduce operating costs by making available the banknotes deposited by one customer for the cash withdrawal transaction of another.

Akbank ATMs served approximately 5 million customers and performed 17 million transactions on average each month during 2016.

The Bank continued to work on a number of major projects under the theme of “Migration and Efficiency” in an attempt to migrate transactions from human-based channels to Direkt Banking channels, increase the efficiency of the channels, and create higher value-added for all Akbank stakeholders. As a result of these efforts, the share of Direkt Banking channels in the Bank’s overall transactions was up from 92% in 2015 to 95% in 2016 while the share of Akbank Direkt (Internet+Mobile) rose from 75% to 82%. ■■■

TREASURY

— Akbank maintained its dominating leadership position with 27% market share in TL Bond & Bill and Eurobond market trading volumes.

— *Named as one of 13 market-makers by the Republic Of Turkey Prime Ministry Undersecretariat of Treasury, Akbank maintained its position as the most active participant in the primary and secondary markets.*

Akbank has embraced the principle of generating strategic solutions to meet its customers' needs and serving them at the highest-quality level.

Akbank maintained its leadership position in the bonds and bills market thanks to its expertise in international markets and its strong communication with foreign banks and customers.

Akbank Treasury Business Unit operates through five main departments. The Trading and Balance Sheet Management Department, Liquidity Management Department, Treasury Marketing Department, Economic Research Department and International Banking Department continue to be pioneering forces in the industry owing to their effective organizations and dynamism.

Trading and Balance Sheet Management Department

The Trading and Balance Sheet Management Department performs the pricing of spot and forward foreign exchange as well as all kinds of fixed-income securities, commodities and derivative products. In addition, the Department also manages the interest rate risk of the Bank's balance sheet and its off-balance sheet liabilities in accordance with the medium-term opinions of the Asset-Liability Committee and the Executive Risk Committee.

Named as one of 13 market-makers by the Turkish Treasury Undersecretariat, Akbank maintained its position as the most active participant in the primary and secondary markets. Akbank maintained its dominating leadership position with 27% market share in TL Bond & Bill and Eurobond market trading volumes.

A market-maker in the over-the-counter markets and on

Borsa Istanbul, the Derivatives Trading Group provides effective pricing to its clients and to foreign banks based on the market direction and manages the open derivatives positions. The Group facilitates the development of diverse derivative products for customer needs with a customer-oriented approach.

The FX Trading Group serves as a market-maker for its customers within the Bank as well as its customers outside of the Bank for all Turkish lira-foreign currency pairs traded within Akbank. The Group also executes physical and financial gold trades on Istanbul Gold Exchange and in overseas over-the-counter markets.

The Balance Sheet Management Department performs the Fund Transfer Pricing function for the Bank's other business units. Furthermore, the Department aims to manage the Bank's balance sheet and income statement effectively in accordance with risk management principles. The

The FX Trading Group, active in the International Foreign Exchange Market as part of the Trading Department, works as a market maker for the TL exchange rate and quotes prices for both domestic and overseas banks.

Department continued to execute the strategy of creating low-cost funding resources from international markets via repo and GMTN transactions in 2016; as a result, the Department's positive contribution to the balance sheet in terms of maturity and cost structure was maintained during the year. In addition, the Department executed USD IRS transactions, EUR/USD and USD/TL Cross Currency Swaps, and swaption contracts written on these products while maintaining an active engagement in the related markets in an effort to effectively manage interest risk and in line with the Bank's resource needs.

Akbank Trading Department is one of the top choices of international investors who want to execute trades in Turkey.

Liquidity Management Department

The Liquidity Management Department is in charge of managing Akbank's short and long-term foreign currency and Turkish lira liquidity.

The Department's activities are instrumental in fulfilling the Bank's Central Bank of Turkey Reserve Requirements. The Department takes swift action according to reports by the Risk Management Unit and stress test results and manages the funding/ placement composition. The Department engages in foreign currency and Turkish lira borrowings and placements through money market transactions and ensures effective management of the Bank's short-term funds utilizing various instruments such as FX swaps and Turkish lira repos and reverse repos. The Department maintains a presence in the BIST Repo-Reverse Repo Market and OTC and organized money markets.

In 2016 the Department monitored monetary policy implementations closely, utilized the Central Bank of Turkey's Open Market Operations actively, and managed the Bank's foreign currency and Turkish lira reserve requirements. The Department was engaged in the OTC and organized markets dynamically in response to market conditions.

In 2017 the Liquidity Management Department aims to operate in lock step with the evolving market conditions, manage the Bank's liquidity with the optimal composition, and continue to satisfy Akbank's reserve requirements.

Treasury Marketing Department

The Treasury Marketing Department serves customers in all segments with an extensive range of products that include spot foreign exchange, forward foreign exchange, gold, foreign exchange/gold/ interest rate/ commodity options, foreign exchange and interest rate swaps, government bonds and bills, bank bonds, Eurobonds, repo, deposits and loans. In addition to offering competitive prices in all products, the Department informs clients about the developments and expectations in their financial markets and offers products tailored to risk management needs and business conduct of clients.

TREASURY

— Akbank raised USD 6.2 billion in 2016 through syndicated loans, securitization deals, bilateral loans, and GMTN Eurobond placements.

— As part of its ARTS DPR Program, Akbank secured USD 1.6 billion in funding in 11 tranches at maturities ranging between 5 to 12 years during 2016. These issuances as a whole became the largest securitization deal ever done in the Turkish banking industry.

Economic Research

The Economic Research Department, positioned within the Treasury Business Unit, closely monitors the global and domestic economic environment and market developments, ensures fast and effective information flow to all units of the Bank, and presents an opinion on their potential consequences. Thanks to such efforts, Akbank employees are kept well informed and properly equipped with a constant flow of up-to-date information about developments that steer the economy and the markets, and are prepared to address customer questions.

In addition, the Economic Research Department prepares macroeconomic forecasts for the business units of the Bank and contributes to the determination of the Bank's strategy and the budget. At the same time, the Department informs the Board of Directors, foreign investors and clients about current economic situation and market data.

International Banking

Akbank International Banking continued to deliver fast and efficient solutions to customers for their foreign trade and payment transactions in addition to investment projects in 2016, leveraging its strong correspondent relationships in nearly 160 countries.

Thanks to its large-scale credit agreements and long-standing business relationships with export credit agencies such as KEXIM, MALAYSIA EXIM, SERV, SWEDISH EXPORT CREDIT CORPORATION, and TAIWAN EXIM, the Bank continued to provide long-term project and investment financing to its importer clients at more favorable terms.

2016 marked another successful year for Akbank as the Bank registered once again an outstanding performance in international borrowing transactions as part of its sustainable international borrowing strategy. Akbank raised

■ Akbank won the “Best Financial Institution Syndication Loan in CEE,” “Best Financial Institution Borrower,” and “Best Follow-on Funding in CEE” awards at the EMEA Finance Achievement Awards.

USD 6.2 billion in 2016 through syndicated loans, securitization deals, bilateral loans, and GMTN Eurobond placements.

On March 18, 2016, Akbank secured a one-year, USD 1.2 billion syndicated loan facility at an all-in cost of LIBOR + 0.85% and EURIBOR + 0.75%. In addition, the Bank secured a USD 1.2 billion syndicated loan on August 18, 2016. The all-in cost of the loan was LIBOR + 0.85% and EURIBOR + 0.75%, respectively, for the USD and EUR denominated tranches of the one-year facility, and EURIBOR + 1.75% for the three-year tranche.

As part of its ARTS DPR Program, Akbank secured USD 1.6 billion in funding in 11 tranches at maturities ranging between 5 to 12 years during 2016. These issuances as a whole became the largest securitization deal ever done in the Turkish banking industry. One of these transactions is the USD 250 million securitization deal with the International Finance Corporation (IFC). As part

of this effort, Akbank began establishing an Environmental & Social Management System to be implemented for SME loans. The system Akbank is in the process of setting up brings the SME lending processes in line with the environmental and social standards defined by IFC, further advancing Akbank’s pioneering sustainability practices.

Akbank won the “Best Financial Institution Syndication Loan in CEE,” “Best Financial Institution Borrower,” and “Best Follow-on Funding in CEE” awards at the EMEA Finance Achievement Awards.

Akbank was also the only Turkish bank to win an award in the “Most Impressive Emerging Markets Borrower, MTNs” category at the Bond Awards 2016 that was organized by Global Capital. ■

SUPPORT SERVICES

— **Placing customer satisfaction at the center of its service philosophy, Akbank continues its ongoing efforts to enhance service quality and go that extra mile.**

Transactions Performed
Automatically by the
Akbank Operations Center

97%

Technology Investment
in 2016

USD 100 Million

Akbank Operations Center

Akbank Operations Center strives to provide fast, superior and error-free services and an unparalleled customer experience to Akbank's external and internal customers. With an effective and efficient organizational structure, experienced and specialized human capital, and an advanced technology systems infrastructure, the Operations Center figures among the key components that support the Bank's strong position in the sector.

Akbank Operations Center operates with a powerful team of nearly 1,000 personnel so that the Bank can provide fast, exceptional and error-free services to its customers. Some 97% of transactions performed annually by the Akbank Operations Center are completed automatically.

The primary functions performed by the Operations Center include:

- Turkish lira and foreign currency payments,
- Tax and Social Security Institution (SGK) premium payments,
- Operations of cash management products,
- Check and bill transactions, printing and distribution operations,
- Foreign trade operations,
- Consumer and commercial loan operations,
- Credit card and debit card operations,
- Member merchant and POS operations,
- Real estate value assessment services,
- Western Union Operations,
- Tax payments of branches,
- Physical and electronic archiving tasks,
- Legal proceedings,

- Cash collection and disbursement services encompassing branches, ATMs and customers,
- Operations to counter external fraud attempts using systems equipped with the most advanced technology.

In addition to the services listed above, Akbank Operations Center also provide direct service to corporate and commercial banking clients without the involvement of a branch. The Center created customer satisfaction for the Bank thanks to this industry-leading service.

Operations Center Awards

- JP Morgan Quality Recognition Award For Usd Payments
- Bank Of America/Global Transaction Services Embrace The Future Of Payments/Stop
- Wells Fargo Operational Excellence Appreciation Award
- Wells Fargo Global Currency Award
- Citibank - Quality Recognition Award

— Embracing customer satisfaction as its top priority, the Bank regularly monitors the quality and speed of its Akbank Operations Center based on service level agreements.

Operations in 2016

In 2016, Akbank Operations Center continued to help the Bank meet its targets for high quality, swift and productive services and a high digitization rate.

• Business Excellence and Maximum Productivity

Having increased the total number of its transactions by 10% over the prior year, Akbank employs an operational model centered on productivity and digitization in order to manage this growth with its current resources. As part of the “Improvements for You” program launched four years ago, the Bank analyzed over 1,350 processes in detail, evaluated opportunities for digitization and implemented close to 200 improvements in 2016.

Akbank started to save some 30 million sheets of paper per year with the “Paperless Bank” project it launched in 2016.

The Bank will continue to seize opportunities to enhance customer satisfaction, expand digitization and boost productivity by making

efficient use of technology, shifting operations to automated channels and automating more processes in 2017.

• Maximum Customer Satisfaction at Every Point of Contact

With customer satisfaction a top strategic priority, the Bank regularly measures the speed and quality of Akbank Operations Center’s service quality via service level agreement (SLA)s. At present, 289 performance indicators are measured with 78 service level agreements. In 2016, 60% of service level agreements were revised in line with customers’ changing expectations resulting in higher quality levels.

• High Digitization Rate

Aiming to boost service quality and customer satisfaction at the Operations Center, the Bank is working to automate manual measurement processes and/or shift these to alternative distribution channels.

Quality Applications

In line with a customer satisfaction oriented service approach, Akbank continues to make continuous enhancements and improvements in service quality. In 2016, Akbank solicited feedback from 270,000 clients regarding the Bank’s service quality and potential areas of improvement, and tracked service quality at all points of contact with the customer on a daily basis. Using customer

feedback proactively and effectively, the Bank identified and implemented actions to raise the quality of service provided by branches, Direct Channels and Head Office staff.

The Bank closely monitors and certifies twice annually service quality levels at branches and direct channels, the points of contact with customers. Action is taken regarding areas of improvement identified as a result of the evaluations.

The service quality levels at Head Office units that support the points of contact with customers are also paramount to the enhancement of customer satisfaction. Armed with this awareness, Akbank also monitors the quality of internal support services provided by Head Office staff regularly by way of service level agreements. Measurement results are shared transparently with the related staff and are used in planning training and development activities, identifying areas for improvement, and creating action plans for these areas.

Providing comprehensible, simple and user-friendly screens at every point of contact with Akbank customers and employees is an integral element of service quality delivery at the Bank. In 2015, Akbank began measuring the user experience of Akbank Direkt screens via lab research studies with customer participation. During the year, Akbank implemented a wide variety of improvements in response to customer feedback. At

SUPPORT SERVICES

— Keeping constant watch on the latest technologies, Akbank Information Technologies implemented a series of highly successful projects in 2016.

year's end, the Bank made new measurements with the participation of customers and observed the positive results. The user tests carried out among customers will continue in the coming years, and in line with measurement results, the design of the Bank's systems and user interfaces will be upgraded regularly.

Customer complaints and requests communicated to the Bank via various channels are regularly analyzed, and permanent solutions are formulated for development areas that undergo condensation. When a new type of complaint arises, or when a fluctuation occurs in the frequency of complaints, the proactive complaint prevention system is activated so that the teams in charge can take action to quickly resolve the problem at the source. A high level committee within Akbank tracks the changes in the number and content of customer feedback and oversees implementation of concrete and permanent actions in improvement areas.

Information Technology

Systematically and closely monitoring the latest innovations and advances in technology, Akbank Information Technology continued to implement a significant number of new strategic and tactical projects in 2016. Akbank Information Technology implemented more than 150 projects and completed nearly 5,000 smaller business tasks under these efforts during the year. With one of the most extensive branch, ATM and POS terminal networks in Turkey, Akbank invested over USD 100 million in technology in 2016.

The organization's primary aim is to create value for Akbank and its employees. In line with its 2016 focus on digitization, it continued to expend efforts along the main strategies of Mobile, Digital Bank, Analytical Bank and Industrial Bank, presenting new products for the use of customers.

The Department further enhanced the synergy thanks to new strategic partnerships and cooperation with the business units it works.

Main achievements supporting Akbank's core strategies:

- The Portfolio Ideas product, which is the main output of the Akbank Investment Services Program, was launched in Akbank Direkt Internet Classic, Plus and My Business. Portfolio Ideas is designed to ensure that customers can realize in a single purchase the recommendations formulated by the Akbank Investment Services Program based on investor profiles. According to investor profiles, the product consists of varying percentages of time deposits, and investment funds managed dynamically in response to ever-changing market conditions. This initiative has enabled customers to access the Portfolio Ideas product with ease via certain channels. The product is expected to boost the Bank's fund and deposit volume.
- The Akbank Investor Portal (<https://yatirim.akbank.com>) was upgraded during

The Portfolio Ideas product, which is the main output of the Akbank Investment Services Program, was launched in Akbank Direkt Internet Classic, Plus and My Business. Portfolio Ideas is designed to ensure that customers can realize in a single purchase the recommendations formulated by the Akbank Investment Services Program based on investor profiles.

the year. The Akbank Investment Services portal has become available for viewing on mobile devices and tablet computers. The applications Akbank Direkt Mobile and Akbank Direkt Internet were enhanced with the option "Video Chat with Investment Advisors" from Ak Investment.

- Embracing the slogan "Akbank: Home of Mobile Banking," the Bank continued its pioneering efforts in the mobile arena and proceeded to upgrade the Akbank Investor Mobile app. The infrastructure and interface design were revamped, and the app was enriched in terms of functionality. Now investors can use the app to trade in the Borsa İstanbul Share Market and Derivatives Markets.
- Akbank Direkt and Akbank Mobile functions and product range continued to be enriched. To this end, the Investment Baskets were integrated with Akbank Direkt so that investors can perform investment basket transactions via Direct channels. The customers

of Akbank and its German subsidiary Akbank AG can now access their bank account information and activities via the Akbank Direkt Corporate Internet and Corporate Mobile channels.

- Work continues to upgrade the technological infrastructure of Treasury applications. In 2016, the adaptation of the Fixed Income and Repo modules were completed and the new Treasury Back Office App was launched.
- With the Derivatives Market (ViOP) app, Akbank has become a market maker in the BIST Derivatives Market Foreign Exchange Options. The Bank has reached the capacity to place automatic (algorithmic) orders in the Derivatives Market under certain conditions. An average of such 300,000 orders are sent to the market each day.
- Continuing to play the role of industry pioneer and introducing innovative products for its customers, Akbank has enabled cardholders to make mobile payments with their debit and credit cards via the Akbank Direkt Application. The app's users can now use their mobile phones in lieu of their bank cards for contactless payments. Akbank also developed its contactless Visa credit card product and rolled it out to customers.
- As part of the roadmap outlining the Bank's mobile work requirements, the sales and customer functions were enhanced; efforts

were carried out to boost the sales effectiveness and to render customer acquisition processes more mobile. Thanks to applications that can be used by field sales teams, customer loan applications can now be completed via mobile devices.

- A new analytical infrastructure was developed to manage the limits of individual, micro and credit card customers based on their behavior patterns. As a result, the necessary structure was established to be able to take faster customer management actions in response to changing market conditions.
- The Commercial Smart Pricing campaign infrastructure, which enables the Bank to organize more efficient promotional campaigns for commercial firms, launched during the year. Thanks to this new infrastructure, special campaigns can be defined according to the characteristics, potential, depth, region and branch of the customer.
- In the area of risk and limit management support, it is now possible to place a common customer limit for customers with both retail and commercial cards, thus managing retail and commercial card limits separately.

The retail and commercial loans of sole proprietorship companies are now managed under a single common limit; in addition, their commercial loans, individual loans, Plus Money and credit card systems have been integrated.

SUPPORT SERVICES

— Under the various strategic cost and investment management initiatives, the Bank performed analyses and modeling efforts to further reinforce Akbank's leadership in the sector in terms of efficiency.

Akbank Information Technologies was deemed worthy of numerous awards at prestigious competitions in recognition of the projects it completed in 2016 and reaffirmed its success in IT.

- Work continues to develop new practices that improve the work efficiency and modus operandi of Head Office units.

To this end, the Bank's Cash Operations Center application was upgraded. Thanks to this project, the cash transfer procedure to/from the branches was simplified, a real-time system subject to monitoring was set up, and operational efficiency was enhanced via integration with barcode readers and job follow-up via mobile devices.

The Chargeback Management System – Card Acceptance Module for credit cards was upgraded. With the new application, the current credit card customer objection procedure was centralized on a single module and automated. The measurement of system/user performance is also now possible.

Akbank Information Technologies was deemed worthy of numerous awards at prestigious competitions in recognition of the projects it completed in 2016. Some prominent awards confirming the Bank's leadership in IT include:

- "Global CIO Award" at the Enterprise and IT Architecture Excellence Awards 2016;
- First prize for the Digital and API Banking Supported by SOA Vision project in the "SOA Vision for Enterprise Services" category at the Enterprise and IT Architecture Excellence Awards 2016;
- Two second prizes for Direct Banking Test Team and Integro Team, and a third prize for the Akbank Enterprise Architecture and Application Framework Development Department, in the "IT Team of the Year" category at the Stevie Awards 2016.

Information Security

Akbank is committed to minimizing technological risks for customers and investors, and taking measures against all possible threats. In 2016,

7% of all the Bank's IT-related capital investments were directed to security enhancements. In addition to these investments, the Bank carried out efforts in the areas of legal compliance, cyber security, and technology risk management.

- In 2016, recently launched services were delivered in a safe and reliable manner.
- Undertaking separation of duties and minimum authorization requirements initiatives, risk reduction activities related to information access were carried out.
- The Bank undertook initiatives to assure that audit trails for access to customer data are recorded in compliance with laws and regulations.
- Necessary infrastructure-related reinforcement was carried out to ensure secure Internet access and to minimize the risk of cyber threats. Improvements were made in the monitoring of the technology infrastructure. COBIT, PCI and DSS scans were completed during the year.
- Akbank updated its information security policies in accordance with emerging changes and threats.

- Work continued to increase awareness of in-house information security; classroom and online trainings, in addition to informational messages were presented to users.

Business Intelligence Applications - ARGUS

Thanks to Akbank's management reporting system ARGUS, the Bank's management reports are provided for users in a fertilized, flexible, effective, simple and fast way.

A total of 6,500 users at the Head Office and in the field can meet all kinds of informational needs within their authority, and are accessible in a reliable, robust, fast and practical fashion. Report production and information management processes are continuously revised to provide significant productivity increases.

With the aim of meeting the information needs of users, the Bank continued initiatives to expand the analyses and data encompassed in the

system. The Bank provided senior management with the facility of accessing reports via tablet computers and smart phones.

Profitability System

The Bank effectively uses the results of the Profitability System, developed to enable multidimensional analysis of Akbank's profitability, to devise managerial and marketing strategies; hone the services provided at branches; and aid in success assessments as important performance criteria.

As part of the Profitability System, the Bank periodically evaluated its profitability on a weekly and monthly basis in terms of the following criteria:

- Customer profitability,
- Customer relationship manager (CRM) profitability,
- Branch profitability,
- Segment profitability,
- Business unit profitability,
- Product profitability.

Cost and Investment Management

Under the various strategic cost and investment management initiatives, the

Bank performed analyses and modeling efforts to further reinforce Akbank's leadership in the sector in terms of efficiency; as a result, the Bank achieved organization-wide increases in efficiency. Furthermore, significant efficiency has been created via work groups across the Bank to ensure sustainable cost savings.

Budget

Akbank has an integrated, efficient and dynamic budgeting process that operates at the business unit, region, branch and CRM level.

The triennial strategic planning survey is also reviewed each year alongside the budget and the Bank's medium and long-term objectives and action plans are determined. Performance of the Bank is then monitored via monthly estimates generated throughout the year as well as by way of comparative analyses of periodic financial and operational realizations with the budget. In accordance with changes in the economic outlook, the budget is revised if and when it becomes necessary. —

HUMAN RESOURCES AND STRATEGY

— The Strategy Management Department supports all units in taking action in line with Akbank's strategic priorities.

Strategic Management

Reporting directly to the Executive Vice President in charge of Human Resources and Strategy, the Strategic Management Division works in close cooperation with senior management and related business units in setting strategic priorities in accordance with the Bank's medium-term vision.

The Division also manages and implements strategic initiatives aimed at achieving these priorities. The functions of the Strategic Management Division include providing internal advisory service and managing strategic projects within the Bank, closely following domestic and global developments and trends, and setting and implementing branch network strategy.

In 2016, the Strategic Management Division coordinate the process to set the Bank's aspirational targets for 2018 and to formulate the roadmap to achieve these targets. The Project proposals formulated in accordance with Akbank's strategic priorities were promptly and effectively

put in action in cooperation with the related teams. As a result, the Department supported the Bank's strategy setting and decision-making processes while helping all related business units to take action in line with the Bank's strategic priorities.

Aiming to bolster the Bank's market position and differentiate from the competition in 2016, the Strategic Management Division:

- Developed new service models for new customer segments that will support growth,
- Revamped the roles of channels on the Bank's sales and service model to respond to changing customer needs.
- The Bank has carried out various projects on key issues such as redesigning its processes to respond to the ever-changing needs of both customers and employees.

Analyzing global developments and major trends particularly in the banking and finance industry, the Strategic Management Division proactively

identified potential areas of opportunity for the Bank during the year and briefed senior management via regular reports on the financial sector.

Human Resources

Akbank views its development-centered, innovative, highly skilled workforce as its most important asset and strategic partner on the path to achieving sustainable growth.

Under Akbank's vision of employing the most qualified human capital in the Turkish banking industry, investing in its human resources, and creating value for all stakeholders, Akbank Human Resources Department's goal is to recruit, retain and develop talent on the way to permanent leadership.

The Human Resources policy aims to form human resource strategies consistent with the Bank's mission and goals; to provide the continuous development of employees in line with the industry needs, emerging markets, technology and customer expectations with the innovations of the globalization; and to direct organizational structure, operation and human resources.

Akbank embraces a fair Performance Management System based on concrete and measurable goals. The Bank's PMS provides measurement and evaluation on the basis of personal targets and competencies, and periodically delivers input to applications related to compensation and reward, career and training.

The major components of the roadmap are:

- Providing opportunities to support professional and personal development and implementing related practices,
- Constantly improving business conduct,
- Participatory career planning,
- Goal and competence-based, transparent and fair performance management,
- A rewarding mechanism that incentivizes and encourages superior performance,
- Constantly improving organizational effectiveness with a focus on employee productivity,
- Effective communication based on corporate values and culture.

When managing its human capital, the architect of the Bank's past accomplishments as well as the pillar of its future achievements, Akbank's philosophy is to provide equal opportunities to its employees in all processes, evaluating them fairly and transparency.

Akbank provides its employees who are committed to improving themselves constantly with support and equipment via various applications, an effective communication structure and a wide variety of training choices. Success in these subjects reinforces Akbank's standing among the companies which skilled and confident employees want to work for most.

Efficient Performance Management

Akbank accomplishes its corporate goals by growing alongside its highly-competent and skilled employees who make Akbank what it is. The Bank supports the performance of its employees with new applications and advanced systems that will make their professional lives easier and increase their productivity.

As part of the Bank's performance evaluation system which allows for the observation of the contribution of each employee to the Bank's success and encourages open communication between the employee and his/her supervisor, corporate goals are translated into personal goals and thus every employee works to achieve a common objective. The efficiency of the performance system depends on the system's transparency, simplicity and thorough measurability. With

the targeting initiative carried out in 2015, the Bank aimed to improve the methodology of target distribution to regions, branches and CRMs. It also made improvements in the main components of the process, including target setting and measuring.

Akbank employs a Performance Management System based on concrete and measurable goals. Compensation and rewards within the Performance Management System, which is free from subjective elements and facilitate measurement/evaluation based on individual goals and competencies, provide periodic input into career development and training applications.

Employee Engagement

Seeing effective communication as one of its most important tools to achieve success, Akbank regularly conducts Employee Loyalty Surveys throughout the Bank to make personnel feel the value that they are given, to identify their strengths and weaknesses, and to translate the staff's opinions and recommendations into corporate success.

Based on the referenced study, feedback is collected regarding the general perception, expectations and satisfaction related to the work environment, processes, and functioning. As such, the Bank can focus on possible areas of development.

HUMAN RESOURCES AND STRATEGY

— Training and development activities on talent management and leadership issues continue to expand under the umbrella of Akbank Academy.

Ratio of Women Employees

54%

Average Training per Employee

9 days

Ratio of University Graduates

95%

Employee feedback is carefully assessed and concrete actions are planned for possible development areas to identify staff expectations accurately, and to harmonize these expectations with what the Bank can provide.

The Employee Engagement Survey is implemented by an independent research company within the principle of confidentiality. The results are analyzed by the Human Resources Department and provided improvements and development in line with the outputs.

Well aware of the close relationship between satisfied employees and high corporate performance,

the Bank firmly believes in enhancing personnel engagement, increasing its investments to this end day by day, in due consideration of staff sentiments, thoughts, expectations, priorities and criticisms pertaining to human resources policies and management practices.

Cultivating the Banking Culture of the Future

In the finance sector, which is rapidly transformed by technological advancements, Akbank strives to become a lean, agile and fully digitized bank, in order to establish itself as a leader in innovation and to add to its long list of achievements. Akbank is fully cognizant that the key to building the bank of the future is to create a team of individuals who work with passion, share their experiences with each other, embrace collaboration and open communication, and uphold creativity.

To this end, Human Resources practices are shaped according to feedback from the members of the Akbank family, who have created

the Bank we know today. The ultimate objective here is to offer a more positive, intimate and efficient work environment for Akbank employees.

Akbank Academy

Akbank Academy closely monitors training and development trends that will effectively and swiftly respond to the changing needs of the industry in order to cultivate the best employees in the sector and transform trainings into an investment tool. To this end, the Academy initiated efforts to further expand personalized and easy-to-access training methods by focusing on the development areas of Bank personnel. In addition, the Bank encourages staff members to attend summits, conferences and seminars, both in Turkey and abroad that will allow them to keep track of the latest developments in the sector and the world.

Training and development activities within Akbank Academy related to talent management and leadership continue to grow. The Bank organizes varied and ongoing programs, including solutions tailored to personal needs in

In line with the academic approach that will take Akbank forward into the future, the Bank bases its training programs for field personnel on the concepts of relationship management, quality, productivity and sustainability. Employees are thus provided the resources to develop themselves and take part in a proactive model where they can make suggestions to their business unit and the field as a whole.

order to develop the leaders of today and cultivate those of tomorrow. During these efforts, the Bank places significant emphasis on ensuring that the processes in competence development programs are designed in an efficient and transparent way. As part of the initiatives carried out under the talent management development, the Assessment Center's efforts to determine needs and formulate a personal development plan continues with tools such as surveys.

Professional development opportunities at institutions are among the most important expectations that younger generations have when they start their career. To meet these demands, Akbank Academy continues to use various learning methods and tools, including classroom trainings and online training tools. The Bank also strives to render trainings more entertaining with gamification systems and combine modern training methodologies with technology, constantly

working to innovate the digital experience. Training technologies are not used only in online training tools, but also in classroom activities.

Akbank Academy uses a remote access system infrastructure. Employees are able to track their personal development plans alongside their career paths and access all details on the training they will attend on a single platform. In addition, managers are able to monitor the development performance of their teams. With the recently launched mobile app of the Academy, Akbank plans to focus on mobile learning and mobile experiences. The Bank's newly designed training programs are mobile-friendly and existing critical training programs have been transformed to function on mobile platforms. Aside from the mobile app, in the coming period the Bank plans to introduce other innovative apps with a rich user experience, such as choosing a training scheme from the digital catalogue.

In keeping with the academic platform that will take Akbank forward into the future, the Bank's strategy in trainings towards field operations is to provide development resources with a customer-oriented approach, which prioritizes relationship management, quality, efficiency and sustainability. In addition, the Bank offers proposals to business units and field operations with a proactive working model. To this end, Akbank Academy has focused on the Bank's strategies, banking industry

developments and the needs of the field operations, while ensuring close cooperation between the business units and the field. The Academy has implemented programs that will support employees in their career paths and has integrated trainings with their career goals. Akbank designed and put into service simulation based new programs to learn by living, to increase the sales performance and customer relations management of field staff. Ongoing systemic works and training content revision efforts continue to make sure that current career diplomas are more compact, exclusive to the needs, the segment and the person, without any time or location limitations, and are rendered simpler to provide easier access to information.

For the Bank's success today and in the future, Akbank frequently carries out exclusive online trainings to increase the rates of licensing and certification that are legally required. In addition, employees are provided support with testing and in-class trainings.

Under the Bank's learning organization strategy, Akbank seeks the support of its highly experienced employees as in-house instructors as well as in mentoring and in-house coaching applications. As a result, the Bank achieves productivity in sharing of experiences and development. While the Bank continues activities that increase the motivation levels of in-house instructors, the best architects of continuous development, those staff are supported with development programs.

HUMAN RESOURCES AND STRATEGY

— Ethical values are the steadfast principles of the Bank's institutional culture and management approach, forming the basis of Akbank's reputation in the banking sector and society.

In keeping with the Bank's approach to resource use efficiency, Ankara Academy's training venue went into service as of February 2015. With the Ankara Academy venue, the Bank allows employees to reach the training center more easily without wasting time, ensures internal customer satisfaction and avoids possible workforce losses. A similar practice began at the ABM Academy venue as of July 2015. In 2016, training programs were organized in these new training halls for our workforce.

As of end-2016, Akbank personnel averaged 9 days of professional training for the fiscal year, as a result of the Bank's investment in training initiatives.

Effective Career Management

Achievement of the Bank's goals is supported through Career Management as a strategic business partner. As part of this effort, the Department's priority is to position existing human capital as effectively as possible while in the medium-

to-long term carefully managing career plans for the development of the employee as well as advancement of the Bank. Under Career Management, Akbank tracks individual performance to ensure the Bank's sustainable performance while supporting participation in training programs related to the areas in need of development. The Bank assesses experience level, competence and technical skills of employees and formulates backup plans for the positions to ensure the continuity of the organization going forward; the Bank also implements training and development programs that will help related employees to prepare for the designated positions. Staff members who successfully advance in their designated career paths and complete their required training programs are appointed to senior positions. Additionally, in accordance with organizational changes shaped by the Bank's emerging needs, employee career paths are regularly reviewed and revised in line with the Bank's strategic targets.

Every employee who is continually improving himself/herself makes horizontal or vertical career moves at Akbank, where career paths are defined transparently for each job.

Ethical Values

Ethical values, which consist of the indispensable values of corporate culture and governance, are also the foundation of the respect that Akbank currently enjoys in the banking industry and within society in general. The Bank's main objective is to safeguard and further enhance this respectability while sustaining stability and confidence in the sector.

Akbank takes utmost care to ensure that employees internalize the ethical values, which are presented through the Bank's internal communication channels and training programs, and act in accordance with this awareness. In addition, an "Ethics Line" that operates under the confidentiality principle on a 24/7 basis was established to enable employees to raise their

The performance bonus system helps Akbank boost the effectiveness of its personnel in accomplishing corporate goals, ensure the continuity of the staff's performance, emphasize individual performance, differentiate successful employees, and reward those staff members who create value for the organization.

concerns about issues that they believe cannot be resolved within their departments, or for certain reasons prefer not to share with their colleagues/ department managers.

Akbank Employees

As of December 31, 2016, Akbank had 13,842 employees (exclusive of 1 student intern). Women account for 54% of the workforce, and men for the remaining 46%.

95.3% of all employees are university graduates. Average employee age is 34.6 and average seniority is 8.3 years.

Akbank's Human Resources Practice Principles outline the Bank's human resources practices, point to the respective parties' rights and obligations in relations with employees and identify the rules and principles that govern the human resources function and organization. The Bank fully complies with the Labor Law, other applicable laws, bylaws and regulations, as well as with the collective bargaining agreements in place.

"INDICATOR (İNDİKATÖR)" HR Dashboard Project

The Bank ran the "INDICATOR" HR Dashboard Project in 2015 to systematically and analytically improve the human resources reporting system. It was put into service in December.

The reporting system provides high level reports that will fulfill the needs of the Bank's senior management and support Business Unit decision-making in a dashboard design. The Bank plans to establish a new data medium that can host regular and ad hoc reports that will meet the reporting demands of human resources at all levels.

Having initially launched INDICATOR on the web and in mobile media at the Head Office level, the Bank makes INDICATOR available for use by the heads of the regional offices in 2016 and enriches the report range and content.

Performance-Based Bonus Payments and Incentive Compensation

The performance bonus system helps Akbank increase the efficacy of its personnel in accomplishing corporate goals, ensuring the continuity of their performance, emphasizing individual performance, differentiating successful employees and rewarding employees who create value for the organization.

During performance evaluation meetings, employees review their performance results for the previous year with respect to their goals with their supervisors on a one-on-one basis and accomplishments as well as areas for improvement are identified.

In 2016, Akbank provisioned TL 130.6 million for employee performance bonus payments.

As parts of efforts in employer brand and employee engagement, the Bank developed new rewarding mechanisms aiming to:

- Directly contribute to the motivation and efficiency of employees,
- Ensure the recognition and appreciation of successful personnel and staff who create added value to the Bank in other areas,
- Highlight the "Value to People" concept by bolstering employee engagement.

To this end, Akbank implemented the following awarding systems:

- "Bull's Eye Awarding System" - to create awareness on targets, encourage keeping performance high and follow person target-fulfillment;
- "Akbank's Perfect Role Model Awarding System" - to make sure that any positive behavior, effort or performance exceeding expectations or standards is recognized;
- "1001 Ideas Awarding System" - to recognize proposals that are beneficial to Akbank and delivered to the 1001 Ideas Proposal System;

HUMAN RESOURCES AND STRATEGY

— **Each employee can make vertical or horizontal career moves at Akbank, where career paths are identified in a transparent manner.**

- “Your Candidate Awarding System” - to bring in candidates suitable to the corporate culture and the competences of the open position via our employees.

Financial Benefits Provided to Members of the Board of Directors and Executives

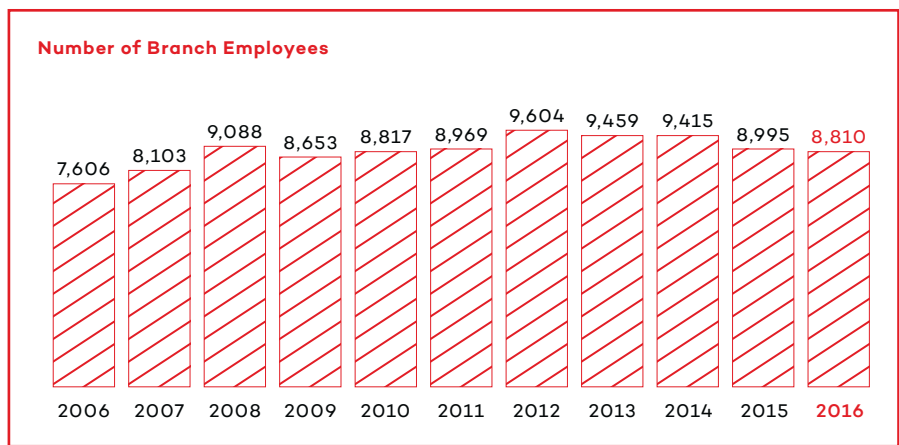
As of December 31, 2016, Akbank paid TL 38.6 million on a consolidated basis to the executive management of the Group.

Akbank Staff Pension Fund Trust

Akbank Staff Pension Fund Trust has focused its activities related to current (employed) and retired members on the provision of healthcare services in 2015.

The retooled Health Center continues to operate in a modern, spacious and well-appointed facility with experienced specialist physicians on staff.

The new call center provides appointment and advisory services to all employees. The revamped website serves as an appointment platform and



features many user-friendly interactive applications such as e-authorization, e-referral, and lab test results.

As of December 31, 2016, highlights of their efforts include:

- Total assets of the Foundation amounted to TL 1,459 million.
- Number of members receiving pension salaries rose to 12,222.
- Some TL 290 million was paid to retirees, people with disabilities, widows and orphans.
- Health care assistance increased to TL 129 million as of December 31, 2016, up from TL 119 million in 2015.

Other Information on Company Operations

There are no major pending lawsuits against the Company that may impact the financial position or operations of the Company.

Information on the donations and assistance distributed during the year is provided at the General Assembly under a separate agenda item. The Bank also spent TL 13.5 million in 2016 as part of its social responsibility activities.

SUBSIDIARIES

— Akbank AG continued its operations in 2016 without compromising its asset quality and proactive risk management policies. As a result, the Bank recorded an NPL ratio of 0%.

Akbank AG's Asset Size

EUR 5.5 billion

Aklease's Shareholders' Equity

TL 803 million

Ak Investment's Return on Equity

17%

As of December 31, 2016, the Bank's capital adequacy ratio according to Basel III criteria stood at 12.6% with a liquidity coverage ratio of 168%.

Boasting the largest balance sheet among all European banks with Turkish capital, Akbank AG has a 6.9% share in terms of consolidated assets and a 3% share in consolidated profits of Akbank in 2016.

Akbank AG's major products and services include various credit instruments, trade finance, factoring, money transfers and deposit services. Target clientele for lending activities primarily consist of multinationals based in Turkey as well as in the EU, Turkey's main trading partner. Standing out with its high asset quality since the bank's incorporation, Akbank AG remained committed to maintaining asset quality throughout 2016 and preserved its NPL ratio at 0%.

Akbank AG has an extensive portfolio of funding sources, including retail, corporate and German public sector deposits as well as funding through the European Central Bank's refinancing program (MRO and LTRO).

Also active in retail banking, Akbank AG serves more than 15,000 retail deposit customers in Germany with a direct banking model. All these sources of funding help Akbank AG to diversify its funding base.

Akbank AG

A wholly-owned subsidiary of Akbank, Akbank AG had another successful year in 2016 in terms of growth, diversification of business areas as well as profitability. The Bank posted 15% growth in assets over the previous year, with total assets climbing to EUR 5.5 billion and shareholder's equity reached to EUR 580 million as of December 2016. In 2016, Akbank AG's contribution to the national economy in the form of loans exceeded EUR 4.7 billion, corresponding to over 10% of the loans extended from Germany to Turkish firms.

** Excludes the Bank and Subsidiary needs.*

SUBSIDIARIES

— With their 15% and 17% strong return on equity respectively, Aklease and Ak Investment continued to contribute to the profitability of the Bank.

Aklease

Established in 1988, Aklease provides financial leasing support to corporate and commercial segment customers who are keen to undertake investments, expand, enter new markets and enhance their capacity. Aklease helps them finance investments in new machinery and equipment purchases or new investments, in line with the concept of Akbank One-Stop Corporate and Investment Banking.

Leading the pack for many years in terms of offering long-term funds to clients at attractive interest rates, Aklease provides one-to-one solutions that are perfectly suited to meet the changing needs of clients, thanks to its vast funding capacity.

A 99.99%-owned subsidiary of Akbank, Aklease continued to offer ongoing support to the national economy in 2016 with its strong financial and partnership structure, robust shareholders' equity, 12 branch locations, vast funding network, and most importantly, a dynamic workforce highly specialized in the field.

Aklease has started work to upgrade its technology platform and software, which the company employs to perform financial leasing transactions, so that they function in a swift, practical, mobile-enabled fashion in sync with the latest technologies, and are readily accessible by clients.

Aklease has ramped up its investments in cutting edge technologies to measure customer loyalty and satisfaction by means of specialized companies.

Aklease's net leasing receivables rose to TL 5 billion in 2016, up 26% compared to year-end 2015, while net profit went up by 27% year-on-year to TL 114 million. Securing its position among the sector's leaders by recording solid financial results based on high return on equity and asset quality, Aklease continued to stand out among the competition thanks to its consistent, healthy and stable growth performance.

Keen to conduct its operations in a sustainable manner in the coming period, Aklease will remain a complementary force of growth with its investments in Turkey's future.

Ak Investment

Ak Investment, founded in 1996 to engage in capital markets activities in accordance with the provisions of the Capital Market Law and other applicable legislation, is a wholly-owned subsidiary of Akbank. Ak Investment was authorized as an "Intermediary Company with Broad Authority" by the Capital Markets Board as of October 15, 2015 following initiatives undertaken to comply with new communiqués.

With its 196 specialized and well-experienced employees, and comprehensive research reports and customer-oriented service approach, Ak Investment serves both individual and corporate investors. Delivering a vast range of international and domestic capital markets products to individual and corporate investors, Ak Investment has 10 branches in six major Turkish cities. Ak Investment branches are committed to offering capital markets products and services tailored for customers' needs and expectations, and in line with market conditions. The branches establish long-running relations that generate added value for the customers.

— According to the Extel 2016 Survey, the Ak Investment Research Team has been chosen as the most successful research division by the managers of companies listed on the BIST stock exchange in Turkey.

In 2016, Ak Investment increased its share in the stock market by 2.3% ranking 5th with 5.2% and increased its share in the Derivatives Market by 94.2%, ranking 4th place with 6.9%. Ak Investment increased the number of its accounts by 14% in line with its strategies and targets through branches and Headquarters sales teams.

In line with its strategies and targets, Ak Investment increased the number of customers/accounts by 14% through the campaigns organized for domestic and overseas customers by the branches and Marketing Department.

Throughout the year, Akbank and Ak Investment met with current and potential retail and corporate customers numerous times, and presented evaluations of various capital market products, the markets and their future outlook. With its expert staff, Ak Investment provides its investors with the opportunity to invest in different risk and asset classes such as leveraged Forex markets, futures, international securities and stock exchange investment funds. Within this scope, by using TradeAll FX trading platform, investors can send their orders, and make

their BİST and international market transactions safely, easily and quickly in relevant markets. On the other hand, by adding the world's most popular FX electronic trading platform, Meta Trader4 to its brand, the company has created an important advantage in the Forex market as TradeAll FX Meta.

Ak Investment has undertaken many projects to renew its business processes and introduce new products and technologies to customers. Over its digital trading platform TradeAll, the Company enables its customers to trade in a swift and safe manner in the domestic, Forex, and international stock markets. The Company shares reports and market recommendations on products, services and markets to investors via social media channels such as Facebook, LinkedIn and Twitter, as well as branches and websites.

Extel Surveys has ranked The Ak Investment Research Team first in the category of Turkey in the last three years. According to the Extel 2016 Survey, the Ak Investment Research Team has been chosen as the most successful research division by the managers of companies listed in the BIST stock exchange in Turkey.

Ak Investment Continues Its Leadership in the Futures and Options Market as a Market Maker!

Having started its activities in 2015 as an official market maker in the futures and options market, Ak Investment makes transactions in future share contracts, BIST 30 Index Option and stock options. Within this scope, Ak

Investment sends quotes to the market on 106 contracts with continuous and narrow buy / sell spreads. For the 849 contracts apart from the above mentioned set of contracts, Ak Investment offers liquidity to investors by making continuous pricing on demand. Being the market-maker with the largest number of contracts in the futures and options market, Ak Investment is the market leader also in index option contracts. Moreover, Ak Investment maintains its transaction volume leadership among the market makers with respect to the other contracts.

Ak Investment is the Leader in Structured Debt Securities!

In 2016, Ak Investment became the leader in fixed or high yield structured debt securities based on different securities such as stocks and derivatives. In 2016, 130 Ak Investment Structured Debt securities with a total value of TL 228 million, and Ak Investment Bond with a total value of TL 2,4 billion were issued.

Ak Investment is the Leader of the Market in Private Sector Debt Securities, Excluding the Securities of the Bank and Its Associate Companies!

With 34% market share in 2016, Ak Investment is the leader of the market in private sector debt securities sold to professional investors – excluding the securities of the bank and its associate companies. With its expert staff, the Corporate Finance Department, carrying out its activities under the structure of Ak Investment, provides the corporations with consultancy and brokerage services in public offering and debt security issuance processes. Furthermore, the Corporate Finance Department provides

SUBSIDIARIES

— Ak Asset Management is the leader of the Turkish pension investment fund sector with a 21% market share in terms of the portfolio size under management.

— Ak Asset Management is the market leader in pension fund management and the sector leader in total assets managed outside liquid investment funds.

consulting services to buyers or sellers on issues such as corporate mergers, acquisitions and partnerships and privatization processes.

In 40 issuance processes in 2016, Ak Investment provided brokerage services in creating funds with a value of TL 2.9 billion for 15 companies not associated with the bank. Ak Investment is a brokerage company that has the highest transaction volume regarding all transactions and brokerage companies in the Debt Securities Outright Purchases and Sales Market – which is organized under the structure of Borsa Istanbul.

- Logo Software: In November 2016, the Corporate Finance Department provided brokerage services for the process of selling Logo Yazılım Sanayi ve Ticaret A.Ş. – one of the largest software companies in Turkey – shares with a total value of TL 413 million entirely to investors who are only corporate investors, within Borsa İstanbul Wholesale Market. With 85% of the demand from corporate investors abroad, this process was one of the biggest share selling transactions that took place in recent years in BIST.

- YDA Construction: This transaction includes the longest term bonds in Turkey with 4 years.
- Rönesans Holding: This is first transaction ever including bonds based on TRLIBOR.

Having started operations in 2015, the Investment Advisory Department works to establish long-term, multifaceted relationships between Ak Investment and clients, by providing high-quality, world-class advisory services for corporate and retail customers in domestic and international capital market products.

The Investment Advisory team combines the synergy created with the strong research team with an extensive product range to provide investment advisory services that respond to customer expectations and their risk/return profiles determined after eligibility and suitability tests are conducted.

Ak Asset Management

Established in 2000 to provide asset management services in capital markets to institutional and individual investors, Ak Asset Management is a wholly-owned subsidiary of Akbank. Ak Asset Management conducts operations in three core

business lines: pension fund management, discretionary portfolio management and mutual funds. Ak Asset Management is the market leader in pension fund management and the sector leader in total assets managed outside liquid investment funds.

As of year-end 2016, Ak Asset Management is the founder and manager of 41 mutual funds. Ak Asset Management also manages 23 Pension Investment Funds for AvivaSA Pension and Life Insurance Company; 12 Pension Investment Funds for Groupama Pension Company; one Pension Investment Fund for Allianz Life Insurance and Pension Company; two Akbank SICAV funds; and one capital market fund launched by Sampo Japan.

Total assets under management rose from TL 15.6 billion at end-2015 to TL 19.2 billion at end-2016, up 23% for the year. Ak Asset Management ranks second in the Turkish asset management industry in terms of assets under management. Total assets under management in the mutual fund portfolios managed by Ak Asset Management stood at TL 3.5 billion as of year-end 2016, with the company capturing a market share of 18.2%.

Ak Asset Management is the leader of the Turkish pension investment fund sector with a 20.9% market share in terms of the portfolio size under management. In 2016, the 36 pension funds it manages continued to grow in a consistent fashion to reach TL 12.7 billion as of year-end.

Ak Asset Management has maintained its leadership position in terms of the product diversity and investment universe offered to customers. The company provides a wide universe of investments spanning traditional products, such as borrowing instruments and share certificates in different themes, as well as gold, commodities and lease certificates, and private sector funds that invest in various world regions and themes. Ak Asset Management set up the sector's first Real Estate Investment Fund and Venture Capital Fund in 2016, bolstering its market reputation as innovator.

Ak Asset Management also designs and manages the investor risk profile tests that form the basis of the Akbank Investment Services and Akbank Robo Advisory concepts, as well as investment management products such as Portfolio Ideas, which aim to help investors with different profiles manage their savings via asset distribution recommendations.

Established in 2006 and growing rapidly, Akbank's Discretionary Portfolio Management business line reported TL 2.6 billion AUM as of year-end 2016. In its asset management processes, the company pursues an investment strategy that focuses on liquidity and asset diversification while prioritizing risk management based on predefined rules. Ak Asset Management also started delivering broad asset management services in 2015, in addition to providing discretionary portfolio

management services for large individual and large institutional investors, tailored to their financial expectations and risk profiles.

Under the Akbank's Discretionary Portfolio Management services in 2016, the company launched Discretionary Funds, which were formed closed-ended specific to asset diversification and family/company or product. With the closed-end funds amounting to TL 425 million as of year-end 2016, the company was well positioned in an area where fund management sector has started to quickly develop. In 2016, Ak Asset Management launched asset management services, which will be offered in a holistic approach to the top segment of Akbank Private Banking clients.

Ak Asset Management provides support to raise awareness among AvivaSA customers on investment products and markets, with asset distribution proposals, monthly investment reports and informational videos, such as AvivaSA BES TV, for pension fund participants.

Ak Asset Management was honored with the "Best Pension Fund Management" and "Best Asset Management Company" designations at the Global Banking and Finance Review Awards and "Best Asset Management Company" by World Finance in 2016. These awards recognized the company's success in world-class risk management, investment processes, new product development and sustainable performance criteria. ■■■■

AKBANK ART CENTER 2016

— In joint exhibitions bringing together widely renowned names of the domestic and international art worlds, Akbank Art Center presented select examples of contemporary works to arts enthusiasts.

Celebrating its 23rd anniversary in 2016, Akbank Art Center was established in 1993 in order to brand the innovative and visionary identity Akbank pursues in arts.

Playing a leading role in the development of contemporary arts in Turkey and in bringing artworks to vast numbers of individuals across all social strata, Akbank Art Center ranks among the pioneering contemporary arts institutions in the country. The center organized over 700 events throughout 2016 in various branches of arts—including exhibitions, concerts, theatrical plays and dance—sending ripples across the national and international arts communities.

In joint exhibitions bringing together widely renowned names of the domestic and international art worlds, Akbank Art Center presented select examples of contemporary works to arts enthusiasts. In 2016, the center hosted such exhibitions as Contemporary Artists Prize, the Incident of Art/the Art of Incidence and Nonspace.

Many Turkish and international artists have performed concerts as part of “Piano Days,” “Akbank Art World Music Days,” “Jazz Days” and “Guitar Days” in the Multi-Purpose Hall, a popular venue for performing arts audiences in the Multi-Purpose Hall during the year.

Akbank Art Center’s Dance Workshop recorded many international achievements, organized workshops with internationally acclaimed choreographers and dance instructors, and continued dance lessons for both children and adults throughout 2016.

Akbank Children’s Theatre has made a significant contribution to cultivating a theatre-going audience in Turkey during its 44-year history. Akbank Children’s Theatre staged the play “Family Tree” for the last time in January. In February, the theatre started to perform the famed Jules Verne novel “Around the World in 80 Days” as adapted to the stage by Toby Hulse. The performances met with ample interest and critical praise.

In 2016, Akbank Art Center published “Resim Bugün,” the Turkish translation of Tony Godfrey’s book “Painting Today.” The book focuses on the transformation of the art of form from the 1970s up to the present day, and examines the esthetic, sociological and philosophical background of this evolution. “Painting Today” explores the works of hundreds of artists from over 30 countries as well as the artistic currents that influence them. The celebrated work also discusses the various dynamics that influence the art of painting.

At the 26th Akbank Jazz Festival, 50 concerts, six discussions, 13 workshops and two performances were held in 34 venues. The festival included over 170 artists and was participated by 27,000 music lovers.

Many Turkish and international artists have performed concerts as part of “Piano Days,” “Akbank Art World Music Days,” “Jazz Days” and “Guitar Days” at the Multi-Purpose Hall, a popular venue for performing arts audiences.

Jazz on Campus concerts continued in 2016, as part of the 26th edition of Akbank Jazz Festival. Jülide Özçelik, one of the most prominent names of the domestic jazz scene, took the stage in Bursa, Manisa, İzmir, Eskişehir, Adana, Mersin, Kayseri and Ankara on October 24 – November 4, performing before 5,000 university students and music lovers.

The 12nd Akbank Short Film Festival, which is a prominent platform for short films in Turkey that strives to support new ideas and contributes to short film culture, presented cinema enthusiasts with the opportunity to enjoy important films shown in international festivals through workshops and conversations as well as competition film on March 14-27.

During the 12th Akbank Short Film Festival, as part of the Festival Comes to Universities program, six short award-winning films were screened at 15 universities in İstanbul, four in Ankara, four in İzmir, and at one university each in Mersin, Eskişehir, Kocaeli, Edirne, Tekirdağ, Bolu, Bursa, Kayseri, Adana, Gaziantep, Balıkesir, Erzurum, Zonguldak, Çanakkale, Muğla, Mersin, Konya, Kastamonu, Van and Sakarya—in total, 42 universities in 22 cities. As such, the Short Film Festival reached out to over 900,000 university students.

In 2016, the 11th edition of Contemporary Istanbul Art Fair was held in Turkey’s largest city. Akbank Art Center’s booth was home to works by Murat Germen. Eight photographs by the artist were shown to visitors at the fair.

BOARD OF DIRECTORS

Suzan Sabancı Dinçer CBE **Chairman and Executive Board Member**

Suzan Sabancı Dinçer is the Chairman and Executive Board Member of Akbank. Mrs. Sabancı Dinçer is also a board member of Sabancı Holding.

Suzan Sabancı Dinçer began her career in banking in 1986 and joined Akbank in 1989.

Mrs. Sabancı Dinçer is a member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board, Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an emeritus member of the Harvard Business School's Middle East and North Africa Advisory Board. Suzan Sabancı Dinçer is also a member of the Global Board of Advisors at the Council on Foreign Relations (CFR).

Mrs. Sabancı Dinçer founded Akbank's International Advisory Board, a platform to discuss and evaluate global and local economic developments and their strategic implications for Turkey. From 2010 to 2014, Mrs. Sabancı Dinçer served as the chairman of the Turkish-British Business Council for two terms.

Mrs. Sabancı Dinçer is on the Board of Directors of the Global Relations Forum and a TÜSİAD (Turkish Industry and Business Association) member. She is also the Luxembourg Honorary Consul in Istanbul.

In 2012, Her Majesty Queen Elizabeth II awarded Mrs. Suzan Sabancı Dinçer the title of "Commander of the Most Excellent Order of the British Empire (CBE)" in recognition of her proactive and influential contributions to the development of Turkey-UK relations. In 2014,

Mrs. Sabancı Dinçer was given the Order of Civil Merit (Orden del Mérito Civil) of the Kingdom of Spain by King Felipe VI of Spain for her contributions to the relations between the two countries and for her support of the cultural convergence.

Suzan Sabancı Dinçer is strongly committed to social responsibility activities and assumes various positions in the fields of culture, education, the promotion of entrepreneurship and environmental protection: she is a member of the Board of Trustees of Sabancı University, as well as a founding member and board member of Endeavor Turkey and of the Advisory Board of Akbank Sanat. Mrs. Sabancı Dinçer is a patron of Contemporary Istanbul.

Under Mrs. Sabancı Dinçer's stewardship, Akbank became the first deposit bank in Turkey to issue a GRI (Global Reporting Initiative) rated Sustainability Report. It also pioneered the Carbon Disclosure Project in Turkey.

Suzan Sabancı Dinçer holds a BA in Finance from Richmond College in the UK and an MBA from Boston University in the USA. Mrs. Sabancı Dinçer is married with two children.

Erol Sabancı **Honorary Chairman, Consultant to the Board and Board Member**

Having served as a member of the Akbank Board of Directors since 1967, for a decade beginning from March 1998 Erol Sabancı served as the Chairman of the Board of Directors. Elected Honorary Chairman and Consultant to the Board on March 28, 2008, Erol Sabancı also serves as Vice Chairman of the Board of Directors of Sabancı Holding.

Hayri Çulhacı **Vice Chairman and Executive Board Member**

Hayri Çulhacı was elected as Vice Chairman in 2010 and was appointed Chairman of the Audit Committee and Executive Risk Committee in 2011. Having joined Akbank as an Executive Vice President in 1990, Mr. Çulhacı was consecutively appointed as Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; as Advisor to the Chairman; and as Executive Board Member. Prior to joining Akbank, Hayri Çulhacı worked as Financial Analyst and Department Head in the Ministry of Finance. Mr. Çulhacı holds a BA degree in Economics from Ankara University, Faculty of Political Sciences and an MBA degree from Northeastern University in the USA. Hayri Çulhacı is a member of the Board of Trustees of Sabancı Foundation, a Board Member of Aksigorta A.Ş., and AvivaSA A.Ş.

Cem Mengi **Executive Board Member**

Cem Mengi was elected as Executive Board Member in charge of Credits as of February 2014. Prior his appointment, during his career Mr. Mengi has successfully served in different private banks as Executive Vice President and Assistant CEO. He joined Akbank in 2001 as Senior Vice President in charge of Corporate Banking and Project Finance. Later, between 2008-2011, he served the Bank as Executive Vice President in charge of Corporate Banking and Project Finance. Cem Mengi achieved 'A levels' in Mathematics and Physics in the UK and graduated from International University with a bachelor's degree in Management Information Systems, Faculty of Management and Administration.

Yaman Törüner**Board Member**

Yaman Törüner became a member of the Board of Directors in March 1998. Having served as a Member of Parliament between 1995 and 1999, Yaman Törüner also served as a Minister of State in 1996. Between 1990 and 1994, Yaman Törüner served as the President of the Istanbul Stock Exchange and from 1972 until 1990 he worked in various administrative positions within the Central Bank of Turkey, also serving as the Governor of the Central Bank of Turkey between February 1994 and January 1996. Yaman Törüner is an op-ed columnist for the Milliyet daily.

Aykut Demiray**Board Member**

Aykut Demiray joined Akbank as a Member of the Board of Directors on March, 2012. Aykut Demiray began his career in 1979 at T. Isbank as an Assistant Internal Auditor and undertook various duties in several units and branches, finally serving as Deputy Chief Executive between 1998 and 2011. A graduate of the Business Administration Department of the Faculty of Administrative Sciences from Middle East Technical University, Aykut Demiray is a Member of the Board of Trustees at Istanbul Culture University.

Aydın Günter**Board Member**

Aydın Günter was appointed to the Board of Directors on March 27, 2014. Mr. Günter served at Sabancı Holding and held various positions, including Executive Vice President in charge of Financial Control and Finance from 1974 to 1994. In 1994, he founded his own consulting firm and served as a Member of the Board of Directors in various companies beginning from 1998. Prior to joining the Sabancı Group, Aydın Günter worked at the Ministry of Finance as a Tax Inspector. Aydın Günter is a graduate of Ankara University, Faculty of Political Sciences.

Emre Derman**Board Member**

Emre Derman became a member of the Board of Directors in March 2015. Mr. Derman has led numerous large cross-border transactions in Turkey as a lawyer and an executive partner with the international law firm White & Case between 1989 and 2008. In addition to his work in Turkey he has worked in the New York and London offices of the firm and also in former Soviet Union and Eastern European countries during his term as a lawyer in financing transactions for the EBRD in 1994 to 1995. A former board member of Akbank in 2010, Mr. Derman has served as a Managing Director and the Senior Country Officer of JP Morgan in Turkey between 2011 and 2014. He is a member of various organizations relating to education and yacht racing and serves as a freelance consultant. Mr. Derman holds an LL.B. from Istanbul University Law School and an LL.M. from Harvard Law School.

Can Paker**Board Member**

Can Paker became a member of the Board of Directors in March 2015. He received his master's degree from Berlin Technical University and continued his education at Yıldız Technical University to receive his Ph.D. in mechanical engineering and at Columbia University for his MBA (1973). Starting his professional career at Turk Henkel in 1971, he held various senior positions in the company, and served as the General Manager (from 1984) and President of the Board of Directors until 2004. Mr. Paker held positions on the boards of several private companies and civil society organizations such as Sabancı Holding, Sabancı University, Turkish Industrialists' and Businessmen's Association

(TÜSiAD), Istanbul Culture and Arts Foundation (İKSİV), The Open Society Foundation in Turkey and Robert College. He served as the Chairman of TESEV (Turkish Economic and Social Studies Foundation) between 1997 and 2015. He is currently the founding and managing partner of B.O.Y. Consulting and a founding member of PODEM (Center for Public Policy and Democracy Studies), an Istanbul based think tank established in 2015.

Hakan Binbaşgil**Board Member and CEO**

Hakan Binbaşgil joined Akbank as the Executive Vice President in charge of Change Management in October 2002. He initiated the Bank's "Restructuring Program" which has transformed Akbank into one of Turkey's most customer-focused, modern and innovative financial institutions. Hakan Binbaşgil was appointed Executive Vice President in charge of Retail Banking in November 2003, Deputy CEO in May 2008, and since January 2012 as Board Member and Chief Executive Officer of the Bank. Prior to joining Akbank, Binbaşgil worked as a Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in a different private sector bank. Mr. Binbaşgil also served on the boards of directors of numerous companies domestically and abroad. After graduating from Robert College, Hakan Binbaşgil graduated from Bosphorus University, Faculty of Mechanical Engineering. Mr. Binbaşgil also holds MBA and MS degrees in Finance from Louisiana State University-Baton Rouge, USA.

ADVISOR AND BOARD OF INTERNAL AUDITORS

Advisor

Dr. Josef Ackermann

Advisor to the Chairman

Josef Ackermann has been the Chairman of the Board of Directors of Zurich Insurance Group since March 2012. Prior to his position as Chairman, he served as Vice-Chairman for two years. After obtaining his doctorate in 1977, he joined Schweizerische Kreditanstalt (SKA). In 1990, he was appointed to the Board of Directors of SKA, becoming its Chairman in 1993. In 1996, Mr. Ackermann joined the Management Board of Deutsche Bank AG; in 2002, he became the Spokesman of the Management Board and Chairman of the Group Executive Committee and between February 2006 and May 2012 he was the Chairman of the Management Board. Mr. Ackermann is a Member of the Supervisory Board of Siemens AG, Germany (Second Deputy Chairman), a Member of the Board of Directors of Royal Dutch Shell,

the Netherlands and of Investor AB, Sweden, as well as Vice-Chairman of the Board of Directors of Belenos Clean Power Holding Ltd, Biel. He also plays an active role in the World Economic Forum (Co-Chairman of the Foundation Board), St. Gallen Foundation for International Studies (Chairman), the Foundation Lindau Nobel Laureate Meetings at Lake Constance (Honorary Senate Member) and the Metropolitan Opera New York (Advisory Director). In 2007, Mr. Ackermann accepted an appointment as visiting professor in finance at the London School of Economics. In July 2008, he was appointed as Honorary Professor at Frankfurt's Johann Wolfgang Goethe University. Furthermore, he is an Honorary Fellow of the London Business School and holds an Honorary Doctorate from the Democritus University of Thrace in Greece. Mr. Ackermann studied economics and social sciences at the University of St. Gallen and received his Ph.D. in 1977.

Board of Internal Auditors

Eyüp Engin

Head of Internal Audit

Eyüp Engin joined Akbank in 1978 as an Assistant Internal Auditor. Following his auditing assignment, Eyüp Engin served as Department Head in Treasury, International Banking and Overseas Financial Institutions. He was appointed as the Executive Vice President in charge of International Banking in 1996. Subsequently, Mr. Engin served as Executive Vice President in charge of International Banking and Overseas Financial Institutions Marketing. Eyüp Engin was appointed to his current position of Head of Internal Audit in July 2007. He is a graduate of Middle East Technical University, Faculty of Economics and Business Administration. ■■■■

INTERNATIONAL ADVISORY BOARD

Suzan Sabancı Dinçer **Chairman**

Dr. Josef Ackermann **Member**

Dr. Hamid Biglari **Member**

Hamid Biglari is former Vice-Chairman and Head of Emerging Markets at Citigroup. He was a member of Citigroup's Operating Committee and held various senior management roles throughout his tenure at the institution, including Chair of the Business Development Committee (the most senior client committee in the bank) and Chief Operating Officer of the Institutional Client Group (the investment and corporate banking arm of the bank). Prior to joining Citigroup, Dr. Biglari was a Partner at McKinsey & Company, where he co-led the firm's investment banking consulting

practice. In that role, he advised CEOs at several bulge-bracket investment banks, commercial banks, insurance companies, investment management companies, and private equity firms. His experience base spans the entire spectrum of financial services. Prior to that, Dr. Biglari was a theoretical nuclear physicist at Princeton University's Plasma Physics Laboratory, the nation's leading center for controlled thermonuclear fusion research. He is a member of the Council on Foreign Relations as well as a Trustee of Asia Society. He also sits on the Advisory Board of the Bendheim Center for Finance at Princeton University. In 2009, Dr. Biglari was awarded the Ellis Island Medal of Honor, given for outstanding contributions to the United States by immigrants. Dr. Biglari holds a Ph.D. degree in Astrophysical Sciences from Princeton University.

Sir Winfried Bischoff **Member**

After serving as the Chairman of the Board of Directors of Citigroup from December 2007 until February 2009, Sir Winfried Bischoff has served as the Chairman of the Board of Directors of Lloyds Banking Group since September 2009. Following his tenure at Schroders Group as an executive, he was appointed Chairman of the Board of Directors of Schroders in May 1995; with the acquisition of Schroders' Investment Banking division by Citigroup, Sir Winfried Bischoff became the Chairman of the Board of Directors of Citigroup Europe in April 2000. Sir Winfried Bischoff served as a member of the Akbank Board of Directors from January 2007 until February 2008. Sir Winfried is currently a member of the Board of Directors of Eli Lilly and McGraw-Hill in the United States and Prudential in the United Kingdom as well as the Chairman of the Board of Directors of the UK Career Academy Foundation.

Sir Winfried Bischoff continues to serve as the Chairman of the European Advisory Board of Citigroup Inc. Sir Winfried entered the Honor List and was knighted in 2000 for his contributions to the banking industry.

Stephen K Green

Member

Stephen Green was educated at Lancing College, Sussex, and at Oxford University where he graduated in 1969 with a BA (First Class Honours) in Politics, Philosophy and Economics. He also obtained a Master's degree in Political Science from the Massachusetts Institute of Technology in 1975. He was made a Life Peer in 2010 and was appointed Minister of State for Trade and Investment in January 2011. He retired from this position in December 2013. Lord Green began his career in 1970 with the British Government's Ministry of Overseas Development. In 1977, he joined McKinsey & Co Inc., management consultants, with whom he undertook assignments in Europe, North America and the Middle East. He joined The Hong Kong and Shanghai Banking Corporation in 1982 with responsibility for corporate planning activities; in 1985 was put in charge of the development of the bank's global treasury operations. In 1992, he became Group Treasurer of HSBC Holdings plc with responsibility for the HSBC Group's treasury and capital markets businesses globally. In 1998, he was appointed to the Board of HSBC Holdings plc as an Executive Director. He became Group Chief Executive in 2003 and Group Chairman 2006. He retired from HSBC in December 2010. Lord Green was Chairman of the British Bankers' Association from 2006 to 2010. He also served as a Trustee of the British Museum. He served as a non-executive director of BASF.se until 2010. He is Chairman of the Natural History Museum, Chairman of the International Advisory Council of the British Chambers of Commerce and is a member of the House of Lords EU Select Committee. Stephen Green is married with two daughters.

Michael Klein

Member

Michael Klein is the Managing Partner of M. Klein and Company, LLC, which is a leading independent financial

and strategic advisor to companies, investors, and governments. Mr. Klein was previously the Chairman of Citi's Institutional Clients Group and Vice Chairman of Citi, Inc. In that capacity, Mr. Klein was responsible for managing the Bank's relationships with leading companies, investment funds, and governments in more than 100 countries. Prior to that time, Mr. Klein held a number of positions at Citigroup and Salomon Smith Barney including Head of Investment Banking. Mr. Klein led the efforts to build Citigroup's European businesses including the acquisition of the Investment Bank Schroder's PLC. He was also the founder of the firm's efforts advising and raising funds for private equity and other alternative investment firms. Mr. Klein is a member of various boards including: the Board of The Dow Chemical Company Agrosiences, IHS Inc., the Peterson Institute for International Economics, the American Academy of Berlin, Mount Sinai Medical Center and the Harvard Belfer Center. He is also an inaugural member of the United Nations' World Food Programme Investment Advisory Board. Mr. Klein has served as a guest lecturer at Columbia, Harvard, London Business School, St. Petersburg University and at various educational programs arranged by the US Government, including the Federal Reserve and the Securities and Exchange Commission.

Lubna Olayan

Member

Lubna Olayan is the Deputy Chairman and Chief Executive Officer of the Olayan Financing Company, a subsidiary of the Olayan Group, which operates in Saudi Arabia and the Middle East. Ms. Olayan is also a member of the Board of Directors of Saudi Hollandi Bank, a publicly listed company in Saudi Arabia, and has been a member of the Board of Directors of WPP since March 2005. Lubna Olayan is a member of the International Advisory Board of the Council on Foreign Relations, a member of the Board of Directors of INSEAD and serves on the Board of Trustees of Cornell University and KAUST (King Abdullah University of Science and Technology). In October 2006, Ms. Olayan joined the International Advisory Board of Rolls Royce.

Dante Roscini

Member

Dante Roscini teaches elective International Trade and Investment Management at Harvard Business School's Business, Government and the International Economy Department. He started work at HBS in 2008 and began writing case studies on sovereign debt, monetary policy, central banks and international investments. He holds an MBA from Harvard University and received his Bachelor's degree from the University of Rome in Nuclear Engineering with high honors. Before returning to Harvard Business School, Mr. Roscini spent 20 years in investment banking with senior positions at three of the top US investment banking firms in New York and London.

He was Head of European Capital Markets for Goldman Sachs, Head of Global Equity Capital Markets and Head of the European Capital Markets and Financing Group for Merrill Lynch where he was also a member of the Capital Commitments Committee and the Managing Directors Promotions Committee. Additionally, he was Country Head of Italy and Chairman of European Capital Markets for Morgan Stanley as well as a board member of Morgan Stanley International Bank. Prior to his career in investment banking, Mr. Roscini worked as a researcher in nuclear archaeometry at the University of Rome; a design engineer and project manager with Westinghouse Electric Corporation in the US; and as a management consultant with Boston Consulting Group in Paris.

Hayri Çulhacı

Member

Cem Mengi

Member

Hakan Binbaşgil

Member

EXECUTIVE MANAGEMENT

TOP ROW, FROM LEFT TO RIGHT:

1. AHMET FUAT AYLÄ

Executive Vice President - Credit Allocation

2. BANU ÖZCAN

Akbank AG Chairman of the Managing Board & CEO

3. TOLGA ULUTAŞ

Executive Vice President - Direct Banking

4. KERİM ROTA

Executive Vice President - Treasury

5. BURCU CİVELEK YÜCE

Executive Vice President - Human Resources and Strategy

6. K. ATIL ÖZUS

Executive Vice President - CFO

7. İLKER ALTINTAŞ

Executive Vice President - Technology and Operation

8. MERT ERDOĞMUŞ

Ak Investment General Manager



BOTTOM ROW, FROM LEFT TO RIGHT:

9. ŞENOL ALTUNDAŞ

Aklease General Manager

10. KAAAN GÜR

Executive Vice President - Commercial Banking

11. LEVENT ÇELEBİOĞLU

Executive Vice President - Corporate - Investment
and Private Banking

12. HAKAN BİNBAŞGİL

Board Member and CEO

13. ARİF İSFENDİYAROĞLU

Executive Vice President - Consumer Banking

14. EGE GÜLTEKİN

Executive Vice President - Credit Monitoring
and Collection

15. BÜLENT OĞUZ

Executive Vice President - SME Banking

16. ALP KELER

Ak Asset Management General Manager



EXECUTIVE MANAGEMENT

Hakan Binbaşgil

Board Member and CEO

Hakan Binbaşgil joined Akbank as the Executive Vice President in charge of Change Management in October 2002. He initiated the Bank's "Restructuring Program" which has transformed Akbank into one of Turkey's most customer-focused, modern and innovative financial institutions. Hakan Binbaşgil was appointed Executive Vice President in charge of Retail Banking in November 2003, Deputy CEO in May 2008, and since January 2012 as Board Member and Chief Executive Officer of the Bank. Prior to joining Akbank, Mr. Binbaşgil worked as a Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in a different private sector bank. Mr. Binbaşgil also served on the boards of directors of numerous companies domestically and abroad. After graduating from Robert College, Hakan Binbaşgil graduated from Bosphorus University, Faculty of Mechanical Engineering. Mr. Binbaşgil also holds MBA and MS degrees in Finance from Louisiana State University-Baton Rouge, USA.

Ahmet Fuat Ayla

Executive Vice President - Credit Allocation

Ahmet Fuat Ayla joined Akbank as Corporate Branch Manager in 2002, became the Senior Vice President in charge of the Corporate and Commercial Credits Approval Unit in 2005 and was appointed as Executive Vice President in charge of Corporate and Commercial Credits Approval in 2007. Ahmet Fuat Ayla currently serves as Executive Vice President in charge of the Approval of Consumer, Corporate, Commercial and SME Loans. Ahmet Fuat Ayla serves as Vice Chairman of the

Board of Directors at Ak Asset Management, as well as Member on the Board of Directors of Akbank AG and Ak Investment. Before joining Akbank, Ahmet Fuat Ayla held various senior management positions at different private sector banks. Ahmet Fuat Ayla is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration.

K. Atıl Özus

Executive Vice President - CFO

Atıl Özus joined Akbank in November 2000 as Vice President of Financial Control and Risk Management, and later became Senior Vice President. In December 2007, he was appointed as Executive Vice President (CFO) in charge of Financial Coordination. Before joining Akbank, Atıl Özus served as an Audit Manager at Ernst&Young. A graduate of Boğaziçi University, Department of Business Administration, Atıl Özus is a Board Member at Ak Asset Management, Aklease and Akbank AG.

Kerim Rota

Executive Vice President - Treasury

Kerim Rota joined Akbank in November 2010 as Executive Vice President in charge of Treasury. Mr. Rota is also the Chairman of Ak Asset Management, Vice Chairman of Akbank AG and a Member on the Board of Directors of Akbank (Dubai) Limited and Aklease. Before joining Akbank, Kerim Rota served as Executive Vice President at various different private sector banks. Kerim Rota is a graduate of Gazi University, Faculty of Engineering. Mr. Rota also holds a Master's degree in Business Administration from Bilgi University.

Kaan Gür

Executive Vice President - Commercial Banking

Kaan Gür joined Akbank as Executive Vice President in charge of Commercial and SME Banking in January 2011. Mr. Gür is also the Chairman of Aklease and Vice Chairman of Ak Investment. Prior to joining Akbank, he held various senior management positions at different private sector banks. A graduate of Gazi University, Department of Banking and Insurance.

Bülent Oğuz

Executive Vice President - SME Banking

Bülent Oğuz joined Akbank as a Manager on March 2003. He served as Vice President and Senior Vice President of SME and Consumer Banking respectively. Oğuz was appointed as Executive Vice President in charge of SME Banking in July 2013. Before joining Akbank, Oğuz held various managerial positions at Corporate Banking and Loans divisions at different private sector banks. Oğuz is a graduate of Middle East Technical University, Political Science and Public Administration and holds an Executive MBA degree from Sabancı University.

Burcu Civelek Yüce**Executive Vice President – Human Resources and Strategy**

Burcu Civelek Yüce joined Akbank in 2006 and most recently served as Senior Vice President of Strategic Management. She was appointed Executive Vice President in charge of Human Resources and Strategy in May 2014. Her areas of responsibility cover human resources, strategic management and branch channel development. Prior to joining Akbank, she worked at international consulting and technology companies. Burcu Civelek Yüce has a B.Sc. degree in Industrial Engineering and an MBA degree from Boğaziçi University both first in rank. She also participated in courses in Harvard Business School and Koç University.

Ege Gültekin**Executive Vice President – Credit Monitoring and Follow Up**

Ege Gültekin joined Akbank in February 2015 as Executive Vice President in charge of Credit Monitoring and Follow Up of Consumer, Corporate, Commercial and SME Loans. Before joining Akbank, Ege Gültekin held various senior management positions at different banks and asset management companies. Ege Gültekin is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences and holds a Master's degree from Johns Hopkins University, Faculty of Engineering, Department of Information and Telecommunication Systems.

Arif İsfendiyoğlu**Executive Vice President – Consumer Banking**

Arif İsfendiyoğlu joined Akbank in March, 2015 as Executive Vice President in charge of Consumer Banking and Payment Systems. Prior to joining Akbank, he held various senior management positions at different private sector banks. A graduate of Istanbul Technical University, Mechanical Engineering Faculty, Department of Textile Engineering, Arif İsfendiyoğlu also holds a Master's degree in Business Administration from Bilgi University.

Levent Çelebioğlu**Executive Vice President – Corporate – Investment and Private Banking**

Levent Çelebioğlu joined Akbank in May, 2015 as Executive Vice President in charge of Corporate and Investment Banking. Prior to joining Akbank, he held various senior management positions at different private sector banks. Çelebioğlu is also the Chairman of Akbank AG, Akbank (Dubai) Ltd and Ak Investment. Levent Çelebioğlu is a graduate of 9 Eylül University, Faculty of Economics, Monetary Economics & Banking Department.

Tolga Ulutaş**Executive Vice President – Direct Banking**

In September 2016, Tolga Ulutaş assumed the position of Executive Vice President – Direct Banking at Akbank. Before joining Akbank, he held senior management positions at various companies for many years. Mr. Ulutaş graduated from Istanbul Technical University, Department of Civil Engineering and went on to receive his MBA from San Diego State University in the US.

İlker Altıntaş***Executive Vice President – Information Technologies and Operation**

İlker Altıntaş joined Akbank in March 2012 as Vice President of IT Enterprise Architecture and later became Senior Vice President of the IT Architecture and Core Banking Department. In January 2017, he was appointed as Executive Vice President in charge of Technology and Operations. Before joining Akbank, İlker Altıntaş completed two banking transformation projects during his career as an executive of technology companies, involved in the development of finance/banking products and led engineering processes. İlker Altıntaş is a graduate of Middle East Technical University, Department of Computer Engineering and holds a PhD degree of software engineering from the same university. İlker Altıntaş has published many technical articles for international conferences, journals and is a committee member for various national and international conferences.

* Turgut Güney, who resigned from his duties as Executive Vice President – Technology and Operations, was replaced by İlker Altıntaş as of January 31, 2017.

SUBSIDIARIES

K. Banu Özcan

Akbank AG, Chairman of the Managing Board and General Manager

K. Banu Özcan was appointed General Manager of Akbank N.V. in September 2001. Following the merger of Akbank N.V. and Akbank AG, she was appointed the Chairman of the Managing Board and General Manager of Akbank AG as of June 2012. Prior to joining Akbank, Ms. Özcan held various positions at BNP-AK-Dresdner Bank A.Ş. and other overseas financial institutions. A graduate of Ludwig-Maximilians University, Department of Business Administration, Ms. K. Banu Özcan serves as a Member of the Board of Directors of the Association of Foreign Banks in Germany. In May 2014, K. Banu Özcan was appointed by Dr. Jens Weidmann, President of Deutsche Bundesbank (German Central Bank), as Advisory Board member of Deutsche Bundesbank, Regional Office in Hessen for a period of three years. In November 2014, K. Banu Özcan was also appointed by Frankfurt Mayor Peter Friedman as International Frankfurt Trade Ambassador for 2015 and 2016 in order to expand Frankfurt's trade relations and promote the city.

Şenol Altundaş

Aklease, General Manager

Şenol Altundaş was appointed General Manager of Ak Finansal Kiralama A.Ş. (Aklease) on June 1, 2015. Mr. Altundaş held various senior management positions in Commercial and Corporate Banking at Akbank for 12 years. A graduate of Marmara University, Political Science and International Relations, Mr. Altundaş holds a Master's degree in Business Administration from Sabancı University.

Mert Erdoğan

Ak Investment General Manager

Mert Erdoğan was appointed General Manager of Ak Investment in January 2015. Prior to joining Ak Investment, he held various positions at banks and financial institutions for more than 20 years. Mert Erdoğan is a graduate of Istanbul University, Department of Business Administration and holds an MBA from Bloomsburg University of Pennsylvania.

Alp Keler

Ak Asset Management, General Manager

Dr. Alp Keler joined Ak Asset Management as General Manager in 2011. Prior to joining Ak Asset Management, Dr. Keler held senior executive posts at various financial institutions. A graduate of Middle East Technical University, Department of Civil Engineering, he holds an MBA degree from Bilkent University, an MA in Economics Law from Galatasaray University and a Ph.D. in Banking from Marmara University.

CHANGES IN THE ORGANIZATIONAL STRUCTURE DURING THE YEAR

As of July 1, 2016, Private Banking operations were separated from the Retail and Private Banking Business Unit and integrated into the Corporate and Investment Banking Business Unit. Following this restructuring, the business units were respectively renamed Retail Banking and Corporate-Investment & Private Banking.

Orkun Oğuz resigned from his position as Executive Vice President – Direct Banking on July 19, 2016 and was replaced by Emin Tolga Ulutaş on September 19, 2016.

Akbank's Board of Directors has resolved to liquidate Akbank Dubai Limited, the Bank's wholly-owned subsidiary active in The Emirate of Dubai and to open a representative office at the same location. ■■■■■

BOARD OF DIRECTORS COMMITTEES

Audit Committee

The Audit Committee carries out the auditing and oversight activities on behalf of the Board of Directors. Specifically, the Audit Committee assists the Board of Directors in executing its responsibilities with regard to the matters stipulated below:

- Ensure the effectiveness and adequacy of the internal control, risk management and internal audit systems,
- Oversee the functioning of the internal control, risk management, internal audit, accounting and reporting systems in compliance with related legislation as well as the integrity of the resulting information,
- Conduct the initial assessment to assist the Board of Directors in selecting independent auditors and regularly monitor the activities of the independent auditors selected by the Board of Directors,
- Ensure that the internal audit activities of companies that are subject to consolidated audit under the Banking Law are conducted on a consolidated basis and facilitate their coordination,
- Notify the Board of Directors of issues that may undermine the sustainability and credibility of the Bank's business and/or may lead to breach of legislation and internal regulations of the Bank.

The Audit Committee receives regular reports from all units created under the internal control, internal audit and risk management systems as well as from independent auditors regarding the execution of their respective duties. It is incumbent on the Committee to notify the Board of Directors of issues that may undermine the sustainability and credibility of the Bank's business and/or lead to breach of legislation and internal regulations of the Bank. The Bank's subsidiaries have also formed

audit committees. Akbank's Audit Committee monitors the operations and activities of the subsidiaries' audit committees. Unless excused, all Committee members attend the meetings.

The Audit Committee members do not have a set term of office. The Audit Committee convenes at least four times each year.

Hayri Çulhacı

Chairman (Vice Chairman and Executive Board Member)

Yaman Törüner

Member (Board Member)

Background Information of Executives in Charge of Internal Systems Units

Please see page 78, of the Annual Report for the background information of the Board Member in Charge of Internal Systems Units, Hayri Çulhacı.

Eyüp Engin

Head of Internal Audit
Please see page 80. of the Annual Report for Eyüp Engin's background information.

Savaş Külcü

Head of Internal Control and Compliance
Savaş Külcü started serving on the Board of Internal Auditors in 1998 as internal auditor, went on to become Deputy Head of the same board in 2006 and then Head of Internal Control and Compliance in 2016. He received his Bachelor's degree from Boğaziçi University, Department of Economics and obtained an MBA from Sabancı University.

Şebnem Muratoğlu

Senior Vice President of Risk Management
Şebnem Muratoğlu joined Akbank in 1995 as an Assistant Specialist in the Treasury Business Unit. Appointed Manager of Risk Management in 2003, she was promoted to Senior Vice President

of Risk Management in 2006. A graduate of University of Kent, Department of Economics in the UK, Şebnem Muratoğlu has an MA in Finance from Macquarie University in Australia.

Credit Committee

The Credit Committee is the ultimate executive body to ratify lending decisions, assessing loan proposals that are cleared by the Head Office in terms of their compliance with legislation, banking principles and objectives and lending policies of the Bank. Unless excused, all Committee members attend the meetings. The Credit Committee convenes on an as-needed basis.

Suzan Sabancı Dinçer

Chairman (Chairman and Executive Board Member)

Cem Mengi

Member (Executive Board Member)

Hakan Binbaşgil

Member (Board Member and CEO)

An Appraisal Subcommittee was instituted at the Head Office level to support the Credit Committee and to conduct an initial assessment of loan applications submitted by branches.

The aim of the Appraisal Subcommittee is to perform initial screening in accordance with the approval criteria of the Credit Committee, thereby increasing efficiency and speed of the procedure while acting as a bridge between the branches and the Credit Committee to provide closer supervision and clearer direction for the branches.

Appraisal Subcommittee

Cem Mengi

Member (Executive Board Member)

Ahmet Fuat Ayla

Member (Executive Vice President - Credit Allocation)

Dependent on the loan type, the Executive Vice President of the relevant business unit attends the Appraisal Subcommittee as a member.

Executive Risk Committee (ERC)

The Executive Risk Committee is responsible for developing risk policies, determining appropriate methods for measurement and management of risks, setting commensurate risk limits and monitoring their performance. All risk policies formulated are documented in writing and incorporated with the overall long-term strategy of the Bank. Unless excused, all Committee members attend the meetings. The Committee convenes at least four times each year.

Hayri Çulhacı

Chairman (Vice Chairman and Executive Board Member)

Suzan Sabancı Dinçer

Member (Chairman and Executive Board Member)

Cem Mengi

Member (Executive Board Member)

Hakan Binbaşgil

Member (Board Member and CEO)

Corporate Governance Committee

The duties, authorities and responsibilities of the Corporate Governance Committee include:

- Attaining, overseeing and communicating the Bank's compliance with the Corporate Governance Principles,
- Scoping and overseeing relationships with investors as well as authorized bodies such as Capital Markets Board (CMB) and Borsa İstanbul (BIST),
- Ensuring and overseeing the establishment of an honest and transparent communications platform with the Bank's stakeholders,

- Formulating the Code of Ethics and overseeing compliance,
- Supervising the activities of the Shareholder Relations Unit,
- Creating a transparent system for determining, evaluating and training the suitable candidates for the Board of Directors, and carrying out activities for determining policies and strategies in this issue,
- Activities are carried out by the Members of the Remuneration Committee on behalf of the Board of Directors, for monitoring, auditing and reporting the remuneration practices,
- Determining, maintaining and monitoring policies regarding all Social Responsibility Projects, including culture and art activities,
- Ensuring and supervising that the Bank's Annual Report, website, and similar publicity channels are prepared in conformity with the Corporate Governance Principles,
- Supervising the preparation of the Sustainability Report,
- Ensuring and supervising that necessary actions are taken for protecting the Bank's brand and reputation.

The Committee convenes twice a year.

Hayri Çulhacı

Chairman (Vice Chairman and Executive Board Member)

Suzan Sabancı Dinçer

Member (Chairman and Executive Board Member)

Yaman Törüner

Member (Board Member)

Aykut Demiray

Member (Board Member)

K. Atıl Öz

Member (CFO - Responsible for Investor Relations)

Members of the Board of Directors: Hayri Çulhacı and Yaman Törüner are the members of the Remuneration Committee.

Asset-Liability Committee (ALCO)

The Asset-Liability Committee (ALCO) is a subcommittee presided over by the CEO. Responsible for daily liquidity and cash management, ALCO meets twice a week to take up developments in the economy and in the markets. In addition, development of investment, pricing and funding strategies as well as making decisions regarding daily liquidity management are also among the ALCO's responsibilities.

Unless excused, all Committee members attend the meetings.

Hakan Binbaşgil

Chairman (CEO)

Atıl Öz

Member (Executive Vice President-CFO)

Kerim Rota

Member (Executive Vice President-Treasury)

Kaan Gür

Member (Executive Vice President-Commercial Banking)

Bülent Oğuz

Member (Executive Vice President-SME Banking)

Arif İsfendiyoğlu

Member (Executive Vice President-Consumer Banking)

Levent Çelebioğlu

Member (Executive Vice President-Corporate – Investment and Private Banking)

Şebnem Muratoğlu

Member (Senior Vice President-Risk Management)

SUMMARY REPORT OF THE BOARD OF DIRECTORS

Akbank maintained a leading position in the Turkish banking industry in 2016 thanks to a robust balance sheet, effective risk management, a customer-oriented approach and deep, long-standing international relationships. In 2016, Akbank's consolidated pre-tax profit reached TL 6,201 million, while consolidated net profit increased to TL 4,854 million. Akbank's return on equity and return on assets were actualized as 16% and 1.8%, respectively in 2016.

Akbank's total consolidated assets rose to TL 295 billion with a 16.6% annual increase, while lending surged by 16.6% to TL 179 billion and deposits climbed 16.4% during the year to TL 174 billion.

Thanks to its effective risk management policies, Akbank's non-performing loan ratio stands at an extremely low level of 2.3%, significantly below the sector average of 3.2%.

With its capital adequacy ratio hovering at a lofty 14.2%, Akbank stood well over the recommended ratio of 12% in the Turkish banking industry.

Despite challenging economy related developments, Akbank continues to undertake efficiency initiatives. One of the most efficient banks in the industry, Akbank achieved an operational expenses-to-total assets ratio of 1.6% in 2016.

The Bank's objective is to create sustainable and high value for shareholders in every segment of the banking industry. Akbank will continue to undertake initiatives and investments in 2016 and ahead in an attempt to further enhance this successful performance, grow efficiently, and create value for all of its stakeholders.

We would like to thank our employees, as well as our shareholders and social stakeholders for their contributions and support.

Respectfully yours,

Akbank Board of Directors 

OUTSOURCED SERVICES

Pursuant to the Regulation on Bank Procurement of Support Services, Akbank procured support services in the areas of archive, call center, security, card production and card personalization, courier, mobile banking, operational services, marketing, cash register POS area service and software application services and information services from the firms listed in the table below.

As of year-end 2016, in addition to the firms listed in the table, Akbank received support service from 133 auto dealers for car loan marketing activities and from 1,229 stores for retail credit.

SUPPORT SERVICE PROVIDER	ACTIVITY AREA OF SUPPORT SERVICE PROCURED
1 Marmara Sosyal Hizm. Turz. Tic. ve San. A.Ş.	Archive Services
2 CMC İletişim Bilg. Reklam ve Danışmanlık Hizm. San. Tic. A.Ş.	
3 Collection Platform Yazılım ve Danışmanlık A.Ş.	
4 CRIF Alacak Yönetim ve Danışmanlık Hizmetleri A.Ş. (It's subcontractor of CCH İletişim Tekn. ve Hiz. Yön. A.Ş.)	Call Center Services
5 Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.	
6 Metis Bilgisayar Sistemleri Sanayi ve Ticaret A.Ş.	
7 Sestek Ses ve İletişim Bilgisayar Teknolojileri San. Tic. A.Ş.	
8 Winn Bilgi İletişim Hizmetleri A.Ş.	
9 ATOS Bilişim Danışmanlık ve Müşteri Hizmetleri San. Tic. A.Ş.	Call Center/ Software Services
10 G4S Güvenlik Hizmetleri A.Ş.	Security Services
11 Tepe Savunma Güvenlik Sistemleri A.Ş.	
12 E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	Card Production and Card Personalization
13 Plastikkart Akıllı Kart İletişim Sistemleri San. ve Tic. A.Ş.	
14 Aktif İleti ve Kurye Hizmetleri A.Ş.	Courier Services
15 Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.	
16 Addeco Hizmet ve Danışmanlık A.Ş.	
17 Bilkay Bilgi Kayıt ve Org. Tic. Ltd. Şti.	Operational Services
18 Fu Gayrimenkul Yatırım Danışmanlık A.Ş.	
19 Hobim Digital Elektronik Hizmetler A.Ş.	
20 MTM Holografi Güvenlikli Basım ve Bilişim Tekn. San. Tic. A.Ş.	
21 Eksen Pazarlama ve Satış Dan. A.Ş.	Marketing Services
22 Arçelik A.Ş.	
25 E-Data Elektronik San ve Tic. A.Ş.	
24 Hugin Yazılım Teknolojileri A.Ş.	
25 Ingenico Ödeme Sistem Çözümleri A.Ş.	Cash Register Pos Area Service and Software Application Services
26 Karbil Yazılım ve Bilişim Teknolojileri Tic. A.Ş.	
27 MT Bilgi Teknolojileri ve Dış Ticaret A.Ş.	
28 Panorama Bilişim Teknolojileri San. ve Tic. A.Ş.	
29 R2 Servis Elektrik Elektronik ve Bilgisayar Teknolojileri San ve Tic. A.Ş.	
30 Verifone Elektronik ve Danışmanlık Ltd. Şti.	
31 Asseco SEE Teknoloji A.Ş.	
32 Bilişim Bilgisayar Hizmeti Ltd. Şti.	
33 Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	Software, Software Maintenance/Troubleshooting, Patching and Product Development Services
34 DDI Teknoloji ve Bilişim Çözümleri Ar.Ge. Hizm. Ltd. Şti.	
35 DIP Yazılım Ticaret Ltd. Şti.	
36 DTP Bilgi İşlem ve İletişim Tic. Ltd. Şti.	
37 EGA Elektronik Güvenlik Altyapı A.Ş.	
38 Eretim Bilgisayar Hizmetleri ve Dan. Ltd. Şti.	

OUTSOURCED SERVICES

39	Fineksus Bilişim Çözümleri Tic. A.Ş.	
40	Fonoklik İletişim Hizmetleri ve Tic. A.Ş.	
41	Foreks Bilgi İletişim Hizmetleri A.Ş.	
42	Geneks International Yazılım ve İletişim Teknolojileri Ltd. Şti.	
43	Globit Global Bilgi Teknolojileri A.Ş.	
44	IBM Global Services İş ve Teknoloji Hizmetleri Tic. Ltd. Şti. (Emergency Center)	
45	Incentro Bilişim Hizm. Ltd. Şti.	
46	Infina Yazılım A.Ş.	
47	Innova Bilişim Çözümleri A.Ş.	
48	Itelligence Analitik Sistemleri A.Ş.	
49	IX Future Yazılım Tekn. San. ve Tic. Ltd. Şti.	
50	Key Internet Hizmetleri Bilgisayar Yazılım, Donanım, Mühendislik, Müşavirlik San. ve Tic. Ltd. Şti.	
51	Nomad Yazılım Danışmanlık Ticaret A.Ş.	
52	Spark Bilgi İşlem Sistemleri San. ve Tic. A.Ş. (It's subcontractor of Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.)	
53	Logo Elektronik Ticaret Hizmetleri A.Ş.	
54	Logo Yazılım Sanayi ve Tic. A.Ş.	
55	Mirsis Bilgi Teknolojileri Ltd. Şti.	
56	Misys PLC	
57	NCR Bilişim Sistemleri Ltd. Şti.	
58	Netaş Telekomünikasyon A.Ş. (It's subcontractor of BDH Bilişim Destek Hizmetleri San. ve Tic. A.Ş.)	
59	Novosoft Yazılım Teknolojiler Bilişim Sanayi ve Tic. A.Ş.	
60	OBSS Bilişim Bilgisayar Hiz. Dan. San. Tic. Ltd. Şti.	
61	Provus Bilişim Hizmetleri A.Ş.	
62	Prozek Bilişim Çözümleri Ltd. Şti.	
63	Smartiks Bilgi Teknolojisi A.Ş.	
64	UCS Bilişim Sist. Ltd. Şti.	
65	Uzman Bilişim Danışmanlık A.Ş.	
66	V.R.P Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Tic. A.Ş.	
67	Vega Bilgisayar Hizmetleri Ltd. Şti.	
68	Zenn Bilişim Teknolojileri San. ve Tic. Ltd. Şti.	

Software, Software
Maintenance/Troubleshooting,
Patching and Product
Development Services

RELATED PARTY TRANSACTIONS

Pursuant to the Banking Law, related-party transactions of the Bank cover all arms-length banking transactions in the scope of ordinary bank-customer relationship under the prevailing market conditions. Detailed disclosures on these dealings can be found in Note VII of Section 5 in the publicly-announced Unconsolidated Financial Statements, Notes to these Financial Statements and Independent Auditor's Report, prepared as of December 31, 2016. In addition, the aforementioned information can also be found in Note VII of Section 5 in the Consolidated Financial Statements, Notes to these Financial Statements and the Independent Auditor's Report. ■■■■

AFFILIATION REPORT

The Board of Directors of Akbank has issued an Affiliation Report regarding the relations with Company's controlling shareholder and associate companies of the controlling shareholder in 2016 Activity Period. The conclusion of this report is given below as per the 199th Article of Turkish Commercial Code of n.6102.

Necessary explanations about the transactions between Akbank and the related parties are available in Footnote VII in Section Five of the Explanations and Footnotes Regarding the Consolidated Financial Statements. The Report issued by the Board of Directors of Akbank, states: "The legal transactions our Bank has carried out with the parent company Hacı Ömer Sabancı Holding A.Ş. and Sabancı Group Companies are listed above. There is no financial loss in our Bank resulting from the fact that it is a member of the group Companies. All transactions have resulted in conformity with market examples, within the framework of an ordinary customer relationship." ■■■■

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Declaration of Compliance with Corporate Governance Principles

Corporate governance, transparency and commitment to ethical values have always been a top priority for Akbank.

Akbank's pioneering firsts in corporate governance include:

- First bank to disclose its dividend policy (2003),
- First bank to state its Corporate Governance Principles in its Annual Report (2003),
- First bank to publish its Corporate Governance Principles on its website (2004),
- First bank to buy back its founders' shares (2005),
- First Turkish bank to be a signatory to the United Nations Global Compact (2007),
- First bank to publish its Global Compact Report (2010),
- Pioneer in its support of the launch of the Carbon Disclosure Project (CDP) in Turkey (2010),
- First deposit bank to publish a sustainability report in accordance with Global Reporting Initiative (GRI) standards (2010),
- First and only Turkish company included in the Global 500 Report of the Carbon Disclosure Project (2010).

The core corporate governance principles that regulate the relationships between Akbank's management, shareholders, employees and third parties (i.e. customers, legal authorities, suppliers, and all types of individuals and institutions which the Bank does business with) are stipulated below.

Integrity

The Bank remains committed to the principle of integrity in its activities, operations and relationships with all of its stakeholders and other parties.

Credibility

Aware that customer confidence lies at the heart of banking, Akbank provides customers and all other stakeholders with clear, comprehensible and accurate information and offers timely and comprehensive services in line with the promises made by the Bank.

Non-discrimination

Akbank refrains from harboring prejudice against stakeholders based on gender, behavior, opinion or ethnic origin and does not discriminate against anyone under any condition or circumstance.

Compliance

Akbank abides by all laws, regulations and standards.

Transparency

Except for the information deemed commercial secret, the Bank informs customers and the public at large thoroughly, accurately and promptly.

Pursuing Public Interest and Respect for the Environment

In all of its activities, practices and investments, Akbank acts to safeguard its image, interest and profitability as well as public interest, development of the banking industry, sustainability and the continuation of confidence in the sector while complying with laws and regulations related to the environment, consumer rights and public health.

Having adopted the Corporate Governance Principles stipulated in the Banking Legislation, Capital Markets Board and Turkish Commercial Code, the Bank pays utmost attention to implementing these principles. The Bank has achieved compliance with the compulsory articles of the Corporate Governance Principles issued by the Capital Markets Board in the Official Gazette n.28871 on the date 03.01.2014. In addition, activities are for compliance with the non-compulsory principles.

Section I-Shareholders

2. Investor Relations Division

Akbank management strives to be in transparent and close communication with shareholders. To attain this goal, Akbank management has embraced the principle of equal treatment of all shareholders. The primary objective is to make Akbank shares an attractive and predictable investment vehicle for both existing shareholders and potential investors.

An Investor Relations Group was established in 1996 to manage and reinforce the Bank's relations with shareholders. Moreover, there is a Financial Coordination and International Reporting Department in Akbank in order to facilitate pursuing shareholders' rights.

The director who has administrative responsibilities in the Investor Relations and Sustainability Department and the Financial Coordination and International Reporting Department is:
Atıl Özus, Executive Vice President - CFO
atil.ozus@akbank.com.

Atıl Özus who has "Capital Markets Activities Advanced Level License" and "Corporate Governance Rating Specialist License," was appointed as a member to the Corporate Governance Committee.

The Investor Relations Activity Report was presented to the Board of Directors in February 2016.

Financial Coordination and International Reporting Department

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Main Tasks of the Financial Coordination and International Reporting Department:

- Regarding the General Assembly meetings, preparing the documents that will be presented for the information and review of the shareholders and taking necessary measures to ensure that the General Assembly meeting will be held in conformity with the relevant legislation, Articles of Association and other internal regulations of corporation;
- Performing capital increase transactions;
- Conducting dividend payment transactions;

- Providing timely responses to inquiries related to Company shares;
- Ensuring that necessary amendments are made to the Articles of Association in compliance with relevant legislation;
- Announcing all kinds of news that may have an impact on the exercise of shareholders' rights, regularly via the Public Disclosure Platform (www.kap.gov.tr) as material disclosures.

The primary duties of the Investors Relations and Sustainability Department include:

- Administering relationships with current and potential institutional investors and credit rating agencies;
- Establishing communication between the Board of Directors and shareholders, responding to the questions of shareholders, and reporting shareholder opinions to the Board of Directors on a regular basis;
- Keeping regular, secure, and up-to-date records of the correspondence made between the investors and the corporation and other information and documents.
- Announcing developments related to Akbank and the Bank's periodic financial statements to shareholders in a timely fashion and keeping the investor relations section of the Akbank website up-to-date;
- Preparing introductory presentations about the Bank, posting these on the website, and participating in investor meetings and conferences in Turkey and abroad;

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

- Undertaking initiatives to improve the Bank's Corporate Governance practices, overseeing and monitoring the fulfilment of the obligations arising from the Capital Markets legislation including corporate governance and public disclosure all relevant issues.

The Investors Relations and Sustainability Department is responsible for conveying the performance and strategies of the Bank to current and potential investors in the most accurate and transparent manner. In addition, the Department plays an active role in safeguarding shareholding rights and facilitating their exercise, particularly the right to obtain and examine information.

The Investor Relations and Sustainability Department joined the Executive Management team in participating in 21 domestic and overseas investor conferences in 2016; during the year, meetings with approximately 250 international investment funds and four rating agencies were held. In addition, the Department responded to more than 500 inquiries from investors and analysts via telephone and e-mail.

3. Exercise of Shareholders' Right to Information

Written and verbal information requests made by the corporate investors and shareholders are evaluated by the Investor Relations and Sustainability Department and Financial Coordination and International Reporting Department under the structure of Financial Coordination Business Unit. All questions that do not interfere with trade secrets are answered by these departments within the scope of equality principle while continuous communication is achieved between the management and shareholders.

All news that may impact the exercising of shareholders' rights, is regularly announced via the Public Disclosure Platform (www.kap.gov.tr) in Turkish and English as "material event disclosures." Moreover, there is a link on the Bank's website to the Public Disclosure Platform.

Akbank maintains an investor relations website in Turkish and in English.

The addresses for access to the websites are:

Furthermore, there is an "Akbank IR" application for the iOS operating system with Turkish and English language options.

Since the Bank implements the provisions of the Turkish Commercial Code in relation to appointment of a special auditor, this issue has not been provided for in a separate article in the Articles of Association. There was no request for appointment of a special auditor during the period covered by this report.

4. General Assembly Meetings

During the reporting period (January 1, 2016-December 31, 2016), one Ordinary General Assembly meeting was held. The participation rate at the Ordinary General Assembly meeting was 67.5% and all stakeholders wishing to attend the meeting were able to do so. Invitation to the General Assembly meeting held during the period was published in the Turkish Commercial Registry Gazette.

The invitation to the General Assembly meeting is published at least three weeks prior to the General Assembly meeting in the Turkish Commercial Registry Gazette on the Bank's website, on the Public Disclosure Platform (www.kap.gov.tr), on the e-YÖNET Corporate Governance and Investor Relations Portal (www.mkk.com.tr), e-ŞİRKET Aggregate

<http://www.akbank.com/yatirimci-iliskileri/sayfalar/yatirimci-iliskileri.aspx> **for Turkish**

<http://www.akbank.com/en/investor-relations/Pages/investor-relations.aspx> **for English.**

Corporation Portal (www.mkk.com.tr) and on the e-GENEL KURUL Electronic General Assembly System (www.mkk.com.tr); and in accordance with the procedures stipulated by law in order to reach as many shareholders as possible. The Annual Report is made available to shareholders three weeks prior to the General Assembly meeting on the Bank's website and at the Financial Accounting and Shareholder Relations Directorate, as well as at the Bank's Ankara, Adana and Izmir commercial branches. In addition, the matters stipulated in Article 1.3.1 of the Capital Markets Board's Corporate Governance Principles are announced to the shareholders alongside the invitation to the General Assembly on the Bank website.

The agenda of the General Assembly is drafted so as not to provoke conflicting interpretations. Matters transmitted by shareholders to the Investor Relations and Sustainability Department in writing to be included in the agenda are taken into consideration by the Board of Directors. During the accounting period, shareholders did not proffer a suggestion falling outside of the agenda items.

Agenda items are presented in a clear and comprehensible manner at the General Assembly. Shareholders exercise their right to pose questions and all questions are answered unless they pertain to commercial secrets.

Members of the Board of Directors who are the subject matter experts on the agenda items, other relevant persons, officials who have a responsibility in the preparation of the financial statements, and the statutory auditors attend the General Assembly meeting to provide the necessary briefings and to address any questions. At the Ordinary General Assembly held during the accounting period, shareholders did not pose any questions. Yılmaz Mete, one of the Bank's shareholders, took the floor and expressed his opinions on the balance sheet and income statement.

Provisions of the Articles of Association provide for voting by proxy. Shareholders may cast their vote at General Assembly meetings either in person or through another person, whether a shareholder or not. Members of the media do not attend the Bank's General Assembly meetings.

General Assembly meetings are held at the Akbank Head Office building (Sabancı Center) in order to increase the participation of shareholders while ensuring their attendance at the lowest possible cost. Those eligible to attend the Bank's General Assembly meetings can also participate in these meetings and cast their votes through the electronic General Assembly system.

Donations and charitable contributions during the reporting period are made to various associations, foundations and organizations;

their amounts are presented at the General Assembly as a separate agenda item.

General Assembly meeting resolutions are made available to shareholders on the Public Disclosure Platform (www.kap.gov.tr), the e-YÖNET Corporate Governance and Investor Relations Portal (www.mkk.com.tr), e-ŞİRKET Aggregate Corporation Portal (www.mkk.com.tr) and e-GENEL KURUL Electronic General Assembly System (www.mkk.com.tr), and on the Bank websites.

5. Voting Rights and Minority Rights

Akbank avoids practices that obstruct the exercise of voting rights and provides all shareholders with equal, easy and convenient voting opportunities. The Articles of Association do not provide for privileged voting rights. The Bank is not in a cross-shareholding relationship with any company. The cumulative voting method is not used at Akbank.

There are no members elected by the minority rights in the Board of Directors. Minority rights are specified no less than one twentieth of the Bank's capital in the Articles of Association of the Bank. Furthermore, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.

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6. Right to Dividend

There are no privileges in the sharing of the Bank's profit. The principles of Akbank's profit distribution are stated on the website, in Article 82 of the Bank's Articles of Association and in the Annual Report.

After setting aside 5% of the profit as legal reserve and an amount equal to 5% of the paid-in capital to shareholders as the first dividend. The General Assembly is authorized to decide whether to distribute the remaining profit entirely or partially to shareholders, or to set it aside as an extraordinary reserve.

The dividend proposal is prepared in accordance with the provisions of the Turkish Commercial Code, the Banking Regulation and Supervision Agency of Turkey, Capital Markets Board of Turkey and the Bank's Articles of Association; the proposal is presented to the General Assembly for approval.

Akbank publicly announced its dividend distribution policy as: "provided that no adverse conditions exist regarding domestic and/or global economic circumstances and that the Bank's capital adequacy ratio remains at the targeted level, distributing to its shareholders in cash or stock dividend up to 40% of the Bank's distributable profit."

During the reporting period, the Bank distributed TL 600 million to its shareholders as gross cash dividends.

7. Transfer of Shares

No provision exists in the Bank's Articles of Association that restricts transfer of shares.

Section II-Public Disclosure and Transparency

8. Information Disclosure Policy

In accordance with the Capital Market Law and Corporate Governance Principles, the Information Disclosure Policy was formulated and approved by the Board of Directors and announced to the public on the Company website. The Board of Directors has the authority and the responsibility to supervise, oversee and improve the public disclosure and information dissemination policy of Akbank.

The Bank has tasked the Financial Accounting and Shareholder Transactions Directorate and the Investor Relations and Sustainability Department, jointly serving as the Investor Relations Division under the Financial Coordination business unit and the Corporate Communications Department, to supervise and oversee all matters pertaining to public disclosures.

Persons responsible for administering the Information Disclosure Policy are:
Hakan Binbaşgil, Chief Executive Officer,
Atıl Özus, Executive Vice President - Chief Financial Officer.

Publicly disclosed information is announced for public use via the Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website in a timely, correct, complete, comprehensible, interpretable, economical and accessible manner for the entities that will make use of the announcement to make a decision. Moreover, the e-YÖNET: Corporate Governance and Investor Relations Portal of the Central Registry Agency is used for informing the investors.

Information about the future of the Bank, available on page 108 of the Annual Report, was announced via Public Disclosure Platform.

Public disclosure of the evaluations about the future is made in conformity with the provisions of the relevant legislation.

9. Company Website and Its Content

The Bank maintains a website in Turkish and in English.

Information on the website is presented in accordance with the provisions of relevant legislation and is kept up-to-date.

The website contains information stipulated in the Capital Markets Board's Corporate Governance Principles; accordingly, the main categories of information that can be found on the website include:

- Information about members of the Board of Directors and Executive Management
- Board of Directors Committees
- International Advisory Board
- Detailed information about the Bank's corporate identity
- Corporate Governance Principles Report
- Ethical Principles
- Commercial registry information
- Capital Information
- Shareholder and management structure
- Up-to-date Articles of Association
- Material disclosures
- Annual Reports, periodic financial statements and reports

- Agendas and meeting minutes of General Assembly meetings
 - List of attendees at the General Assembly
 - Voting forms
 - Bribery and corruption policy
 - Dividend distribution policy, history and capital increases
 - Prospectuses and circulars
 - Information Disclosure Policy
 - Compensation Policy
 - Donation and Aid Policy
 - Employee indemnity policy
 - Policy of Compliance with Financial Crimes Investigation Board of Turkey (MASAK) regulations
 - General Assembly Internal Resolution
 - General Assembly Information Document
 - Frequently asked questions
- Annual Reports and financial information for at least the last five years are available on the Bank website. The address of the Akbank website appears on the letterhead of the Bank.

10. Annual Report

The Annual Report is prepared in accordance with the principles stipulated in the relevant legislation in sufficient detail that allows the public at large to have complete and accurate information about the Bank's activities.

Section III-Stakeholders

11. Informing Stakeholders

Aware that one of the core principles of its corporate responsibility is ongoing dialogue with all its stakeholders, Akbank strives to establish regular, continuous and trust-based communications with its stakeholders by taking heed of their expectations and opinions. Akbank's website, Akbank IR App, public disclosures, Akbank branches, the Call Center, social media (e.g. Twitter, Facebook), other media, advertising and public relations campaigns, the Annual Report and the Sustainability Report are the most important platforms used by the Bank to keep stakeholders informed. In addition, two-way dialogue platform samples developed exclusively for each stakeholder group to elicit their feedback and to enter into dialogue with them are available in the Sustainability Report accessible at the link below.

Akbank's "Ethical Principles" document, which stipulates relationships with stakeholders by group type, is also posted on the Bank website.

The Turkish website can be reached at

<http://www.akbank.com/tr-tr/Sayfalar/default.aspx>

And the English website can be reached at

<http://www.akbank.com/en-us/Pages/default.aspx>

Sustainability Report

<http://www.akbank.com/en/about-us/corporate-social-responsibility/Pages/sustainability-report.aspx>

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Akbank shares with its employees all information pertaining to the Bank's activities in every area, including new product and service offerings, messages from the management, corporate goals and strategies, brand communications activities and business conduct. Sharing of this information with personnel takes place in a rapid and effective manner beyond a paper medium over the Bank's Corporate Portal.

Akbank established an "Ethics Line" to enable employees to raise their concerns about issues that they believe cannot be resolved within their business units, or for whatever reasons cannot be taken to their colleagues/business line managers. The dedicated phone line provides personnel with support and advice when necessary in such circumstances. All calls received by the Ethics Line are reported to the Board of Internal Auditors.

Actions in breach of legislation or ethical rules reported by the stakeholders are investigated by the Board of Internal Auditors with a notification to Internal Control and Compliance. Major matters are reported to the Internal Systems Officer.

12. Participation of Stakeholders in Management

Akbank elicits the opinions of its stakeholders through an integrated platform via the channels of the Call Center, Bank branches, Contact Us Communication Form on the website, e-mail, facsimile and postal mail. Additionally, in accordance with the Bank's policy of ensuring customer satisfaction in every channel, customer expectations and demands expressed on complaint websites, as well as on social media platforms such as Facebook and Twitter, are also reviewed and assessed by the Bank.

Akbank monitors the level of customer satisfaction via periodic surveys and on social media channels on a regular basis and plans and rapidly implements actions in areas conducive to improvement based on the opinions and suggestions expressed by customers.

In addition, participation of employees in management is always encouraged and their innovative ideas for improving and expanding the Bank's business are forwarded to the related management functions via the suggestion system; there, suggestions are evaluated carefully and rewarded when deemed appropriate. In order to establish effective and efficient labor relations and foster team spirit, the Bank regularly engages in social responsibility activities that increase personnel communications and that facilitate teamwork.

13. Human Resources Policy

The Bank's objective is to attain results that make a difference with the strength of its human capital; deliver an excellent banking experience to Turkey; and create value for its shareholders.

To sustain the Bank's success in this regard, the mission of Akbank Human Resources is to provide direction for the organizational structure, operations, human resource and business strategies in accordance with the objectives of the Bank.

The human resources policy aims to optimize the competency and productivity of employees and ensure its full manifestation in the Bank's business results. In an effort to attain excellent business results, the policy strives to create a working environment that inspires and motivates the Bank's employees, in a comfortable and professional atmosphere.

The key focal points of the Akbank human resources policy include recruiting the best candidates for the Bank and maintaining their loyalty; constantly improving the corporate culture and staff business conduct; and making effective and appropriate investments in human resources in line with the Bank's goals and strategies. In addition, the policy provides participatory career planning; goal and skills-based, transparent and fair performance management; and a rewarding mechanism that incentivizes and encourages superior performance.

The Bank's organizational structure, employee job descriptions and allocation of staff are announced to personnel and published on the Bank's Corporate Portal. Akbank has a transparent and flexible performance and rewarding system that is open to improvement and that emphasizes an objective evaluation framework.

Performance and rewarding criteria are readily available to employees on the Bank's Human Resources Portal where each staff member has a dedicated, password-protected page.

Akbank conducts the "Employee Commitment Survey" for all personnel each year to elicit feedback on professional life, work processes and functions; to closely monitor satisfaction and the level of corporate loyalty; and to identify improvement areas. The Employee Commitment Survey is administered by an independent research company on a confidential basis and the results are analyzed by the Human Resources Department; the Bank implements improvements and other modifications based on the findings.

The Bank's Ethics Line operates on a confidential basis and allows employees to raise their concerns about issues they believe cannot be resolved within their business units, or for whatever reasons cannot be taken to their colleagues/line managers.

Structured in accordance with the organizational model, needs and expectations of the Bank's business lines, the Human Resources and Strategy Business Unit acts as the strategic partner of Akbank's other business units in all human resources issues and provides them support as needed.

The Banksis-Banks and Insurance Workers Labor Union also maintains relationships with employees. The monetary rights of employees covered under the collective labor agreements as well as other administrative matters between the Bank and personnel are governed by these agreements that are signed every two years between the Bank and the Union.

The Bank executes all of its business processes, and those related to human resources in particular, on the basis of the principle of equality; as a result, Akbank does not discriminate based on race, religion, language or gender. When a complaint is received in regard to this issue, the Bank assesses the situation in accordance with the principles stipulated above.

14. Rules of Ethics and Social Responsibility

Akbank's principles, code of conduct and other aspects governing relationships with persons and institutions, both internal and external to the Bank, have been compiled and documented in writing as "Ethical Principles." The Bank's Ethical Principles are communicated to all staff

members. This document can be accessed on both the Turkish and English website of the Bank (<http://www.akbank.com>).

Akbank's Ethical Principles aim to regulate the conduct and behavior of personnel at all levels as well as their relationships with individuals and institutions within or outside the Bank. Approved on September 26, 2003 by Resolution No. 8783 of the Board of Directors and updated based on the prevailing circumstances and trends in the business world, the Bank's ethical rules are expected to be observed by all employees at all levels and fully complied with during the course of performance of their duties. Naturally, employees shall act with due diligence in line with the basic rules and principles in any situation not covered in this document. Since conduct in breach of the ethical principles can impact the Bank's activities and integrity in the eyes of its stakeholders, employees can report any irregularity to their supervisors and/or to the Ethics Line should they encounter conduct or a transaction in breach of the ethical principles or should they have a suspicion in this regard. In addition, all notifications made to the Ethics Line are kept confidential and staff members do not face a sanction for their notification.

Akbank took a major step in the area of sustainability when it became a signatory to the United Nations Global Compact in 2007. As a result, the Bank also showed its ongoing commitment and support to the universal principles of human

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rights, working conditions, the environment and anti-corruption by becoming the first company in the Turkish banking industry to publish a Communication on Progress (COP) Report in 2009.

After publishing its Sustainability Report in accordance with Global Reporting Initiative (GRI) standards, a first among Turkish deposit banks in 2010, Akbank released its seventh Sustainability Report in 2016.

In addition, Akbank supported the launch of the Carbon Disclosure Project (CDP) in Turkey. The CDP is implemented in 60 countries and considered one of the world's most comprehensive and high profile environmental initiatives. Akbank also reports climate change management activities and the Company's environmental footprint to the CDP; the Bank is listed alongside the world's most reputable companies and organizations as a committed member of the Carbon Disclosure Project.

Akbank has also made major revisions to its internal business processes and policies by adding environmental and social factors to its ethical principles and its loan evaluation and procurement processes.

In order to internalize sustainability initiatives and support the transition to sustainable business conduct, the Bank administered

Sustainability Approach training to more than 15,000 employees over the last three years via classroom-based and e-learning courses.

Embracing the view that enlightenment of a country involves gaining diverse perspectives ranging from education to the arts, Akbank has worked diligently to shine a light to the future. Akbank will continue to contribute to society with the pioneering projects it undertakes in culture, the arts, education, youth, entrepreneurialism, savings and the environment.

Section IV-Board of Directors

15. Structure and Composition of the Board of Directors

Akbank's Board of Directors governs and represents the Bank through the strategic decisions it makes with a rational and cautious risk management approach prioritizing the Bank's long-term interests by maintaining an optimal balance of risk, growth and return for the Bank.

Akbank's Board of Directors defines the Bank's strategic objectives, determines the human and financial resources the Bank will need, and oversees the management's performance. The Board of Directors supervises the compliance of the Bank's activities with applicable legislation and the Company's Articles of Association, internal regulations and policies.

The Board of Directors executes its activities in a transparent, accountable, fair and responsible manner. The Board of Directors plays an active role in maintaining effective communications between the Bank and its shareholders, and in obviating and resolving potential conflicts.

Section 3 of the Bank's Articles of Association stipulates the Bank's administrative structure and organization. This section states the duties and authorities of the members of the Board of Directors and executives. Within this framework, the duties, authorities and responsibilities of the Board of Directors are subject to the principles stipulated in the provisions of the Turkish Commercial Code and the Banking Law as well as the provisions of the Articles of Association.

The terms of the members of the Board of Directors who were elected in March 2016 will expire in 2017. All members of the Board of Directors attend the Board's meetings unless they have an excuse.

Suzan Sabancı Dinçer: Chairman and Executive Board Member
Erol Sabancı: Honorary Chairman, Consultant to the Board and Board Member
Hayri Çulhacı: Vice Chairman and Executive Board Member
Cem Mengi: Executive Board Member
Yaman Törüner: Board Member
Aykut Demiray: Board Member
Aydın Günter: Board Member

<http://www.akbank.com/yatirimci-iliskileri/kurumsal-yonetim/yonetim-kurulu.aspx>

Can Paker: Board Member
Emre Derman: Board Member
Hakan Binbaşgil: Board Member and CEO

Background information for the members of the Board of Directors is presented on page 78-79 of the Annual Report, on the Akbank website at the link below, and on the e-YÖNET portal (www.mkk.com.tr). The tasks and duties assumed by the Members of the Board of Directors in and outside the group are given in their résumés.

There are three executive and seven non-executive members on Akbank's Board of Directors. Suzan Sabancı Dinçer, Cem Mengi and Hakan Binbaşgil are executive Board members.

According to the Capital Markets Board's corporate governance principles, members of bank audit committees are considered independent members of the board of directors. Hayri Çulhacı and Yaman Törüner, the members of the Audit Committee, are independent Board members. The other Independent Member of our Bank is Mr. Aykut Demiray who has all independency criteria in line with the Capital Markets Board regulations and who was approved for a one year term at the Ordinary General Assembly Meeting held on March 28, 2016. The report dated January 13, 2016 stating Mr. Aydın Günter had the independency criteria was submitted to the Corporate Governance Committee, while the Board of Directors decided to notify the Capital Markets Board about Mr. Aydın Günter

as an independent member candidate.

The independence statement of Mr. Aydın Günter who was elected as an Independent Member of the Board of Directors at the Ordinary General Assembly Meeting held in 2016, is given below.

I do declare that I am a candidate for assuming the role of an "Independent Member" in the Board of Directors of the Akbank T.A.Ş.(Company), within the scope of the criteria stipulated in the legislations, the articles of association and the Capital Markets Board's Corporate Governance Communiqué, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company and the subsidiaries of the Company, and shareholders who control the management of the Company or who have significant influence at the Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not

been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

d) In accordance with the legislation, I will not be working fulltime in public institutions and organizations (except working as an academic at the university) after being elected as a member,

e) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

f) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company and remain neutral in conflicts of interests between the company's shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

g) I will be able to spare sufficient time for the business of the Company to an extent

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that will help me pursue the activities of the Company and fulfil the requirements of my tasks and duties,

h) I have not been a member of the Board of Directors of the Company for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the same person, by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors.

The Bank's Articles of Association stipulate that members of the Board of Directors cannot undertake commercial transactions with the Bank in areas where the Bank is actively engaged either in person or by proxy, unless they have received the approval of the General Assembly. The provisions of Article 396 of the Turkish Commercial Code pertaining to the non-compete clause and the provisions of the Banking Law are reserved.

Powers of the Chairman of the Board of Directors and the General Manager were separated accurately and this issue was included in the Articles of Association.

16. Operating Principles of the Board of Directors

A secretariat is present to inform and communicate with the members of the Board of Directors. The Board of Directors meets at least 12 times per year. Members of the Board of Directors make every effort to attend every meeting and to convey their opinions. The Chairman of the Board of Directors determines the agenda of the Board of Directors meetings in consultation with the other Board members and the Chief Executive Officer. Information and documents related to the matters on the meeting agenda are made available for the examination of the members of the Board of Directors sufficiently before the meeting by adhering to the principle of equal information flow.

Members of the Board of Directors may make motions to the Chairman of the Board to amend the agenda prior to the meeting. The opinions of a member who does not attend the meeting but who submits his or her opinions to the Board of Directors in writing are communicated to the other members.

The form and conduct of Board of Directors meetings are documented in writing as stipulated by internal company regulations. Agenda items are discussed openly and from every possible perspective at the Board of Directors meetings. The Chairman of the Board of Directors makes the best effort to ensure the active participation of non-executive

members in Board meetings. For a resolution to be passed by the Board of Directors, a quorum consisting of the presence of more than half the members of the Board of Directors is necessary. A simple majority of the members in attendance is sufficient to adopt resolutions. Deliberations of the Board of Directors are regularly recorded by a secretary to be selected either from among the members or from outside of the Board. The minutes of the meeting must be signed by the members present; should there be any dissenting votes regarding the resolution(s), the reason must be recorded in the minutes and signed by the dissenting member(s). The validity of the resolution(s) is predicated upon their being documented in writing and signed. The procedures pertaining to the recording of the minutes for resolutions are stipulated in Article 31 (quorum for the gathering and resolutions of the Board of Directors) and Article 32 (minutes of Board resolutions) of Section 3 (the administrative structure and organization of the Bank) of the Articles of Association.

As stated in the Capital Markets Board decision, banks are obligated to comply with the CMB Corporate Governance Principles. Within the period, there were no non-complying transactions in contradiction of this obligation.

Besides their individual responsibilities, any damage/loss that will be caused by the Top Managements' faults during their term of office are covered under insurance with a limit of USD 20 million.

Pursuant to Article 32 of the Articles of Association, members of the Board of Directors cannot undertake commercial transactions with the Bank in areas where the Bank is actively engaged either in person, or by proxy, unless they have received the approval of the General Assembly. The Bank implements the provisions of Article 396 of the Turkish Commercial Code pertaining to the non-compete clause and the provisions of the Banking Law. The members of the Board of Directors did not perform any transactions with the Bank outside this scope in 2016.

No member of the Board of Directors has a right to a weighted vote and/or veto power. Each member is entitled to one vote.

Pursuant to Article 32 of the Articles of Association, members of the Board of Directors may not participate in the discussion of matters concerning their personal benefit or the benefit of their relatives shown in Article 393 of the Turkish Commercial Code. In case such a matter becomes the subject of a Board discussion, the concerned member is required to inform the Board of his connection and have the same recorded in the minutes of that meeting, or, in the case of Article 390 paragraph 4, on the paper bearing the motion.

17. Number, Structure and Independence of the Committees Established under the Board of Directors

The areas of activity and the members of the committees constituted within the Bank are determined by the Board of

Directors; when finalized, they are announced to the public in the Bank's Annual Report and on the website.

The Board of Directors provides all resources and support that the committees need in order to execute their functions. Committees invite the executives that they deem necessary to their meetings and elicit their opinions; they resort to independent expert opinions in matters that they deem necessary within the course of their activities.

All activities of the committees are recorded and documented in writing. Committees meet as frequently as the effectiveness of their activities require in accordance with their operating principles. They submit reports about their activities and the outcomes of their meetings to the Board of Directors.

When the number of members of the Bank's Board of Directors is taken into consideration, one member of the Board of Directors assumes duties in more than one committee.

Within the structure of Akbank, we have an Audit Committee, Corporate Governance Committee, Credit Committee, and Executive Risk Committee. Committee members and their tasks are available in the Annual Report, page 88-89.

Akbank also has an Asset-Liability Committee (ALCO) presided by the Chief Executive Officer. Responsible for daily liquidity and cash management, ALCO meets twice weekly to discuss economic and capital

market developments. In addition, ALCO develops investment, pricing and funding strategies for the Bank. Committee members are presented on page 89 of the Annual Report.

18. Risk Management and Internal Control Mechanism

The Board of Directors is responsible for formulating the Bank's fundamental approach to risk, including risk management policies and principles, strategies and risk-taking levels as well as regularly reviewing these and making modifications when necessary. The Executive Risk Committee, a committee of the Board of Directors, devises the policies and procedures related to the identification, measurement, monitoring, reporting and control of risks.

These policies are reviewed and evaluated periodically at the meetings of the Executive Risk Committee and Asset-Liability Committee.

The Chief Executive Officer ensures that the Bank's units operate in line with the risk management policies and strategies established by the Board of Directors. In addition, internal control and internal audit activities performed periodically also provide the necessary inspections for compliance with risk management policies and strategies.

The Risk Management Department, the Board of Internal Auditors and the Internal Control and Compliance Division report directly to the Board of Directors. The Audit Committee's Assessment Report is presented on page 113 of the Annual Report.

DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

19. The Bank's Strategic Objectives

The Board of Directors has clearly and comprehensively formulated the vision, mission and short- and long-term strategic objectives of Akbank as presented in the Annual Report and on the Bank's website. The Articles of Association state that the duties and responsibilities of the Board of Directors are subject to the principles stipulated in the provisions of the Turkish Commercial Code and the Banking Law, as well as the provisions of the Articles of Association. The Articles of Association also obligate the Board of Directors to meet at least once a month and establish the circumstances thereof clearly. At its meetings, the Board of Directors monitors the Bank's progress in light of its strategic objectives and evaluates its performance.

The Board of Directors approves the annual budget of the Bank and its strategic plan. The Board of Directors closely monitors the budgeted and the actual figures, gathers information regarding deviations and follows up on its decisions. If there are significant deviations in macroeconomic indicators from those assumed in the budget, the budget is revised and resubmitted for approval to the Board of Directors. The Board of Directors monitors strategic objectives, budget targets and actuals on a daily, weekly or monthly basis depending on the nature of the issues under review. In addition to printed reports, the Board also has access to the Bank's financial statements, various financial and non-financial indicators by customer, branch and business unit or for the Bank as a whole through the Management Information System.

20. Financial Benefits

Article 37 of the Articles of Association states: "The General Assembly shall determine, under these Articles of Association, a monthly salary or attendance fee for members of the Board of Directors." Remunerations for the members who assume certain tasks in our Bank are determined by the General Assembly within the scope of the authorization granted.

Akbank does not use stock options or payment plans based on the Company's performance in compensating the independent members of the Board of Directors.

Article 50 of the Banking Law limits the loans to be extended by Akbank to the Directors serving on the Board within a clear framework of restrictions. No loans are made to the members of the Board of Directors outside of this scope. ■■■■

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY AS PER THE CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON THE REPORTING PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1)

We have examined the Akbank T.A.Ş. Annual Report pertaining to 01.01.2016 - 31.12.2016 period that we have attached, as per the Capital Markets Board's Communiqué on the Reporting Principles Regarding Financial Reporting in Capital Markets. Thus, we have concluded that the Annual Report does not include any explanations contrary to facts, or any deficiencies regarding important issues, and that it accurately reflects the facts about the company's financial status and activity results.

Best regards,



Hayri ÇULHACI

Chairman of the Audit Committee



S. Hakan BİNBAŞGİL

CEO



K. Atıl ÖZUS

Executive Vice President

SUMMARY RESULTS FOR 2016 AND FUTURE EXPECTATIONS OF THE BANK

With the strategies it has implemented in 2016, Akbank strengthened the structure of its balance sheet, maintained the quality of its assets, and continued growing in conformity with its sustainable profitability target.

Despite challenging global market conditions in 2016, Akbank managed to deliver sustainable profitability and asset quality for its stakeholders while continuing to support the Turkish economy via its robust balance sheet and long-term resources obtained from overseas markets.

In 2016, Akbank's consolidated assets exceeded TL 295 billion increasing by 17 %. In the same period, Akbank's total loans exceeded TL 219 billion, TL 179 billion of which is composed of cash loans. Furthermore, Akbank's total deposits reached TL 174 billion increasing by 16%.

In 2016, market shares of Akbank's loans and deposits in the sector were 9% and 10%, respectively.

As of 2016, 38% of Akbank's total loans were corporate loans, and 40% were SMEs and commercial loans, while 22% of Akbank's total loans consumer and credit card loans. In the same period, Akbank's corporate, commercial and SME loans

in TL increased 30% in total. On the other hand, there was a 3% increase in Akbank's consumer loans (apart from credit cards) while the market share of these loans was 3%. There was a 2% decrease in Akbank's retail credit cards, while their market share decreased to 13%.

Akbank limited its non-performing loan (NPL) ratio, another indicator of healthy growth, to 2.3%, below the industry average of 3,2% for the same period. Akbank sets aside 165% provisions for non-performing loans, including general provisions.

Leveraging the strength of its balance sheet, Akbank continued to secure syndicated and securitization loans from overseas institutions, deploy these major sources of funding for the benefit of the Turkish economy, and channel these funds to the real sector. The Bank raised USD 1.2 billion in August 2016 through an oversubscribed syndicated loan, reaffirming the confidence of international investors in Akbank and in the Turkish banking industry. Total amount of funds tapped from overseas markets rose to approximately USD 5.8 billion 2016. The average maturity of USD 1.9 billion of this sum is approximately five years.

Continuing to be one of the most productive banks not only in Turkey, but also among the developing countries, the ratio of Akbank's operational expenses to its total assets was 1.7% in 2016.

As of 2016 year-end, Akbank's consolidated net profit was TL 4,854 million (approximately USD 1,387 million), and its non-consolidated net profit was TL 4,529 million (approximately USD 1,294 million).

Thanks to its excellent performance in 2016, Akbank raised its return on equity (ROE) and return on assets (ROA) to 16% and 1.8%, respectively. The Bank's leverage ratio for the year was 9.1x.

Akbank's consolidated capital adequacy ratio, measured in accordance with Basel III standards, was 14.2%, well above the legal limit of 12% while its consolidated Tier-1 ratio was 13.1%, which was one of the highest ratios in the sector.

The Bank's high capital adequacy, low leverage ratio, strong asset quality, high liquidity, effective risk management policy, qualified human resources and technological infrastructure, are the strongest factors supporting Akbank's sustainable profitable growth. ■■■■

SUMMARY RESULTS FOR 2016 AND FUTURE
EXPECTATIONS OF THE BANK**Bank's Expectations For 2017**

Macroeconomic Indicators (%)	2017
GDP Growth, real terms	3.0 – 3.5
CPI Inflation	~8.0

Banking Sector Growth (%)	2017	Compound Annual Growth Rate 2017-2019 (%)
Asset Growth	10 – 12	11 – 13
Loan Growth	10 – 12	11 – 13
Deposit Growth	10 – 12	11 – 13

Akbank Growth Guidance (Consolidated)	2017 (%)	Compound Annual Growth Rate 2017-2019 (%)
Asset Growth	10-12	11-13
Loan Growth	10-12	11-13
TL	10-12	11-13
FC (US\$ terms)	2-4	5-7
Growth on Deposits	10-12	11-13
TL	10-12	11-13
FC (US\$ terms)	2-4	5-7

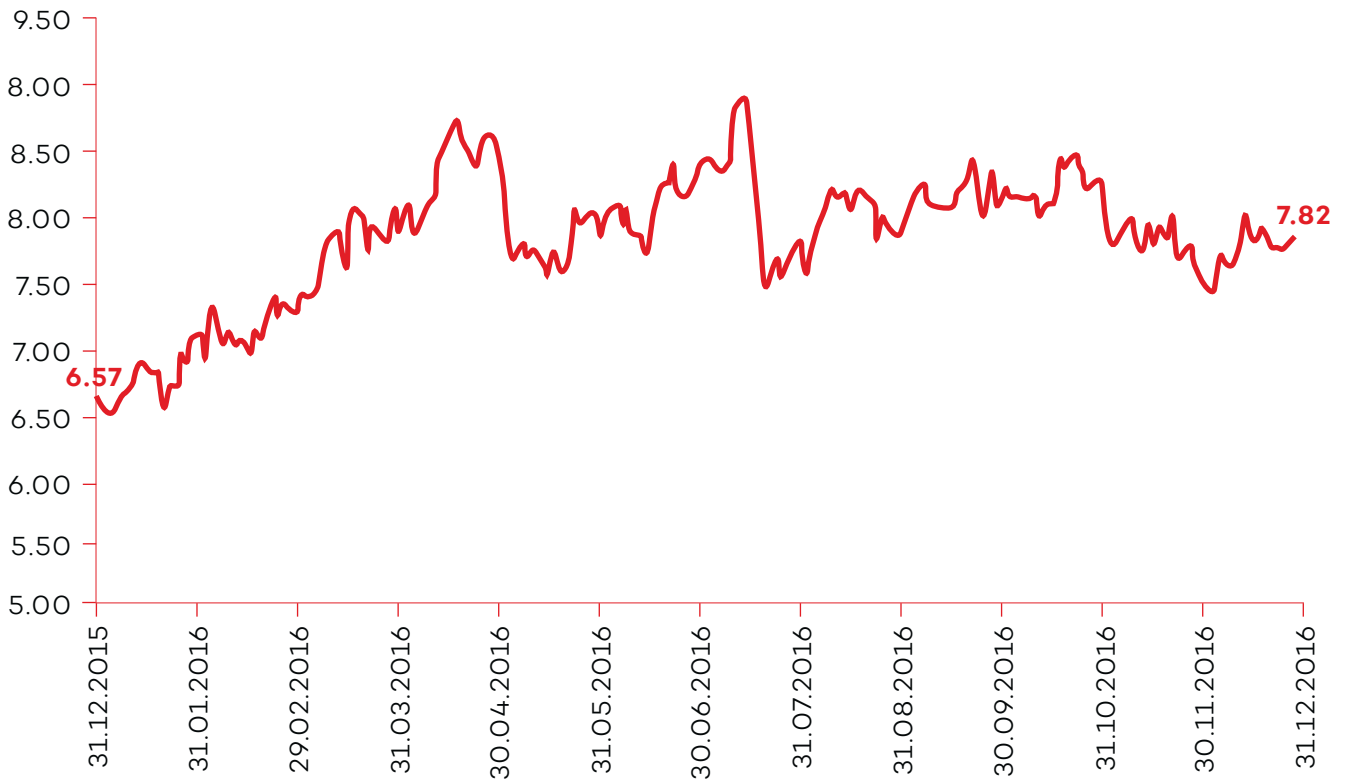
	2017
Net Interest Margin	~3.4%
Net Fees & Commission Growth	~10%
Operational Expense Growth	~6%
Operational Cost/Income	~36%
Operational Cost/Assets	~1.5%
Net Cost of Risk	~90 laps
Non-Performing Loans Ratio	~2.5%
Capital Adequacy Ratio	~14%
Loans/Deposits Ratio	Max 105%
Return on Assets	~1.7%
Return on Equity	~15%
Leverage Ratio	~9.0x
Earnings per Share Growth	~10%

	2018 and Beyond
Return on Assets	1.7 – 1.9%
Return on Equity	15 – 17%
Leverage Ratio	9.0x – 9.5x

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT SERVICING CAPACITY

The Bank runs its operations with a high level of profitability while increasing its shareholders' equity. The Bank allocates only a very small portion of its shareholders' equity to fixed investments such as fixed assets and subsidiaries. Therefore, the Bank's owner's equity is very high and it is invested in interest-bearing assets. Thanks to its sound capital structure and effective risk management, Akbank boasts a capital adequacy ratio higher than the minimum level set forth in the applicable law as well as a high level of liquidity that enables the Bank to pay its debts under any market conditions. ■■■

AKBANK STOCK PERFORMANCE IN 2016



Akbank shares ended the year at TL 7.82 with an increase in value of 19% in 2016. During the same period, the increase in value in the XBANK banking index was 8%. ■■■

FINANCIAL INFORMATION AND RISK MANAGEMENT

Risk Management

Effective risk management is among the core elements of Akbank's corporate culture as well as one of the most important strengths of the Bank's competitiveness.

Akbank's risk management practices are aimed at identification, measurement and reporting of risks on a consolidated and unconsolidated basis via policies, implementation procedures and limits set in accordance with the nature and magnitude of the Bank's activities based on its risk-return profile, as well as the determination of the overall capital requirement relative to the risk profiles.

Risk Management Policies

The risk management system is a process that involves all units of the Bank. The core elements of Akbank's overall risk management policy are:

- Effectively managing the risks within the Bank's risk profile in accordance with the materiality criterion; possessing a centralized risk structure that encompasses all major risk areas,
- Managing existing and potential risks from the very first stage with the help of steering risk strategies, policies and procedures, models and limits,
- Acting with a risk-oriented management approach in strategic decision-making processes,

- Complying with legal obligations in risk management in full on a consolidated basis,
- Being open to change and improvement according to changing market conditions.

Key Responsibilities

The Board of Directors is in charge of determining the Bank's fundamental attitude toward risk while setting out the risk principles as well as the level of risk exposure. The Board of Directors manages risk through the Executive Risk Committee (ERC).

The ERC is responsible for formulating risk policies, determining methods to measure and manage risk, setting commensurate risk limits and monitoring their performance. All risk policies formulated by the ERC are documented in writing and incorporated with the overall long-term strategy of the Bank.

Risk Categories

Credit Risk

Credit risk is risk exposure arising from the possibility of the counterparty's failure to meet its obligations defined by an agreement. Akbank manages credit risk inherent in its banking products, such as loans, guarantees and letters of credit issued to clients, utilizing prudent lending policies and procedures. Akbank assigns an internal rating to the counterparties to assess their credit quality for all credit transactions. As

part of credit risk monitoring, the Bank sets limits for each industry, client, type of credit and borrowing customer segment.

Credit risk management is a process where credit risks are assessed and monitored consistently; it encompasses all loan portfolios on a consolidated basis. As part of the credit risk management process, the Risk Management Department is responsible for measuring, monitoring and reporting credit risk using statistical models. In addition to risk limits pertaining to credit risk, various concentrations in the loan book are analyzed. By designing policies to manage country risk and concentration risk, the Bank ensures that allocation, monitoring, limit follow-up and management actions are in line with these policies. Developments regarding the cost of credit and non-performing loans are reported regularly. In addition, stress tests and scenario analyses are conducted for the credit portfolio.

Credit Appraisal Process

Corporate, Commercial and SME Loans:

The Bank continued to improve its lending policies and system/process applications for corporate, commercial and SME loans in 2016. A new model for rating construction companies was activated. Furthermore, country and bank rating models and leasing, factoring, financing company and asset management company rating models were launched during the year.

The Bank separated the Financial Institutions Limit & Risk Management Unit from International Banking and integrated it into the Loan Allocation Business Unit. The core function of Financial Institutions Limit & Risk Management is to perform credit analyses for correspondent banks and countries whose risk may be assumed in line with customer requirements, in accordance with the Bank's loan and risk policies and thus manage the credit allocation process. In addition, it monitors financial institutions' risks that fall within the approved limits, in terms of banks, bank groups and countries.

Financial Institutions Limit & Risk Management keeps a close watch on the balance sheets and credit rating changes of the financial institutions to which the Bank has allocated limits. The unit also keeps track of changes in the countries where these institutions or their parent companies operate. When allocating the referenced limits, Akbank's internal scoring model is employed and the relation between limit and capital adequacy is taken into consideration.

As part of the proactive risk management initiatives, Akbank continued to conduct monitoring-oriented frequent company and sector visits and portfolio reviews and the development of the portfolio quality was tracked by way of periodic risk analyses.

Akbank continued to conduct training programs for improving loan approval processes and the risk approach.

Akbank made improvements in micro loan application and evaluation processes that shortened the service times. In 2016, the Bank completed a project to integrate new generation decision-making models into the portfolio limit management. Furthermore, with the completion of the Sole Proprietorship Company Loan Allocation Process during the year, sole proprietorship companies' retail and commercial loans without guarantee, and credit card limits started being evaluated through micro segment loan policies and managed in a consolidated fashion.

The development efforts for the Commercial Loans Infrastructure Project continued in 2016 and will be completed in 2017. The project will bring about a redesign of the process and offer assessment monitors.

In addition, the Bank initiated the SSM (Sales Service Model) Digitization and Customer Experience Project and Mobile Approval Project in 2016. These projects will digitize the relevant systems and processes.

The Commercial Loan Monitoring Project, which is in the implementation stage currently, will result in significant improvements in

the commercial portfolio risk monitoring processes.

Consumer Loans and Credit Cards:

Personal Loans and Credit Cards portfolio is managed via rating models and workflows personalized for customers, in a low cost method that will minimize nonperforming loans. Studies continue regularly on the issues to be improved in personal loan and credit card applications and assessment processes.

The Bank has commissioned a project to integrate new generation decision making models into retail loans and credit card customer limit management. This project has allowed for 360-degree customer limit assessments.

Aiming to improve Retail Loan Monitoring processes, the Bank adopted and implemented new self-payer and collection models.

Market Risk

Market risk exposure arises from fluctuations in foreign exchange rates, interest rates and market prices of equities. Foreign exchange rate risk and interest rate risks are considered to be the two most important components of market risk.

Market risk is measured via two separate methods: internal model and standard formula. According to the internal model, market risk is measured using the Value at Risk (VaR)

FINANCIAL INFORMATION AND RISK MANAGEMENT

and ES - Expected Shortfall approaches that take into consideration various risk factors. The VaR model is based on the assumptions of a 99% confidence interval and a 10-day holding period. VaR and ES analyses are conducted and reported to the executive management on a daily basis. VaR is also utilized in speculative trading as a risk and limit management tool. VaR analyses are supported by scenario analyses and stress tests, as a result of which the analyses take in consideration the effects of unexpected and highly-unlikely but high-impact events as well as market fluctuations. Back tests on model outcomes are performed regularly.

Operational Risk

Within the Bank, Operational Risk Management activities are carried out under the coordination of the Risk Management Department, Internal Control and Compliance Division, and the Board of Internal Auditors. On the one hand, a permanent improvement is achieved by monitoring and controlling, on a regular basis, the operational risks regarding the Bank's existing processes, products and services. On the other hand, all potential risks that new products and services of the Bank will create on the Bank's structure and activities are effectively assessed.

The Operational Risk Committee, established with the aim of providing support to operational risk

management throughout the Bank, and creating a platform that incorporates all relevant units, continued its activities. In the four committee meetings organized in 2016, assessments were made regarding the important issues in terms of operational risk, and implemented actions were tracked.

Asset-Liability Risk

Asset and liability risk is managed through the decisions made at the ERC meetings. ALCO formulates strategies for liquidity management and determines the position the Bank will take in accordance with the daily changes in interest rates and foreign exchange rates.

The Bank's interest rate sensitivity is measured and reported weekly. In addition, daily as well as transaction-based analyses are also conducted during significant market fluctuations and under certain circumstances. Repricing term mismatch and duration mismatch analyses, net economic value change analyses under different interest rate stress scenarios and income simulations are used for interest rate risk management. Repricing risk, yield curve risk, basis risk and optionality are considered under interest rate risk scope.

The Bank manages the interest rate risk on a portfolio basis and tries to minimize the impacts of fluctuations in market interest rates on the profitability, financial

position and cash flows by applying different strategies. Basic methods such as using fixed or floating interest rates for different portfolios and maturities, setting the fixed margin in floating rates, varying the interest structuring for the short- or long-term positions, or using derivative contracts to mitigate interest rate risk are applied actively.

Liquidity Risk

Akbank (the Bank) created a liquidity management framework that will provide necessary liquidity resources in order to fulfill its legal obligations on time. Akbank protects itself from the possible negative effects of liquidity risks with its widespread deposit base, strong capital structure, diversified international debt sources. Moreover, if necessary Akbank has additional sources within the scope of the limits allocated for the Central Bank, BIST Repo Market, Takasbank (Istanbul Settlement and Custody Bank) Money Market and the banks, and with its liquid securities portfolio.

Akbank meets its short term funding needs with deposits. On the other hand, its wide range of deposit base and high level of core deposit ratios also enable long term funding. Long term investments can be made with long term funds obtained from abroad. Paying attention to the foreign exchange liquidity management, sufficient level of reserves are kept in order to meet the liquidity needs completely.

REPORT OF THE AUDIT COMMITTEE

Assessment of the Audit Committee regarding Operations of Internal Control, Internal Audit and Risk Management Systems and their Performance in 2016

Akbank's Audit Committee held four meetings in 2016. During these meetings, the Audit Committee undertook efforts geared toward executing its duties and responsibilities that are stipulated on page 88 of this Annual Report.

Internal audit, internal control and risk management operations, duties and responsibilities are separate from each other at the Bank. They are carried out by the Board of Internal Auditors, the Internal Control and Compliance Division, and the Risk Management Department, which are organizationally independent from one another yet function in coordination and report directly to the Board of Directors.

Evaluation of the operations and ensuring the sustainability, adequacy and effectiveness of the Bank's internal systems, comprised of all branches and departments as well as the subsidiaries of the Bank that are subject to consolidated audit, are utmost priorities for Akbank's Board of Directors. The duties and responsibilities of the Board of Directors vis-à-vis the internal systems are executed by the Board of Directors, the Audit Committee, and the Director of Internal Systems for Internal Audit, Internal Control and Risk Management.

The Board of Internal Auditors made significant contribution to: managing risks that may result from the activities of the Bank; compliance of the transactions, applications, systems and models with the internal external legislation; developing service quality, productivity and performance; improving cost management; protecting the assets; protecting the reputation and brand value of the Bank.

Planning and performing its activities with a risk oriented approach, and in accordance with the legal obligations, the Board of Internal Auditors: evaluates the potential risks in branches, subsidiaries, Headquarters' units, and in all Bank activities and practices; determines the areas that need to be developed and enhanced; and reviews whether internal control, risk management and corporate governance is in conformity, effective and sufficient or not. The results of the audits are not only reported, but all kinds of improving, enhancing suggestions are made to add value and to strengthen the internal systems. Furthermore, the consequences of the actions taken about these issues are effectively and continuously monitored.

The Board of Internal Auditors makes intensive use of technology in all areas to constantly develop and improve its operations. It creates certification and

training opportunities for the professional development of its auditors and strives to make contributions to the Bank with its experienced, well-trained, qualified and competent human capital.

As a consequence of the audits and assessments made in 2016; no important factors that may have negative impacts on the activities of the Bank, or that may hinder the Bank from fulfilling its obligations, were detected. It was concluded that: internal control, risk management and corporate governance of the Bank functioned successfully and effectively; the activities of the Bank had low risk in general; financial and legal reports were accurate; and iv) activities were carried out in conformity with the legislation.

As a consequence, with its risk oriented approach, qualified human resources, intensive technology utilization, experienced and prudent management, the internal audit system is effective and successful in preventing, detecting and eliminating risks thanks to its strong, experienced and effective management staff.

The main purpose of the Internal Control and Compliance Division is to ensure that the Bank's activities are carried out effectively and efficiently, in compliance with the laws

REPORT OF THE AUDIT COMMITTEE

and other regulations within a strong internal control environment. Control tasks were performed by competent and experienced internal control personnel in branches and in the Head Office business units through onsite and/or centralized activities.

Within the scope of the activities, the Division tested the Bank's current processes and transactions in order to also ensure the integrity of information and system security; improved and updated the internal control system continuously; collaborated with responsible units in legal and regulatory compliance-related processes; administered training for the Bank employees; fulfilled the obligations stipulated in the Law No. 5549 on Prevention of Laundering of Proceeds of Crime and Financing of Terrorism; performed risk assessments regarding the Bank's support service providers; and carried out control activities at all branches at least once a year.

The Internal Control and Compliance Division significantly contributes to minimizing losses associated with operational risks, and to managing our activities in an efficient, productive and effective control environment in full compliance with applicable laws, rules and regulations.

The Risk Management Department continued its activities to ensure the most accurate calculation and reporting of the Bank's potential risk exposure in accordance with the materiality criterion using effective risk management measurements and methods. Closely monitoring the financial and economic developments in global markets, Basel principles and other international regulations and developments in the risk management field, the Department made improvements in existing practices.

With its skilled and competent staff, the Risk Management Department constantly improves itself and increases its contribution to the Bank by closely monitoring the changes and innovations in the internationally-accepted risk management principles, regulations and models.

Analyses, calculations, simulations, scenario analyses, stress tests and other tasks performed as part of the Bank's risk management activities provide continuous and systematic input into the strategic decisions of the Bank's Board of Directors and Executive Management and support the overall decision-making mechanism.

With the 2016 ICAAP Report (Internal Capital Adequacy Assessment Process Report) prepared under the coordination of the Risk Management Department, validation and audit reports regarding ICAAP were evaluated and approved by the Audit Committee. The set of 2016 ICAAP reports was submitted to BRSA upon the approval of the Board of Directors.

In consideration of the overall activities and operations of the internal control, internal audit and risk management systems of Akbank in 2016, efforts undertaken are deemed highly effective and satisfactory.

Hayri Çulhacı,

Chairman of the Audit Committee

Yaman Törüner,

Member of the Audit Committee

Disclosure of Public and Private Audits:

Akbank operates pursuant to the provisions of Banking Law No. 5411 and is subject to the regulation and oversight of the Banking Regulation and Supervision Agency of Turkey (BRSA) according to the provisions of the same law. Within this scope, BRSA undertook routine auditing activities during the year. —

CREDIT RATINGS

MOODY'S

Baseline Credit Assessment	ba2
Long-Term TL Deposit	Ba1
Short-Term TL Deposit	Not-Prime
Long-Term FC Deposit	Ba2
Short-Term FC Deposit	Not-Prime
Bond Rating	Ba1

FITCH RATINGS

National Rating	AA+(tur)
Long-Term TL Deposit	BB+
Short-Term TL Deposit	B
Long-Term FC Deposit	BB+
Short-Term FC Deposit	B
Bond Rating (Long / Short Term)	BB+/B

FIVE-YEAR SUMMARY FINANCIAL FIGURES

Five-Year Summary Consolidated Financial Figures (TL million)

	2012	2013	2014	2015	2016
Total Assets	163,478	195,482	218,697	252,467	294,501
Deposits	92,360	118,010	136,131	153,466	178,893
Loans	90,688	112,473	122,294	149,471	173,968
Shareholders' Equity	22,476	22,135	26,140	28,015	32,492
Net Profit	3,005	3,077	3,379	3,229	4,854

Five-Year Summary Unconsolidated Financial Figures (TL million)

	2012	2013	2014	2015	2016
Total Assets	155,854	183,737	205,451	234,809	271,016
Deposits	87,656	110,676	125,978	141,763	161,828
Loans	86,105	105,277	113,373	138,942	158,878
Shareholders' Equity	21,913	21,339	25,112	26,689	30,655
Net Profit	2,950	2,942	3,160	2,995	4,529

DISCLOSURES RELATED TO EVENTS SUBSEQUENT TO THE BALANCE SHEET

Disclosures related to events subsequent to the balance sheet can be found in Note IX of Section 5 in the publicly-announced Unconsolidated Financial Statements, Notes to these Financial Statements and Independent Auditor's Report, prepared as of December 31, 2016. In addition, the aforementioned information can also be found in Note IX of Section 5 in the Consolidated Financial Statements, Notes to these Financial Statements and Independent Auditor's Report. ■■■■

AUDIT REPORT ABOUT THE EARLY RISK DETECTION SYSTEM AND THE EARLY RISK DETECTION COMMITTEE



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(Convenience translation of a report on sufficiency of early detection system and early risk detection committee originally issued in Turkish)

To the Akbank T.A.Ş. Board of Directors;

We have assessed the early risk detection system and the committee established by Akbank T.A.Ş. ("Bank")

Responsibility of the Board of Directors

As per the first paragraph of the 378th Article of the Turkish Code of Commerce n. 6102, the board of directors is obligated to ensure early diagnosis on the reasons threatening the existence, development and continuation of the Bank, to take necessary measures and implement solutions on this issue, to establish an expert committee for the risk management, to run and develop the system.

Responsibility of the Independent Audit Firm

Our responsibility is to make a conclusion –based on the audit we performed – regarding early risk detection system and the committee. Our audit was conducted in conformity with the Turkish Code of Commerce and with "The Principles Regarding Audit Report on the Early Risk Detection System and the Committee" published by the Public Oversight, Accounting and Auditing Standards Board, and with code of ethics. These principles require evaluating whether or not the Bank has established the early risk detection system and the committee, and if established, whether or not the system and the committee function within the framework of the 368th Article of Turkish Code of Commerce. The suitability of the remedies against the risks proposed by the early risk detection committee and the implementations made by the management against the risks, are not within the scope of our assessments.

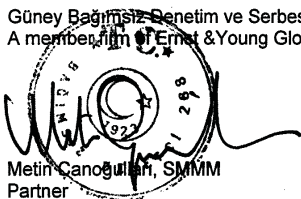
Information about the Early Risk Detection System and the Committee

The Bank established the early risk detection system and High Priority Risk Committee. The committee is composed of 7 members as permanent members and other participants. To the Board of Directors, the committee presented the reports that it prepared with the aim of; early diagnosis on the reasons threatening the existence and development of the Bank within the period between January 1 and December 31, 2016, taking necessary measures and implementing solutions on this issue and monitor of risk.

Conclusion

As a result of our audit, we concluded that; Akbank T.A.Ş.'s early risk detection system and early risk detection committee, with all its important aspects, are sufficient within the framework of the 378th Article of the Turkish Code of Commerce.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited


Metin Canoğlu, SMMM
Partner

İstanbul, March 3, 2017

AKBANK T.A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 31 DECEMBER 2016 TOGETHER WITH
AUDIT REPORT**

(Convenience translation of publicly announced unconsolidated
financial statements, related disclosures and audit report
originally issued in Turkish, See Note. I.b of Section three)



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**(Convenience translation of the independent auditor's report
originally issued in Turkish, See Note I.b of Section three)**

To the Board of Directors of Akbank T.A.Ş.;

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Akbank T.A.Ş. ("the Bank") as at December 31, 2016, and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the unconsolidated financial statements

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

Independent Auditor's responsibility

Our responsibility is to express an opinion on the unconsolidated financial statements based on our audit. We conducted our audit in accordance with "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

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

Basis of Qualified Opinion

The accompanying unconsolidated financial statements as at 31 December 2016 include a general reserve for possible risks amounting to TL 200.000 thousands which is carried forward from 2014 by the Bank management for possible results of the circumstances which may arise from possible changes in the economy and market conditions.

Qualified Opinion

In our opinion, except for the effect of the matter referred in the preceding paragraph on the unconsolidated financial statements, the accompanying unconsolidated financial statements presents fairly, in all material respects, the financial position of Akbank T.A.Ş. ("the Bank") as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

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

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

Additional paragraph for convenience translation to English:

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited


Metin Canoğlu, SMMM
Partner

İstanbul, 31 January 2017

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

**THE UNCONSOLIDATED FINANCIAL REPORT OF
AKBANK T.A.Ş. AS OF
31 DECEMBER 2016**

Address : Sabancı Center 34330, 4. Levent / İstanbul
Telephone : (0 212) 385 55 55
Fax : (0 212) 319 52 52
Website : www.akbank.com
E-mail : <http://www.akbank.com/bize-ulasin/gorus-onerileriniz-icin.aspx>

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

- **Section One** - GENERAL INFORMATION ABOUT THE BANK
- **Section Two** - UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Three** - EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- **Section Four** - INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- **Section Five** - EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** - OTHER EXPLANATIONS
- **Section Seven** - INDEPENDENT AUDIT REPORT

The accompanying audited unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira (TL), have been prepared 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 the related appendices and interpretations on these, and are independently audited.

31 January 2017

Suzan SABANCI DİNÇER
Chairman of the
Board of Directors

Hayri ÇULHACI
Head of the
Audit Committee

Ş.Yaman TÖRÜNER
Member of the
Audit
Committee

S. Hakan BİNBAŞGİL
CEO

K. Atıl ÖZÜS
Executive Vice
President

Türker TUNALI
Senior Vice
President

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

Name-Surname / Title : Türker TUNALI / Senior Vice President
Phone No : (0 212) 385 55 55
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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

SECTION ONE
GENERAL INFORMATION ABOUT THE BANK

I. BANK'S FOUNDATION DATE, START-UP STATUS, HISTORY REGARDING THE CHANGES IN THIS STATUS:

Akbank T.A.Ş. ("the Bank" or "Akbank") was established on 30 January 1948 as a private commercial bank, in accordance with the decision of the Council of Ministers, No.3/6710 and is authorized to perform all economic, financial and commercial activities which are allowed by the laws of the Turkish Republic ("T.C."). The status of the Bank has not changed since its foundation.

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:

The Bank's shares have been quoted on the Borsa İstanbul ("BIST") since 1990. In 1998, 4,03% of the outstanding share capital of the Bank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depositary Receipts ("ADRs"). As of 31 December 2016, approximately 51% of the shares are publicly traded, including the ADRs (31 December 2015: 51%).

The major shareholder of the Bank, directly or indirectly, is Sabancı Group.

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITY:

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman:	Suzan SABANCI DİNÇER	Chairman and Executive Board Member	Graduate
Honorary Chairman,		Honorary Chairman,	
Board Member, Consultant:	Erol SABANCI	Board Member and Consultant	Undergraduate
Board of Directors:	Hayri ÇULHACI	Vice Chairman and Executive Board Member	Graduate
	Cem MENGİ	Executive Board Member	Undergraduate
	Ş. Yaman TÖRÜNER	Board Member	Undergraduate
	A. Aykut DEMİRAY	Board Member	Undergraduate
	I. Aydın GÜNTER	Board Member	Undergraduate
	Emre DERMAN	Board Member	Graduate
	Can PAKER	Board Member	PhD
	S. Hakan BİNBAŞGİL	Board Member and CEO	Graduate
President and CEO:	S. Hakan BİNBAŞGİL	CEO	Graduate
Head of Internal Audit:	Eyüp ENGİN	Head of Internal Audit	Undergraduate
Executive Vice Presidents:	A. Fuat AYLA	Credit Allocation	Undergraduate
	K. Atıl ÖZÜS	Financial Coordination	Undergraduate
	Kerim ROTA	Treasury	Graduate
	C. Kaan GÜR	Commercial Banking	Undergraduate
	Turgut GÜNEY	Technology and Operation	Graduate
	Bülent OĞUZ	SME Banking	Graduate
	H. Burcu CİVELEK YÜCE	Human Resources and Strategy	Graduate
	Ege GÜLTEKİN	Credit Monitoring and Follow-up	Graduate
	A. Özer İSFENDİYAROĞLU	Consumer Banking	Graduate
	Levent ÇELEBİOĞLU	Corporate, Investment and Private Banking	Undergraduate
	Emin Tolga ULUTAŞ	Direct Banking	Graduate
Internal Audit Committee:	Hayri ÇULHACI	Head of the Audit Committee	Graduate
	Ş. Yaman TÖRÜNER	Member of the Audit Committee	Undergraduate

The shares of the above individuals are insignificant in the Bank.

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

AKBANK T.A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

As of 1 July 2016, Private Banking Operations are separated from Consumer and Private Banking and incorporated into Corporate and Investment Banking business unit. With the related change, the new names of the business units have become "Consumer Banking" and "Corporate-Investment and Private Banking" respectively.

As of 19 September 2016, Emin Tolga Ulutaş has been assigned as Executive Vice President responsible of Direct Banking Unit instead of Orkun Oğuz who had resigned from his position on 19 July 2016.

İlker Altıntaş will be assigned as Executive Vice President responsible of Technology and Operation Unit instead of Turgut Güney who has resigned from his position on 31 January 2017, after obtaining necessary legal permissions.

IV. INFORMATION ON SHAREHOLDERS HAVING CONTROL SHARES:

Name/Commercial Title	Share Amounts (Nominal)	Share Percentages	Paid-in Capital (Nominal)	Unpaid Portion
Hacı Ömer Sabancı Holding A.Ş.	1.630.021	40,75 %	1.630.021	-

V. EXPLANATION ON THE BANK'S SERVICE TYPES AND FIELDS OF OPERATION:

The Bank's core business activities include consumer banking, commercial banking, SME banking, corporate-investment and private banking, foreign exchange, money markets, securities transactions (treasury transactions) and international banking services. In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş and AvivaSA Emeklilik ve Hayat A.Ş. As of 31 December 2016, the Bank has 840 branches dispersed throughout the country and 1 branch operating abroad (31 December 2015: 901 branches and 1 branch operating abroad). As of 31 December 2016 the Bank employed 13.843 people (31 December 2015: 14.050).

AKBANK T.A.Ş.

I. UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

ASSETS	Note (Section Five)	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(I-a)	5.363.602	29.648.670	35.012.272	2.165.780	23.307.643	25.473.423
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	(I-b)	4.315.883	3.409.828	7.725.711	818.288	1.909.624	2.727.912
2.1 Trading Financial Assets		4.315.883	3.409.828	7.725.711	818.288	1.909.624	2.727.912
2.1.1 Government Debt Securities		-	-	-	1.548	107	1.655
2.1.2 Equity Securities		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		4.315.883	3.409.828	7.725.711	806.782	1.909.517	2.716.299
2.1.4 Other Marketable Securities		-	-	-	9.958	-	9.958
2.2 Financial Assets at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	454.303	9.518.506	9.972.809	1.556.559	6.301.738	7.858.297
IV. MONEY MARKETS		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	18.145.273	14.378.191	32.523.464	19.586.578	21.873.129	41.459.707
5.1 Equity Securities		12.671	54.505	67.176	12.671	115.958	128.629
5.2 Government Debt Securities		17.912.731	11.328.132	29.240.863	19.376.723	15.929.478	35.306.201
5.3 Other Marketable Securities		219.871	2.995.554	3.215.425	197.184	5.827.693	6.024.877
VI. LOANS and RECEIVABLES	(I-e)	107.163.212	54.664.696	161.827.908	92.888.955	48.874.528	141.763.483
6.1 Loans and Receivables		107.008.242	54.664.696	161.672.938	92.741.642	48.874.528	141.616.170
6.1.1 Loans to Bank's Risk Group		3.732.856	1.210.614	4.943.470	2.603.899	1.383.311	3.987.210
6.1.2 Government Debt Securities	(VII)	-	-	-	-	-	-
6.1.3 Other		103.275.386	53.454.082	156.729.468	90.137.743	47.491.217	137.628.960
6.2 Loans under Follow-up		4.267.191	-	4.267.191	3.373.323	-	3.373.323
6.3 Specific Provisions [-]		4.112.221	-	4.112.221	3.226.010	-	3.226.010
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY SECURITIES (Net)	(I-f)	5.485.414	12.491.268	17.976.682	5.184.561	5.503.681	10.688.242
8.1 Government Debt Securities		5.485.414	9.976.303	15.461.717	5.184.561	5.503.681	10.688.242
8.2 Other Marketable Securities		-	2.514.965	2.514.965	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	3.923	-	3.923	3.923	-	3.923
9.1 Associates Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		3.923	-	3.923	3.923	-	3.923
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-Financial Investments in Associates		3.923	-	3.923	3.923	-	3.923
X. SUBSIDIARIES (Net)	(I-h)	347.316	1.178.625	1.525.941	347.316	1.003.425	1.350.741
10.1 Financial Subsidiaries		347.316	1.178.625	1.525.941	347.316	1.003.425	1.350.741
10.2 Non-Financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)		-	-	-	-	-	-
11.1 Joint Ventures Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-i)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income [-]		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-j)	682.966	123.770	806.736	648.858	-	648.858
13.1 Fair Value Hedge		682.966	29.432	712.398	648.858	-	648.858
13.2 Cash Flow Hedge		-	94.338	94.338	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-k)	873.437	1.765	875.202	788.655	1.746	790.401
XV. INTANGIBLE ASSETS (Net)	(I-l)	356.672	-	356.672	220.664	-	220.664
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		356.672	-	356.672	220.664	-	220.664
XVI. INVESTMENT PROPERTY (Net)	(I-m)	-	-	-	-	-	-
XVII. TAX ASSET		-	14.295	14.295	132.508	13.676	146.184
17.1 Current Tax Asset		-	-	-	-	-	-
17.2 Deferred Tax Asset	(I-n)	-	14.295	14.295	132.508	13.676	146.184
XVIII. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-o)	42.343	-	42.343	179.537	-	179.537
18.1 Held for Sale Purpose		42.343	-	42.343	179.537	-	179.537
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-p)	980.616	1.371.896	2.352.512	929.214	568.402	1.497.616
TOTAL ASSETS		144.214.960	126.801.510	271.016.470	125.451.396	109.357.592	234.808.988

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

AKBANK T.A.Ş.**I. UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 (STATEMENT OF FINANCIAL POSITION)**

(Amounts are expressed in thousands of Turkish Lira (TL).)

LIABILITIES	Note (Section Five)	CURRENT PERIOD (31/12/2016)		Total	PRIOR PERIOD (31/12/2015)		Total
		TL	FC		TL	FC	
I. DEPOSITS	(II-a)	84.354.336	74.523.856	158.878.192	68.696.386	70.246.111	138.942.497
1.1 Deposits of Bank's Risk Group	(VII)	2.955.265	2.263.798	5.219.063	2.552.668	2.182.629	4.735.297
1.2 Other		81.399.071	72.260.058	153.659.129	66.143.718	68.063.482	134.207.200
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	3.641.574	872.234	4.513.808	479.349	967.525	1.446.874
III. FUNDS BORROWED	(II-c)	177.224	29.889.712	30.066.936	193.130	23.520.208	23.713.338
IV. MONEY MARKETS		5.453.900	19.929.117	25.383.017	6.169.189	16.659.919	22.829.108
4.1 Funds from Interbank Money Market		950.449	-	950.449	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		55.199	-	55.199	-	-	-
4.3 Funds Provided Under Repurchase Agreements		4.448.252	19.929.117	24.377.369	6.169.189	16.659.919	22.829.108
V. SECURITIES ISSUED (Net)	(II-d)	1.705.594	8.911.900	10.617.494	3.182.038	8.084.029	11.266.067
5.1 Bills		484.661	-	484.661	1.545.846	892.932	2.438.778
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		1.220.933	8.911.900	10.132.833	1.636.192	7.191.097	8.827.289
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		3.855.099	1.321.275	5.176.374	3.508.887	952.862	4.461.749
VIII. OTHER LIABILITIES	(II-e)	1.241.240	158.756	1.399.996	1.350.110	118.766	1.468.876
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)	28.321	-	28.321	63.970	-	63.970
10.1 Financial Lease Payables		37.714	-	37.714	82.124	-	82.124
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses [-]		9.393	-	9.393	18.154	-	18.154
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)	-	98.645	98.645	-	157.528	157.528
11.1 Fair Value Hedge		-	98.645	98.645	-	157.528	157.528
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-h)	2.638.139	877.986	3.516.125	2.471.640	694.086	3.165.726
12.1 General Loan Loss Provisions		2.051.475	872.050	2.923.525	1.856.322	688.380	2.544.702
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		219.388	-	219.388	187.178	-	187.178
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		367.276	5.936	373.212	428.140	5.706	433.846
XIII. TAX LIABILITY	(II-i)	668.162	14.818	682.980	593.181	10.897	604.078
13.1 Current Tax Liability		543.319	14.818	558.137	593.181	10.897	604.078
13.2 Deferred Tax Liability		124.843	-	124.843	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS		-	-	-	-	-	-
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Related to Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(II-j)	31.172.981	(518.399)	30.654.582	27.199.518	(510.341)	26.689.177
16.1 Paid-in capital		4.000.000	-	4.000.000	4.000.000	-	4.000.000
16.2 Capital Reserves		2.482.918	(518.399)	1.964.519	2.438.167	(510.341)	1.927.826
16.2.1 Share Premium		1.700.000	-	1.700.000	1.700.000	-	1.700.000
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(587.935)	(569.830)	(1.157.765)	(627.540)	(485.221)	(1.112.761)
16.2.4 Property and Equipment Revaluation Differences		47.106	-	47.106	47.106	-	47.106
16.2.5 Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6 Investment Properties Revaluation Differences		-	-	-	-	-	-
16.2.7 Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		4.895	-	4.895	4.895	-	4.895
16.2.8 Hedging Funds (Effective portion)		(15.532)	51.431	35.899	(35.257)	(25.120)	(60.377)
16.2.9 Value Increase of Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		1.334.384	-	1.334.384	1.348.963	-	1.348.963
16.3 Profit Reserves		20.161.351	-	20.161.351	17.766.503	-	17.766.503
16.3.1 Legal Reserves		1.322.027	-	1.322.027	1.282.027	-	1.282.027
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		18.718.299	-	18.718.299	16.372.097	-	16.372.097
16.3.4 Other Profit Reserves		121.025	-	121.025	112.379	-	112.379
16.4 Income or (Loss)		4.528.712	-	4.528.712	2.994.848	-	2.994.848
16.4.1 Prior Periods' Income or (Loss)		-	-	-	-	-	-
16.4.2 Current Period Income or (Loss)		4.528.712	-	4.528.712	2.994.848	-	2.994.848
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		134.936.570	136.079.900	271.016.470	113.907.398	120.901.590	234.808.988

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

AKBANK T.A.Ş.**II. UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (TL).)

INCOME AND EXPENSE ITEMS		Note (Section Five)	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I.	INTEREST INCOME	(III-a)	18.018.311	15.104.804
1.1	Interest on Loans	(III-a-1)	14.537.886	11.991.681
1.2	Interest on Reserve Requirements		222.852	58.992
1.3	Interest on Banks	(III-a-2)	81.577	50.154
1.4	Interest on Money Market Transactions		22.936	93.883
1.5	Interest on Marketable Securities Portfolio	(III-a-3)	3.122.563	2.879.319
1.5.1	Trading Financial Assets		25	275
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		2.484.574	2.291.006
1.5.4	Held- to- maturity Investments		637.964	588.038
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		30.497	30.775
II.	INTEREST EXPENSE	(III-b)	10.071.770	7.909.944
2.1	Interest on Deposits	(III-b-4)	7.877.903	5.979.397
2.2	Interest on Funds Borrowed	(III-b-1)	518.091	401.517
2.3	Interest Expense on Money Market Transactions		976.047	812.641
2.4	Interest on Securities Issued	(III-b-3)	660.434	681.358
2.5	Other Interest Expenses		39.295	35.031
III.	NET INTEREST INCOME (I - II)		7.946.541	7.194.860
IV.	NET FEES AND COMMISSIONS INCOME		2.397.947	2.354.254
4.1	Fees and Commissions Received		2.931.626	2.821.774
4.1.1	Non-cash Loans		202.042	179.395
4.1.2	Other		2.729.584	2.642.379
4.2	Fees and Commissions Paid		533.679	467.520
4.2.1	Non-cash Loans		975	868
4.2.2	Other		532.704	466.652
V.	DIVIDEND INCOME	(III-c)	21.478	13.337
VI.	TRADING INCOME/(LOSS) (Net)	(III-d)	947.449	54.812
6.1	Trading Gains / (Losses) on Securities		156.720	211.903
6.2	Gains / (Losses) on Derivative Financial Transactions		1.089.735	(529.940)
6.3	Foreign Exchange Gains / (Losses)		(299.006)	372.849
VII.	OTHER OPERATING INCOME	(III-e)	879.996	603.839
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		12.193.411	10.221.102
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(III-f)	2.215.920	2.179.616
X.	OTHER OPERATING EXPENSES (-)	(III-g)	4.279.941	4.213.815
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		5.697.550	3.827.671
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.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)		5.697.550	3.827.671
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(III-i)	1.168.838	832.823
16.1	Current Tax Provision		921.532	806.798
16.2	Deferred Tax Provision		247.306	26.025
XVII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)		4.528.712	2.994.848
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Income from Other Discontinued Operations		-	-
XIX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Expenses for Other Discontinued Operations		-	-
XX.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	(III-k)	4.528.712	2.994.848
Earnings per share (in full TL)			0,01132	0,00749

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

AKBANK T.A.Ş.
III. UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (TL).)

	Note (Section Five)	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		148.198.416	356.810.685	505.009.101	97.042.850	225.281.018	322.323.868
I. GUARANTEES AND WARRANTIES	(IV-a-2, 3)	15.989.523	24.636.039	40.625.562	13.762.203	18.913.025	32.675.228
1.1 Letters of Guarantee		13.734.506	13.518.180	27.252.686	11.862.428	10.764.100	22.626.528
1.1.1 Guarantees Subject to State Tender Law		388.011	2.543.143	2.931.154	489.460	1.799.894	2.289.354
1.1.2 Guarantees Given for Foreign Trade Operations		-	3.211.347	3.211.347	-	4.114.385	4.114.385
1.1.3 Other Letters of Guarantee		13.346.495	7.763.690	21.110.185	11.372.968	4.849.821	16.222.789
1.2 Bank Acceptances		-	3.583.229	3.583.229	-	933.230	933.230
1.2.1 Import Letter of Acceptance		-	3.583.229	3.583.229	-	933.230	933.230
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		260	5.188.592	5.188.852	396	5.326.265	5.326.661
1.3.1 Documentary Letters of Credit		260	4.678.632	4.678.892	396	4.846.143	4.846.539
1.3.2 Other Letters of Credit		-	509.960	509.960	-	480.122	480.122
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7 Factoring Guarantees		-	18.849	18.849	-	22.866	22.866
1.8 Other Guarantees		38.726	2.307.609	2.346.335	115.520	1.852.899	1.968.419
1.9 Other Collaterals		2.214.031	19.580	2.233.611	1.783.859	13.665	1.797.524
II. COMMITMENTS	(IV-a-1)	41.217.553	20.503.104	61.720.657	35.082.215	12.341.070	47.423.285
2.1 Irrevocable Commitments		40.690.428	20.503.104	61.193.532	34.577.080	12.341.070	46.918.150
2.1.1 Asset Purchase Commitments		7.444.452	9.261.461	16.705.913	2.190.531	2.963.600	5.154.131
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		6.195.974	3.847.183	10.043.157	5.643.211	4.333.444	9.976.655
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		6.200.426	-	6.200.426	5.764.751	-	5.764.751
2.1.8 Tax and Fund Liabilities from Export Commitments		4.526	-	4.526	2.956	-	2.956
2.1.9 Commitments for Credit Card Limits		17.397.602	-	17.397.602	17.672.898	-	17.672.898
2.1.10 Commitments for Credit Cards and Banking Services Promotions		121.979	-	121.979	95.366	-	95.366
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		3.325.469	7.394.460	10.719.929	3.207.367	5.044.026	8.251.393
2.2 Revocable Commitments		527.125	-	527.125	505.135	-	505.135
2.2.1 Revocable Loan Granting Commitments		527.125	-	527.125	505.135	-	505.135
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(IV-b)	90.991.340	311.671.542	402.662.882	48.198.432	194.026.923	242.225.355
3.1 Hedging Derivative Financial Instruments		2.497.225	20.737.803	23.235.028	1.228.638	11.197.395	12.426.033
3.1.1 Fair Value Hedges		2.497.225	15.779.465	18.276.690	1.228.638	11.197.395	12.426.033
3.1.2 Cash Flow Hedges		-	4.958.338	4.958.338	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		88.494.115	290.933.739	379.427.854	46.969.794	182.829.528	229.799.322
3.2.1 Forward Foreign Currency Buy/Sell Transactions		9.200.025	16.578.421	25.778.446	6.128.480	8.958.219	15.086.699
3.2.1.1 Forward Foreign Currency Transactions-Buy		3.360.716	9.502.584	12.863.300	2.647.607	4.845.645	7.493.252
3.2.1.2 Forward Foreign Currency Transactions-Sell		5.839.309	7.075.837	12.915.146	3.480.873	4.112.574	7.593.447
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		68.389.888	186.469.839	254.859.727	29.738.415	104.406.055	134.144.470
3.2.2.1 Foreign Currency Swap-Buy		35.669.987	50.455.860	86.125.847	11.246.658	28.538.905	39.785.563
3.2.2.2 Foreign Currency Swap-Sell		29.811.701	54.958.787	84.770.488	15.671.757	20.415.368	36.087.125
3.2.2.3 Interest Rate Swap-Buy		1.454.100	40.527.596	41.981.696	1.410.000	27.725.891	29.135.891
3.2.2.4 Interest Rate Swap-Sell		1.454.100	40.527.596	41.981.696	1.410.000	27.725.891	29.135.891
3.2.3 Foreign Currency, Interest Rate and Securities Options		10.848.869	75.616.092	86.464.961	10.274.802	58.882.918	69.157.720
3.2.3.1 Foreign Currency Options-Buy		5.594.038	8.759.955	14.353.993	4.938.312	7.023.471	11.961.783
3.2.3.2 Foreign Currency Options-Sell		5.254.831	9.273.601	14.528.432	5.336.490	6.753.791	12.090.281
3.2.3.3 Interest Rate Options-Buy		-	28.791.268	28.791.268	-	22.552.828	22.552.828
3.2.3.4 Interest Rate Options-Sell		-	28.791.268	28.791.268	-	22.552.828	22.552.828
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		55.333	12.269.387	12.324.720	828.097	10.582.336	11.410.433
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		719.670.016	192.951.797	912.621.813	611.006.886	159.670.572	770.677.458
IV. ITEMS HELD IN CUSTODY		26.200.935	9.892.470	36.093.405	26.860.299	11.806.667	38.666.966
4.1 Customer Fund and Portfolio Balances		3.505.508	-	3.505.508	2.820.657	-	2.820.657
4.2 Investment Securities Held in Custody		1.746.620	1.126.900	2.873.520	5.230.194	818.636	6.048.830
4.3 Cheques Received for Collection		16.330.556	1.218.160	17.548.716	14.928.116	876.770	15.804.886
4.4 Commercial Notes Received for Collection		4.135.405	1.799.253	5.934.658	3.395.579	1.454.631	4.850.210
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		482.846	5.748.157	6.231.003	485.753	8.656.630	9.142.383
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		260.667.394	66.081.116	326.748.510	201.367.218	48.699.397	249.866.615
5.1 Marketable Securities		126.605.044	514.939	127.119.983	93.300.273	443.023	93.743.296
5.2 Guarantee Notes		947.082	510.214	1.457.296	737.605	408.356	1.145.961
5.3 Commodity		-	21.485	21.485	-	34.884	34.884
5.4 Warranty		-	-	-	-	-	-
5.5 Immovables		99.608.760	49.047.015	148.655.775	78.442.536	35.614.821	114.057.357
5.6 Other Pledged Items		33.506.508	15.987.463	49.493.971	28.886.804	11.998.313	40.885.117
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL, GUARANTEES AND WARRANTIES		432.801.687	116.978.211	549.779.898	382.779.369	99.366.508	482.143.877
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		867.868.432	549.762.482	1.417.630.914	708.049.736	384.951.590	1.093.001.326

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

AKBANK T.A.Ş.

**IV. UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (TL).)

INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE- FOR- SALE FINANCIAL ASSETS	(56.255)	(1.023.676)
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. TRANSLATION DIFFERENCES FROM FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion of Fair Value Changes)	120.345	27.588
VI. PROFIT/LOSS FROM FOREIGN NET INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(18.224)	(63.783)
IX. TAX RELATED TO VALUATION DIFFERENCES	(9.173)	211.974
X. NET INCOME/EXPENSE DIRECTLY ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	36.693	(847.897)
XI. CURRENT PERIOD INCOME / LOSS	4.528.712	2.994.848
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit/Loss)	(31.285)	16.286
11.2 Part of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3 Part of Foreign Net Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	(33.389)	(22.070)
11.4 Other	4.593.386	3.000.632
XII. TOTAL INCOME / LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.565.405	2.146.951

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

7. UNCONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

Amounts are expressed in thousands of Turkish Lira (TL)).

[illegible]

* The amounts for the "Paid-in Capital Inflation Adjustment Difference" and "Actuarial Loss/Gain" which is in the "Other Reserves" are presented under "Other Capital Reserves" in the financial statements.

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

AKBANK T.A.Ş.

VI. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (TL)).

	Note (Section Five)	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit before changes in operating assets and liabilities	522.521	1.984.609
1.1.1	Interest received	16.758.709	14.405.094
1.1.2	Interest paid	(9.880.601)	(7.868.389)
1.1.3	Dividend received	21.478	13.337
1.1.4	Fees and commissions received	2.935.663	2.773.653
1.1.5	Other income	(982.519)	(1.238.322)
1.1.6	Collections from previously written-off loans and other receivables	767.018	674.604
1.1.7	Payments to personnel and service suppliers	(3.888.915)	(3.819.188)
1.1.8	Taxes paid	(1.422.062)	(737.563)
1.1.9	Other	(3.786.250)	(2.218.617)
	(VI-b)		
1.2	Changes in operating assets and liabilities	3.052.395	2.648.183
1.2.1	Net decrease in trading securities	11.240	(6.400)
1.2.2	Net (increase) / decrease in fair value through profit/(loss) financial assets	-	-
1.2.3	Net (increase) / decrease in due from banks and other financial institutions	4.617.729	3.563
1.2.4	Net (increase) / decrease in loans	(20.877.935)	(17.295.051)
1.2.5	Net (increase) / decrease in other assets	(9.999.265)	(4.412.051)
1.2.6	Net increase / (decrease) in bank deposits	(6.057.147)	(676.357)
1.2.7	Net increase / (decrease) in other deposits	25.838.789	26.177.136
1.2.8	Net increase / (decrease) in funds borrowed	7.353.253	2.714.662
1.2.9	Net increase / (decrease) in payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	-	-
	(VI-b)	2.165.731	(3.857.319)
I.	Net cash provided from banking operations	3.574.916	4.632.792
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	2.568.078	(5.158.215)
2.1	Cash paid for acquisition of investments, associates and subsidiaries	-	(358.121)
2.2	Cash obtained from disposal of investments, associates and subsidiaries	-	-
2.3	Purchases of property and equipment	(419.047)	(118.152)
2.4	Disposals of property and equipment	179.411	20.363
2.5	Cash paid for purchase of investments available-for-sale	(7.385.523)	(26.094.762)
2.6	Cash obtained from sale of investments available-for-sale	10.581.491	20.331.322
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	130.051	1.112.446
2.9	Other	(518.305)	(51.311)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities	(1.316.745)	1.087.802
3.1	Cash obtained from funds borrowed and securities issued	5.453.771	13.674.071
3.2	Cash used for repayment of funds borrowed and securities issued	(6.114.131)	(11.936.377)
3.3	Issued equity instruments	-	-
3.4	Dividends paid	(600.000)	(569.600)
3.5	Payments for finance leases	(56.385)	(80.292)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	1.435.203	781.802
	(VI-b)		
V.	Net increase in cash and cash equivalents (I+II+III+IV)	6.261.452	1.344.181
VI.	Cash and cash equivalents at beginning of the period	6.152.472	4.808.291
	(VI-a)		
VII.	Cash and cash equivalents at end of the period	12.413.924	6.152.472
	(VI-a)		

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

AKBANK T.A.Ş.**VII. PROFIT APPROPRIATION STATEMENT**

(Amounts are expressed in thousands of Turkish Lira (TL)).

	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	5.699.265	3.827.671
1.2 TAXES AND DUTIES PAYABLE	1.170.553	832.823
1.2.1 Corporate Tax (Income Tax)	923.247	806.798
1.2.2 Income Withholding Tax	-	-
1.2.3 Other taxes and duties	247.306	26.025
A. NET INCOME FOR THE YEAR (1.1-1.2)	4.528.712	2.994.848
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	4.528.712	2.994.848
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	200.000
1.6.1 To Owners of Ordinary Shares	-	200.000
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	400.000
1.9.1 To Owners of Ordinary Shares	-	400.000
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	40.000
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	2.346.202
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	8.646
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (*)		
3.1 TO OWNERS OF ORDINARY SHARES	0,011	0,007
3.2 TO OWNERS OF ORDINARY SHARES (%)	1,1	0,7
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	0,002
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	0,2
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(2) Profit appropriation is being done according to unconsolidated financial statements.

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

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**SECTION THREE
ACCOUNTING POLICIES**

I. EXPLANATIONS ON BASIS OF PRESENTATION:

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). 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" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of unconsolidated 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, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

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

b. Explanation for convenience translation into English:

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

c. Accounting policies and valuation principles applied in the presentation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVIII below.

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

The Bank's core business activities include consumer banking, commercial banking, SME banking, and corporate-investment and private banking, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. By nature, the Bank's activities are principally related to the use of financial instruments. As the main funding source, the Bank accepts deposits from customers for various periods and invests these funds in high quality assets with high interest margins. Other than deposits, the Bank's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Bank follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank's exposure to liquidity risk, interest rate risk, currency risk and credit risk while increasing profitability and strengthening the Bank's equity. The Asset-Liabilities Committee ("ALCO") manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee ("ERC").

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of "Net foreign exchange income/expense". Foreign currency denominated subsidiaries, which are accounted with acquisition cost method, are translated with the foreign exchange rates prevailing at the acquisition date.

As of 31 December 2016, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,5000 TL 3,6897 and TL 2,9861 for USD, EURO and Yen respectively.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES:

Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Separate Financial Statements" ("TAS 27") in the unconsolidated financial statements and measured in the financial statements with their costs. Dividends are recognized in the income statement when the right to receive the dividend is obtained.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Bank are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). In accordance with TAS 39, although certain derivative transactions provide effective economic hedges under the Bank's risk management position, they are treated as derivatives "Held-for-trading".

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

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Trading derivative financial assets" or "Hedging derivative financial assets"; if the fair value difference is negative, it is recorded to "Trading derivative financial liabilities" or "Hedging derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement. The basis on accounting of derivative instruments for hedging purposes are explained Note VIII of Section Four. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

An embedded derivative shall be separated from host contract only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss

If an embedded derivative is separated, the host contract shall be accounted for under TAS 39 if it is a financial instrument and in accordance with other appropriate standards if it is not a financial instrument.

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V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income by using the "Effective interest method". The Bank ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Bank categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

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

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making. All regular way purchases and sales of trading financial assets are recognized at the settlement date, which is the date that the asset is delivered to/from the Bank. Trading financial assets are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. Interest earned while holding trading financial assets is accounted as interest income and dividends received are included separately in dividend income.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes. The accounting of derivative financial assets is explained in Note IV of Section Three.

The Bank has no financial assets designated as financial assets at fair value through profit or loss.

b. Financial assets available-for-sale:

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets available-for-sale are remeasured at fair value. Interest income arising from available-for-sale calculated with effective interest method and dividend income from equity securities are reflected to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of securities classified as available-for-sale are recognized in the account of "Marketable securities valuation differences" under shareholders' equity, unless these assets are impaired, collected, sold, or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the 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.

c. Loans and Receivables:

Loans and receivables are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently recognized at the discounted value calculated using the "Effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

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The Bank classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA.

Specific provisions are accounted under "Provision for Loan Losses and Other Receivables" in the income statement and deducted from the net income of the period. If a receivable is collected which is provisioned in the same year, it is deducted from the "Provision for Loan Losses and Other Receivables". If there is a subsequent collection from a receivable which has already been provisioned in previous years, the recovery amount is classified under "Other Operating Income". Uncollectible receivables are written-off after all the legal procedures are finalized.

d. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

The Bank has Consumer Price Index ("CPI") linked government bonds under available-for-sale and held-to maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest method" and its carrying value. In case an impairment occurs, the impairment amount is deducted from the carrying value of the asset and the impairment loss is recognized in profit and loss. Regarding available-for-sale financial assets, when there is objective evidence that the asset is impaired the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. An explanation about the impairment of loans and receivables is given in Note VII-c of Section Three.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Available-for-sale securities" and "Held-to-maturity securities" in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the "Effective interest (internal return) method".

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Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest method".

The Bank has no securities lending transactions.

XI. EXPLANATIONS ON PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS:

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, no.26333.

The Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Bank has no goodwill.

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

Intangibles are amortized over three to five years (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technological and other kinds of wear and tear and all required maintenance expenses necessary to utilize the economic benefit from the asset.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Machinery, furniture, fixtures and vehicles	5 years

The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment.

Where the carrying amount of an asset is greater than its estimated "Net realizable value amount", it is written down to its "Net realizable value amount" and the impairment loss is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease its costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease installments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is impairment in value of the leased asset, an impairment is recognized. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not provide financial leasing services as a "Lessor".

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

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XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES:

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

a. Employment termination benefits and vacation rights:

Obligations related to employment termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability. In accordance with TAS 19, actuarial gains and losses are recognized in equity.

b. Retirement rights:

The Bank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund") established in accordance with the Social Security Law numbered 506, article No.20. The financial statements of the Pension Fund have been audited as of year ends by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette no. 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution ("SSI") within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

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The main opposition party had appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. The Constitution Court has dismissed the appeal with the decision taken in the meeting dated 30 March 2011. The reasoned decision has been published in the Official Gazette numbered 28156 dated 28 December 2011.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the "Social Insurance and General Health Insurance Law no. 5510" published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. The Council of Ministers has been authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335.

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

With respect to that, according to the technical balance sheet report as at 31 December 2016 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

VIII. EXPLANATIONS ON TAXATION:

a. Current tax:

In Turkey, corporate tax rate is 20%. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, tax-exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

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

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the 25th day of the following fourth month after the closing of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year following the date of filing during which time period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Current tax, related to items recognized directly in equity is also credited or charged directly to equity.

b. Deferred tax:

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The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax assets and liabilities are presented on a net basis by considering the domestic and foreign branches' financial statements separately.

Deferred tax, related to items recognized directly in equity is also credited or charged directly to equity.

XIX. EXPLANATIONS ON BORROWINGS:

Debt instruments with different characteristics such as syndicated and securitized borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Bank. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated using the "Effective interest method".

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

There is no share certificate issuance in 2016.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2016 and 31 December 2015, there is no government grant for the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING:

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and,
- for which discrete financial information is available.

Reporting according to the operational segment is presented in Note XII of Section Four.

XXIV. PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, but Holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

The Ordinary General Assembly Meeting of the Bank was held on 28 March 2016. In the Ordinary General Assembly, it was decided to distribute a TL 600.000 cash dividend over the TL 2.994.848 net income from 2015 operations to the Bank's shareholders. It was also resolved in the General Assembly to transfer TL 8.646 to special funds account under other capital reserves, to allocate TL 40.000 as legal and TL 2.346.202 as extraordinary reserves.

XXV. EARNINGS PER SHARE:

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Earnings per share disclosed in the income statement are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the period concerned.

	Current Period 31 December 2016	Prior Period 31 December 2015
Net Profit for the Year	4.528.712	2.994.848
Average Number of Issued Common Shares (Thousand)	400.000.000	400.000.000
Earnings Per Share (Amounts presented as full TL)	0,01132	0,00749

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares issued in 2016 (2015: (-)).

XXVI. RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411, Bank's senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note VI of Section Five.

XXVII. CASH AND CASH EQUIVALENT ASSETS:

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

XXVIII. RECLASSIFICATIONS:

In order to be consistent with the presentation of financial statements dated 31 December 2016, there are certain reclassifications made on income statement and cash flow statement of 31 December 2015.

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SECTION FOUR INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

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

As of 31 December 2016, the Bank's total capital has been calculated as TL 32.855.651, the Capital adequacy ratio is 14,30 %. As of 31 December 2015, the Bank's total capital amounted to TL 28.954.803, Capital adequacy ratio was 14,58 % calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

a. Information about total capital items:

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.405.892	
Share issue premiums	1.700.000	
Reserves	20.161.351	
Gains recognized in equity as per TAS	47.106	
Profit	4.528.712	
Current Period Profit	4.528.712	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	4.895	
Common Equity Tier 1 Capital Before Deductions	31.847.956	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	28.760	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.229.273	
Improvement costs for operating leasing	27.261	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	189.841	316.401
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	1.475.135	
Total Common Equity Tier 1 Capital	30.372.821	

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	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	126.560	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	30.246.261	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions [Article 8 of the Regulation on the Equity of Banks]	2.620.234	
Tier II Capital Before Deductions	2.620.234	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2.620.234	
Total Capital (The sum of Tier I Capital and Tier II Capital)	32.866.495	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th 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	19	
Other items to be defined by the BRSA (-)	10.825	
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	-	

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	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	32.855.651	
Total risk weighted amounts	229.746.122	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	13,22%	
Tier 1 Capital Adequacy Ratio	13,17%	
Capital Adequacy Ratio	14,30%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	5,51%	
Capital conservation buffer requirement	0,63%	
Bank specific counter-cyclical buffer requirement	0,39%	
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	5,22%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	442.437	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.923.525	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.620.234	
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	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

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	Prior Period 31 December 2015 (*)
COMMON EQUITY TIER I CAPITAL	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.405.892
Share premium	1.700.000
Share cancellation profits	-
Reserves	17.766.503
Gains recognized in equity as per TAS	47.106
Profit	2.994.848
Current Period Profit	2.994.848
Prior Period Profit	-
Provisions for Possible Risks	200.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	4.895
Common Equity Before Deductions	28.119.244
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	1.169.690
Leasehold improvements(-)	34.857
Goodwill or other intangible assets and deferred tax liability related to these items (-)	78.249
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	-
Direct and indirect investments of the Bank in its own Common Equity (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity (-)	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity (-)	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	-
Excess amount arising from mortgage servicing rights (-)	-
Excess amount arising from deferred tax assets based on temporary differences (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Common Equity	1.282.796
Total Common Equity Tier I Capital	26.836.448
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	-
Debt instruments and premiums deemed suitable by BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II 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 (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	-
DEDUCTIONS FROM TIER I CAPITAL	
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	117.374
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Total Tier I Capital	26.719.074

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	Prior Period 31 December 2015[*]
TIER II CAPITAL	
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)	-
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	-
General Loan Loss Provisions	2.255.984
Tier II Capital Before Deductions	2.255.984
DEDUCTIONS FROM TIER II CAPITAL	
Direct and indirect investments of the Bank in its own Tier II Capital (-)	-
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 (-)	-
Portion of the total of net long positions of investments made in Additional Tier I and Tier II 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 (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	2.255.984
CAPITAL BEFORE DEDUCTIONS	28.975.058
Deductions from Capital	
Loans granted contrary to the 50th and 51th Article of the Law (-)	-
Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date(-)	75
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)	-
Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	171
Other items to be defined by the BRSA (-)	20.009
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 I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II 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 I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
TOTAL CAPITAL	28.954.803
Amounts below the Excess Limits as per the Deduction Principles	
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 I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-
Amounts arising from mortgage servicing rights	-
Amounts arising from deferred tax assets based on temporary differences	342.155

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

b. Information about instruments that will be included in total capital calculation: None.

c. The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to %1,25 credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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II. EXPLANATIONS ON CREDIT RISK:

a. Credit risk is the risk that the counterparties may be unable to meet the terms of their agreements. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

For daily treasury operations limit allocation and follow-up is performed by the Treasury.Business Unit.

Credit worthiness of loan and other receivable debtors are watched regularly and in line with related regulations. In case of an increase in credit debtor's risk level credit limits are re-determined or additional guarantee is taken. For new credit accounts, account follow-up documents are taken in accordance with the related regulation.

The explanations on definition of overdue and impaired loans and information related to impairment and loan loss provisions are provided in Note 2-o of Section Four

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	79.703.240	79.409.045
Conditional and unconditional receivables from regional or local governments	250	250
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	57.897	69.810
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	85.021.466	65.705.558
Conditional and unconditional receivables from corporates	136.695.258	126.754.218
Conditional and unconditional receivables from retail portfolios	78.849.280	69.800.101
Conditional and unconditional receivables secured by mortgages	21.164.804	19.722.220
Past due receivables	154.970	147.770
Receivables defined under high risk category by BRSA	235	2.199.119
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	460.876	883.203
Equity security investments	1.597.040	1.204.028
Other receivables	3.645.626	4.165.915
Total	407.350.942	370.061.237

(*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor.

b. Control limits exist on forward transaction and option agreements and other positions that are held in terms of similar other agreements. Credit risk born out of these types of instruments is managed together with market risk.

c. The risks of the forward, option and other similar type agreements are followed regularly and as deemed necessary based on the credit risk, the risks are tried to be minimized.

d. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk. Rescheduled or restructured loans are followed in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

The Bank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

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e. The Bank's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies.

When considered within the financial activities of other financial institutions, the Bank as an active participant in the national and international banking market is not exposed to significant credit risk concentration.

As seen in the Bank's balance sheet, the ratio of loans under follow-up to total loans is as low as 2,6% (31 December 2015: 2,3%).

f. 1. The proportion of the Bank's top 100 and 200 cash loan customers' in total cash loans is 33% and 40% respectively. (31 December 2015: 30% and 37%).

2. The proportion of the Bank's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 66% and 77%. (31 December 2015: 59% and 68%)

3. The proportion of the Bank's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 22% and 28% respectively. (31 December 2015: 17% and 22%)

g. The Bank provided a general loan loss provision amounting to TL 2.923.525 (31 December 2015: TL 2.544.702).

h. Information on loan types and provisions:

Current Period - 31 December 2016	Commercial Loans	Consumer Loans	Credit Cards	Total
Standard Loans	115.631.444	27.894.782	12.128.729	155.654.955
Close Monitoring Loans	3.790.611	1.536.885	690.487	6.017.983
Loans Under Follow-up	1.639.126	1.396.806	1.231.259	4.267.191
Specific Provision [-]	1.484.156	1.396.806	1.231.259	4.112.221
Total	119.577.025	29.431.667	12.819.216	161.827.908

As of 31 December 2016, the Bank has booked 100% specific provision amounting to TL 51 million after taking the collaterals into consideration for one of its non-performing commercial loans amounting to TL 206 million.

Prior Period - 31 December 2015	Commercial Loans	Consumer Loans	Credit Cards	Total
Standard Loans	98.162.314	26.821.142	11.723.535	136.706.991
Close Monitoring Loans	2.249.269	1.853.129	806.781	4.909.179
Loans Under Follow-up	1.016.088	1.184.274	1.172.961	3.373.323
Specific Provision [-]	868.775	1.184.274	1.172.961	3.226.010
Total	100.558.896	28.674.271	12.530.316	141.763.483

i. Information on the movement of provision for loan and other receivables of the Bank:

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2016	868.775	1.184.274	1.172.961	3.226.010
Transferred during the period	929.529	637.906	513.936	2.081.371
Collection	(207.055)	(307.335)	(211.185)	(725.575)
Write-off(*)	(107.093)	(118.039)	(244.453)	(469.585)
31 December 2016	1.484.156	1.396.806	1.231.259	4.112.221

(*) TL 450,1 million (in full TL amount) of the Bank's non-performing loan portfolio has been sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 49,1 million in full TL amount. Specific provision previously allocated for this amount, is shown under "Write-off" in the above table

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2015	600.077	685.612	893.140	2.178.829
Transferred during the period	585.733	787.671	650.058	2.023.462
Collection	(182.014)	(230.670)	(221.620)	(634.304)
Write-off(*)	(135.021)	(58.339)	(148.617)	(341.977)
31 December 2015	868.775	1.184.274	1.172.961	3.226.010

(*) TL 248,5 million in full TL amount of the Bank's non-performing loan portfolio has been sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 40,3 million in full TL amount. Specific provision previously allocated for this amount, is shown under "Write-off" in the above table.

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j. Information on debt securities, treasury bills and other eligible bills:

Current Period - 31 December 2016	Trading Financial Assets (Net)	Available-for-Sale Financial Assets (Net)	Held-to-Maturity Securities (Net)	Total
Moody's Rating				
Aaa	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	131.256	-	131.256
Ba1	-	32.112.788	17.976.682	50.089.470
Ba2	-	-	-	-
Total	-	32.244.044	17.976.682	50.220.726

Prior Period - 31 December 2015	Trading Financial Assets (Net)	Available-for-Sale Financial Assets (Net)	Held-to-Maturity Securities (Net)	Total
Moody's Rating				
Aaa	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	1.655	40.959.285	10.688.242	51.649.182
Ba1	-	101.166	-	101.166
Ba2	-	-	-	-
Total	1.655	41.060.451	10.688.242	51.750.348

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k. Profile on significant risks in significant regions:

Current Period	Risk Categories (*)																	
	31 December 2016																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	79,508,445	50	46,010	-	-	10,422,893	109,567,986	50,265,610	20,687,819	154,970	-	-	-	-	440,842	70,938	3,645,626	274,831,189
European Union Countries	178,286	-	7	-	-	34,760,220	4,903,811	14,864	12,089	-	-	-	-	-	-	161	-	39,869,438
OECD Countries(**)	-	-	-	-	-	1,746,977	275,923	2,289	2,261	-	-	-	-	-	-	-	-	2,027,450
Off- Shore Regions	-	-	-	-	-	167,679	55,244	310	309	-	-	-	-	-	-	-	-	223,542
USA, Canada	-	-	-	-	-	3,368,413	95,689	3,455	2,781	-	-	-	-	-	-	-	-	3,470,338
Other Countries	-	-	24	-	-	645,996	710,730	10,468	3,312	-	-	-	-	-	-	-	-	1,370,530
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	6,969,586	737,068	-	-	-	-	-	-	-	-	1,525,941	-	9,232,595
Undistributed Assets / Liabilities***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	79,686,731	50	46,041	-	-	58,081,764	116,346,451	50,296,996	20,708,571	154,970	-	-	-	-	460,842	1,597,040	3,645,626	331,025,082
Prior Period	Risk Categories (*)																	
	31 December 2015																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16(****)	17	Total
Domestic	76,063,029	48	27,007	-	-	15,030,834	87,821,882	33,338,424	20,620,877	147,314	13,507,875	-	-	-	278,802	-	3,914,879	250,750,971
European Union Countries	168,608	-	258	-	-	23,031,210	3,321,951	17,964	341,906	-	7,021	-	-	-	-	-	161	26,889,079
OECD Countries(**)	-	-	-	-	-	1,495,571	204,431	2,744	2,258	-	1,078	-	-	-	-	-	-	1,706,082
Off- Shore Regions	-	-	-	-	-	579,036	3,061	514	264	-	104	-	-	-	-	-	-	582,979
USA, Canada	-	-	-	-	-	1,809,676	114,616	4,304	3,398	-	1,238	-	-	-	-	-	-	1,933,232
Other Countries	-	-	25	-	-	597,857	796,226	16,184	4,023	-	2,381	-	-	-	-	-	-	1,416,696
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	4,279,974	-	-	-	-	-	-	-	-	-	-	1,349,741	5,629,715
Undistributed Assets / Liabilities***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	76,231,637	48	27,290	-	-	46,824,158	92,262,167	33,380,134	20,972,726	147,314	13,519,697	-	-	-	278,802	-	5,264,781	288,908,754

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Equity security transactions
17. Other receivables

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

(***) Assets and liabilities that are not distributed according to a consistent principle

(****) Equity security transactions has been added to the risk classes in the current period. Prior period balances are presented under "Other Receivables"

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I. Risk Profile according to sectors and counterparties:

31 December 2016	Risk Classifications (*)																	Total		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		TL	FC
Agricultural	1	-	5	-	-	-	43,939	209,853	47,007	-	-	-	-	-	-	-	-	299,627	1,178	300,805
Farming and raising livestock																				
Forestry	1	-	5	-	-	-	32,428	124,662	30,559	-	-	-	-	-	-	-	-	187,640	15	187,655
Fishing	-	-	-	-	-	-	11,130	83,756	16,290	-	-	-	-	-	-	-	-	110,013	1,163	111,176
Manufacturing																				
Mining	10	-	411	-	-	-	381	1,435	158	-	-	-	-	-	-	-	-	1,974	-	1,974
Production																				
Electricity, Gas, Water	10	-	408	-	-	-	38,791,695	4,635,038	2,884,987	-	-	-	-	-	-	-	-	21,994,322	24,317,819	46,312,141
Construction	-	-	65	-	-	-	1,511,807	129,945	106,877	-	-	-	-	-	-	-	-	355,274	1,393,355	1,748,629
Services																				
Wholesale and Retail Trade	10	-	408	-	-	-	21,674,595	4,433,403	2,748,772	-	-	-	-	-	-	-	-	17,211,246	11,645,942	28,857,188
Hotel,Food,Beverage																				
Services																				
Transportation and Telecommunication																				
Financial Institutions	3	3	20	-	-	51,440,868	19,223,523	23,969	121,780	-	-	-	-	-	71,867	1,585,004	-	12,893,847	59,573,190	72,467,037
Real Estate and Lending																				
Services	-	-	15	-	-	-	17,986,852	1,956,358	2,109,801	-	-	-	-	-	-	-	-	10,966,112	11,086,964	22,053,076
Self employment Service	-	-	26	-	-	-	52,652,350	14,520,868	6,141,853	154,970	-	-	-	-	71,867	1,586,828	-	47,631,991	78,968,079	126,600,070
Education Service	118	-	1,525	-	-	-	16,833,244	11,597,043	4,338,139	-	-	-	-	-	-	-	-	27,137,142	5,632,715	32,769,857
Health and social Services	38	25	24,019	-	-	1,453	3,219,022	602,607	669,366	154,970	-	-	-	-	-	-	-	1,925,039	2,720,958	4,645,997
Other	79,684,756	12	18,549	-	-	6,639,443	8,538,580	1,167,970	236,078	-	-	-	-	-	-	-	-	2,160,325	7,784,061	9,944,386
Total	79,686,731	50	46,041	-	-	58,081,764	19,223,523	23,969	121,780	-	-	-	-	-	71,867	1,585,004	-	12,893,847	59,573,190	72,467,037

(*)Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

- | | |
|--|--|
| 1. Conditional and unconditional receivables from central governments and Central Banks | 9. Conditional and unconditional receivables secured by mortgages |
| 2. Conditional and unconditional receivables from regional or local governments | 10. Past due receivables |
| 3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 11. Receivables defined under high risk category by BRSA |
| 4. Conditional and unconditional receivables from multilateral development banks | 12. Securities collateralized by mortgages |
| 5. Conditional and unconditional receivables from international organizations | 13. Securitization positions |
| 6. Conditional and unconditional receivables from banks and brokerage houses | 14. Short-term receivables from banks, brokerage houses and corporates |
| 7. Conditional and unconditional receivables from corporates | 15. Investments similar to collective investment funds |
| 8. Conditional and unconditional receivables from retail portfolios | 16. Equity security transactions |
| | 17. Other receivables |

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16(**)	17	TL	FC	Total
31 December 2015	Risk Classifications (*)																			
Agricultural	1	-	-	-	-	-	58.973	174.704	56.587	-	12.801	-	-	-	-	-	-	301.630	1.439	303.069
Farming and raising livestock	1	-	3	-	-	-	45.201	105.570	34.637	-	11.434	-	-	-	-	-	-	196.846	-	196.846
Forestry	-	-	-	-	-	-	13.251	67.965	21.524	-	1.151	-	-	-	-	-	-	102.452	1.439	103.891
Fishing	-	-	-	-	-	-	521	1.169	426	-	216	-	-	-	-	-	-	2.332	-	2.332
Manufacturing	13	-	318	-	-	-	34.050.162	3.072.747	2.342.893	-	46.936	-	-	-	-	-	-	18.502.324	21.010.745	39.513.069
Mining	-	-	-	-	-	-	1.439.519	72.617	66.763	-	555	-	-	-	-	-	-	372.030	1.207.424	1.579.454
Production	13	-	315	-	-	-	20.801.240	2.961.800	2.224.301	-	45.851	-	-	-	-	-	-	14.851.201	11.182.319	26.033.520
Electricity, Gas, Water	-	-	3	-	-	-	11.809.403	38.330	51.829	-	530	-	-	-	-	-	-	3.279.093	8.621.002	11.900.095
Construction	-	-	855	-	-	-	11.573.480	892.909	2.463.080	-	10.997	-	-	-	-	-	-	7.268.994	7.672.327	14.941.321
Services	3.365	37	16.139	-	-	42.993.740	40.848.262	10.505.948	6.804.967	147.314	250.662	-	-	-	-	-	1.357.874	41.666.430	61.261.878	102.978.308
Wholesale and Retail Trade	52	9	98	-	-	86.548	16.517.028	8.264.452	5.134.642	-	160.540	-	-	-	-	-	-	24.483.961	5.679.408	30.163.369
Hotel,Food,Beverage																				
Services	133	-	29	-	-	-	2.275.358	386.813	595.961	147.314	13.225	-	-	-	-	-	-	1.525.814	1.893.019	3.418.833
Transportation and																				
Telecommunication	3.058	-	7	-	-	-	6.328.832	955.487	310.184	-	18.160	-	-	-	-	-	-	2.061.464	5.554.264	7.615.728
Financial Institutions	3	3	352	-	-	42.904.080	12.080.984	10.255	82.765	-	1.332	-	-	-	-	-	1.356.050	10.495.890	45.939.934	56.435.824
Real Estate and Lending																				
Services	-	-	14	-	-	-	1.442.924	55.938	133.723	-	4.153	-	-	-	-	-	-	463.131	1.173.621	1.636.752
Self employment Service	-	-	48	-	-	-	497.379	122.997	51.164	-	14.195	-	-	-	-	-	-	236.167	449.616	685.783
Education Service	96	-	1.892	-	-	-	194.720	83.782	116.340	-	2.737	-	-	-	-	-	-	360.453	39.114	399.567
Health and social Services	23	25	13.699	-	-	3.112	1.511.037	626.224	380.188	-	36.320	-	-	-	-	-	1.824	2.039.550	532.902	2.572.452
Other	76.228.258	11	9.975	-	-	3.830.418	5.731.290	18.733.826	9.305.199	-	13.198.301	-	-	-	278.802	-	3.906.907	101.916.965	29.306.022	131.222.987
Total	76.231.637	48	27.290	-	-	46.824.158	92.262.167	33.380.134	20.972.726	147.314	13.519.697	-	-	-	278.802	-	5.264.781	169.656.343	119.252.411	288.908.754

(*)Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Equity security transactions
17. Other receivables

(**) Equity security transactions has been added to the risk classes in the current period. Prior period balances are presented under "Other Receivables"

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m. Term distribution of risks with term structure:

31 December 2016 Risk Categories	Time to Maturity					Total
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	
Conditional and unconditional receivables from central governments and Central Banks	3.781.589	33.158.436	2.054	1.014.665	41.729.987	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	50	-
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	14.869	2.276	2.770	3.921	22.205	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.388.915	1.242.723	4.349.809	5.031.818	33.068.499	-
Conditional and unconditional receivables from corporates	5.905.525	5.874.891	14.238.085	21.068.396	69.259.554	-
Conditional and unconditional receivables from retail portfolios	971.446	1.752.394	15.077.059	6.864.483	25.631.614	-
Conditional and unconditional receivables secured by mortgages	187.640	533.907	1.145.446	2.264.201	16.577.377	-
Past due receivables	-	-	-	-	-	154.970
Receivables defined under high risk category by BRSA	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	460.834	-	-	-	8	-
Equity security investments	-	-	-	-	-	1.597.040
Other Receivables	-	-	-	-	-	3.645.626
Total	25.710.818	42.564.627	34.815.223	36.247.484	186.289.294	5.397.636

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n. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

Ratings given by Fitch Ratings are used in determining risk weight class of the counterparties. Countries' credit note is considered all risk class of receivables from central governments and Central Banks. The ratings of Fitch Ratings are used for Banks and Corporate Receivables asset class and are limited to receivables that have counterparties abroad. If the risk weight class solely consists of receivables from central governments and central banks, the credit ratings of the countries are taken into account. As of 6 November 2012, Fitch Ratings has increased Turkey's long-term foreign currency credit note from BB+ to BBB-. After the increase, the ratings of Fitch are also used for foreign currency bonds issued by Turkish Treasury and other foreign currency risks that are related to the Turkish central management. Below are the Credit Quality Degrees corresponding to Fitch Ratings.

Ratings to be matched	Credit Quality Degrees	Fitch
Ratings of long-term credits	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Ratings of short-term credits	1	F1+ and F1
	2	F2
	3	F3
	4	Below F3
	5	---
	6	---
Long-term securitization position ratings	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and below
Short-term securitization position ratings	1	F1+ and F1
	2	F2
	3	F3
	Others	Below F3
Matchings regarding collective investment institutes	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below

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Risk amounts according to risk weights:

31 December 2016	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from Equity
Risk Weights												
Amount Before Credit Risk												
Mitigation	31.703.768	-	13.020.707	-	99.618.704	63.240.417	123.436.363	5.123	-	-	-	10.844
Amount After Credit Risk Mitigation	28.151.738	-	11.510.194	11.200.302	89.160.826	49.938.617	117.211.638	5.123	-	-	-	10.844

o. Miscellaneous information regarding important sectors or counterparty type:

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired / provision reserved loans."

The Bank calculates general loan loss provision for "overdue loans" and specific provision for "impaired loans" in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

The calculated general loan provision is shown under "impairment" column at the table below.

Loans(*)				
31 December 2016 Sectors/Counterparties	Impaired Receivables	Past Due Receivables	Impairment	Specific Provisions
Agricultural	11.276	3.136	74	11.276
Farming and raising livestock	9.971	1.503	33	9.971
Forestry	1.246	1.633	41	1.246
Fishing	59	-	-	59
Manufacturing	381.020	1.252.536	42.547	381.020
Mining	26.672	4.927	115	26.672
Production	346.738	162.848	5.673	346.738
Electricity, Gas, Water	7.610	1.084.761	36.759	7.610
Construction	144.750	207.805	5.507	144.750
Services	1.278.472	484.598	13.246	1.123.502
Wholesale and Retail Trade	874.098	310.816	8.755	874.098
Hotel, Food, Beverage Services	264.419	60.787	1.591	109.449
Transportation and Telecommunication	63.888	38.507	1.203	63.888
Financial Institutions	2.444	32.512	763	2.444
Real Estate and Lending Service	2.940	1.945	39	2.940
Self Employment Service	4.820	243	6	4.820
Education Service	29.379	909	23	29.379
Health and social services	36.484	38.879	866	36.484
Other	2.451.673	1.159.992	99.056	2.451.673
Total	4.267.191	3.108.067	160.430	4.112.221

(*) Breakdown of cash loans

p. Information related to impairment and loan loss provisions:

31 December 2016	Opening Balance	Provisions provided during the period	Provision Reversals	Other Adjustments (*)	Closing Balance
Specific Provisions	3.226.010	2.081.371	(725.575)	(469.585)	4.112.221
General Provisions	2.544.702	378.823	-	-	2.923.525

(*) Presents the Write-Offs and Sales from Loans under Follow-up portfolio.

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r. Risk involved in counter-cyclical capital buffer calculation:

31 December 2016			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	154.930.966	3.062.246	157.993.212
Ireland	2.991.613	45.233	3.036.846
Holland	1.172.439	6.196	1.178.635
Great Britain	227.213	188.366	415.579
Russian Federation	395.098	-	395.098
Luxemburg	392.978	1.550	394.528
France	5.979	243.505	249.484
USA	8.226	163.150	171.376
Croatia	98.877	-	98.877
Egypt	76.221	-	76.221
Other	187.527	27.669	215.196

III. EXPLANATIONS ON CURRENCY RISK

The difference between the Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. The Bank keeps the foreign exchange exposure amount within the limits set by the ERC. The Board, taking into account the recommendations by the ERC, sets a limit for the size of a foreign exchange exposure, which is closely monitored by ALCO.

Those limits are individually determined and followed for both the net overall foreign currency position and for the foreign exchange exposure. Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

The Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	USD	EURO	Yen
Balance Sheet Evaluation Rate	TL 3,5000	TL 3,6897	TL 2,9861
1.Day bid rate	TL 3,5318	TL 3,6939	TL 3,0264
2.Day bid rate	TL 3,5329	TL 3,6901	TL 2,9961
3.Day bid rate	TL 3,5135	TL 3,6711	TL 2,9883
4.Day bid rate	TL 3,5041	TL 3,6639	TL 2,9852
5.Day bid rate	TL 3,5077	TL 3,6647	TL 2,9809

The simple arithmetic average of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented in the table below:

USD : TL 3,5000
EURO : TL 3,6897
Yen : TL 2,9861

As of 31 December 2015;

	USD	EURO	Yen
Balance Sheet Evaluation Rate	TL 2,8800	TL 3,1422	TL 2,3864

Information related to Bank's Currency Risk: (Thousands of TL)

The table below summarizes the Bank's net foreign currency position, categorized by currency. Foreign currency indexed assets are classified as Turkish Lira assets according to the Uniform Chart of Accounts. In currency risk calculation, foreign currency indexed assets are considered as foreign currency items. In accordance with the "Communiqué on Calculation of Foreign Currency Net Position/Capital Standard Ratio by banks in stand-alone and consolidated basis"; prepaid expenses in assets, general loan loss provision and shareholders' equity in liabilities are excluded in the currency risk calculation. Therefore, there are differences between the amounts of foreign currency denominated assets and liabilities demonstrated on the table below and the amounts on the balance sheet.

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Current Period – 31 December 2016	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank(**)	7.286.140	21.549.162	813.368	29.648.670
Banks	1.076.478	8.352.336	89.692	9.518.506
Financial Assets at Fair Value through Profit or Loss (Net)	1.030.724	2.291.036	88.068	3.409.828
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets (Net)	1.815.830	12.048.423	513.938	14.378.191
Loans	24.818.441	33.725.790	113.113	58.657.344
Investments in Associates, Subsidiaries and Joint Ventures	1.176.382	2.243	-	1.178.625
Held-to-maturity Investments (Net)	2.879.047	9.612.221	-	12.491.268
Hedging Derivative Financial Assets	1	123.769	-	123.770
Tangible Assets (Net)	-	1.765	-	1.765
Intangible Assets (Net)	-	-	-	-
Other Assets	454.162	867.477	332	1.321.971
Total Assets	40.537.205	88.574.222	1.618.511	130.729.938
Liabilities				
Bank Deposits	1.470.481	2.818.244	567.830	4.856.555
Foreign Currency Deposits (**)	25.276.681	41.463.290	2.927.330	69.667.301
Funds from Interbank Money Market	545.990	19.383.127	-	19.929.117
Borrowings	8.898.425	20.988.054	3.233	29.889.712
Marketable Securities Issued (Net)	37.318	8.735.326	139.256	8.911.900
Miscellaneous Payables	752.695	566.861	1.719	1.321.275
Hedging Derivative Financial Liabilities	-	98.645	-	98.645
Other Liabilities	321.881	720.964	8.899	1.051.744
Total Liabilities	37.303.471	94.774.511	3.648.267	135.726.249
Net on Balance Sheet Position	3.233.734	(6.200.289)	(2.029.756)	(4.996.311)
Net off-Balance Sheet Position (*)	(2.687.918)	4.999.481	2.144.310	4.455.873
Financial Derivative Assets	21.397.571	54.203.308	3.079.893	78.680.772
Financial Derivative Liabilities	24.085.489	49.203.827	935.583	74.224.899
Non-cash Loans	9.562.256	14.782.516	291.267	24.636.039
Prior Period – 31 December 2015				
Total Assets	31.249.901	75.804.964	3.810.134	110.864.999
Total Liabilities	27.290.590	89.261.006	3.046.902	119.598.498
Net on-Balance Sheet Position	3.959.311	(13.456.042)	763.232	(8.733.499)
Net off-Balance Sheet Position (*)	(3.450.268)	12.766.362	(789.661)	8.526.433
Financial Derivative Assets	9.053.600	35.435.549	2.303.294	46.792.443
Financial Derivative Liabilities	12.503.868	22.669.187	3.092.955	38.266.010
Non-cash Loans	5.847.197	12.799.680	266.148	18.913.025

(*) Presents the net balance of receivables and payables from derivative transactions. Foreign Exchange spot dealings shown under "Asset purchase commitments" in the financial statements are included in the net off-balance sheet position.

(**) Of the Cash Equivalents and Central Bank and Other FC, TL 739.794 (31 December 2015: TL 3.663.362) and of the foreign currency deposits, TL 1.166.647 (31 December 2015: TL 777.277) is precious metal deposit account in demand.

Currency risk sensitivity analysis:

The following table details the Bank's sensitivity to a 10% change in exchange rates.

	Effect on Profit/Loss(*)	
Change in exchange rate	Current period 31 December 2016	Prior period 31 December 2015
(+)10 %	(4.650)	(39.952)
(-)10 %	4.650	39.952

(*) Presents amounts before Tax.

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IV. EXPLANATIONS ON INTEREST RATE RISK:

"Interest Rate Risk" can be defined as the impact of interest rate changes on interest-sensitive asset and liability items of both on and off-balance sheets of the Group. The ERC sets limits for the interest rate sensitivity of on and off-balance sheet items and the sensitivity is closely monitored and reported weekly. In the case of high market fluctuations, daily transaction based reporting and analyses are made.

The Bank manages the interest rate risk on a portfolio basis and tries to minimize the risk effect on the profitability, financial exposure and cash flows by applying different strategies. Basic methods such as using fixed or floating interest rates for different portfolios and maturities, setting the fixed margin in floating rates, or varying the rates for the short or long-term positions are applied actively.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period – 31 December 2016	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	27.670.460	-	-	-	-	7.341.812	35.012.272
Banks	3.320.415	571.855	35.765	-	-	6.044.774	9.972.809
Financial Assets at Fair Value Through Profit or Loss (Net)	1.459.253	3.216.600	1.802.374	850.397	397.087	-	7.725.711
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-sale Financial Assets (Net)	2.592.261	3.712.896	9.651.135	10.721.232	5.566.520	279.420	32.523.464
Loans	45.494.431	21.824.471	41.674.855	43.804.453	8.874.728	154.970	161.827.908
Held-to-maturity Investments (Net)	2.280.482	576.857	1.787.966	11.961.634	1.369.743	-	17.976.682
Other Assets	662.871	968.683	290.697	127.611	59.587	3.868.175	5.977.624
Total Assets	83.480.173	30.871.362	55.242.792	67.465.327	16.267.665	17.689.151	271.016.470
Liabilities							
Bank Deposits	3.922.023	1.307.816	364.344	-	-	904.180	6.498.363
Other Deposits	91.285.140	22.071.520	10.630.662	53.806	5	28.338.696	152.379.829
Funds from Interbank Money Market	9.719.293	10.813.635	4.850.089	-	-	-	25.383.017
Miscellaneous Payables	120.167	281.232	593.932	209.928	70.024	3.901.091	5.176.374
Marketable Securities Issued (Net)	728.952	107.070	1.719.718	4.676.309	3.385.445	-	10.617.494
Borrowings	1.673.637	26.037.038	2.073.191	238.079	44.991	-	30.066.936
Other Liabilities (*)	476.698	1.066.373	2.187.460	873.466	248.271	36.042.189	40.894.457
Total Liabilities	107.925.910	61.684.684	22.419.396	6.051.588	3.748.736	69.186.156	271.016.470
Balance Sheet Long Position	-	-	32.823.396	61.413.739	12.518.929	-	106.756.064
Balance Sheet Short Position	(24.445.737)	(30.813.322)	-	-	-	(51.497.005)	(106.756.064)
Off-balance Sheet Long Position	1.269.977	2.241.279	368.851	-	28.298	-	3.908.405
Off-balance Sheet Short Position	-	-	-	(10.451)	-	-	(10.451)
Total Position	(23.175.760)	(28.572.043)	33.192.247	61.403.288	12.547.227	(51.497.005)	3.897.954

(*) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

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Prior Period – 31 December 2015	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	19.599.410	-	-	-	-	5.874.013	25.473.423
Banks	3.698.219	191.506	-	-	-	3.968.572	7.858.297
Financial Assets at Fair Value Through Profit or Loss (Net)	179.170	1.350.303	774.675	197.008	216.798	9.958	2.727.912
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-sale Financial Assets (Net)	2.903.315	3.705.008	8.352.835	18.376.879	7.722.413	399.257	41.459.707
Loans	37.200.002	21.160.972	42.506.898	34.813.342	5.934.956	147.313	141.763.483
Held-to-maturity Investments (Net)	2.129.916	538.768	1.146.443	6.873.115	-	-	10.688.242
Other Assets	591.641	473.360	119.129	30.340	33.392	3.590.062	4.837.924
Total Assets	66.301.673	27.419.917	52.899.980	60.290.684	13.907.559	13.989.175	234.808.988
Liabilities							
Bank Deposits	7.472.066	4.583.593	267.238	-	-	236.324	12.559.221
Other Deposits	82.092.545	17.729.095	5.298.189	77.550	-	21.185.897	126.383.276
Funds from Interbank Money Market	8.866.054	1.059.181	867.723	9.827.032	2.209.118	-	22.829.108
Miscellaneous Payables	156.794	125.523	245.043	75.900	96.075	3.762.414	4.461.749
Marketable Securities Issued (Net)	254.629	1.438.940	1.216.418	5.627.328	2.728.752	-	11.266.067
Borrowings	1.893.697	17.603.514	3.583.627	437.904	194.596	-	23.713.338
Other Liabilities	373.348	363.401	639.679	287.369	198.837	31.733.595	33.596.229
Total Liabilities	101.109.133	42.903.247	12.117.917	16.333.083	5.427.378	56.918.230	234.808.988
Balance Sheet Long Position	-	-	40.782.063	43.957.601	8.480.181	-	93.219.845
Balance Sheet Short Position	(34.807.460)	(15.483.330)	-	-	-	(42.929.055)	(93.219.845)
Off-balance Sheet Long Position	74.491	5.623.748	4.436.880	-	-	-	10.135.119
Off-balance Sheet Short Position	-	-	-	(3.845.898)	(4.221.706)	-	(8.067.604)
Total Position	(34.732.969)	(9.859.582)	45.218.943	40.111.703	4.258.475	(42.929.055)	2.067.515

(*) Shareholders' equity is presented under "Other liabilities" item in "Non-interest bearing".

b. Effective average interest rates for monetary financial instruments (%):

Average interest rates in the above tables are the weighted average rates of the related balance sheet items.

Current Period – 31 December 2016	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	0,75	-	5,31
Banks	-	2,20	-	9,73
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets (Net)	2,95	3,76	3,79	9,52
Loans	4,09	5,37	4,27	13,05
Held-to-maturity Investments (Net)	3,62	4,05	-	9,82
Liabilities				
Bank Deposits	0,40	1,62	-	9,42
Other Deposits	1,26	2,49	0,07	8,78
Funds from Interbank Money Market	1,93	2,00	-	7,90
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	4,00	4,96	1,29	8,80
Borrowings	0,83	2,60	-	6,68

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Prior Period – 31 December 2015	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank Banks	-	0,49	-	5,81
Financial Assets at Fair Value Through Profit or Loss (Net)	0,10	0,40	-	10,99
Interbank Money Market Placements	3,26	-	-	10,38
Available-for-sale Financial Assets (Net)	-	-	-	-
Loans	2,70	3,81	-	9,94
Held-to-maturity Investments (Net)	3,76	4,59	3,36	12,91
	3,69	3,83	-	10,13
Liabilities				
Bank Deposits	0,49	1,03	-	9,53
Other Deposits	1,19	1,83	0,06	9,09
Funds from Interbank Money Market	-	1,53	-	7,60
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	1,57	4,54	-	10,01
Borrowings	0,78	1,84	-	6,09

V. EXPLANATIONS ON EQUITY SECURITIES POSITION RISK DERIVED FROM BANKING BOOKS:

The Bank doesn't have any subsidiaries and affiliates that are traded on the "BIST".

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. Liquidity risk arises from situations in which the Bank is unable to meet the cash outflows with its cash sources and borrowing opportunities over collateralizing marketable securities, in case of sudden fund withdrawals by the individual/institutional funders of the Bank.

a) Information on risk capacity of the Bank, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet Bank's liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Bank has capacity to meet a high risk with broad and stable deposit, strong base capital structure and diversified foreign borrowing sources and is capable of providing additional liquidity with high quality liquid securities in its portfolio and available limits at both the Central Bank of Turkey and other Money markets.

Management of liquidity risk is shared by the ERC, ALCO, Treasury Department and Risk Management Department. The ERC determines the liquidity management policies and the appropriate liquidity risk level in line with the Bank's risk appetite and monitors whether the liquidity risk is managed under the framework of determined policies and within the defined limits.

The different categories of defined limits are;

- Limits related to wholesale funding sources,
- Limits related to liquid asset buffer,
- Limits related to loan/deposit ratio,
- Limits related to the cash inflows coverage capacity to cash outflows,
- Limits related to cash outflow coverage capacity in the stress environment

ALCO takes decision to use alternative funding sources, pricing of obtained funds and granted loans, and other decisions of Daily liquidity management. Treasury Department ensures that the Bank meets its short, middle and long term liabilities, with the transactions made in accordance with ALCO decisions order to utilize excess funding or close the funding gap, occurring on foreign currencies or maturity terms. Risk Management Department measures and monitors the liquidity risk, with the reports prepared and analyses made, and informs the top management. Liquidity risk reporting consists of periodic and special purpose reports prepared to be discussed in the ERC and ALCO meetings, stress tests, scenario analyses, risk limit compliance reports and legal liquidity reports.

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b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:

Each of the Bank's subsidiaries within the consolidation scope manages its own liquidity. Nevertheless, there are defined limits related to the funding amount that the Bank will provide to a subsidiary, in case of liquidity issues. Cumulative liquidity gap resulted in stress scenarios of subsidiaries, should not exceed the fund limits provided by the Bank.

c) Information on the Bank's funding strategy including the policies on funding types and variety of maturities:

The Bank targets to obtain additional funding sources besides the strong capital structure, from the most possible diversified, long term stable sources, considering cost factors. In this direction, concentration ratios such as share of retail funding sources in total funding sources, share of deposits of high amount in total deposit, share of borrowings made from the market in total market volume are monitored and limited with the applied risk limits. Treasury Unit performs necessary work to obtain long term foreign funding.

d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

Almost all of the Bank's liabilities are in TL, USD or EUR currencies and TL funds comprise of mainly equity and deposits. The Bank's liquidity in TL is managed with repurchase agreements made at CBRT/BIST using high quality securities owned by the Bank. Together with keeping the main purpose as using liabilities in TL in funding assets in TL, foreign currency liabilities are used in creating assets in TL using foreign exchange swaps, when necessary. Liquidity management is performed in the scope of internal risk limits, such as short term borrowing limits from markets determined by the Bank, market concentration limits, liquidity stress scenario, and cumulative liquidity gap.

Foreign currency funds are obtained through foreign exchange deposit accounts, foreign based, foreign currency loans, securities issued and repurchase agreements. Foreign currency liquidity management is performed using internal risk limits defined for liquidity buffer kept at correspondent banks and monitored daily in the scope of the Bank's risk limits, and cumulative gap in the scope of liquidity stress scenario, and other risk limits defined for wholesale funding and concentration. The Bank has available foreign currency borrowing limits at CBRT/BIST and other banks.

e) Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposit.

f) Information on the use of stress tests:

In cases of negative conditions such as an impairment in the securities in the Bank's portfolio, inability to replace short and long term borrowings, fast cash outflow, increase in non-performing loan ratio, high margin calls, the extent and duration of sufficient liquidity is analyzed by the stress tests made by the Risk Management Department. Risk limits determined according to analysis results exist within the Bank. It is ensured that the necessary actions are taken by sharing the analysis results and risk limit compliance status with the ALCO, ERC and related business units.

g) General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the ERC. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. In case one or several emergency situations occur, Bank's Liquidity Contingency Plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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Liquidity Coverage Ratio:

		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
Current Period- 31.12.2016					
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			44.376.988	27.652.200
CASH OUTFLOWS					
2	Retail and Customers Deposits	94.382.070	39.012.077	8.466.264	3.901.208
3	Stable deposits	19.438.849	-	971.942	-
4	Less stable deposits	74.943.221	39.012.077	7.494.322	3.901.208
5	Unsecured Funding other than Retail and Small Business Customers Deposits	58.699.017	32.084.318	29.673.005	16.772.542
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	56.067.477	31.603.658	28.071.179	16.295.258
8	Other Unsecured Funding	2.631.540	480.660	1.601.826	477.284
9	Secured funding	-	-	13.837	13.837
10	Other Cash Outflows	34.469.390	22.598.408	31.620.308	19.923.401
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	31.306.655	19.627.637	31.306.655	19.627.637
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	3.162.735	2.970.771	313.653	295.764
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	617.340	-	30.867	-
15	Other irrevocable or conditionally revocable commitments	52.002.144	15.882.912	2.600.108	794.146
16	TOTAL CASH OUTFLOWS			72.404.389	41.405.134
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	13.460.963	5.669.836	9.021.552	4.825.151
19	Other contractual cash inflows	29.120.268	21.982.918	29.119.145	21.982.493
20	TOTAL CASH INFLOWS	42.581.231	27.652.754	38.140.697	26.807.644
				Upper limit applied amounts	
21	TOTAL HQLA STOCK			44.376.988	27.652.200
22	TOTAL NET CASH OUTFLOWS			34.263.692	15.049.889
23	Liquidity Coverage Ratio (%)			129,65	190,13

[*] Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages.

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Prior Period– 31.12.2015		Rate of “Percentage to be taken into account” not Implemented Total value (*)		Rate of “Percentage to be taken into account” Implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			39.075.798	28.147.442
CASH OUTFLOWS					
2	Retail and Customers Deposits	84.667.785	36.160.534	7.258.157	3.290.666
3	Stable deposits	24.172.428	6.507.755	1.208.621	325.388
4	Less stable deposits	60.495.357	29.652.779	6.049.536	2.965.278
5	Unsecured Funding other than Retail and Small Business Customers Deposits	50.834.195	33.482.966	26.998.296	18.926.937
6	Operational deposits	2.923.611	1.239.002	730.903	309.750
7	Non-Operational Deposits	45.068.983	31.473.777	24.358.235	17.847.000
8	Other Unsecured Funding	2.841.601	770.187	1.909.158	770.187
9	Secured funding	-	-	59.085	59.085
10	Other Cash Outflows	22.922.795	15.100.157	20.981.325	13.336.247
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	20.767.288	13.141.003	20.767.288	13.141.003
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	2.155.507	1.959.154	214.037	195.244
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	535.432	-	26.772	-
15	Other irrevocable or conditionally revocable commitments	48.284.608	12.904.839	2.414.230	645.242
16	TOTAL CASH OUTFLOWS	-	-	57.737.865	36.258.177
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	13.580.456	6.761.056	9.400.624	5.918.534
19	Other contractual cash inflows	19.268.088	15.675.657	19.268.088	15.675.657
20	TOTAL CASH INFLOWS	32.848.544	22.436.713	28.668.712	21.594.191
				Upper limit applied amounts	
21	TOTAL HQLA STOCK			39.075.798	28.147.442
22	TOTAL NET CASH OUTFLOWS			29.069.153	14.663.986
23	Liquidity Coverage Ratio (%)			134,79	193,91

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits, bank deposits, foreign funds and borrowings from banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Periodic increases are observed in the liquidity coverage ratio during the weeks where the foreign currency reserve option is used in reserve requirements in CBRT, high amounts are maintained in bank placements or repurchase agreement volume decreases, on the other hand, fluctuations may occur in the liquidity coverage ratio during the weeks where the share of corporate or bank funds increase, or long term foreign funds which are replaced when due, such as syndicated loans are due in one month. Despite these fluctuations, it is observed that the ratio does not decrease below 124% during the period and remain at a quite higher level than the legal lower limit.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions, especially in foreign exchange swaps cause the foreign currency liquidity coverage ratio to be affected.

The Bank's high quality liquid assets mainly comprise of CBRT accounts by 65% and securities issued by Undersecretariat of the Treasury by 32%. Funding sources are mainly distributed between individual and retail deposits by 59%, corporate deposits by 28%, borrowings from banks by 5% and collateralized borrowings such as repurchase agreements by 4%.

Cash outflow amounting to TL 2.191 million (in full TL amount) is calculated based on the change of margin call amounts of derivative transactions and repurchase agreements during the last two years.

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The Bank follows up and manages the liquidity coverage ratio including its foreign branch. There is no limitation which avoids liquidity transfer between the Bank and the foreign branch. In this context, the foreign branch does not create any additional liquidity risk for the Bank.

In accordance with the "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948, dated 21 March 2014, the weeks in which the highest and the lowest liquidity coverage ratio is calculated over the last three months are presented below.

	Current Period - 31.12.2016		Prior Period - 31.12.2015	
	TL+FC	FC	TL+FC	FC
Lowest	124,85	141,77	124,69	165,77
Week	09.12.2016	28.10.2016	11.12.2015	02.10.2015
Highest	134,91	232,87	146,73	225,84
Week	25.11.2016	16.12.2016	16.10.2015	16.10.2015

Breakdown of assets and liabilities according to their outstanding maturities:

Current Period - 31 December 2016	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank	13.255.660	21.684.117	72.495	-	-	-	-	35.012.272
Banks	6.044.774	3.320.415	571.855	35.765	-	-	-	9.972.809
Financial Assets at Fair Value Through Profit or Loss (Net)	-	460.322	351.782	1.549.318	2.883.571	2.480.718	-	7.725.711
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-sale Financial Assets (Net)	279.420	2.611	170.378	1.903.119	17.649.179	12.518.757	-	32.523.464
Loans	-	22.465.761	23.621.766	35.090.090	58.967.343	21.527.978	154.970	161.827.908
Held-to-maturity Investments (Net)	-	-	-	684.598	14.763.517	2.528.567	-	17.976.682
Other Assets	242.344	631.187	69.422	232.491	1.159.205	466.794	3.176.181	5.977.624
Total Assets	19.822.198	48.564.413	24.857.698	39.495.381	95.422.815	39.522.814	3.331.151	271.016.470
Liabilities								
Bank Deposits	904.180	3.922.023	1.307.816	364.344	-	-	-	6.498.363
Other Deposits	28.338.696	91.285.140	22.071.520	10.630.662	53.806	5	-	152.379.829
Borrowings	-	351.132	5.791.825	9.221.665	9.811.943	4.890.371	-	30.066.936
Funds from Interbank Money Market	-	6.156.824	277.636	3.657.997	12.131.588	3.158.972	-	25.383.017
Marketable Securities Issued (Net)	-	690.628	107.070	1.719.718	4.714.633	3.385.445	-	10.617.494
Miscellaneous Payables	-	3.961.792	191.920	484.608	309.614	228.440	-	5.176.374
Other Liabilities (**)	-	1.557.908	871.583	2.208.698	4.709.325	892.361	30.654.582	40.894.457
Total Liabilities	29.242.876	107.925.447	30.619.370	28.287.692	31.730.909	12.555.594	30.654.582	271.016.470
Net Liquidity Excess/ (Gap)	(9.420.678)	(59.361.034)	(5.761.672)	11.207.689	63.691.906	26.967.220	(27.323.431)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	201.527	(513.645)	562.108	2.315.237	1.332.727	-	3.897.954
Financial Derivative Liabilities	-	18.665.124	22.403.033	44.107.596	82.832.084	35.272.581	-	203.280.418
Financial Derivative Liabilities	-	18.463.597	22.916.678	43.545.488	80.516.847	33.939.854	-	199.382.464
Non-cash Loans (***)	-	2.171.329	4.213.866	13.596.581	3.808.002	16.835.784	-	40.625.562
Prior Period - 31 December 2015								
Total Assets	10.215.142	44.649.634	20.906.097	32.755.285	82.145.430	41.183.353	2.954.047	234.808.988
Total Liabilities	21.422.221	105.025.396	30.761.179	17.958.765	24.490.971	8.461.279	26.689.177	234.808.988
Net Liquidity Gap	(11.207.079)	(60.375.762)	(9.855.082)	14.796.520	57.654.459	32.722.074	(23.735.130)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	(279.338)	(32.944)	584.854	888.143	906.800	-	2.067.515
Financial Derivative Assets	-	22.774.933	12.850.101	21.663.588	21.363.944	43.493.869	-	122.146.435
Financial Derivative Liabilities	-	23.054.271	12.883.045	21.078.734	20.475.801	42.587.069	-	120.078.920
Non-cash Loans (***)	-	2.065.353	3.044.373	7.805.574	4.395.002	15.364.926	-	32.675.228

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column.

(**) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

(***) Amounts related to Letters of Guarantee represent contractual maturity and related amounts. Amounts are demand and can be withdrawn optional.

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Breakdown of liabilities due to their remaining contractual maturities:

Current Period - 31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	124.526.470	23.535.956	11.282.175	64.180	13	159.408.794
Funds borrowed from other financial institutions	356.924	5.933.922	9.612.076	11.323.402	5.311.036	32.537.360
Funds from interbank money market	6.181.570	330.862	3.940.518	12.857.764	3.335.945	26.646.659
Marketable Securities Issued (Net)	698.747	139.411	1.995.935	5.821.295	3.844.774	12.500.162

Prior Period - 31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	111.556.569	22.476.917	5.691.052	92.997	-	139.817.535
Funds borrowed from other financial institutions	828.158	5.541.785	9.740.139	6.048.807	2.960.753	25.119.642
Funds from interbank money market	8.888.724	1.091.227	942.155	10.634.293	2.409.030	23.965.429
Marketable Securities Issued (Net)	291.026	1.553.261	1.573.609	6.736.033	3.123.350	13.277.279

Breakdown of derivative instruments due to their remaining contractual maturities:

Current Period - 31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	23.080.242	28.044.405	40.592.269	35.933.435	7.331.679
- Outflow	(22.143.294)	(27.278.946)	(40.259.576)	(34.810.360)	(6.574.162)
Interest rate derivatives:					
- Inflow	12.516	106.766	421.875	1.801.993	968.872
- Outflow	(8.102)	(99.474)	(393.605)	(1.653.698)	(876.187)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	4.321	3.317	29.464	3.450.987	-
- Outflow	(27.886)	(53.304)	(163.148)	(3.359.903)	-
Interest rate derivatives:					
- Inflow	1.744	28.421	76.920	546.199	228.568
- Outflow	(6.420)	(49.212)	(114.891)	(534.249)	(210.855)
Total Inflow	23.098.823	28.182.909	41.120.528	41.732.614	8.529.119
Total Outflow	(22.185.702)	(27.480.936)	(40.931.220)	(40.358.210)	(7.661.204)

Prior Period - 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	21.739.166	9.474.013	19.145.176	8.793.947	2.265.430
- Outflow	(20.981.686)	(8.638.373)	(17.612.868)	(9.569.301)	(3.452.684)
Interest rate derivatives:					
- Inflow	7.210	91.814	541.519	1.761.425	864.766
- Outflow	(6.736)	(110.352)	(558.351)	(1.722.752)	(804.165)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	2.706	1.063	10.549	1.260.326	651.433
- Outflow	(17.936)	-	(78.691)	(1.168.094)	(422.920)
Interest rate derivatives:					
- Inflow	12.554	45.028	194.398	1.014.945	446.512
- Outflow	(17.292)	(66.692)	(250.531)	(1.126.186)	(477.654)
Total Inflow	21.761.636	9.611.918	19.891.642	12.830.643	4.228.141
Total Outflow	(21.023.650)	(8.815.417)	(18.500.441)	(13.586.333)	(5.157.423)

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VII. EXPLANATIONS ON LEVERAGE RATIO:

a. Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2016, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 8,21% (31 December 2015: 8,27%). This ratio is above minimum ratio which is 3%. Leverage ratio is almost on the same level in the current and prior period.

b. Disclosure of Leverage ratio template:

	Current Period 31 December 2016 (*)	Prior Period 31 December 2015(*)
Balance sheet Assets		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	256.291.887	230.426.568
2 [Assets deducted from Core capital]	[99.187]	[116.954]
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	256.192.700	230.309.614
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	7.076.012	2.567.124
5 Potential credit risk amount of derivative financial assets and credit derivatives	3.978.805	1.677.057
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	11.054.817	4.244.181
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity	2.715.734	2.473.969
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	2.715.734	2.473.969
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	97.124.440	83.896.331
11 [Correction amount due to multiplication with credit conversion rates]	[505.547]	[462.772]
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	96.618.893	83.433.559
Capital and total risk		
13 Core Capital	30.101.691	26.491.856
14 Total risk amount (sum of lines 3, 6, 9 and 12)	366.582.144	320.461.323
Leverage ratio		
15 Leverage ratio	8,21	8,27

(*) Three months average values

VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Calculations of financial assets and liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand deposit represents the amount to be paid upon request. The fair value of the overnight deposit represents the carrying value. The expected fair value of the fixed rate deposit is calculated by discounted cash flow with the use of the market interest rates of similar liabilities and loans.

The fair value of marketable securities issued is calculated according to broker price quotations and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

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	Carrying Value		Fair Value	
	Current Period 31 December 2016	Prior Period 31 December 2015	Current Period 31 December 2016	Prior Period 31 December 2015
Financial Assets	222.300.863	201.769.729	223.614.369	202.485.746
Interbank Money Market Placements	-	-	-	-
Banks	9.972.809	7.858.297	9.970.442	7.858.297
Available-for-Sale Financial Assets (Net)	32.523.464	41.459.707	32.523.464	41.459.707
Held-to-Maturity Investments (Net)	17.976.682	10.688.242	17.931.986	10.840.922
Loans	161.827.908	141.763.483	163.188.477	142.326.820
Financial Liabilities	204.738.996	178.383.651	203.834.412	177.850.149
Bank Deposits	6.498.363	12.559.221	6.495.072	12.568.145
Other Deposits	152.379.829	126.383.276	152.404.481	126.245.652
Borrowings	30.066.936	23.713.338	29.123.857	23.460.916
Marketable Securities Issued (Net)	10.617.494	11.266.067	10.634.628	11.113.687
Miscellaneous Payables	5.176.374	4.461.749	5.176.374	4.461.749

b. Fair value hierarchy:

IFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- Quoted market prices (non-adjusted) (1st level).
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level).
- Data not based on observable data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Bank according to the foregoing principles is given in the table below:

Current Period - 31 December 2016	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	-	-	-	-
- Share Certificates	-	-	-	-
- Trading Derivative Financial Assets	2.642	7.723.069	-	7.725.711
- Other Marketable Securities	-	-	-	-
Available-For-Sale Financial Assets				
- Government Debt Securities	29.240.863	-	-	29.240.863
- Share Certificates	-	54.344	-	54.344
- Other Marketable Securities	3.047.718	167.707	-	3.215.425
Hedging Derivative Financial Assets	-	806.736	-	806.736
Loans	-	163.188.477	-	163.188.477
Held to Maturity Investments (Net)				
- Government Debt Securities	15.204.839	-	-	15.204.839
- Other Marketable Securities	2.727.147	-	-	2.727.147
Total Assets	50.223.209	171.940.333	-	222.163.542
Trading Derivative Financial Liabilities	4.388	4.509.420	-	4.513.808
Hedging Derivative Financial Liabilities	-	98.645	-	98.645
Deposits	-	158.899.553	-	158.899.553
Funds Borrowed	-	29.123.857	-	29.123.857
Funds from Interbank Money Market	-	24.280.273	-	24.280.273
Securities Issued (Net)	-	10.634.628	-	10.634.628
Total Liabilities	4.388	227.546.376	-	227.550.764

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Prior Period - 31 December 2015	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	1.655	-	-	1.655
- Share Certificates	-	-	-	-
- Trading Derivative Financial Assets	-	2.716.299	-	2.716.299
- Other Marketable Securities	9.958	-	-	9.958
Available-For-Sale Financial Assets				
- Government Debt Securities	35.306.201	-	-	35.306.201
- Share Certificates	-	115.958	-	115.958
- Other Marketable Securities	5.779.354	245.523	-	6.024.877
Hedging Derivative Financial Assets	-	648.858	-	648.858
Loans	-	142.326.820	-	142.326.820
Held to Maturity Investments (Net)				
- Government Debt Securities	10.840.922	-	-	10.840.922
- Other Marketable Securities	-	-	-	-
Total Assets	51.938.090	146.053.458	-	197.991.548
Trading Derivative Financial Liabilities	-	1.446.874	-	1,446.874
Hedging Derivative Financial Liabilities	-	157.528	-	157.528
Deposits	-	138.813.797	-	138.813.797
Funds Borrowed	-	23.460.916	-	23.460.916
Funds from Interbank Money Market	-	22.776.177	-	22.776.177
Securities Issued (Net)	-	11.113.687	-	11.113.687
Total Liabilities	-	197.768.979	-	197.768.979

As explained in the note of VII-b of the Third Section, share certificates classified as available-for-sale are carried at cost less impairment since they are not traded in active markets and their fair values cannot be measured reliably.

There are no transfers between the 1st and the 2nd levels in the current year.

IX. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Details of these transactions are provided in the off-balance sheet table. The Bank has no trust transactions.

X. EXPLANATIONS ON RISK MANAGEMENT TARGET AND POLICIES:

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

a. Explanations on Risk Management and Risk Weighted Amount (RWA)

1. The Bank's risk management approach:

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level. General strategies regarding Bank's risk management are given below:

- Effective risk management within the Bank's risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas.
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank's Board of Directors has the ultimate responsibility for setting-up and monitoring the efficiency of such a risk management system. The Board of Directors fulfills its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

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The Board of Directors regularly reviews and approves Bank's main risk approach, risk principles and policies which are initially discussed and decided by the Executive Risk Committee. The Board of Directors also determines Bank's risk appetite by risk limits taking market conditions and Bank's risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank's Senior Management is responsible to the Bank's Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner. The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management's responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyze the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed to. The effectiveness and efficiency of the risk mitigation techniques are regularly monitored.

2. Overview of RWA:

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
		31 December 2016	31 December 2015	31 December 2016
1	Credit risk (excluding counterparty credit risk) (CCR)	196.399.409	177.990.073	15.711.953
2	Standardised approach (SA)	196.399.409	177.990.073	15.711.953
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	13.006.972	4.310.626	1.040.558
5	Standardised approach for counterparty credit risk (SA-CCR)	13.006.972	4.310.626	1.040.558
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach (*)	212.244	-	16.979
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	75	171	6
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	3.621.138	1.952.322	289.691
17	Standardised approach (SA)	3.621.138	1.952.322	289.691
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	16.506.284	14.295.945	1.320.503
20	Basic Indicator Approach	16.506.284	14.295.945	1.320.503
21	Standart Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	229.746.122	198.549.137	18.379.690

(*) Amounts related to Collective Investment Companies (CIY) have been first included in the calculation in accordance with the regulation of "Measurement and Assessment Evaluation of Capital Adequacy for Banks" effectiveness date is 31 March 2016. Accordingly period amounts are not presented

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b. Linkages between financial statements and regulatory exposures:

1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories:

	Carrying values of items					
	Carrying values as reported in published financial statements (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework (**)	Not subject to capital requirements or subject to deduction from capital
Current Period - 31.12.2016						
Assets						
Cash and balances at central bank	35.012.272	35.012.272	-	-	-	-
Financial assets held for trading	7.725.711	-	7.725.711	-	2.828.947	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	9.972.809	9.972.809	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	32.523.464	29.851.615	-	-	2.643.089	28.760
Loans and receivables	161.827.908	161.817.083	-	-	-	10.825
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	17.976.682	17.961.263	-	-	15.419	-
Investments in associates (net)	3.923	3.923	-	-	-	-
Investments in subsidiaries (net)	1.525.941	1.525.941	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	806.736	-	806.736	-	-	-
Tangible assets (net)	875.202	847.941	-	-	-	27.261
Intangible assets (net)	356.672	-	-	-	-	356.672
Investment properties (net)	-	-	-	-	-	-
Tax assets	14.295	14.295	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	42.343	42.324	-	-	-	19
Other assets	2.352.512	2.352.512	-	-	-	-
Total assets	271.016.470	259.401.978	8.532.447	-	5.487.455	423.537
Liabilities						
Deposits	158.878.192	-	-	-	-	158.878.192
Derivative financial liabilities held for trading	4.513.808	-	4.513.808	-	2.236.153	4.513.808
Loans	30.066.936	-	-	-	-	30.066.936
Debt to money markets	25.383.017	-	25.383.017	-	-	25.383.017
Debt securities in issue	10.617.494	-	-	-	-	10.617.494
Funds	-	-	-	-	-	-
Various debts	5.176.374	-	-	-	-	5.176.374
Other liabilities	1.399.996	-	-	-	-	1.399.996
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	28.321	-	-	-	-	28.321
Derivative financial liabilities held for hedges	98.645	-	98.645	-	-	98.645
Provisions	3.516.125	-	-	-	-	3.516.125
Tax liability	682.980	-	-	-	-	682.980
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	30.654.582	-	-	-	-	30.654.582
Total liabilities	271.016.470	-	29.995.470	-	2.236.153	271.016.470

(*) Unconsolidated financial statements of Bank are stated.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are represented in "Subject to market risk framework" column

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2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

			Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
	Current Period - 31.12.2016	Total				
1	Asset carrying value amount under scope of regulatory consolidation	270.592.933	259.401.978	-	8.532.447	5.487.455
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	(29.995.470)	(2.236.153)
3	Total net amount under regulatory scope of consolidation	270.592.933	259.401.978	-	38.527.917	7.723.608
4	Off-balance sheet amounts	304.618.317	32.927.226	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	(4.102.470)
9	Differences due to risk reduction	-	(755.064)	-	(22.923.619)	-
10	Exposure amounts considered for regulatory		291.574.140	-	15.604.298	3.621.138

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

3. Explanations of differences between accounting and regulatory exposure amounts:

a) Differences between accounting and regulatory exposure amounts

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of "Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio".

b) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks":

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

c. Credit risk explanations:

1. General qualitative information about credit risk:

Risk limits are defined by Board of Directors in a such manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

Credit rating models are used in loan allocation processes in accordance with the risk appetite, credit policies and targets of the Bank. Rating all credit customers is essential for the Bank. Credit ratings are used as the main factor in determining target

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segments, authority levels, prices, limits and collateralization levels in loan portfolios. Application models are used during initial loan underwriting and behavioral models are used for customers whose previous credit performance could be monitored. Behavioral models are mainly used in the credit monitoring process and in the evaluation process of portfolio risk.

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, customer, credit type and customer segment.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. During the process of credit risk management, the Risk Management Department conducts measurement, monitoring and reporting activities of the credit risk using statistical models. In addition to the credit risk-related risk limits, various concentrations in the loan portfolio are also analyzed. It is assured to act within the policy of allocation, monitoring, Limit Follow-up and management, by establishing policy regarding to Country risk and concentration risk management. Cost of loan and collections of non-performing loans are monitored periodically. In addition, stress testing and scenario analysis studies are carried out on the loan portfolio.

Assessment of the internal systems established to encompass all branches and departments and related entities are among the highest priorities of the Board of Directors to ensure the continuity of its operations, competencies and activities. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are carried out by the Board of Directors, the Audit Committee, the Executive Risk Committee, Internal Audit, Internal Control, Risk Management activities and Internal Systems Responsible.

The Board of Directors is responsible for determining the risk baseline of the Bank, the risk approach and the level of risk taking. The Board of Directors manages the risks through the Executive Risk Committee. The committee is responsible for establishing risk policies, determining methods for measuring and managing risks, and establishing and monitoring appropriate risk limits. All risk policies established by the Executive Risk Committee are written and integrated into the Bank's long-term general strategy.

2. Credit quality of assets:

		Gross carrying values of (according to TAS)			Net values
Current Period 31.12.2016		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	
1	Loans	4.267.191	161.672.938	6.610.538	159.329.591
2	Debt Securities	-	50.220.726	54.947	50.165.779
3	Off-balance sheet exposures	198.157	101.620.937	205.654	101.613.440
4	Total	4.465.348	313.514.601	6.871.139	311.108.810

3. Changes in stock of defaulted loans and debt securities:

		Current Period 31.12.2016
1	Defaulted loans and debt securities at end of the previous reporting period	3.532.825
2	Loans and debt securities that have defaulted since the last reporting period	2.120.026
3	Returned to non-defaulted status	24.803
4	Amounts written off	469.585
5	Other changes	693.115
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions	4.465.348

4. Additional disclosure related to the credit quality of assets:

- Definitions of overdue and provision allocated receivables are presented in Note II-o of Section Four:
- The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application:

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All loans that have completed the 90 day overdue period are automatically taken into follow-up accounts and they are subjected to specific provision within the related month at the Bank. In exceptional cases, the delinquency process is suspended due to a court decision and the Bank's credit amount in this scope is insignificant as of 31 December 2016.

c) Definitions of the methods used when determining the provision amount, are presented in Note VII-c of Section Three:

d) Definitions of restructured receivables:

Banks can restructure both the first, second group loans and other receivables as well as non-performing loans and receivables. The first, second group loans and other receivables are restructured to enhance customer's ability to repay the loan. Besides, apart from credit risk, it involves changes in the contractual conditions with the demand of customer. While Non-performing loans and receivables are restructured to ensure the collection of the receivables by changing the cash flow of the loan.

e) Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

31 December 2016	
Domestic	156.356.902
European Union Countries	4.771.616
OECD Countries (*)	2.075
Off-Shore Banking Regions	2
USA, Canada	5.635
Other	536.708
Total	161.672.938

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

Breakdown by sector

31 December 2016	
Agricultural	162.329
Farming and raising livestock	84.875
Forestry	77.099
Fishing	355
Manufacturing	35.705.685
Mining	1.584.514
Production	20.820.393
Electricity, Gas, Water	13.300.778
Construction	18.947.430
Services	57.867.537
Wholesale and Retail Trade	23.070.094
Hotel, Food, Beverage Services	3.888.003
Transportation and	7.914.134
Telecommunication	
Financial Institutions	18.691.210
Real Estate and Lending Services	1.365.815
Self employment Service	564.786
Education Service	387.134
Health and social Services	1.986.361
Other	48.989.957
Total	161.672.938

Breakdown by outstanding maturity:

31 December 2016	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	22.465.761	23.621.766	35.090.090	58.967.343	21.527.978	161.672.938

f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

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Breakdown by geographical area:

31 December 2016	Loans Under Follow-up	Provisions
Domestic	4.266.137	4.111.167
European Union Countries	649	649
OECD Countries (*)	-	-
Off-Shore Banking Regions	3	3
USA, Canada	81	81
Other	321	321
Total	4.267.191	4.112.221

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

Breakdown by sector:

31 December 2016	Loans Under Follow-up	Provisions
Agricultural	11.276	11.276
Farming and raising livestock	9.971	9.971
Forestry	1.246	1.246
Fishing	59	59
Manufacturing	381.020	381.020
Mining	26.672	26.672
Production	346.738	346.738
Electricity, Gas, Water	7.610	7.610
Construction	144.750	144.750
Services	1.278.472	1.123.502
Wholesale and Retail Trade	874.098	874.098
Hotel, Food, Beverage Services	264.419	109.449
Transportation and Telecommunication	63.888	63.888
Financial Institutions	2.444	2.444
Real Estate and Lending Services	2.940	2.940
Self employment Service	4.820	4.820
Education Service	29.379	29.379
Health and social Services	36.484	36.484
Other	2.451.673	2.451.673
Total	4.267.191	4.112.221

As of 31 December 2016, Non Performing Loans written-off from Asset amounting to TL 469.585.

g) Aging analysis for overdue receivables:

	Total
30-60 days overdue	2.367.824
60-90 days overdue	740.243
Total	3.108.067

h) Breakdown of restructured receivables based on whether or not provisions are allocated:

Restructured Receivables	31 December 2016
Loans restructured from Standard Loans and Other Receivables	2.742.877
Loans restructured from Loans under Follow-up and Other Receivables	3.026.531
Loans restructured from Non-Performing Loans	177.871

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables, specific provision is allocated for the loans restructured from non-performing loans.

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

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

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The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The risk amount and the amount of collateral are also compared against the value losses that may occur in the collateral, and in case of gap between risk and collateral, the Bank Monitoring System automatically generates "Risky Transaction Registration".

In the calculation of capital adequacy ratio, real estate mortgages are subject to valuation process in accordance with the related legislation. There is no physical collateral used for risk reduction other than real estate.

Financial guarantees used in capital adequacy calculations are blocked deposits held at the bank and there is no netting other than these.

Collateral management processes are written in credit policies and checks are made to ensure that there is no concentration of third party guarantor type and collateral.

5. Credit risk mitigation techniques – overview:

Current Period 31.12.2016		Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	139.246.769	20.082.822	17.508.016	249.186	242.042	-	-
2	Debt Securities	50.165.779	-	-	-	-	-	-
3	Total	189.412.548	20.082.822	17.508.016	249.186	242.042	-	-
4	Of which defaulted	4.465.348	-	-	-	-	-	-

6. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

The ratings given by the international credit rating agency Fitch Ratings are used to determine the risk weights to be applied in the calculation of capital adequacy. Fitch Ratings are limited to the receivables of the counterparty residing abroad; central government or central banks, banks and corporate receivables.

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

Current Period - 31.12.2016		Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes							
1	Exposures to central governments or central banks	76.062.018	3.641.222	76.062.018	72.683	25.386.083	12,4%
2	Exposures to regional governments or local authorities	-	250	-	50	25	0,0%
3	Exposures to public sector entities	36.007	21.890	36.006	5.947	41.953	0,0%
4	Exposures to multilateral development banks	-	-	-	-	-	0,0%
5	Exposures to international organisations	-	-	-	-	-	0,0%
6	Exposures to institutions	17.487.358	67.534.108	17.487.358	21.930.526	16.498.554	8,0%
7	Exposures to corporates	93.797.798	42.897.460	93.745.169	21.572.155	112.207.650	54,6%
8	Retail exposures	46.326.371	32.522.909	46.142.581	3.796.036	37.453.963	18,2%
9	Exposures secured by residential property	11.138.435	172.492	11.132.846	67.456	3.920.106	1,9%
10	Exposures secured by commercial real estate	8.944.111	909.766	8.944.069	558.569	6.154.894	3,0%
11	Past-due loans	154.970	-	154.970	-	154.970	0,1%
12	Higher-risk categories by the Agency Board	-	235	-	-	-	0,0%
13	Exposures in the form of covered bonds	-	-	-	-	-	0,0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0,0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	212.244	248.632	212.244	15.089	227.332	0,1%
16	Other assets	3.645.626	-	3.645.626	-	1.833.274	0,9%
17	Investments in equities	1.597.040	-	1.597.040	-	1.597.040	0,8%
18	Total	259.401.978	147.948.964	259.159.927	48.018.511	205.475.843	100,0%

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8. Standardised Approach – Exposures by asset classes and risk weights:

	Current Period 31.12.2016 Asset classes/ Risk weight	0%	10%	20%	35%	50% (*)	75%	100%	150%	200%	Other risk weights	Total risk amount (**)
1	Exposures to central governments or central banks	28.830.466	-	163.991	-	50.677.979	-	14.295	-	-	-	76.134.701
2	Exposures to regional governments or local authorities	-	-	-	-	50	-	-	-	-	-	50
3	Exposures to public sector entities	4.088	-	-	-	-	-	41.953	-	-	-	41.953
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	18.681.545	-	11.022.602	-	28.167.166	-	210.450	-	-	-	39.417.884
7	Exposures to corporates	2.184.915	-	182.913	-	3.620.143	-	110.348.093	5.123	-	-	115.317.324
8	Retail exposures	358.380	-	-	-	-	49.938.617	-	-	-	-	49.938.617
9	Exposures secured by residential property	5.588	-	-	11.200.302	-	-	-	-	-	-	11.200.302
10	Exposures secured by commercial real estate	43	-	-	-	6.695.488	-	2.807.150	-	-	-	9.502.638
11	Past-due loans	-	-	-	-	-	-	154.970	-	-	-	154.970
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	233.511	-	-	-	-	-	227.333	-	-	-	227.333
16	Investments in equities	-	-	-	-	-	-	1.597.040	-	-	-	1.597.040
17	Other assets	1.699.801	-	140.688	-	-	-	1.805.137	-	-	-	3.645.626
18	Total	51.998.337	-	11.510.194	11.200.302	89.160.826	49.938.617	117.206.421	5.123	-	-	307.178.438

(*)Secured by real estate

(**)Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

d. Counterparty Credit Risk (CCR) Explanations:

1. Qualitative disclosure related to counterparty credit risk:

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies, corporate segment, micro segment customers, private banking customers and individual customers. The products are grouped as interest swap transactions, foreign currency option transactions (plain vanilla), foreign exchange option transactions (exotic), interest option transactions, commodity Transactions, credit derivatives and repo transactions.

"Conformity Test" is applied to the customers to determine whether the products to be presented to the customers are in compliance with the customers' financial status and their knowledge and experience. The tests to be applied are prepared in a way that bank can evaluate the information received from the customers with the method including "risk and return preference" and knowledge and experience" classifications determined by the Bank.

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For the transactions within the scope of the CCR, appropriate limits to the risk appetite, policies and strategies of the Bank are determined. The determined limits are approved by the Board of Directors for the banks. For the firms and individuals apart from banks regular loan approval processes and limits are conducted.

The counterparty credit risk limits for financial institutions are also determined separately and presented to the Board of Directors for approval. The determined limits are reviewed at least once a year. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made. If deemed necessary,

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the approved limits are blocked by the Credit Committee / Credit Allocation Business Unit and by the approval of the Board of Directors.

In counterparty credit risk management of financial institutions, risk mitigation methods such as netting agreements, collateral and "margin" agreements are used. Collateralization principles and procedures are applied for companies and individuals other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

The risk of reverse tendency within the scope of the CKR appears in two ways as the risk of general reversal and the risk of specific reversal.

To avoid the general counter trend risk;

-Depending on the direction of the financing expenses of the corporate and commercial companies, it is taken care that the interest swap transactions made are aimed at "hedging". If the short-term liability of the firm is more than short-term liabilities susceptible to interest, interest rate swaps will be applied to the firm with the fixed interest rate. In the other case, interest rate swap transactions that the company pays variable interest are made.

-It is also important to note that the transactions are "hedged" for foreign currency transactions. If the firm is in a long position in the foreign exchange market, the transactions that the foreign exchange seller is the company and if the company is in the short position in the foreign exchange market, the transactions that the foreign exchange buyer is the company are taken into consideration.

To avoid the risk of specific counter trend risk;

-In the option transactions made on the other party's own shares, transactions are not made where the same counterparty is the option seller.

-In the credit derivative transactions on the counterparty's own credit risk, there are no transactions that the counterparty is the protection seller

There are no triggering factors for the actions taken under the CCR to grant additional collateral due to the decline in the credibility of the Bank.

2. Analysis of counterparty credit risk exposure by approach:

		Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
Current Period - 31.12.2016							
1	Standardised Approach (for derivatives)	8.317.863	4.160.055	-	1,4	12.477.919	7.445.180
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	3.126.379	1.419.010
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	3.126.379	1.419.010
6	Total						8.864.190

(*) Effective Expected Positive Exposure

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3. Credit valuation adjustment (CVA) capital charge:

	Current Period - 31.12.2016	Exposure at default post-CRM	RWA
1	Total portfolios subject to the Advanced CVA capital charge		
2	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
3	(ii) Stressed VaR component (including the 3×multiplier)	-	-
4	All portfolios subject to the Standardised CVA capital charge	12.477.919	4.137.494
5	Total subject to the CVA capital charge	12.477.919	4.137.494

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights:

Current Period - 31.12.2016										Total credit exposure*
Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
Regulatory portfolio										
Claims from central governments and central banks	50.214	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	1.289	-	-	-	1.289
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	1.977.399	9.963.895	-	2.612	-	-	-	5.380.039
Corporates	110.355	-	9	9.953	-	3.430.748	-	-	-	3.435.726
Retail portfolios	-	-	-	-	42.742	-	-	-	-	32.057
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	15.079	-	-	-	15.079
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets**	-	-	-	-	-	-	-	-	-	-
Total	160.569	-	1.977.408	9.973.848	42.742	3.449.728	-	-	-	8.864.190

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

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

5. Composition of collateral for CCR exposure: Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.

6. Credit derivatives exposures:

Current Period - 31.12.2016	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	6.635.216	4.931.513
Credit options	-	-
Other credit derivatives	-	-
Total notionals	6.635.216	4.931.513
Fair values		
Positive fair value (asset)	1.643.573	1.643.573
Negative fair value (liability)	-	-

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7. Exposures to central counterparties (CCP):

Current Period - 31.12.2016		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		5.288
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	264.211	5.284
3	(i) OTC Derivatives	264.211	5.284
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	1.964	4
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

e. Securitization explanations: The Bank has no securitization transactions.

f. Explanations on market risk:

1. Qualitative disclosure requirements related to market risk:

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary.

Market risk is calculated by two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations use variance-covariance, historical simulation and Monte Carlo simulation methods. The software used can perform calculations with an advanced yield curve and volatility models. The VaR model is based on the assumptions of 99% confidence interval and a 10-day holding period. VaR analyses are performed on a daily basis and reported to the Senior Management. VaR analyses are also used as risk and limit management instrument for trading transactions. The limits are reviewed periodically according to market conditions and the application of specified limits is subject to authority restrictions and therefore the control effectiveness is increased. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which have significant impact and the effects of market fluctuations. Retrospective tests of the model outputs are performed regularly. The standard method is used for the legal reporting.

The following table indicates the details of the market risk calculation as of 31 December 2016, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

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2. Standardised approach:

		RWA
	Outright products	
1	Interest rate risk (general and specific)	1.954.074
2	Equity risk (general and specific)	-
3	Foreign exchange risk	1.608.601
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	58.463
7	Scenario approach	-
8	Securitisation	-
9	Total	3.621.138

Outright products refer to positions in products that are not optional.

g. Explanations on operational risk:

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of July 1, 2012, is used in the operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2016 is calculated once a year by using the gross income of the Bank in 2013, 2014 and 2015.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

	31.12.2013	31.12.2014	31.12.2015	Total/Positive GI year number	Ratio (%)	Total
Gross income	8.171.218	8.572.601	9.666.236	3	15	1.320.503
Amount subject to Operational Risk (Amount*12,5)						16.506.284

h. Interest rate risk related to banking book:

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Executive Risk Committee in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

In addition to interest rate sensitivities measured and reported weekly, daily and transaction-based analyses are also performed when significant fluctuations occur in markets.

Repricing term mismatch and duration mismatch analyses, net economic value change analyses under different interest rate stress scenarios and income simulations are used for interest rate risk management. Repricing risk, yield curve risk, basis risk and optionality are considered under interest rate risk scope.

The interest rate risk arising from banking book is calculated and reported on a monthly basis according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no. 28034 on 23 August 2011.

Calculation of the interest rate risk derived from banking books is presented below:

Currency	Applied Shock (+/- x basis points)	Gains / Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TL	(400)	3.458.941	10,53%
TL	500	(3.664.563)	(11,16%)
USD	(200)	(601.963)	(1,83%)
USD	200	574.913	1,75%
EURO	(200)	46.469	0,14%
EURO	200	(251.243)	(0,76%)
Total (for negative shocks)		2.903.447	8,84%
Total (for positive shocks)		(3.340.893)	(10,17%)

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XI. EXPLANATIONS ON HEDGE TRANSACTIONS:

The Bank hedges its TL and foreign denominated fixed rate financial assets with cross currency swaps and interest rate swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. As long as the hedge relationship is effective, fair value change of the hedged item is disclosed together with its related asset in the balance sheet for TL denominated fixed rate mortgage loans. Fair value changes which have already been booked in equity, have been reclassified from equity to income statement for TL and FC denominated fixed rate available-for-sale financial assets.

The Bank hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Hedging reserves" whereas ineffective part is accounted in the income statement. At instances when cash flows relating to hedged item (interest expense) affect the income statement, profit/loss of the related hedging item is taken out of the equity and reflected on the income statement.

Prospective tests are performed at the inception of the hedge relationships and both prospective and retrospective tests are performed at each reporting period-end regularly by using "Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of TAS 39.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

The Bank also applies fair value hedge against currency risk resulting from investments abroad. As long as the subject fair value hedge transaction is effective, fair value changes of the hedged item are reflected to income statement.

As of 31 December 2016, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet are summarized in the following table:

	Current Period 31.12.2016			Prior Period 31.12.2015		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps						
-TL	2.497.225	682.966	-	1.228.638	648.858	-
-FC	20.737.803	123.770	98.645	11.197.395	-	157.528
Total	23.235.028	806.736	98.645	12.426.033	648.858	157.528

1. Explanations on Fair Value Hedge:

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Current Period: 31.12.2016

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(94.580)	89.557	(5.023)
Cross-currency swap	Fixed interest rate TL Mortgage Loans, FC borrowings	Interest rate and currency risk	784.031	(776.488)	7.543

(*) Includes fair value differences arising from changes in foreign exchange rates for the hedge transactions having risk exposure of both interest rate and foreign currency.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

Priond Period: 31.12.2015

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(175.849)	170.936	(4.913)
Cross-currency swap	Fixed interest rate TL Mortgage Loans, FC borrowings	Interest rate and currency risk	236.846	(233.961)	2.885
Cross-currency swap	Fixed interest rate TL available-for-sale financial assets, FC borrowings	Interest rate and currency risk	312.135	(307.153)	4.982

(*) Includes fair value differences arising from changes in foreign exchange rates for the hedge transactions having risk exposure of both interest rate and foreign currency.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

The Bank also applies fair value hedge strategy against the foreign currency risk arising from share premiums and paid-in-capital of Akbank AG, one of Bank's subsidiaries, amounting to EUR 320 Million. EUR 320 Million of syndication loans used by the Bank have been determined as "hedging instruments".

As of 31 December 2016 fair value hedge transactions have been determined as effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below

- As of 31 December 2016, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 12.845 [31 December 2015: TL 7.972]

2. Explanations on Cash Flow Hedge:

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest Rate Swap	Floating-rate long Term FC funds borrowed	Cash Flow risk due to changes in interest rate of funds	94.338	-	78.608	(9.850)	-

As of 31 December 2016 cash flow hedge transactions have been determined as effective.

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In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2016, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (43.584) (31 December 2015: TL (75.471)).

XII. EXPLANATIONS ON BUSINESS SEGMENTS:

The Bank operates in three main business segments including consumer banking, commercial banking, SME banking, and corporate-investment and private banking with treasury activities. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account customer, customer relationship manager, branch segment and product. This information is made available to the branch and Head Office personnel through a web-based management reporting system.

Consumer banking offers a variety of retail services such as deposit accounts, consumer loans, commercial installment loans, credit cards, insurance products and asset management services. The consumer banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate banking, commercial banking and SME banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Bank provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities. In the scope of private banking, The Bank serves the members of the high-income customers who have expectations for upper-class service quality both in banking and investment transactions.

The Treasury Unit conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits. These transactions are performed according to the Bank's requirements. Furthermore, Treasury Unit also carries out marketing and pricing activities of treasury products for customers and branch network. The Treasury Unit also serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

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Information on business segments as of 31 December 2016 and 31 December 2015 presented in the following tables include changes mentioned in Section One, Note III. Explanations on business segments are prepared on the basis of data obtained from Bank Management Reporting System.

	Consumer Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Bank's Total Activities
Current Period – 31 December 2016					
Operating Income	4.248.437	5.976.327	1.074.902	872.267	12.171.933
Profit from Operating Activities	1.574.410	3.843.123	850.302	(591.763)	5.676.072
Income from Subsidiaries	-	-	-	21.478	21.478
Profit before Tax	1.574.410	3.843.123	850.302	(570.285)	5.697.550
Corporate Tax	-	-	-	(1.168.838)	(1.168.838)
Minority Shares	-	-	-	-	-
Net Profit for the Period	1.574.410	3.843.123	850.302	(1.739.123)	4.528.712
Segment Assets	50.388.066	130.338.728	78.035.997	-	258.762.791
Investments in Associates	-	-	-	-	1.529.864
Undistributed Assets	-	-	-	-	10.723.815
Total Assets	-	-	-	-	271.016.470
Segment Liabilities	83.888.360	74.548.153	73.883.113	-	232.319.626
Undistributed Liabilities	-	-	-	-	8.042.262
Shareholders' Equity	-	-	-	-	30.654.582
Total Liabilities	-	-	-	-	271.016.470
Other Segment Items					
Capital Investment	-	-	-	439.784	439.784
Amortization	(28.773)	(22.036)	-	(164.116)	(214.925)
Non-cash Other Income-Expense	(543.165)	(840.898)	(109.719)	(723.476)	(2.217.258)
Prior Period – 31 December 2015					
Operating Income	3.613.160	4.880.440	815.122	899.043	10.207.765
Profit from Operating Activities	419.377	3.363.195	741.997	(710.235)	3.814.334
Income from Subsidiaries	-	-	-	13.337	13.337
Profit before Tax	419.377	3.363.195	741.997	(696.898)	3.827.671
Corporate Tax	-	-	-	(832.823)	(832.823)
Minority Shares	-	-	-	-	-
Net Profit for the Period	419.377	3.363.195	741.997	(1.529.721)	2.994.848
Segment Assets	47.424.063	108.311.938	72.433.551	-	228.169.552
Investments in Associates	-	-	-	-	1.354.664
Undistributed Assets	-	-	-	-	5.284.772
Total Assets	-	-	-	-	234.808.988
Segment Liabilities	71.703.121	67.518.120	61.671.659	-	200.892.900
Undistributed Liabilities	-	-	-	-	7.226.911
Shareholders' Equity	-	-	-	-	26.689.177
Total Liabilities	-	-	-	-	234.808.988
Other Segment Items					
Capital Investment	-	-	-	152.983	152.983
Amortization	(39.983)	(24.404)	(389)	(158.563)	(223.339)
Non-cash Other Income-Expense	(957.911)	(494.606)	(40.977)	(686.121)	(2.179.615)

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SECTION FIVE

INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

a. Information related to cash equivalents and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash equivalents and the account of the CBRT:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Cash/Foreign Currency	1.135.289	559.565	935.450	448.444
The CBRT	4.228.312	28.943.471	1.230.328	22.776.999
Other(*)	1	145.634	2	82.200
Total	5.363.602	29.648.670	2.165.780	23.307.643

(*) As of 31 December 2016, precious metal account amounts to TL 4.947 (31 December 2015: TL 56.414).

2. Information related to the account of the CBRT:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Demand Unrestricted Account	1.530	-	1.830	-
Time Unrestricted Account	-	5.173.596	-	853.816
Time Restricted Account	-	-	-	-
Reserve Requirement	4.226.782	23.769.875	1.228.498	21.923.183
Total	4.228.312	28.943.471	1.230.328	22.776.999

3. Explanation on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 11,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4,5% and 24,5% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

b. Information on financial assets at fair value through profit or loss:

1. As of 31 December 2016, there are no financial assets at fair value through profit or loss subject to repo transactions (31 December 2015: TL (-)) or given as collateral/blocked (31 December 2015 TL (-)).

2. Table of positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Forward Transactions	471.979	-	198.176	-
Swap Transactions	3.816.920	3.174.223	607.710	1.688.199
Futures Transactions	-	-	-	-
Options	26.984	235.605	896	221.318
Other	-	-	-	-
Total	4.315.883	3.409.828	806.782	1.909.517

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c. Information on banks account:

1. Information on banks account:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Banks	454.303	9.518.506	1.556.559	6.301.738
Domestic	147.485	2.502.619	1.556.559	1.830.694
Foreign	306.818	7.015.887	-	4.471.044
Head Quarters and Branches Abroad	-	-	-	-
Total	454.303	9.518.506	1.556.559	6.301.738

2. Information on foreign banks account:

	Unrestricted Amount		Restricted Amount (**)	
	Current Period 31 December 2016	Prior Period 31 December 2015	Current Period 31 December 2016	Prior Period 31 December 2015
European Union Countries	1.604.802	534.582	5.136.317	3.144.498
USA, Canada	566.740	778.086	-	-
OECD Countries (*)	9.974	9.996	-	-
Off-Shore Banking Regions	17	-	15	-
Other	4.738	3.882	102	-
Total	2.186.271	1.326.546	5.136.434	3.144.498

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

(**) Restricted amounts which mainly consist of collaterals related to borrowings are kept in several banks.

d. Information on available-for-sale financial assets:

1. As of 31 December 2016, available-for-sale financial assets subject to repurchase agreements amount to TL 15.149.322 (31 December 2015: TL 19.184.557); and those given as collateral/blocked amounting to TL 1.234.185 (31 December 2015: TL 1.103.520).

2. Information on available-for-sale financial assets:

	Current Period 31 December 2016	Prior Period 31 December 2015
Debt Securities	33.347.272	42.098.674
Quoted to Stock Exchange	33.179.565	41.853.151
Not Quoted to Stock Exchange	167.707	245.523
Share Certificates	67.176	128.629
Quoted to Stock Exchange	-	-
Not Quoted to Stock Exchange	67.176	128.629
Impairment Provision (-)	890.984	767.596
Total	32.523.464	41.459.707

e. Information related to loans:

1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	245	-	82
Corporate Shareholders	-	245	-	82
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	4.529.001	900.355	3.367.840	1.447.220
Loans Granted to Employees	105.759	-	99.195	-
Total	4.634.760	900.600	3.467.035	1.447.302

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2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Non-specialized Loans	155.654.955	2.742.877	-	6.017.983	3.026.531	-
Business Loans	17.631.781	362.411	-	2.015.195	1.089.972	-
Export Loans	5.195.388	70.000	-	11.111	8.110	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	5.057.676	6.451	-	973	-	-
Consumer Loans	27.894.782	528.858	-	1.536.885	902.019	-
Credit Cards	12.128.729	411.000	-	690.487	514.387	-
Other	87.746.599	1.364.157	-	1.763.332	512.043	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	155.654.955	2.742.877	-	6.017.983	3.026.531	-

The Bank has a cash loan exposure of USD 1.5 billion related with the acquisition finance of a telecommunication company within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral. Negotiations on restructuring of the loan have started among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of the Company and it is expected that negotiations will produce a positive outcome. Respective loan is classified under "Standard loans and other receivables" as of 31 December 2016.

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of Extension		
Extended by 1 or 2 times	2.631.740	2.526.412
Extended by 3,4 or 5 times	110.731	476.406
Extended by more than 5 times	406	23.713
Total	2.742.877	3.026.531

	Standard loans and other receivables	Loans and other receivables under close monitoring
Extension periods		
0 - 6 Months	258.704	955.035
6 - 12 Months	162.063	209.102
1 - 2 Years	634.135	551.321
2 - 5 Years	1.046.975	954.342
5 Years and over	641.000	356.731
Total	2.742.877	3.026.531

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3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	42.789.170	727.923	1.427.952	838.858
Non-Specialized Loans	42.789.170	727.923	1.427.952	838.858
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	112.865.785	2.014.954	4.590.031	2.187.673
Non-Specialized Loans	112.865.785	2.014.954	4.590.031	2.187.673
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	155.654.955	2.742.877	6.017.983	3.026.531

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4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

Current Period – 31.12.2016	Short-term	Medium and Long-term	Total
Consumer Loans-TL	453.953	27.962.936	28.416.889
Mortgage Loans	8.491	13.548.749	13.557.240
Automotive Loans	5.413	372.723	378.136
Consumer Loans	440.049	14.041.464	14.481.513
Other	-	-	-
Consumer Loans- Indexed to FC	-	10.708	10.708
Mortgage Loans	-	9.601	9.601
Automotive Loans	-	-	-
Consumer Loans	-	1.107	1.107
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	9.862.772	747.868	10.610.640
With Installment	4.152.291	745.705	4.897.996
Without Installment	5.710.481	2.163	5.712.644
Consumer Credit Cards-FC	9.319	-	9.319
With Installment	-	-	-
Without Installment	9.319	-	9.319
Personnel Loans-TL	2.966	62.162	65.128
Mortgage Loans	-	3.000	3.000
Automotive Loans	-	147	147
Consumer Loans	2.966	59.015	61.981
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	40.491	38	40.529
With Installment	16.120	38	16.158
Without Installment	24.371	-	24.371
Personnel Credit Cards-FC	102	-	102
With Installment	-	-	-
Without Installment	102	-	102
Credit Deposit Account-TL (Real Person)	938.942	-	938.942
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	11.308.545	28.783.712	40.092.257

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Prior Period – 31.12.2015	Short-term	Medium and Long-term	Total
Consumer Loans-TL	116.139	27.719.566	27.835.705
Mortgage Loans	1.485	13.428.250	13.429.735
Automotive Loans	725	538.497	539.222
Consumer Loans	113.929	13.752.819	13.866.748
Other	-	-	-
Consumer Loans- Indexed to FC	-	16.613	16.613
Mortgage Loans	-	15.454	15.454
Automotive Loans	-	-	-
Consumer Loans	-	1.159	1.159
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	10.011.944	831.329	10.843.273
With Installment	4.269.698	831.329	5.101.027
Without Installment	5.742.246	-	5.742.246
Consumer Credit Cards-FC	15.969	-	15.969
With Installment	5.457	-	5.457
Without Installment	10.512	-	10.512
Personnel Loans-TL	1.225	58.407	59.632
Mortgage Loans	-	1.730	1.730
Automotive Loans	-	167	167
Consumer Loans	1.225	56.510	57.735
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	39.312	69	39.381
With Installment	15.348	69	15.417
Without Installment	23.964	-	23.964
Personnel Credit Cards-FC	182	-	182
With Installment	79	-	79
Without Installment	103	-	103
Credit Deposit Account-TL (Real Person)	762.321	-	762.321
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	10.947.092	28.625.984	39.573.076

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5. Information on commercial installment loans and corporate credit cards:

Current Period – 31.12.2016	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	1.111.879	6.336.363	7.448.242
Mortgage Loans	2.111	8.541	10.652
Automotive Loans	47.976	2.097	50.073
Consumer Loans	1.061.792	6.325.725	7.387.517
Other	-	-	-
FC Indexed Commercial Installment Loans	39.970	166.395	206.365
Mortgage Loans	-	3.040	3.040
Automotive Loans	6.296	1.056	7.352
Consumer Loans	33.674	162.299	195.973
Other	-	-	-
Commercial Installment Loans-FC	84	153.604	153.688
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	84	153.604	153.688
Other	-	-	-
Corporate Credit Cards-TL	2.157.063	127	2.157.190
With Installment	952.803	80	952.883
Without Installment	1.204.260	47	1.204.307
Corporate Credit Cards-FC	1.436	-	1.436
With Installment	-	-	-
Without Installment	1.436	-	1.436
Credit Deposit Account-TL (Legal Person)	726.714	-	726.714
Credit Deposit Account-FC (Legal person)	-	-	-
Total	4.037.146	6.656.489	10.693.635

Prior Period – 31.12.2015	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	167.589	6.257.337	6.424.926
Mortgage Loans	2.477	25.413	27.890
Automotive Loans	5.309	12.919	18.228
Consumer Loans	159.803	6.219.005	6.378.808
Other	-	-	-
FC Indexed Commercial Installment Loans	4.138	127.182	131.320
Mortgage Loans	-	3.954	3.954
Automotive Loans	330	4.479	4.809
Consumer Loans	3.808	118.749	122.557
Other	-	-	-
Commercial Installment Loans-FC	1.431	133.731	135.162
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.431	133.731	135.162
Other	-	-	-
Corporate Credit Cards-TL	1.629.075	899	1.629.974
With Installment	698.710	899	699.609
Without Installment	930.365	-	930.365
Corporate Credit Cards-FC	1.537	-	1.537
With Installment	17	-	17
Without Installment	1.520	-	1.520
Credit Deposit Account-TL (Legal Person)	733.897	-	733.897
Credit Deposit Account-FC (Legal person)	-	-	-
Total	2.537.667	6.519.149	9.056.816

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6. Loans according to types of borrowers:

	Current Period 31 December 2016	Prior Period 31 December 2015
Public	1.100.572	1.199.186
Private	160.572.366	140.416.984
Total	161.672.938	141.616.170

7. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers:

	Current Period 31 December 2016	Prior Period 31 December 2015
Domestic Loans	156.357.208	138.207.438
Foreign Loans	5.315.730	3.408.732
Total	161.672.938	141.616.170

8. Loans granted to investments in associates and subsidiaries:

	Current Period 31 December 2016	Prior Period 31 December 2015
Direct Loans Granted to Investments in Associates and Subsidiaries	414.469	619.370
Indirect Loans Granted to Investments in Associates and Subsidiaries	-	-
Total	414.469	619.370

9. Specific provisions accounted for loans:

	Current Period 31 December 2016	Prior Period 31 December 2015
Loans and Other Receivables with Limited Collectibility	587.401	448.339
Loans and Other Receivables with Doubtful Collectibility	815.140	869.262
Uncollectible Loans and Receivables	2.709.680	1.908.409
Total	4.112.221	3.226.010

10. Information on non-performing loans (Net):

10 (i). Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2016			
(Gross Amounts Before Specific Provisions)	38.292	63.415	76.164
Restructured Loans and Other Receivables	36.475	62.859	74.909
Rescheduled Loans and Other Receivables	1.817	556	1.255
Prior Period: 31 December 2015			
(Gross Amounts Before Specific Provisions)	35.103	55.654	56.366
Restructured Loans and Other Receivables	34.624	55.457	52.131
Rescheduled Loans and Other Receivables	479	197	4.235

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10 (ii). Information on the movement of total non-performing loans:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Prior Period End Balance: 31 December 2015	448.339	869.262	2.055.722
Additions (+)	2.040.955	11.313	29.103
Transfers from Other Categories of Non-Performing Loans (+)	-	1.703.484	1.535.442
Transfers to Other Categories of Non-Performing Loans (-)	1.703.484	1.535.442	-
Collections (-)	196.557	228.801	292.560
Write-offs (-) (*)	1.852	4.676	463.057
Corporate and Commercial Loans	358	2.484	104.251
Consumer Loans	1.213	1.404	115.422
Credit Cards	281	788	243.384
Other	-	-	-
Balance at the End of the Period	587.401	815.140	2.864.650
Specific Provisions (-)	587.401	815.140	2.709.680
Net Balance at Balance Sheet (**)	-	-	154.970

(*) The Bank has sold non-performing loan portfolio, for which 100% provision was provided and which is worth TL 450,1 million (in full TL amount), for an amount of TL 49,1 million (in full TL amount) to Güven Varlık Yönetimi A.Ş.

(**) The bank has allocated 100% specific provision amounting to TL 51 million (in full TL amount) after taking the collaterals into consideration for one of its commercial loans amounting to TL 206 million (in full TL amount).

10 (iii). Information on non-performing loans granted as foreign currency loans:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2016			
Balance at the End of the Period	54.196	56.434	245.869
Specific Provision (-)	54.196	56.434	114.793
Net Balance on Balance Sheet	-	-	131.076
Prior Period: 31 December 2015			
Balance at the End of the Period	14.731	10.469	224.180
Specific Provision (-)	14.731	10.469	93.568
Net Balance at Balance Sheet	-	-	130.612

Non-performing loans granted as foreign currency are followed under TL accounts of balance sheet.

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10 (iv). Breakdown of non-performing loans according to their gross and net values:

	III. Group	IV. Group	V. Group
	Loans and Other	Loans and Other	Uncollectible
	Receivables with	Receivables with	Loans and Other
	Limited Collectibility	Doubtful Collectibility	Receivables
Current Period (Net): 31 December 2016			
Loans granted to corporate entities and real persons (Gross)	587.401	815.140	2.864.650
Specific Provision Amount (-)	587.401	815.140	2.709.680
Loans granted to corporate entities and real persons (Net)	-	-	154.970
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-
Prior Period (Net): 31 December 2015			
Loans granted to corporate entities and real persons (Gross)	448.339	869.262	2.055.722
Specific Provision Amount (-)	448.339	869.262	1.908.409
Loans granted to corporate entities and real persons (Net)	-	-	147.313
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-

11. Information on the collection policy of non-performing loans and other receivables:

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals.

12. Information on the write-off policy:

Write-off policy of the Bank for receivables under follow-up is to retire the receivables from assets in case of verification of the inability of collection through the legal follow-up process.

f. Held-to-maturity investments:

1. Information on financial assets subject to repurchase agreements and those given as collateral/blocked:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Given as collateral/blocked	113.540	2.122.032	133.439	1.903.784
Subject to repurchase agreements	3.625.467	7.110.699	2.918.515	3.011.127
Total	3.739.007	9.232.731	3.051.954	4.914.911

2. Information on held-to-maturity government debt securities:

	Current Period	Prior Period
	31 December 2016	31 December 2015
Government Bonds	13.091.052	9.654.515
Treasury Bills	-	-
Other Government Debt Securities	2.370.665	1.033.727
Total	15.461.717	10.688.242

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3. Information on held-to-maturity investments:

	Current Period 31 December 2016	Prior Period 31 December 2015
Debt Securities	18.150.475	10.761.282
Quoted to Stock Exchange	18.150.475	10.761.282
Not Quoted to Stock Exchange	-	-
Impairment Provision (-)	173.793	73.040
Total	17.976.682	10.688.242

4. The movement of investment securities held-to-maturity:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance at the Beginning of the Period	10.688.242	10.799.905
Foreign Currency Differences on Monetary Assets	1.269.337	864.389
Purchases During Year (*)	5.882.032	-
Disposals Through Sales and Redemptions	130.051	1.112.446
Impairment Provision (-)	100.753	63.740
Change in Amortized Cost	367.875	200.134
Balance at the End of the Period	17.976.682	10.688.242

(*) Due to the change of intention, The Bank has classified its Government Debt Securities with the notional amount EUR 96.359 thousand and USD 1.591.672 thousand from Available For Sale Financial Assets portfolio to Held to Maturity Securities portfolio in the current year. As of classification date, the book value which reflects the fair value of the related securities are EUR 98.531 thousand and USD1.650.112 thousand respectively and these amounts are accepted as the new costs of related securities. The Marketable Securities Valuation Differences of classified securities are amortized throughout the remaining term of held to maturity investments by using effective interest rate method.

g. Information on investments in associates (Net):

1. Information about investments in associates:

Title	Address (City / Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1 Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	9,98	9,98
2 Kredi Kayıt Bürosu A.Ş.	Istanbul/Turkey	9,09	9,09

2. Main financial figures of associates, in the order of the above table:

The financial figures of Bankalararası Kart Merkezi A.Ş. stated below have been obtained from the financial statements dated 31 December 2016 and Kredi Kayıt Bürosu A.Ş. obtained from 30 September 2016.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	80.262	39.897	50.024	1.068	-	10.403	3.869	-
2	185.448	129.647	135.578	2.817	90	16.458	26.782	-

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3. Movement schedule of investments in associates:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance at the Beginning of the Period	3.923	3.923
Movements During the Period		
Additions	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends from Current Year Income	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
(Impairment)	-	-
Balance at the End of the Period	3.923	3.923
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

h. Information related to subsidiaries (Net):

1. Information on shareholders' equity of subsidiaries:

The amounts below are obtained from the 31 December 2016 financial data which were subject to the regulations of the related companies.

	Ak Finansal Kiralama A.Ş.	Ak Yatırım Menkul Değerler A.Ş.	Ak Portföy Yönetimi A.Ş.	Akbank AG	Akbank (Dubai) Limited
Paid in Capital	235.007	46.802	4.079	740.648	2.243
Share Premium	-	-	-	-	-
Reserves	453.950	59.231	11.366	1.236.746	13.717
Gains recognized in equity as per TAS	-	(1.603)	3	-	-
Profit/Loss	113.988	92.559	27.729	161.093	13.619
- Net Current Period Profit	113.988	31.633	27.358	161.093	(3.010)
- Prior Year Profit/Loss	-	60.926	371	-	16.629
Development Cost of Operating Lease (-)	48	1.355	-	199	-
Remaining other intangible assets after offset with the related deferred tax liability excluding mortgage servicing rights	983	1.059	122	516	-
Total Common Equity	801.914	194.575	43.055	2.137.772	29.579
Total Additional Tier I Capital	-	-	-	-	-
Portion of Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities not deducted from the Common Equity as per the 1st Clause of Provisional Article 2 of the "Regulation on the Equity of Banks" (-)	655	706	81	344	-
Total Tier I Capital	801.259	193.869	42.974	2.137.428	29.579
Tier II Capital	25.361	-	-	-	-
CAPITAL	826.620	193.869	42.974	2.137.428	29.579
Deductions from Capital	-	-	-	-	-
TOTAL CAPITAL	826.620	193.869	42.974	2.137.428	29.579

The Bank's subsidiaries, included in the consolidated calculation of capital requirement, do not have additional capital requirements.

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2. Accounting method used for the valuation of subsidiaries: Disclosed in Note III of Section Three.

3. Information on subsidiaries:

Title	Address (City / Country)	Bank's Share Percentage-If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1 Ak Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	99,99
2 Ak Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100,00	100,00
3 Ak Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	100,00
4 Akbank AG	Frankfurt/Germany	100,00	100,00
5 Akbank (Dubai) Limited (*)	Dubai/The United Arab Emirates	100,00	100,00

(*) As of 27 December 2016 The Board of Directors of the Bank decided to wind up Akbank (Dubai) Limited and open a representative office in same location. Operations related to processes started to be carried out by the competent authorities.

4. The financial figures have been obtained from the financial statements as at 31 December 2016 prepared in accordance with local regulations.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	5.445.932	802.940	34.035	350.622	292	113.988	89.530	-
2	870.208	196.989	6.165	95.851	30.405	31.633	26.942	-
3	53.006	43.177	1.039	3.705	-	27.358	22.909	-
4	20.448.007	2.138.487	1.612	572.358	65.542	161.093	148.039	-
5	32.168	29.579	7	-	-	[3.010]	3.697	-

5. Movement schedule of subsidiaries:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance at the Beginning of the Period	1.350.741	907.230
Movements During the Period		
Additions (*)	-	358.121
Bonus Shares and Contributions to Capital	-	-
Dividends from Current Year Income	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Revaluation/Impairment	-	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries (**)	175.200	85.390
Balance at the End of the Period	1.525.941	1.350.741
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(*) Additions in the prior period include share capital increases of Ak Finansal Kiralama A.Ş. and Akbank AG amounting to TL 60.000 and EUR 100 Million.

(**) The amount represents the value changes within the scope of fair value hedge as described in Section Four, Note VIII.

6. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period 31 December 2016	Prior Period 31 December 2015
Banks	1.176.382	1.001.182
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	281.065	281.065
Finance Companies	-	-
Other Financial Subsidiaries	68.494	68.494

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7. Subsidiaries quoted on a stock exchange: None.

i. Information on finance lease receivables (Net): None.

j. Information on the Hedging Derivative Financial Assets:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	682.966	29.432	648.858	-
Cash Flow Hedge	-	94.338	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	682.966	123.770	648.858	-

k. Information on property and equipment:

	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2015				
Cost	843.356	976.094	1.656	1.821.106
Accumulated Depreciation(-)	324.221	706.484	-	1.030.705
Net Book Value	519.135	269.610	1.656	790.401
Current Period End: 31 December 2016				
Net Book Value at the Beginning of the Period	519.135	269.610	1.656	790.401
Additions	10.751	202.332	5.663	218.746
Transferred	4.936	-	(4.936)	-
Disposals (-), net	4.922	791	-	5.713
Depreciation (-)	20.876	107.356	-	128.232
Impairment	-	-	-	-
Cost at Period End	845.082	1.138.811	2.383	1.986.276
Accumulated Depreciation at Period End (-)	336.058	775.016	-	1.111.074
Closing Net Book Value	509.024	363.795	2.383	875.202
	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2014				
Cost	852.681	976.853	2.495	1.832.029
Accumulated Depreciation(-)	308.482	663.359	-	971.841
Net Book Value	544.199	313.494	2.495	860.188
Current Period End: 31 December 2015				
Net Book Value at the Beginning of the Period	544.199	313.494	2.495	860.188
Additions	6.084	69.135	5.467	80.686
Transferred	6.306	-	(6.306)	-
Disposals (-), net	7.165	1.363	-	8.528
Depreciation (-)	30.289	111.656	-	141.945
Impairment	-	-	-	-
Cost at Period End	843.356	976.094	1.656	1.821.106
Accumulated Depreciation at Period End (-)	324.221	706.484	-	1.030.705
Closing Net Book Value	519.135	269.610	1.656	790.401

As of 31 December 2016, net book value of the tangible fixed assets obtained by financial leasing is TL 129.597 (31 December 2015: TL 176.489).

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l. Information on intangible assets:

1. Cost and accumulated amortization at the beginning and end of the period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cost	787.840	566.839
Accumulated Amortization (-)	431.168	346.175
Net Book Value	356.672	220.664

2. Reconciliation of movements for the current period and prior period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Opening Balance Net Book Value	220.664	226.864
Additions	221.038	71.894
Disposals (-), net	-	-
Depreciation (-)	85.030	78.094
Closing Net Book Value	356.672	220.664

m. Information on the investment properties: None.

n. Information on deferred tax asset:

As of 31 December 2016, foreign currency deferred tax asset of the Bank is TL 14.295 (31 December 2015: TL 146.184). Temporary differences subject to deferred tax calculation result from mainly the differences between the book values and tax values of fixed assets, financial assets and liabilities and provision for employee rights.

Deferred tax assets and liabilities which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation are netted-off and accounted. There are no carry forward tax losses that can be used as deductions for the tax calculation. An explanation about the net deferred tax liability is given in Note II-i-2 of Section Five.

	Accumulated temporary differences		Deferred tax assets/(liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Employee benefits	219.388	187.178	43.878	37.436
Differences between fair value and book value of financial assets	1.712.167	1.213.128	343.033	242.626
Other	277.630	310.470	55.525	62.093
Deferred tax asset			442.436	342.155
Differences between book value and tax base of property, plant and equipment	246.191	123.540	49.238	(24.708)
Differences between book value and tax base of financial assets	2.519.043	943.163	503.746	(171.263)
Deferred tax liability			552.984	(195.971)
Deferred tax asset/(liability), net			(110.548)	146.184

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o. Information on property and equipment held for sale and related to discontinued operations:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cost	43.135	182.908
Accumulated Depreciation (-)	792	3.371
Net Book Value	42.343	179.537

	Current Period 31 December 2016	Prior Period 31 December 2015
Opening Balance Net Book Value	179.537	158.294
Additions	38.167	35.975
Disposals (-), net	173.698	11.432
Depreciation (-)	1.663	3.300
Closing Net Book Value	42.343	179.537

p. Information on other assets:

Other assets amount to TL 2.352.512 (31 December 2015: TL 1.497.616) on the balance sheet and do not exceed 10% of the total assets, excluding the off-balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits:

1. Information on maturity structure of the deposits: There are no seven-day notification deposits.

1 (i). Current Period – 31 December 2016:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	8.069.435	13.958.692	25.950.507	593.510	682.811	639.454	54.663	49.949.072
Foreign Currency Deposits	11.170.126	15.925.631	30.815.869	5.519.501	2.866.984	2.199.505	3.038	68.500.654
Residents in Turkey	9.965.963	15.443.569	28.865.723	2.404.703	1.205.106	1.331.350	2.950	59.219.364
Residents Abroad	1.204.163	482.062	1.950.146	3.114.798	1.661.878	868.155	88	9.281.290
Public Sector Deposits	293.278	17.272	46.506	20.012	2.006	51	-	379.125
Commercial Deposits	7.453.263	7.758.469	8.007.039	990.784	2.215.840	476.238	-	26.901.633
Other Institutions Deposits	273.469	382.938	2.498.253	1.081.325	1.017.328	229.385	-	5.482.698
Gold Vault	1.079.125	-	3.952	-	80.519	3.051	-	1.166.647
Interbank Deposits	904.180	356.260	4.524.230	297.372	365.039	51.282	-	6.498.363
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	14.462	213.948	10.650	-	30.070	4.288	-	273.418
Foreign Banks	194.047	142.312	4.513.580	297.372	334.969	46.994	-	5.529.274
Participation Banks	695.671	-	-	-	-	-	-	695.671
Other	-	-	-	-	-	-	-	-
Total	29.242.876	38.399.262	71.846.356	8.502.504	7.230.527	3.598.966	57.701	158.878.192

1 (ii). Prior period – 31 December 2015:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	5.854.541	11.048.811	25.059.860	533.204	423.784	607.126	88.074	43.615.400
Foreign Currency Deposits	8.452.937	16.571.058	25.993.027	1.323.926	3.465.462	2.412.005	4.156	58.222.571
Residents in Turkey	8.069.255	16.050.961	24.533.777	1.076.617	798.916	1.217.504	4.064	51.751.094
Residents Abroad	383.682	520.097	1.459.250	247.309	2.666.546	1.194.501	92	6.471.477
Public Sector Deposits	827.355	9.616	38.014	10.414	1.593	2.313	-	889.305
Commercial Deposits	5.129.170	6.232.593	7.131.302	251.371	396.604	251.309	-	19.392.349
Other Institutions Deposits	200.889	480.886	2.227.357	192.340	171.088	213.814	-	3.486.374
Gold Vault	721.005	4.502	22.633	23.092	6.045	-	-	777.277
Interbank Deposits	236.324	1.503.563	3.823.180	6.710.203	217.182	68.769	-	12.559.221
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	8.620	162.141	9.014	-	-	-	-	179.775
Foreign Banks	187.454	1.341.422	3.814.166	6.710.203	217.182	68.769	-	12.339.196
Participation Banks	40.250	-	-	-	-	-	-	40.250
Other	-	-	-	-	-	-	-	-
Total	21.422.221	35.851.029	64.295.373	9.044.550	4.681.758	3.555.336	92.230	138.942.497

2. Information on saving deposits insurance:

Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund:

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	Current Period 31 December 2016	Prior Period 31 December 2015	Current Period 31 December 2016	Prior Period 31 December 2015
Saving Deposits	22.883.007	21.092.387	27.066.065	22.523.013
Foreign Currency Saving Deposits	7.498.797	7.409.503	32.274.350	26.265.420
Other Deposits in the Form of Saving Deposits	-	-	-	-
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-

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3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	Current Period 31 December 2016	Prior Period 31 December 2015
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	1.249.200	926.599
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Forward Transactions	409.197	-	249.438	-
Swap Transactions	3.220.123	594.716	229.908	709.626
Futures Transactions	-	-	-	-
Options	12.254	277.518	3	257.899
Other	-	-	-	-
Total	3.641.574	872.234	479.349	967.525

c. Information on borrowings:

1. Information on banks and other financial institutions:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	177.224	285.261	176.604	106.101
From Foreign Banks, Institutions and Funds	-	29.604.451	16.526	23.414.107
Total	177.224	29.889.712	193.130	23.520.208

2. Information on maturity structure of borrowings:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Short-term	175.931	1.800.256	176.604	2.697.280
Medium and Long-term	1.293	28.089.456	16.526	20.822.928
Total	177.224	29.889.712	193.130	23.520.208

3. The liabilities providing the funding sources of the Bank are deposits, borrowings, marketable securities issued and money market borrowings. Deposits are the most important funding source of the Bank and the diversification of these deposits by number and type of depositors with a stable structure does not create any risk concentration. The borrowings are composed of funds such as syndicated and securitized borrowings and post-financing obtained from different financial institutions with different maturity-interest structures and characteristics. There is no risk concentration in any of the funding sources of the Bank.

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d. Information on securities issued (Net):

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Bank bills	484.661	-	1.545.846	892.932
Bonds	1.220.933	8.911.900	1.636.192	7.191.097
Total	1.705.594	8.911.900	3.182.038	8.084.029

e. Information on other foreign liabilities:

Other foreign liabilities amount to TL 1.399.996 (31 December 2015: TL 1.468.876) and do not exceed 10% of the total balance sheet.

f. Information on financial leasing agreements:

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which cause significant commitments for the Bank.

Liabilities incurred due to financial leasing agreements:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	Gross	Net	Gross	Net
Less Than 1 Year	30.351	22.547	67.104	51.860
Between 1-4 Years	7.363	5.774	15.020	12.110
More Than 4 Years	-	-	-	-
Total	37.714	28.321	82.124	63.970

g. Information on the hedging derivative financial liabilities:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	-	98.645	-	157.528
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	98.645	-	157.528

h. Information on provisions:

1. Information on general provisions:

	Current Period 31 December 2016	Prior Period 31 December 2015
General Provisions	2.923.525	2.544.702
Provisions for Group I. Loans and Receivables	2.334.545	2.065.397
- Additional Provision for loans with extended payment period	111.423	70.085
Provisions for Group II. Loans and Receivables	317.165	305.259
- Additional Provision for loans with extended payment period	77.996	62.876
Provisions for Non-cash Loans	132.523	108.853
Other	139.292	65.193

As of 31 December 2016 the Bank has booked general provision by considering minimum provision rates in accordance with "Amendment of Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" published in the Official Gazette dated 14 December 2016, no.29918. The Bank's provision ratios are over these minimum ratios. If the minimum provision ratios stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 1,8 billion (full TL amount).

2. Information on reserves for employee rights:

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	Current Period 31 December 2016	Prior Period 31 December 2015
Balance Sheet Obligations for:		
- Post-employment benefits (pension and medical)	-	-
- Reserve for employment termination benefits	141.764	122.202
- Reserve for unused vacation	77.624	64.976
Total	219.388	187.178

As explained in Note 2(ii) below, there is no liability that needs to be accounted under the balance sheet since the Fund's fair value compensates for defined benefit obligations as explained in Note 2(iii).

	Current Period 31 December 2016	Prior Period 31 December 2015
Income Statement Charge for:		
- Post-employment benefits (pension and medical)	(175.248)	(154.457)
- Reserve for employment termination benefits	(48.737)	(60.909)
- Reserve for unused vacation	(12.648)	(6.549)
Total	(236.633)	(221.915)

The charge for the post-employment benefits represents the cash payments, which represent the employer's contribution determined by the Social Security Law no: 506 and additional 2% contribution of the employer. The employer's contribution amounting to TL 175.248 (31 December 2015: TL 154.457) during the year has been included in employee costs under operating expenses.

2 (i). Employment termination benefits and unused vacation rights:

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 (in full TL amount) (31 December 2015: TL 3.828.37 (in full TL amount)) for each year of service. This liability is legally not funded and there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current Period 31 December 2016	Prior Period 31 December 2015
Discount Rate (%)	3,64	4,17
Rate for the Probability of Retirement (%)	94,07	93,88

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The amount of TL 4.426,16 (1 January 2016: TL 4.092.53) effective from 1 July 2016 has been taken into consideration in calculating the reserve for employee termination benefits.

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

	Current Period 31 December 2016	Prior Period 31 December 2015
Prior Period Closing Balance	122.202	66.018
Recognized as an Expense During the Period	48.737	60.909
Actuarial Loss / (Gain)	18.224	63.783
Paid During the Period	(47.399)	(68.508)
Balance at the End of the Period	141.764	122.202

As of 31 December 2016, the Bank has allocated vacation liability amounting to TL 77.624 (31 December 2015: TL 64.976).

2 (ii). Post-employment benefits:

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The Bank's obligation in respect of the post-employment benefits transferrable to SSI, as explained in Note XVII of Section Three, has been calculated by a registered actuary. In this context, the value of the obligation regarding these benefits to be transferred to SSI as of the balance sheet date would equal the approximate payment amount that would need to be made to SSI as part of the transfer. The actuarial parameters and results used for the calculation of this amount reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%). Accordingly, as of 31 December 2016, the surplus of the Fund, including the obligation for other non-transferrable benefits of TL 317.383 [31 December 2015: TL 275.785] amounts to TL 209.173 [31 December 2015: TL 302.564].

	Current Period 31 December 2016	Prior Period 31 December 2015
Present value of funded obligations	(1.184.939)	[986.395]
- Pension benefits transferrable to SSI	(1.635.774)	[1.377.543]
- Post-employment medical benefits transferrable to SSI	768.218	666.933
- Other non-transferrable benefits	[317.383]	[275.785]
Fair value of plan assets	1.394.112	1.288.959
Surplus	209.173	302.564

The amount of the post-employment medical benefits transferrable to SSI is calculated over discounted net present value of medical liabilities and health premiums.

The principal actuarial assumptions used were as follows:

	Current Period 31 December 2016	Prior Period 31 December 2015
Discount rate		
- Pension benefits transferrable to SSI	9,80%	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%	9,80%
- Other non-transferrable benefits	4,49%	4,27%

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

The movement in the fair value of plan assets of the year is as follows:

	Current Period 31 December 2016	Prior Period 31 December 2015
Prior period end	1.288.959	1.205.692
Actual return on plan assets	198.804	166.008
Employer contributions	175.248	154.457
Employee contributions	149.708	132.086
Benefits paid	[418.607]	[369.284]
Period end	1.394.112	1.288.959

Plan assets are comprised as follows:

	Current Period 31 December 2016		Prior Period 31 December 2015	
Bank placements	999.280	72%	938.789	73%
Property and equipment	19.135	1%	18.739	1%
Marketable securities and share certificates	279.076	20%	240.010	19%
Other	96.621	7%	91.421	7%
Period end	1.394.112	100%	1.288.959	100%

3. Information on provisions related with foreign currency difference of foreign indexed loans:

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As of 31 December 2016, the provision related to foreign currency differences of foreign indexed loans amounts to TL 1.741 [31 December 2015: TL 23.811], which is offset with the balance of foreign currency indexed loans in these financial statements.

4. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash:

Provision for non-cash loans that are non-funded and non-transformed into cash as of 31 December 2016 is amounting to TL 73.086 [31 December 2015: TL 83.868].

5. Information on other provisions:

5 (i). Information on general reserves for possible risks: TL 200.000 [31 December 2015: TL 200.000].

5 (ii). Information on provisions for banking services promotion:

The Bank has provisions for credit cards and banking services promotion activities amounting to TL 89.968 [31 December 2015: TL 139.240].

i. Explanations on tax liability:

1. Explanations on tax liability:

Tax calculations of the Bank are explained in Note XVIII of Section Three. As of 31 December 2016, the corporate tax liability after the deduction of temporary taxes paid is TL 272.795 [31 December 2015: TL 361.173].

1 (i). Information on taxes payable:

	Current Period 31 December 2016	Prior Period 31 December 2015
Corporate Taxes Payable	272.795	361.173
Taxation on Marketable Securities	112.225	96.179
Property Tax	1.798	1.706
Banking Insurance Transaction Tax (BITT)	103.922	89.428
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	6.664	4.201
Other	55.055	48.543
Total	552.459	601.230

1 (ii). Information on premium payables:

	Current Period 31 December 2016	Prior Period 31 December 2015
Social Security Premiums – Employee	4	6
Social Security Premiums – Employer	13	19
Bank Social Aid Pension Fund Premium- Employee	97	9
Bank Social Aid Pension Fund Premium – Employer	134	11
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	1.808	923
Unemployment Insurance – Employer	3.617	1.845
Other	5	35
Total	5.678	2.848

2. Information on deferred tax liability:

As of 31 December 2016, Turkish Lira deferred tax liability of the Bank is TL 124.843 [31 December 2015: (-) TL]. An explanation about the net deferred tax asset is given in Note I-l of Section Five.

j. Information on shareholders' equity:

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1. Presentation of paid-in capital:

	Current Period 31 December 2016	Prior Period 31 December 2015
Common Stock	4.000.000	4.000.000
Preferred Stock	-	-

2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Share Capital	4.000.000	8.000.000

3. Information on the share capital increases during the period and their sources: None.
4. Information on share capital increases from capital reserves during the current period: None.
5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: None.
6. The effects of anticipations based on the financial figures for prior periods regarding the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties at these indicators;
The Bank has been continuing its operations with high profitability and has been retaining most of its net profit in the equity, either by increasing its capital or transferring it into reserves. On the other hand, only a small part of the equity is allocated to investment such as associates and fixed assets, thus giving a chance for considerably high free capital which provides funds for liquid and interest bearing assets. Considering all these factors, the Bank continues to its operations with strong shareholders' equity.
7. Information on privileges given to shares representing the capital: None.
8. Information on marketable securities value increase fund:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(587.935)	(569.830)	(627.540)	(485.221)
Foreign Currency Differences	-	-	-	-
Total	(587.935)	(569.830)	(627.540)	(485.221)

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III. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans (*):

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Short-term Loans	4.726.973	73.922	4.001.298	96.745
Medium and Long-term Loans	7.446.316	2.265.127	5.942.085	1.923.987
Interest on Loans Under Follow-Up	25.548	-	27.565	1
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
Total	12.198.837	2.339.049	9.970.948	2.020.733

(*) Fee and commission income from cash loans are included.

2. Information on interest income on banks:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From the CBRT	-	7.051	396	310
From Domestic Banks	37.086	9.415	34.522	3.177
From Foreign Banks	2.172	25.853	79	11.670
From Headquarters and Branches Abroad	-	-	-	-
Total	39.258	42.319	34.997	15.157

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Trading Financial Assets	24	1	206	69
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	1.772.078	712.496	1.561.618	729.388
From Held-to-Maturity Investments	424.649	213.315	418.215	169.823
Total	2.196.751	925.812	1.980.039	899.280

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available-for sale and held-to-maturity portfolios with semi-annual fixed real coupon rates with a maturity of 5 to 10 years. For the valuation of related securities Bank uses an index, which is calculated by considering estimated inflation rate on balance sheet date. Related inflation rate is updated during the year when necessary. As of 31 December 2016 the valuation index of related securities based on actual coupon rates and the change between reference inflation rate at the issue date and inflation index at the reporting date

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4. Information on interest income received from associates and subsidiaries:

	Current Period 31 December 2016	Prior Period 31 December 2015
Interests Received From Investments in Associates and Subsidiaries	40.492	47.281

b. Information on interest expense:

1. Information of interest expense on borrowings (*):

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Banks	11.466	477.226	15.744	375.093
The CBRT	-	-	-	-
Domestic Banks	11.441	2.235	11.682	1.551
Foreign Banks	25	474.991	4.062	373.542
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	29.399	-	10.680
Total	11.466	506.625	15.744	385.773

(*) Fee and commission expense from cash loans are included.

2. Information on interest expense given to associates and subsidiaries:

	Current Period 31 December 2016	Prior Period 31 December 2015
To Associates and Subsidiaries	65.840	17.322

3. Information on interest expense given to securities issued:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Interest expense on securities issued	277.117	383.317	282.964	398.394

4. Maturity structure of the interest expense on deposits:

There are no seven-day notification deposits.

Current Period 31.12.2016	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	
TL							
Bank Deposits	281	64.755	102.791	3.166	2.633	288	173.914
Saving Deposits	-	1.230.503	2.640.043	54.950	55.059	63.006	4.043.561
Public Sector Deposits	-	6.309	4.027	1.446	161	42	11.985
Commercial Deposits	-	722.544	852.084	254.009	197.865	37.721	2.064.223
Other Deposits	4	64.207	242.383	63.284	73.440	20.278	463.596
Total	285	2.088.318	3.841.328	376.855	329.158	121.335	6.757.279
FC							
Foreign Currency Deposits	-	312.616	544.458	86.705	42.486	28.174	1.014.439
Bank Deposits	-	8.167	40.511	43.213	12.771	804	105.466
Precious Metals Deposits	-	-	1	-	500	218	719
Total	-	320.783	584.970	129.918	55.757	29.196	1.120.624
Grand Total	285	2.409.101	4.426.298	506.773	384.915	150.531	7.877.903

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Prior Period 31.12.2015	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	
TL							
Bank Deposits	34	22.137	83.777	5.310	2.756	431	114.445
Saving Deposits	-	1.139.410	2.172.407	55.074	42.284	55.563	3.464.738
Public Sector Deposits	-	1.428	4.352	4.251	168	212	10.411
Commercial Deposits	-	631.657	487.840	53.265	44.912	14.536	1.232.210
Other Deposits	3	42.410	144.657	10.436	54.773	20.538	272.817
Total	37	1.837.042	2.893.033	128.336	144.893	91.280	5.094.621
FC							
Foreign Currency Deposits	-	248.267	332.860	39.297	84.058	42.539	747.021
Bank Deposits	-	20.430	48.592	62.958	4.684	500	137.164
Precious Metals Deposits	-	-	13	-	465	113	591
Total	-	268.697	381.465	102.255	89.207	43.152	884.776
Grand Total	37	2.105.739	3.274.498	230.591	234.100	134.432	5.979.397

c. Information on dividend income:

	Current Period 31 December 2016	Prior Period 31 December 2015
From Trading Financial Assets	-	-
From Financial Assets at Fair Value Through Profit or Loss	-	-
From Available-for-Sale Financial Assets	59	509
Other (*)	21.419	12.828
Total	21.478	13.337

d. Information on trading profit/loss (Net):

	Current Period 31 December 2016	Prior Period 31 December 2015
Profit	3.181.808.738	6.878.028.672
Income From Capital Market Transactions	785.522	853.407
Income From Derivative Financial Transactions (*)	10.267.443	5.704.324
Foreign Exchange Gains	3.170.755.773	6.871.470.941
Loss (-)	3.180.861.289	6.877.973.860
Loss from Capital Market Transactions	628.802	641.504
Loss from Derivative Financial Transactions (*)	9.177.708	6.234.264
Foreign Exchange Loss	3.171.054.779	6.871.098.092
Total (Net)	947.449	54.812

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL 608.894 (31 December 2015: TL 5.080).

e. Explanations on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which provision has been allocated in prior periods and the sale from non-performing loans portfolio. In addition, income amounting to TL 181.774 originating from the acquisition of Visa Europe Ltd, of which the Bank is a Shareholder, by Visa Inc., has been reflected to financial statements.

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f. Provision expenses related to loans and other receivables of the Bank:

	Current Period 31 December 2016	Prior Period 31 December 2015
Specific Provisions for Loans and Other Receivables	1.790.722	1.757.858
III. Group Loans and Receivables	588.940	449.245
IV. Group Loans and Receivables	816.495	870.334
V. Group Loans and Receivables	385.287	438.279
General Provision Expenses	378.823	421.758
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	1	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets	1	-
Investments in Associates, Subsidiaries and Held-to-maturity		
Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	46.374	-
Total	2.215.920	2.179.616

g. Information related to other operating expenses:

	Current Period 31 December 2016	Prior Period 31 December 2015
Personnel Expenses	1.702.143	1.593.719
Reserve for Employee Termination Benefits	1.338	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	128.232	141.945
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	85.030	78.094
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	1.663	3.300
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	1.710.865	1.592.131
Operational Leasing Expenses	180.230	170.868
Maintenance Expenses	25.475	23.248
Advertisement Expenses	127.825	117.799
Other Expenses	1.377.335	1.280.216
Loss on Sales of Assets	23	328
Other(*)	650.647	804.298
Total	4.279.941	4.213.815

(*) The balance shown in the "other" line includes fees and commissions reimbursements as per the decision of Consumer Arbitration Board, Courts and Offices of Enforcement amounting to TL 92.180 (31 December 2015: TL 217.281). In addition, as a result of the audit performed by Ministry of Customs and Trade in accordance with Consumer Protection Law - No: 6502, an administrative fine amounting to TL 116.254 is notified to the Bank. Part of the related fine amounting to TL 87.191, calculated as a result of 25 % cash allowance according to the Misdemeanor Law - No: 5326 Provisional Article 17/6, is represented in this row.

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h. Information on profit/(loss) from continued and discontinued operations before tax:

The Bank's income before tax consists of net interest income amounting to TL 7.946.541, net fees and commission income amounting to TL 2.397.947 and the amount of other operating expense is TL 4.279.941.

The Bank has no discontinued operations.

i. Information on tax provision of continued and discontinued operations:

As of 31 December 2016, the Bank has a current tax expense of TL 921.532 and deferred tax expense of TL 247.306. The amount of deferred tax income that occurred due to the temporary differences is TL 144.929 and deferred tax expense is TL 398.467; the amounts of deferred tax income occurred due to the closing of temporary differences is TL 23.011 and deferred tax expense is TL 16.779.

The Bank has no discontinued operations.

j. Explanations on current period net profit and loss of continued and discontinued operations:

Net profit of the Bank is TL 4.528.712.

The Bank has no discontinued operations.

k. Explanations on current period net profit and loss:

1. Explanation on the quality, amount and frequency of the figures of the income and expense stemming from ordinary banking operations, if necessary to understand the performance of the Bank for the current period: None.
2. Explanation on the changes in the estimations regarding the figures on the financial statements, if there is a possibility that the profit and loss for the current or the following periods will be impacted: None.

l. Other figures on profit and loss statement:

"Other Fee and Commission Income" in the Income Statement mainly consists of commissions received from credit card, money transfer and insurance transactions.

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IV. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments: TL 16.705.913 asset purchase commitments (31 December 2015: TL 5.154.131). TL 17.397.602 commitments for credit card limits (31 December 2015: TL 17.672.898). TL 6.200.426 commitments for cheque books (31 December 2015: TL 5.764.751)

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

The Bank has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

- 2 (i). Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

	Current Period 31 December 2016	Prior Period 31 December 2015
Bank Acceptance Loans	3.583.229	933.230
Letters of Credit	5.188.852	5.326.661
Other Guarantees	4.600.795	3.788.809
Total	13.372.876	10.048.700

- 2 (ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period 31 December 2016	Prior Period 31 December 2015
Revocable Letters of Guarantee	984.154	651.210
Irrevocable Letters of Guarantee	13.700.319	12.025.211
Letters of Guarantee Given in Advance	3.179.535	2.681.029
Guarantees Given to Customs	2.634.770	3.012.808
Other Letters of Guarantee	6.753.908	4.256.270
Total	27.252.686	22.626.528

3. Information on non-cash loans:

- 3 (i). Total amount of non-cash loans:

	Current Period 31 December 2016	Prior Period 31 December 2015
Non-cash Loans Given against Cash Loans	5.574.735	3.379.264
With Original Maturity of 1 Year or Less Than 1 Year	2.778.785	1.582.036
With Original Maturity of More Than 1 Year	2.795.950	1.797.228
Other Non-cash Loans	35.050.827	29.295.964
Total	40.625.562	32.675.228

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

	Current Period 31 December 2016				Prior Period 31 December 2015			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	13.071	0,08	2.486	0,01	14.438	0,11	360	-
Farming and Raising								
Livestock	1.812	0,01	-	-	973	0,01	-	-
Forestry	11.257	0,07	2.486	0,01	13.457	0,10	360	-
Fishing	2	0,00	-	-	8	0,00	-	-
Manufacturing	4.265.398	26,68	7.586.757	30,80	5.141.241	37,36	6.693.169	35,39
Mining	91.055	0,57	96.606	0,39	79.290	0,58	81.367	0,43
Production	3.453.922	21,60	6.141.237	24,93	3.758.802	27,31	5.243.795	27,73
Electric, Gas and Water	720.421	4,51	1.348.914	5,48	1.303.149	9,47	1.368.007	7,23
Construction	2.412.743	15,09	2.432.380	9,87	1.720.886	12,50	2.137.690	11,30
Services	8.680.853	54,29	12.181.103	49,44	6.472.976	47,04	9.024.681	47,71
Wholesale and Retail Trade	5.669.264	35,46	6.552.920	26,60	4.909.257	35,67	4.697.020	24,83
Hotel, Food and								
Beverage Services	89.544	0,56	62.510	0,25	55.337	0,40	68.933	0,36
Transportation and								
Telecommunication	323.449	2,02	990.615	4,02	180.641	1,31	193.573	1,02
Financial Institutions	2.359.778	14,76	4.437.295	18,01	1.107.266	8,05	3.948.685	20,88
Real Estate and Leasing								
Services	4.367	0,03	83	0,00	4.967	0,04	33	0,00
Self-Employment Services	7.080	0,04	5.430	0,02	17.778	0,13	8.961	0,05
Education Services	11.917	0,07	2.606	0,01	13.957	0,10	2.272	0,01
Health and Social Services	215.454	1,35	129.644	0,53	183.773	1,34	105.204	0,56
Other	617.458	3,86	2.433.313	9,88	412.662	2,99	1.057.125	5,60
Total	15.989.523	100,00	24.636.039	100,00	13.762.203	100,00	18.913.025	100,00

3 (iii). Information on the non-cash loans classified in Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	15.764.850	24.464.974	224.673	171.065
Letters of Guarantee	13.511.147	13.359.032	223.359	159.148
Bank Acceptances	-	3.583.229	-	-
Letters of Credit	260	5.176.675	-	11.917
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	18.849	-	-
Other Commitments and Contingencies	2.253.443	2.327.189	1.314	-

4. Mutual Funds :

As of 31 December 2016, the Bank is the founder of 2 mutual funds (31 December 2015: 3 unit) with an unaudited total fund value of TL 134.774 (31 December 2015: TL 214.758). The shares of the mutual funds established in accordance with the Capital Markets Board legislation are kept dematerialized by İstanbul Settlement and Custody Bank, Inc.

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b. Information on derivative transactions:

	Current Period 31 December 2016	Prior Period 31 December 2015
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	225.557.206	115.011.451
FC Trading Forward Transactions	25.778.446	15.086.699
Trading Swap Transactions	170.896.335	75.872.688
Futures Transactions	-	-
Trading Option Transactions	28.882.425	24.052.064
Interest Related Derivative Transactions (II)	141.545.928	103.377.438
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	83.963.392	58.271.782
Interest Rate Options	57.582.536	45.105.656
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	12.324.720	11.410.433
A. Total Trading Derivative Transactions (I+II+III)	379.427.854	229.799.322
Types of Hedging Transactions		
Fair Value Hedges	18.276.690	12.426.033
Cash Flow Hedges	4.958.338	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Related Derivatives	23.235.028	12.426.033
Total Derivative Transactions (A+B)	402.662.882	242.225.355

c. Explanations on credit derivatives and risks beared due to these:

As of 31 December 2016, none (31 December 2015: USD 55 million credit default swaps with 5 years maturity).

d. Explanations on contingent assets and liabilities:

1. Contingent Liabilities:

The Bank has accounted a provision amounting to TL 60.058 (31 December 2015: 9.581 TL) for the contingent liabilities with a high probability of realization regarding continuing opposing trials. There are also some other opposing trials. In Addition the probability of realization of these trials is low so no cash outflow expected regarding these trials.

2. Contingent Assets:

None.

e. Explanations on the activities carried out on behalf and account of other persons:

The policy is explained on note XIII in Section Four.

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V. EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

a. Information on distribution of profit:

The Ordinary General Assembly Meeting of the Bank was held on 26 March 2015. In the Ordinary General Assembly, it was resolved to distribute a TL 600.000 cash dividend over the TL 2.994.848 net unconsolidated income from 2014 operations to the Bank's shareholders, Chairman and Members of the Board of Directors. It was also resolved in the General Assembly to transfer TL 8.646 to special fund account under other reserves, to allocate TL 40.000 as legal and TL 2.346.202 as extraordinary reserves.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

b. Information on hedge funds:

Information on cash flow hedge:

Due to facts described in "Explanations of Hedging Transactions" section in Note XIV of Section Four, there are discontinued hedge accounting transactions. As of 31 December 2016, the fair value change of the hedging instrument since the beginning of hedge accounting left after amortization has been reflected to profit/loss accounts that is shown under "hedging funds" in equity is TL (-) 34.867 (31 December 2015: TL (-) 60.377).

c. Information on available-for-sale financial assets:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are sold, disposed of or impaired.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalents:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency, money in transit, bought bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months and investment in marketable securities excluding equity securities are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cash	2.427.096	1.993.013
Cash, Foreign Currency and Other	1.409.682	1.478.793
Demand Deposits in Banks (*)	1.017.414	514.220
Cash Equivalents	3.725.376	2.815.278
Interbank Money Market Placements	-	700.000
Time Deposits in Banks	3.697.688	1.229.762
Marketable Securities	27.688	885.516
Total Cash and Cash Equivalents	6.152.472	4.808.291

(*) The restricted demand accounts are not included.

2. Cash and cash equivalents at the end of period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cash	3.323.769	2.427.096
Cash, Foreign Currency and Other	1.835.542	1.409.682
Demand Deposits in Banks (*)	1.488.227	1.017.414
Cash Equivalents	9.090.155	3.725.376
Interbank Money Market Placements	-	-
Time Deposits in Banks	9.043.415	3.697.688
Marketable Securities	46.740	27.688
Total Cash and Cash Equivalents	12.413.924	6.152.472

(*) The restricted demand accounts are not included.

a. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to (-) TL 3.786.250 (31 December 2015: TL (-) 2.218.617) consists mainly of items such as fees and commissions paid, other operating income excluding income from doubtful receivables, other operating expense excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 2.165.731 (31 December 2015: TL 3.857.319) consists mainly of changes in miscellaneous payables and other liabilities.

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the three months periods, and amounts to TL 1.435.203 (31 December 2015: TL 781.802).

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VII. EXPLANATIONS AND NOTES RELATED TO BANK'S RISK GROUP

Information on the volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Current Period – 31 December 2016:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	619.370	190.178	3.367.840	1.447.302	-	-
Balance at the End of the Period	414.469	254.251	4.529.001	900.600	-	-
Interest and Commission Income Received	40.492	53	369.507	4.256	-	-

According to the German deposit insurance law, the Bank has given a "letter of undertaking" to the German Banking Institute related to Akbank AG, a subsidiary of the Bank. This letter of undertaking amounts to TL 7.392.590 as of 31 December 2016 (31 December 2015: TL 5.043.561).

2. Prior Period -31 December 2015:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	547.714	210.514	2.458.297	1.986.485	-	-
Balance at the End of the Period	619.370	190.178	3.367.840	1.447.302	-	-
Interest and Commission Income Received	47.281	28	253.257	5.321	-	-

3. Information on deposits of the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period 31.12.2016	Prior Period 31.12.2015	Current Period 31.12.2016	Prior Period 31.12.2015	Current Period 31.12.2016	Prior Period 31.12.2015
Balance at the Beginning of the Period	451.485	429.208	2.102.609	1.337.103	2.181.203	2.115.511
Balance at the End of the Period	730.658	451.485	2.172.759	2.102.609	2.315.646	2.181.203
Interest on Deposits	65.840	17.322	232.402	194.782	153.684	129.147

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4. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Transactions at Fair Value						
Through Profit or Loss						
Beginning of the Period	504.268	289.816	3.501.482	2.364.278	-	-
Balance at the End of the Period	2.477.406	504.268	10.110.973	3.501.482	-	-
Total Income/Loss	6.638	(1.745)	27.091	(2.082)	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

Figures presented in the table above show the total of "sale" and "purchase" amounts of related transactions. Due to the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Bank. As of 31 December 2016, the net exposure for investments in associates and subsidiaries is TL 17.387 (31 December 2015: TL 20.675). For direct and indirect shareholders of the Bank TL 34.978 (31 December 2015: TL (-) 10.244).

5. Information regarding benefits provided to the Bank's key management:

As of 31 December 2016 benefits provided to the Bank's key management amount to TL 25.992 (31 December 2015: TL 25.362).

VIII. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the domestic and foreign branches and representatives of the bank:

	Number	Number of Employees			
Domestic Branches	840	13.831			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
Off-shore Banking Region Branches	1	12	Malta	38.438.723	-

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure: In 2016, the Bank has opened 2 domestic branches and closed up 63 domestic branches.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

It is decided in the Board of Directors meeting dated 11 January 2017, to increase the upper limit of Banks authorized capital by TL 2.000.000 from TL 8.000.000 to TL 10.000.000 and to extend the allowed duration for upper limit of authorized capital until the end of 2021. Correspondingly, it is decided to make changes in the 9th article of Association and to attain this goal, General Management has been entitled to carry out operations with the competent authorities.

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**SECTION SIX
OTHER EXPLANATIONS**

I. OTHER EXPLANATIONS

None.

**SECTION SEVEN
EXPLANATIONS ON AUDIT REPORT**

I. EXPLANATIONS ON AUDIT REPORT

The unconsolidated financial statements for the period ended 31 December 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The audit report dated 31 January 2017 is presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

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PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT 31 DECEMBER 2016 TOGETHER WITH AUDIT REPORT

**(Convenience translation of publicly announced consolidated
financial statements, related disclosures and audit report
originally issued in Turkish, See Note. I.b of Section three)**



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(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I.b of Section three)

Independent auditor report

To the Board of Directors of Akbank T.A.Ş.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Akbank T.A.Ş. ("the Bank") and its subsidiaries (together will be referred as "the Group") as at December 31, 2016, and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the consolidated financial statements

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

Independent Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with communiqué "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

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

Basis of Qualified Opinion

The accompanying consolidated financial statements as at 31 December 2016 include a general reserve for possible risks amounting to TL 200.000 thousands which is carried forward from 2014 by the Bank management for possible results of the circumstances which may arise from possible changes in the economy and market conditions.

Qualified Opinion

In our opinion, except for the effect of the matter referred in the preceding paragraph on the consolidated financial statements, the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of Akbank T.A.Ş. ("the Bank") and its subsidiaries as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements

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

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

Additional paragraph for convenience translation to English

As explained in detail in Note I.b. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited


Metin Canogullari, SMMM
Partner

İstanbul, 31 January 2017

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS, RELATED DISCLOSURES
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I.b IN SECTION THREE**

**THE CONSOLIDATED FINANCIAL REPORT OF
AKBANK T.A.Ş. AS OF 31 DECEMBER 2016**

Address : Sabancı Center 34330, 4. Levent / İstanbul
Telephone : (0 212) 385 55 55
Fax : (0 212) 319 52 52
Website : www.akbank.com
E-mail : <http://www.akbank.com/bize-ulasin/gorus-onerileriniz-icin.aspx>

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

- **Section One** - GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** - CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- **Section Three** - EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- **Section Four** - INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** - EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** - OTHER EXPLANATIONS
- **Section Seven** - INDEPENDENT AUDIT REPORT


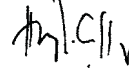




Investments in associates, joint ventures and subsidiaries whose financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	Investments in Associates	Joint Ventures
1.	Ak Finansal Kiralama A.Ş.	-	-
2.	Ak Yatırım Menkul Değerler A.Ş.	-	-
3.	Ak Portföy Yönetimi A.Ş.	-	-
4.	Akbank AG	-	-
5.	Akbank (Dubai) Limited	-	-

A.R.T.S. Ltd., which is not subsidiary of the Bank but over which the Bank has 100% controlling power, has been included in the consolidation due to the reason that this company is "Structured Entity".

The accompanying reviewed consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira (TL), have been prepared 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, related appendices and interpretations on these, and are independently audited.

31 January 2017

					
Suzan SABANCI DİNÇER Chairman of the Board of Directors	Hayri ÇULHACI Head of the Audit Committee	Ş.Yaman TÖRÜNER Member of the Audit Committee	S. Hakan BİNBAŞGİL CEO	K. Atıl ÖZUS Executive Vice President	Türker TUNALI Senior Vice President

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

Name-Surname / Title : Türker TUNALI / Senior Vice President
Phone No : (0 212) 385 55 55
Fax No : (0 212) 325 12 31

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

SECTION ONE GENERAL INFORMATION ABOUT THE BANK

I. BANK'S FOUNDATION DATE, START-UP STATUS, HISTORY REGARDING THE CHANGES IN THIS STATUS:

Akbank T.A.Ş. ("the Bank", "the Parent Bank" or "Akbank") was established on 30 January 1948 as a private commercial bank, in accordance with the decision of the Council of Ministers, No.3/6710 and is authorized to perform all economic, financial and commercial activities which are allowed by the laws of the Turkish Republic ("T.C."). The status of the Bank has not changed since its foundation.

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:

The Bank's shares have been quoted on the Borsa İstanbul ("BIST") since 1990. In 1998, 4,03% of the outstanding share capital of the Bank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depositary Receipts ("ADRs"). As of 31 December 2016, approximately 51% of the shares are publicly traded, including the ADRs (31 December 2015: 51%).

The major shareholder of the Parent Bank, directly or indirectly, is Sabancı Group.

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE PARENT BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITY:

Title	Name	Responsibility	Education
Chairman:	Suzan SABANCI DİNÇER	Chairman and Executive Board Member	Graduate
Honorary Chairman, Board Member, Consultant: Board of Directors:	Erol SABANCI	Honorary Chairman,	Undergraduate
	Hayri ÇULHACI	Board Member and Consultant	Graduate
	Cem MENGİ	Vice Chairman and Executive Board Member	Undergraduate
	Ş. Yaman TÖRÜNER	Executive Board Member	Undergraduate
	A. Aykut DEMİRAY	Board Member	Undergraduate
	I. Aydın GÜNTER	Board Member	Undergraduate
	Emre DERMAN	Board Member	Graduate
	Can PAKER	Board Member	PhD
President and CEO:	S. Hakan BİNBAŞGİL	Board Member and CEO	Graduate
Head of Internal Audit:	S. Hakan BİNBAŞGİL	CEO	Graduate
Executive Vice Presidents:	Eyüp ENGİN	Head of Internal Audit	Undergraduate
	A. Fuat AYLA	Credit Allocation	Undergraduate
	K. Atıl ÖZÜS	Financial Coordination	Undergraduate
	Kerim ROTA	Treasury	Graduate
	C. Kaan GÜR	Commercial Banking	Undergraduate
	Turgut GÜNEY	Technology and Operation	Graduate
	Bülent OĞUZ	SME Banking	Graduate
	H.Burcu ÇİVELEK YÜCE	Human Resources and Strategy	Graduate
	Ege GÜLTEKİN	Credit Monitoring and Follow-up	Graduate
	A.Özer İSFENDİYAROĞLU	Consumer Banking	Graduate
	Levent ÇELEBİOĞLU	Corporate – Investment and Private Banking	Undergraduate
	Emin Tolga Ulutaş	Direct Banking	Graduate
Internal Audit Committee:	Hayri ÇULHACI	Head of the Audit Committee	Graduate
	Ş. Yaman TÖRÜNER	Member of the Audit Committee	Undergraduate

The shares of the above individuals are insignificant in the Bank.

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

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

As of 1 July 2016, Private Banking Operations are separated from Consumer and Private Banking and incorporated into Corporate and Investment Banking business unit. With the related change, the new names of the business units have become "Consumer Banking" and "Corporate-Investment and Private Banking" respectively.

As of 19 September 2016, Emin Tolga Ulutaş has been assigned as Executive Vice President responsible of Direct Banking Unit instead of Orkun Oğuz who had resigned from his position on 19 July 2016.

İlker Altıntaş will be assigned as Executive Vice President responsible of Technology and Operation Unit instead of Turgut Güney who has resigned from his position on 31 January 2017, after obtaining necessary legal permissions.

IV. INFORMATION ON SHAREHOLDERS HAVING CONTROL SHARES:

Name/Commercial Title	Share Amounts (Nominal)	Share Percentages	Paid-in Capital (Nominal)	Unpaid Portion
Hacı Ömer Sabancı Holding A.Ş.	1.630.021	40,75 %	1.630.021	-

V. EXPLANATION ON THE PARENT BANK'S SERVICE TYPES AND FIELDS OF OPERATION:

The Bank's core business activities include consumer banking, commercial banking, SME banking, corporate-investment and private banking, foreign exchange, money markets, securities transactions (treasury transactions) and international banking services. In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş.. As of 31 December 2016, the Bank has 840 branches dispersed throughout the country and 1 branch operating abroad (31 December 2015: 901 branches and 1 branch operating abroad). As of 31 December 2016, the Bank employed 13.843 people (31 December 2015: 14.050).

The Parent Bank and its subsidiaries, Ak Yatırım Menkul Değerler A.Ş., AK Portföy Yönetimi A.Ş., Akbank AG, Ak Finansal Kiralama A.Ş., Akbank (Dubai) Limited and together with A.R.T.S. Ltd., which is not subsidiary of the Bank, but over which the Bank has 100% controlling power due to the reason that this company is "Structured Entity", has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the "Group" in these consolidated financial statements and notes to consolidated financial statements.

As at 31 December 2016, the Group employed 14.218 people (31 December 2015: 14.418).

VI. A SHORT EXPLANATION ON THE DIFFERENCES BETWEEN THE COMMUNIQUE ON CONSOLIDATED FINANCIAL STATEMENT REPORTING AND THE CONSOLIDATION PROCEDURES REQUIRED BY TURKISH ACCOUNTING STANDARDS AND ABOUT INSTITUTIONS THAT ARE SUBJECT TO FULL CONSOLIDATION, PROPORTIONAL CONSOLIDATION, BY WAY OF DEDUCTION FROM CAPITAL OR THOSE THAT ARE SUBJECT TO NONE:

The Bank sees no difference between the Communiqué on Consolidated Financial Reporting and the consolidation procedures required by Turkish Accounting Standards. Information in regards to consolidated subsidiaries and consolidation methods are given in Section III. Note III.

VII. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF CAPITAL BETWEEN PARENT BANK AND ITS SUBSIDIARIES AND REPAYMENT OF DEBTS:

None.

AKBANK T.A.Ş.

I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL)).

ASSETS	Note (Section Five)	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(I-a)	5,363.604	29.668.681	35.012.285	2,165.780	23.307.659	25.473.439
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(I-b)	4,264.928	3,419.931	7,684.859	816.680	1,920.990	2,737.670
2.1 Trading Financial Assets		4,264.928	3,419.931	7,684.859	816.680	1,920.990	2,737.670
2.1.1 Government Debt Securities		9.865	-	9.865	9.996	107	10.103
2.1.2 Equity Securities		7.268	-	7.268	6.532	-	6.532
2.1.3 Trading Derivative Financial Assets		4,201.007	3,419.931	7,620.938	776.274	1,920.883	2,697.157
2.1.4 Other Marketable Securities		46.788	-	46.788	23.878	-	23.878
2.2 Financial Assets at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Equity Securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	150.527	10,235.651	10,386.178	1,586.889	7,228.274	8,815.163
IV. MONEY MARKETS		37	-	37	98	-	98
4.1 Interbank Money Market Placements		37	-	37	98	-	98
4.2 Istanbul Stock Exchange Money Market Placements		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	18,145.438	16,661.619	34,807.057	19,567.662	23,816.778	43,384.440
5.1 Equity Securities		12.836	54.505	67.341	12.836	115.958	128.794
5.2 Government Debt Securities		17,912.731	11,328.132	29,240.863	19,376.723	15,929.478	35,306.201
5.3 Other Marketable Securities		219.871	5,278.982	5,498.853	178.103	7,771.342	7,949.445
VI. LOANS and RECEIVABLES	(I-e)	108,979.221	69,914.012	178,893.233	93,013.626	60,452.870	153,466.496
6.1 Loans and Receivables		108,824.251	69,914.012	178,738.263	92,866.313	60,452.870	153,319.183
6.1.1 Loans to Bank's Risk Group	(VII)	3,469.677	1,122.120	4,591.797	2,247.912	1,173.863	3,421.775
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		105,354.574	68,791.892	174,146.466	90,618.401	59,279.007	149,897.408
6.2 Loans under Follow-up		4,267.191	-	4,267.191	3,373.323	-	3,373.323
6.3 Specific Provisions [-]		4,112.221	-	4,112.221	3,226.010	-	3,226.010
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY SECURITIES (Net)	(I-f)	5,485.602	12,491.268	17,976.870	5,184.759	5,503.681	10,688.440
8.1 Government Debt Securities		5,485.602	9,976.303	15,461.905	5,184.759	5,503.681	10,688.440
8.2 Other Marketable Securities		-	2,514.965	2,514.965	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	3,923	-	3,923	3,923	-	3,923
9.1 Associates Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Associates Unconsolidated		3,923	-	3,923	3,923	-	3,923
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-Financial Investments in Associates		3,923	-	3,923	3,923	-	3,923
X. SUBSIDIARIES (Net)	(I-h)	-	-	-	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)		-	-	-	-	-	-
11.1 Joint Ventures Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-i)	1,202.964	3,805.636	5,008.600	994.415	2,981.366	3,975.781
12.1 Financial Lease Receivables		1,528.271	4,334.700	5,862.971	1,278.004	3,421.676	4,699.680
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income [-]		325.307	529.064	854.371	283.589	440.310	723.899
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-j)	682.966	124.908	807.874	648.858	2,510	651.368
13.1 Fair Value Hedge		682.966	30.570	713.536	648.858	575	649.433
13.2 Cash Flow Hedge		-	94.338	94.338	-	1,935	1,935
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-k)	878.932	2,428	881.360	793.600	2,530	796.130
XV. INTANGIBLE ASSETS (Net)	(I-l)	360.570	957	361.527	223.486	619	224.105
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		360.570	957	361.527	223.486	619	224.105
XVI. INVESTMENT PROPERTY (Net)	(I-m)	-	-	-	-	-	-
XVII. TAX ASSET		11.942	14.392	26.334	139.013	23.140	162.153
17.1 Current Tax Asset		2,561	-	2,561	-	-	-
17.2 Deferred Tax Asset	(I-n)	9,381	14,392	23,773	139,013	23,140	162,153
XVIII. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-o)	74.188	-	74.188	179.866	-	179.866
18.1 Held for Sale Purpose		74.188	-	74.188	179.866	-	179.866
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-p)	1,186.816	1,389.682	2,576.498	1,327.027	581.081	1,908.108
TOTAL ASSETS		146,791.658	147,709.165	294,500.823	126,645.682	125,821.498	252,467.180

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

AKBANK T.A.Ş.
I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2016 (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note (Section Five)	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-a)	84.428.188	89.539.616	173.967.804	68.978.602	80.492.216	149.470.818
1.1 Deposits of Bank's Risk Group	(VII)	2.430.241	2.058.194	4.488.435	2.435.612	1.848.224	4.283.836
1.2 Other		81.997.947	87.481.422	169.479.369	66.542.990	78.643.992	145.186.982
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	3.648.925	950.922	4.599.847	479.349	1.288.502	1.767.851
III. FUNDS BORROWED	(II-c)	421.737	31.882.549	32.304.286	303.083	25.873.792	26.176.875
IV. MONEY MARKETS		5.725.625	21.594.417	27.320.042	6.249.039	18.000.200	24.249.239
4.1 Funds from Interbank Money Market		1.222.174	-	1.222.174	80.031	-	80.031
4.2 Funds from Istanbul Stock Exchange Money Market		55.199	-	55.199	-	-	-
4.3 Funds Provided Under Repurchase Agreements		4.448.252	21.594.417	26.042.669	6.169.008	18.000.200	24.169.208
V. SECURITIES ISSUED (Net)	(II-d)	2.556.267	9.977.034	12.533.301	3.373.821	9.036.968	12.410.789
5.1 Bills		776.911	-	776.911	1.548.685	892.932	2.441.617
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		1.779.356	9.977.034	11.756.390	1.825.136	8.144.036	9.969.172
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		3.966.117	1.413.354	5.379.471	3.832.655	1.010.762	4.843.417
VIII. OTHER LIABILITIES	(II-e)	1.249.388	187.509	1.436.897	1.358.302	134.559	1.492.861
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operating Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)	-	98.991	98.991	-	158.960	158.960
11.1 Fair Value Hedge		-	98.645	98.645	-	157.528	157.528
11.2 Cash Flow Hedge		-	346	346	-	1.432	1.432
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-h)	2.678.915	878.986	3.557.901	2.500.234	695.462	3.195.696
12.1 General Loan Loss Provisions		2.069.292	858.453	2.927.745	1.868.060	675.132	2.543.192
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		227.221	861	228.082	192.286	620	192.906
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		382.402	19.672	402.074	439.888	19.710	459.598
XIII. TAX LIABILITY	(II-i)	692.521	117.495	810.016	607.179	78.604	685.783
13.1 Current Tax Liability		567.678	14.619	582.297	607.179	21.152	628.331
13.2 Deferred Tax Liability		124.843	102.876	227.719	-	57.452	57.452
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS		-	-	-	-	-	-
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Related to Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(II-j)	33.014.327	(522.060)	32.492.267	28.527.127	(512.236)	28.014.891
16.1 Paid-in capital		4.000.000	-	4.000.000	4.000.000	-	4.000.000
16.2 Capital Reserves		2.122.151	(522.060)	1.600.091	2.219.173	(512.236)	1.706.937
16.2.1 Share Premium		1.700.000	-	1.700.000	1.700.000	-	1.700.000
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(587.935)	(573.267)	(1.161.202)	(627.540)	(486.868)	(1.114.408)
16.2.4 Property and Equipment Revaluation Differences		47.106	-	47.106	47.106	-	47.106
16.2.5 Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6 Investment Properties Revaluation Differences		-	-	-	-	-	-
16.2.7 Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		3.895	-	3.895	3.895	-	3.895
16.2.8 Hedging Funds (Effective portion)		(373.697)	51.207	(322.490)	(253.262)	(25.368)	(278.630)
16.2.9 Value Increase of Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other Capital Reserves		1.332.782	-	1.332.782	1.348.974	-	1.348.974
16.3 Profit Reserves		21.492.133	-	21.492.133	18.675.645	-	18.675.645
16.3.1 Legal Reserves		1.386.657	-	1.386.657	1.336.311	-	1.336.311
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		19.199.849	-	19.199.849	16.772.396	-	16.772.396
16.3.4 Other Profit Reserves		905.627	-	905.627	566.938	-	566.938
16.4 Income or (Loss)		5.399.913	-	5.399.913	3.632.190	-	3.632.190
16.4.1 Prior Periods' Income or (Loss)		545.745	-	545.745	402.833	-	402.833
16.4.2 Current Period Income or (Loss)		4.854.168	-	4.854.168	3.229.357	-	3.229.357
16.5 Minority Interest	(II-k)	130	-	130	119	-	119
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		138.382.010	156.118.813	294.500.823	116.209.391	136.257.789	252.467.180

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

AKBANK T.A.Ş.**II. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (TL)).

INCOME AND EXPENSE ITEMS		Note (Section Five)	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I.	INTEREST INCOME	(III-a)	18.961.635	15.855.073
1.1	Interest on Loans	(III-a-1)	15.053.409	12.367.124
1.2	Interest on Reserve Requirements		222.852	58.992
1.3	Interest on Banks	(III-a-2)	106.906	60.560
1.4	Interest on Money Market Transactions		22.938	128.543
1.5	Interest on Marketable Securities Portfolio	(III-a-3)	3.189.980	2.909.443
1.5.1	Trading Financial Assets		11.287	9.422
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		2.540.729	2.311.983
1.5.4	Held-to-maturity Investments		637.964	588.038
1.6	Financial Lease Income		322.607	294.510
1.7	Other Interest Income		42.943	35.901
II.	INTEREST EXPENSE	(III-b)	10.471.166	8.266.368
2.1	Interest on Deposits	(III-b-4)	8.047.471	6.161.481
2.2	Interest on Funds Borrowed	(III-b-1)	598.231	436.249
2.3	Interest Expense on Money Market Transactions		1.000.344	899.474
2.4	Interest on Securities Issued	(III-b-3)	791.182	744.167
2.5	Other Interest Expenses		33.938	24.997
III.	NET INTEREST INCOME (I - II)		8.490.469	7.588.705
IV.	NET FEES AND COMMISSIONS INCOME		2.569.397	2.486.906
4.1	Fees and Commissions Received		3.111.647	2.953.752
4.1.1	Non-cash Loans		202.294	179.669
4.1.2	Other		2.909.353	2.774.083
4.2	Fees and Commissions Paid		542.250	466.846
4.2.1	Non-cash Loans		975	3.435
4.2.2	Other		541.275	463.411
V.	DIVIDEND INCOME	(III-c)	2.658	2.275
VI.	TRADING INCOME/(LOSS) (Net)	(III-d)	945.980	66.146
6.1	Trading Gains / (Losses) on Securities		185.446	226.135
6.2	Gains / (Losses) on Derivative Financial Transactions		997.049	(580.609)
6.3	Foreign Exchange Gains / (Losses)		(236.515)	420.620
VII.	OTHER OPERATING INCOME	(III-e)	907.467	613.927
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		12.915.971	10.757.959
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(III-f)	2.250.176	2.221.082
X.	OTHER OPERATING EXPENSES (-)	(III-g)	4.464.913	4.357.805
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		6.200.882	4.179.072
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.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XI+...+XIV)		6.200.882	4.179.072
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(III-j)	1.346.703	949.706
16.1	Current Tax Provision		1.069.329	919.344
16.2	Deferred Tax Provision		277.374	30.362
XVII.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)		4.854.179	3.229.366
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Income from Other Discontinued Operations		-	-
XIX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Expenses for Other Discontinued Operations		-	-
XX.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	(III-l)	4.854.179	3.229.366
23.1	Income/(Loss) from the Group		4.854.168	3.229.357
23.2	Income/(Loss) from Minority Interest	(III-h)	11	9
	Earning/(Loss) per share (in TL full)		0,01214	0,00807

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

AKBANK T.A.Ş.

III. CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (TL)).

	Note (Section Five)	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		147.851.229	354.210.504	504.061.733	97.204.807	228.449.384	325.854.191
I. GUARANTEES AND WARRANTIES	(IV-a-2, 3)	15.974.452	24.370.684	40.347.136	13.762.954	18.593.766	32.354.720
1.1 Letters of Guarantee		13.721.435	13.430.357	27.151.792	11.863.179	10.688.085	22.551.264
1.1.1 Guarantees Subject to State Tender Law		388.011	2.543.143	2.931.154	489.460	1.799.894	2.289.354
1.1.2 Guarantees Given for Foreign Trade Operations		-	3.219.372	3.219.372	-	4.121.220	4.121.220
1.1.3 Other Letters of Guarantee		13.333.424	7.667.842	21.001.266	11.373.719	4.766.971	16.140.690
1.2 Bank Acceptances		-	3.583.229	3.583.229	-	933.230	933.230
1.2.1 Import Letter of Acceptance		-	3.583.229	3.583.229	-	933.230	933.230
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		260	5.232.516	5.232.776	396	5.358.740	5.359.136
1.3.1 Documentary Letters of Credit		260	4.722.556	4.722.816	396	4.846.143	4.846.539
1.3.2 Other Letters of Credit		-	509.960	509.960	-	512.597	512.597
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7 Factoring Guarantees		-	18.849	18.849	-	22.866	22.866
1.8 Other Guarantees		38.726	2.086.153	2.124.879	115.520	1.577.180	1.692.700
1.9 Other Collaterals		2.216.031	19.580	2.235.611	1.783.859	13.665	1.797.524
II. COMMITMENTS	(IV-a-1)	41.336.640	13.619.711	54.956.351	35.121.845	7.466.643	42.588.488
2.1 Irrevocable Commitments		40.690.428	13.304.259	53.994.687	34.577.080	7.298.052	41.875.132
2.1.1 Asset Purchase Commitments		7.444.452	9.261.461	16.705.913	2.190.531	2.963.600	5.154.131
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		6.195.974	4.040.927	10.236.901	5.643.211	4.333.444	9.976.655
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		6.200.426	-	6.200.426	5.764.751	-	5.764.751
2.1.8 Tax and Fund Liabilities from Export Commitments		4.526	-	4.526	2.956	-	2.956
2.1.9 Commitments for Credit Card Limits		17.397.602	-	17.397.602	17.672.898	-	17.672.898
2.1.10 Commitments for Credit Cards and Banking Services Promotions		121.979	-	121.979	95.366	-	95.366
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		3.325.469	1.871	3.327.340	3.207.367	1.008	3.208.375
2.2 Revocable Commitments		646.212	315.452	961.664	544.765	168.591	713.356
2.2.1 Revocable Loan Granting Commitments		527.125	-	527.125	505.135	-	505.135
2.2.2 Other Revocable Commitments		119.087	315.452	434.539	39.630	168.591	208.221
III. DERIVATIVE FINANCIAL INSTRUMENTS	(IV-b)	90.538.137	318.220.109	408.758.246	48.322.008	202.588.975	250.910.983
3.1 Hedging Derivative Financial Instruments		2.497.225	20.894.823	23.392.048	1.228.638	11.575.795	12.804.433
3.1.1 Fair Value Hedges		2.497.225	15.885.640	18.382.865	1.228.638	11.298.317	12.526.955
3.1.2 Cash Flow Hedges		-	5.009.183	5.009.183	-	277.478	277.478
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		88.040.912	297.325.286	385.366.198	47.093.370	191.013.180	238.106.550
3.2.1 Forward Foreign Currency Buy/Sell Transactions		9.200.025	16.578.421	25.778.446	6.129.024	8.981.501	15.110.525
3.2.1.1 Forward Foreign Currency Transactions-Buy		3.360.716	9.502.584	12.863.300	2.647.607	4.857.383	7.504.990
3.2.1.2 Forward Foreign Currency Transactions-Sell		5.839.309	7.075.837	12.915.146	3.481.417	4.124.118	7.605.535
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		67.936.685	192.861.386	260.798.071	29.861.447	112.566.425	142.427.872
3.2.2.1 Foreign Currency Swap-Buy		35.263.207	52.719.664	87.982.871	11.458.152	31.255.612	42.713.764
3.2.2.2 Foreign Currency Swap-Sell		29.765.278	57.044.998	86.810.276	15.583.295	23.734.909	39.318.204
3.2.2.3 Interest Rate Swap-Buy		1.454.100	41.548.362	43.002.462	1.410.000	28.787.952	30.197.952
3.2.2.4 Interest Rate Swap-Sell		1.454.100	41.548.362	43.002.462	1.410.000	28.787.952	30.197.952
3.2.3 Foreign Currency, Interest Rate and Securities Options		10.848.869	75.616.092	86.464.961	10.274.802	58.882.918	69.157.720
3.2.3.1 Foreign Currency Options-Buy		5.594.038	8.759.955	14.353.993	4.938.312	7.023.471	11.961.783
3.2.3.2 Foreign Currency Options-Sell		5.254.831	9.273.601	14.528.432	5.336.490	6.753.791	12.090.281
3.2.3.3 Interest Rate Options-Buy		-	28.791.268	28.791.268	-	22.552.828	22.552.828
3.2.3.4 Interest Rate Options-Sell		-	28.791.268	28.791.268	-	22.552.828	22.552.828
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		55.333	12.269.387	12.324.720	828.097	10.582.336	11.410.433
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		732.086.398	194.315.315	926.401.713	623.498.370	160.734.015	784.232.385
IV. ITEMS HELD IN CUSTODY		38.200.062	9.892.470	48.092.532	38.949.600	11.806.667	50.756.267
4.1 Customer Fund and Portfolio Balances		3.505.508	-	3.505.508	2.820.657	-	2.820.657
4.2 Investment Securities Held in Custody		13.745.747	1.126.900	14.872.647	17.319.495	818.636	18.138.131
4.3 Cheques Received for Collection		16.330.556	1.218.160	17.548.716	14.928.116	876.770	15.804.886
4.4 Commercial Notes Received for Collection		4.135.405	1.799.253	5.934.658	3.395.579	1.454.631	4.850.210
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		482.846	5.748.157	6.231.003	485.753	8.656.630	9.142.383
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		261.084.649	67.444.634	328.529.283	201.769.401	49.562.840	251.332.241
5.1 Marketable Securities		126.605.044	514.939	127.119.983	93.300.273	443.023	93.743.296
5.2 Guarantee Notes		975.905	667.148	1.643.053	764.035	596.171	1.360.206
5.3 Commodity		65.766	24.531	90.297	63.620	37.493	101.113
5.4 Warranty		9.931	2.304	12.235	277	-	277
5.5 Immovables		99.808.370	49.799.045	149.607.415	78.618.442	36.241.798	114.860.240
5.6 Other Pledged Items		33.617.244	16.409.120	50.026.364	29.019.718	12.223.598	41.243.316
5.7 Pledged Items-Depository		2.389	27.547	29.936	3.036	20.757	23.793
VI. ACCEPTED BILL, GUARANTEES AND WARRANTIES		432.801.687	116.978.211	549.779.898	382.779.369	99.364.508	482.143.877
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		879.937.627	550.525.819	1.430.463.446	720.705.177	389.383.399	1.110.088.576

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

AKBANK T.A.Ş.

**IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016**

(Amounts are expressed in thousands of Turkish Lira (TL)).

INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE- FOR- SALE FINANCIAL ASSETS	(58.493)	(1.055.286)
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	TRANSLATION DIFFERENCES FROM FOREIGN CURRENCY TRANSACTIONS	330.043	156.806
V.	PROFIT/LOSS FROM CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion of Fair Value Changes)	120.375	27.277
VI.	PROFIT/LOSS FROM FOREIGN NET INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Portion) (*)	(175.200)	(85.390)
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(20.240)	(63.770)
IX.	TAX RELATED TO VALUATION DIFFERENCES	26.712	235.434
X.	NET INCOME/EXPENSE DIRECTLY ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	223.197	(784.929)
XI.	CURRENT PERIOD INCOME / LOSS	4.854.179	3.229.366
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit/Loss)	-31.285	16.286
11.2	Part of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	(33.413)	(22.070)
11.3	Part of Foreign Net Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	4.918.877	3.235.150
XII.	TOTAL INCOME / LOSS ACCOUNTED FOR THE PERIOD (X±XI)	5.077.376	2.444.437

(*) Figure represents the effective part of the foreign exchange differences of the financial liabilities hedging the net investment risk of foreign investments as explained in Note II of Section Three.

İlişikteki açıklama ve dipnotlar bu finansal tabloların tamamlayıcı bir parçasıdır.

(Amounts are expressed in thousands of Turkish Lira (TL)).

Ending Balance (I+II+III+...+XVI+XVII+XVIII)

The accompanying explanation

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VI. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016

(Amounts are expressed in thousands of Turkish Lira (TL)).

	Note (Section Five)	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit before changes in operating assets and liabilities	897.733	2.328.265
1.1.1	Interest received	16.322.342	13.819.096
1.1.2	Interest paid	(10.289.657)	(8.205.358)
1.1.3	Dividend received	2.658	2.275
1.1.4	Fees and commissions received	3.176.253	2.905.632
1.1.5	Other income	227.537	130.050
1.1.6	Collections from previously written-off loans and other receivables	767.018	674.604
1.1.7	Payments to personnel and service suppliers	(3.981.201)	(3.887.212)
1.1.8	Taxes paid	(1.689.898)	(929.202)
1.1.9	Other	(3.637.319)	(2.181.620)
1.2	Changes in operating assets and liabilities	1.528.879	4.505.218
1.2.1	Net decrease in trading securities	(23.688)	14.400
1.2.2	Net (increase) / decrease in fair value through profit/(loss) financial assets	-	-
1.2.3	Net (increase) / decrease in due from banks and other financial institutions	4.617.730	(77.879)
1.2.4	Net (increase) / decrease in loans	(26.214.076)	(18.834.902)
1.2.5	Net (increase) / decrease in other assets	(10.844.593)	(4.828.015)
1.2.6	Net increase / (decrease) in bank deposits	(5.712.562)	(660.189)
1.2.7	Net increase / (decrease) in other deposits	30.067.290	27.767.595
1.2.8	Net increase / (decrease) in funds borrowed	7.320.176	4.516.333
1.2.9	Net increase / (decrease) in payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	2.318.602	(3.392.125)
I.	Net cash provided from banking operations	2.426.612	6.833.483
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	2.368.197	(7.283.302)
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	(445.363)	(159.528)
2.4	Disposals of property and equipment	180.323	27.194
2.5	Cash paid for purchase of investments available-for-sale	(7.902.570)	(26.641.086)
2.6	Cash obtained from sale of investments available-for-sale	10.735.543	18.428.960
2.7	Cash paid for purchase of investment securities	-	(382)
2.8	Cash obtained from sale of investment securities	130.259	1.112.849
2.9	Other	(329.995)	(51.309)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities	(493.176)	1.279.391
3.1	Cash obtained from funds borrowed and securities issued	6.220.955	13.785.368
3.2	Cash used for repayment of funds borrowed and securities issued	(6.114.131)	(11.936.377)
3.3	Issued equity instruments	-	-
3.4	Dividends paid	(600.000)	(569.600)
3.5	Payments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	1.416.377	934.340
V.	Net increase in cash and cash equivalents (I+II+III+IV)	5.718.010	1.763.912
VI.	Cash and cash equivalents at beginning of the period	7.109.441	5.345.529
VII.	Cash and cash equivalents at end of the period	12.827.451	7.109.441

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

AKBANK T.A.Ş.**VII. PROFIT APPROPRIATION STATEMENT**

(Amounts are expressed in thousands of Turkish Lira (TL)).

	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	5.699.265	3.827.671
1.2 TAXES AND DUTIES PAYABLE	1.170.553	832.823
1.2.1 Corporate Tax (Income Tax)	923.247	806.798
1.2.2 Income Withholding Tax	-	-
1.2.3 Other taxes and duties	247.306	26.025
A. NET INCOME FOR THE YEAR (1.1-1.2)	4.528.712	2.994.848
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	4.528.712	2.994.848
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	200.000
1.6.1 To Owners of Ordinary Shares	-	200.000
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	400.000
1.9.1 To Owners of Ordinary Shares	-	400.000
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	40.000
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	2.346.202
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	8.646
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and (Loss) Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (*)		
3.1 TO OWNERS OF ORDINARY SHARES	0,011	0,007
3.2 TO OWNERS OF ORDINARY SHARES (%)	1,1	0,7
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	0,002
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	0,2
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(2) Profit appropriation is being done according to unconsolidated financial statements.

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

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**SECTION THREE
ACCOUNTING POLICIES**

I. EXPLANATIONS ON BASIS OF PRESENTATION:

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of consolidated 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, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

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

b. Explanation for convenience translation into English:

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

c. Accounting policies and valuation principles applied in the presentation of consolidated financial statements:

The accounting policies and valuation principles applied in the preparation of consolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVIII below.

d. Items Subject to different accounting policies in the preparation of consolidated financial statements:

There are no items subject to different accounting policies in the preparation of these consolidated financial statements.

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

The Group's core business activities include consumer banking, commercial banking, SME banking, and corporate-investment and private banking, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. The Group performs financial leasing transactions through Ak Finansal Kiralama A.Ş. By nature the Group's activities are principally related to the use of financial instruments. As the main funding source, the Group accepts deposits from customers for various periods and invests these funds in high quality assets with high interest margins. Other than deposits, the Group's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Group's exposure to liquidity risk, interest rate risk, currency risk and credit risk while increasing profitability and strengthening the Group's equity. The Asset-Liability Committee ("ALCO") manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee ("ERC").

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of "Net foreign exchange income/expense". Assets and liabilities of foreign subsidiaries are translated into Turkish lira using the foreign exchange rates prevailing at the balance sheet date, income and expenses of foreign subsidiaries are translated into Turkish Lira at the average exchange rates and all resulting exchange differences are accounted in the shareholders' equity under "Other profit reserves".

As of 31 December 2016, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,5000 TL 3,6897 and TL 2,9861 for USD, EURO and Yen respectively.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES:

Consolidated financial statements are prepared in accordance with the "Turkish Financial Reporting Standard for Consolidated Financial Statements" ("TFRS 10") and "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette no.26340 dated 8 November 2006.

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank's returns.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income. Minority interests are presented in the consolidated balance sheet, in the shareholders' equity.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Parent Bank and its subsidiaries, Ak Yatırım Menkul Değerler A.Ş., Ak Portföy Yönetimi A.Ş., Akbank AG, Ak Finansal Kiralama A.Ş., Akbank (Dubai) Limited and together with A.R.T.S. Ltd., which is not subsidiary of the Bank, but the Bank has 100% control power due to the reason that this company is "Structured Entity", has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the "Group" in these consolidated financial statements.

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Ak Yatırım Menkul Değerler A.Ş. was established on 11 December 1996 to trade in capital markets in accordance with Capital Market Law. This company is delivering intermediary services in capital markets, discretionary portfolio management, derivative transactions, repurchase and reverse repurchase agreements with authorizations given by the Capital Markets Board for each transaction.

Ak Finansal Kiralama A.Ş. was established in 1988 for leasing operations and all kinds of agreements and transactions related to these operations.

Ak Portföy Yönetimi A.Ş. was established on 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş. and pension funds of AvivaSa Emeklilik and Hayat A.Ş. and Groupama. Portfolios of retail customers are also managed.

Based on restructuring of Bank's foreign subsidiaries, Akbank NV and Akbank AG have merged in Akbank AG with the discontinuation of activities of Akbank N.V effective from 15 June 2012. Akbank AG operates in Germany, providing corporate and consumer banking services.

Akbank (Dubai) Limited was established in December 2009 in Dubai International Finance Center (DIFC) to serve delivering intermediary services on acquisition and mergers, consultancy about financial instruments, intermediary services on loan and investment instruments. As of 27 December 2016 The Board of Directors of the Bank decided to wind up Akbank (Dubai) Limited and open a representative office in same location. Operations related to process started to be carried out by the competent authorities.

A.R.T.S. Ltd. is a "Structured Entity" which was established in November 1999 for the purpose of supplying long term financing. Ak Receivables Corporation which was established in July 1998 for the similar purposes has been liquidated on March 1, 2016 due to the termination of financing program provided.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Bank are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). Although certain derivative transactions provide effective economic hedges under the Bank's risk management position, in accordance with TAS 39 they are treated as derivatives "Held-for-trading".

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

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Trading derivative financial assets" or "Hedging derivative financial assets"; if the fair value difference is negative, it is recorded to "Trading derivative financial liabilities" or "Hedging derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement. The basis on accounting of derivative instruments for hedging purposes are explained Note VIII of Section Four. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

An embedded derivative shall be separated from host contract only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss

If an embedded derivative is separated, the host contract shall be accounted for under TAS 39 if it is a financial instrument, and in accordance with other appropriate Standards if it is not a financial instrument.

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V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income by using the "Effective interest method". The Group ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Group categorizes its financial assets as "Fair value through profit/loss", "Available for sale", "Loans and receivables" or "Held-to-maturity". Sale and purchase transactions of the financial assets mentioned above are recognized and derecognized at the "Settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Group management, taking into consideration the purpose of the investment.

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

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making.

All regular way purchases and sales of trading financial assets are recognized at the settlement date, which is the date that the asset is delivered to/from the Bank. Trading financial assets are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. Interest earned while holding trading financial assets is accounted as interest income and dividends received are included separately in dividend income.

Derivative financial assets are classified as trading financial assets unless they are used for hedging purposes. The accounting of derivative financial assets is explained in Note IV of Section Three.

The Group has no financial assets designated as financial assets at fair value through profit or loss.

b. Financial assets available-for-sale:

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

After the recognition, financial assets available-for-sale are remeasured at fair value. Interest income arising from available-for-sale calculated with effective interest method and dividend income from equity securities are reflected to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of securities classified as available-for-sale are recognized in the account of "Marketable securities valuation differences" under shareholders' equity, unless these assets are impaired, collected, sold, or disposed of. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the 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.

c. Loans and Receivables:

Loans and receivables are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale, are unlisted in an active market and whose payments are fixed or can be determined. Loans and receivables are carried initially by adding acquisition cost which reflect fair value to transaction costs and subsequently

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recognized at the discounted value calculated using the "Effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

The Parent Bank classifies its loans and receivables to related groups and calculates specific or general provisions in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette dated 1 November 2006, no.26333 and by considering other regulations and explanations announced by BRSA.

Specific provisions are accounted under "Provision for Loan Losses and Other Receivables" in the income statement and deducted from the net income of the period. If a receivable is collected which is provisioned in the same year, it is deducted from the "Provision for Loan Losses and Other Receivables". If there is a subsequent collection from a receivable which has already been provisioned in previous years, the recovery amount is classified under "Other Operating Income". Uncollectible receivables are written-off after all the legal procedures are finalized.

d. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

The Bank has Consumer Price Index ("CPI") linked government bonds under available-for-sale and held-to maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the "Effective interest method" and its carrying value. In case an impairment occurs, the impairment amount is deducted from the carrying value of the asset and the impairment loss is recognized in profit and loss. Regarding available-for-sale financial assets, when there is objective evidence that the asset is impaired the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. An explanation about the impairment of loans and receivables is given in Note VII-c of Section Three.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Available-for-sale securities" and "Held-to-maturity securities" in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and

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repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the "Effective interest (internal return) method".

Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest method".

The Group has no securities lending transactions.

XI. EXPLANATIONS ON PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS:

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, no.26333.

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Group has no goodwill.

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

Intangibles are amortized over three to five years (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technological and other kinds of wear and tear and all required maintenance expenses necessary to utilize the economic benefit from the asset.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Machinery, furniture, fixtures and vehicles	5 years

The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment.

Where the carrying amount of an asset is greater than its estimated "Net realizable value amount", it is written down to its "Net realizable value amount" and the impairment loss is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease its costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease installments that are going to be paid for the leased asset". Leased assets are

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included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any impairment in value of the leased asset, an impairment loss is recognized. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.

The Group performs financial leasing operations as a "Lessor" through Ak Finansal Kiralama A.Ş. which is a consolidated subsidiary. The asset subject to the financial leasing is presented in the balance sheet as receivable equal to the net leasing amount. Interest income is recognized over the term of the lease using the net investment method which reflects a constant periodic rate of return and the unearned portion is followed under unearned interest income account.

The Group provides specific provisions for financial lease receivables in accordance with the "Communiqué Regarding the Principles and Procedures for the Provisions Provided for Receivables by Financial Leasing, Factoring and Finance Companies" published in Official Gazette no. 28861, dated 23 December 2013. The Group provides general provisions for non-impaired financial lease receivables.

Transactions regarding operational agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES:

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise in the Group, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

a. Employment termination benefits and vacation rights:

Obligations related to employment termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability. In accordance with TAS 19, actuarial gains and losses are recognized in equity.

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b. Retirement rights:

The Bank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund") established in accordance with the Social Security Law numbered 506, article No.20. The financial statements of the Pension Fund have been audited as of year ends by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette no 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution ("SSI") within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party had appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. The Constitution Court has dismissed the appeal with the decision taken in the meeting dated 30 March 2011. The reasoned decision has been published in the Official Gazette numbered 28156 dated 28 December 2011.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the "Social Insurance and General Health Insurance Law no. 5510" published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335.

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

With respect to that, according to the technical balance sheet report as at 31 December 2016 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

The consolidated affiliates do not have the above mentioned retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the Social Security Institution and other defined contribution plans.

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XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Turkish Tax Legislation does not permit a parent bank and its subsidiaries to file a consolidated tax return. Therefore, a provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

In Turkey, corporate tax rate is 20%. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, tax-exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

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

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns until the 25th day of the following fourth month after the closing of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year following the date of filing during which time period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Current tax, related to items recognized directly in equity is also credited or charged directly to equity.

Information on taxation in foreign associates are given below:

Akbank AG (Germany)

German-resident corporations (i.e. corporations with legal or business centers located in Germany) are subject to corporate taxation in Germany over their total income. Regardless of any profit distribution corporate tax is levied at 15% over total income. Effective corporate tax rate is 15,825% since an additional solidarity tax of 5,5% is applied over the calculated corporate tax. In addition to that, trade income tax at an approximate rate of 16% is levied by the local city governance. Accordingly, the total tax burden including all types of tax (corporate tax, solidarity tax and trade income tax) is approximately 32%.

Akbank (Dubai) Limited (United Arab Emirates)

Akbank Dubai, operating in Dubai International Finance Center, is not subject to taxes according to the legislations of this country.

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

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According to TAS 12, deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather they are presented separately as assets and liabilities in the financial statements.

Deferred tax, related to items recognized directly in equity is also credited or charged directly to equity.

XIX. EXPLANATIONS ON BORROWINGS:

Debt instruments with different characteristics such as syndicated and securitized borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Group. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated using the "Effective interest method".

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

There is no share certificate issuance in 2016.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2016 and 31 December 2015, there is no government grant for the Group.

XXIII. EXPLANATIONS ON SEGMENT REPORTING:

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Reporting according to the operational segment is presented in Note IX of Section Four.

XXIV. PROFIT RESERVES AND PROFIT APPROPRIATION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, but Holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

The Ordinary General Assembly Meeting of the Bank was held on 28 March 2016. In the Ordinary General Assembly, it was decided to distribute a TL 600.000 cash dividend over the TL 2.994.848 net income from 2015 operations to the Bank's shareholders. It was also resolved in the General Assembly to transfer TL 8.646 to special funds account under other capital reserves, to allocate TL 40.000 as legal and TL 2.346.202 as extraordinary reserves.

XXV. EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the period concerned.

	Current Period 31 December 2016	Prior Period 31 December 2015
Net Profit for the Year	4.854.168	3.229.357
Average Number of Issued Common Shares (Thousand)	400.000.000	400.000.000

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Earnings Per Share (Amounts presented as full TL)	0,01214	0,00807
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In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares issued in 2016 (2015: (-)).

XXVI. RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411, Bank's senior management, and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note VI of Section Five.

XXVII. CASH AND CASH EQUIVALENT ASSETS:

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

XXVIII. RECLASSIFICATIONS:

In order to be consistent with the presentation of financial statements dated 31 December 2016, there are certain reclassifications made on income statement and cash flow statement of 31 December 2015.

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SECTION FOUR
INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON EQUITY:

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

As of 31 December 2016, Group's total capital has been calculated as TL 34.871.848, the capital adequacy ratio is 14,16 %. As of 31 December 2015, Group's total capital amounted to TL 30.410.851, Capital adequacy ratio was 14,46 % calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

a. Information about total consolidated capital items:

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.405.892	
Share issue premiums	1.700.000	
Reserves	21.492.133	
Gains recognized in equity as per TAS	47.106	
Profit	5.399.913	
Current Period Profit	4.854.168	
Prior Period Profit	545.745	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	3.895	
Minorities' Share	130	
Common Equity Tier 1 Capital Before Deductions	34.049.069	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	28.760	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.592.477	
Improvement costs for operating leasing	28.863	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	192.456	320.760
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	1.842.556	
Total Common Equity Tier 1 Capital	32.206.513	

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	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I 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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	128.304	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	32.078.209	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.804.483	
Tier II Capital Before Deductions	2.804.483	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2.804.483	
Total Capital (The sum of Tier I Capital and Tier II Capital)	34.882.692	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th 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	19	
Other items to be defined by the BRSA (-)	10.825	
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	-	

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	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	34.871.848	
Total risk weighted amounts	246.205.794	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	13,08%	
Tier 1 Capital Adequacy Ratio	13,03%	
Capital Adequacy Ratio	14,16%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	5,52%	
Capital conservation buffer requirement	0,63%	
Bank specific counter-cyclical buffer requirement	0,39%	
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	5,12%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	451.915	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.927.745	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.804.483	
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	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

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	Prior Period 31 December 2015(*)
COMMON EQUITY TIER I CAPITAL	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.405.892
Share premium	1.700.000
Share cancellation profits	-
Reserves	18.675.645
Gains recognized in equity as per TAS	47.106
Profit	3.632.190
Current Period Profit	3.229.357
Prior Period Profit	402.833
Provisions for Possible Risks	200.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	3.895
Minorities' Share	119
Common Equity Before Deductions	29.664.847
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	1.389.331
Leasehold improvements (-)	36.670
Goodwill or other intangible assets and deferred tax liability related to these items (-)	79.516
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	-
Direct and indirect investments of the Bank in its own Common Equity (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity (-)	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity (-)	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	-
Excess amount arising from mortgage servicing rights (-)	-
Excess amount arising from deferred tax assets based on temporary differences (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Common Equity	1.505.517
Total Common Equity Tier I Capital	28.159.330
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	-
Debt instruments and premiums deemed suitable by BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Third parties' share in the Tier II Capital	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II 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 (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	-
DEDUCTIONS FROM TIER I CAPITAL	
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1 st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	119.274
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Total Tier I Capital	28.040.056

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	Prior Period 31 December 2015(*)
TIER II CAPITAL	
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)	-
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	-
General Loan Loss Provisions	2.391.050
Third parties' share in the Tier II Capital	-
Tier II Capital Before Deductions	2.391.050
Deductions From Tier II Capital	
Direct and indirect investments of the Bank in its own Tier II Capital (-)	-
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 (-)	-
Portion of the total of net long positions of investments made in Additional Tier I and Tier II 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 (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	2.391.050
CAPITAL BEFORE DEDUCTIONS	30.431.106
Deductions from Capital	
Loans granted contrary to the 50th and 51th Article of the Law (-)	-
Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date (-)	75
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)	-
Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	171
Other items to be defined by the BRSA (-)	20.009
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 I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II 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 I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
TOTAL CAPITAL	30.410.851
Amounts below the Excess Limits as per the Deduction Principles	
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 I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-
Amounts arising from mortgage servicing rights	-
Amounts arising from deferred tax assets based on temporary differences	358.124

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

b. Information about instruments that will be included in total capital calculation: None.

- c.** The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision. In the calculation of Total Capital, general provision up to 1,25 % credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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II. EXPLANATIONS ON CREDIT RISK:

a. Credit risk is the risk that the counterparties may be unable to meet the terms of their agreements. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

For daily treasury operations limit allocation and follow-up is performed by the Treasury Business Unit.

Credit worthiness of loan and other receivable debtors are watched regularly and in line with related regulations. In case of an increase in credit debtor's risk level credit limits are re-determined or additional guarantee is taken. For new credit accounts, account follow-up documents are taken in accordance with the related regulation.

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group according to the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired loans."

The Bank calculates general loan loss provision for "past due loans" and specific provision for "impaired loans" according to the Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made."

The explanations on definition of overdue and impaired loans and information related to impairment and loan loss provisions are provided in Note 2-o of Section Four.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	80.361.545	79.977.360
Conditional and unconditional receivables from regional or local governments	250	250
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	57.896	69.810
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	75.029.561	59.172.209
Conditional and unconditional receivables from corporate	158.596.631	143.866.036
Conditional and unconditional receivables from retail portfolios	79.192.585	69.993.677
Conditional and unconditional receivables secured by mortgages	21.164.803	19.753.687
Past due receivables	220.140	187.738
Receivables defined under high risk category by BRSA	235	2.199.119
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	460.876	883.203
Equity security investments	71.259	28.416
Other receivables	3.896.437	4.383.612
Total	419.052.219	380.515.118

(*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor

b. Risk control limits exist that are placed against credit and market risk from of forward transaction and option agreements and other similar agreements. Control limits exist on forward and option agreements and other similar agreements. The undertaken credit risk of these types of instruments is managed together with market risk.

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c. The risks of the forward, option and other similar type agreements are followed regularly and as deemed necessary based on the credit risk, the risks are tried to be minimized.

d. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed according to Group's credit risk management and follow-up principles. Relevant customer's financial status and commercial operations are constantly analyzed and payment schedule is closely monitored by related business segment. Monitoring continues until the receivables from the loans are completely collected.

The Group considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

e. The Group's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies.

When considered within the financial activities of other financial institutions, the Group as an active participant in the national and international banking market is not exposed to a significant credit risk concentration.

As seen in the Group's balance sheet, the ratio of loans under follow-up to total loans is as low as 2,3% (31 December 2015: 2,2%).

f. 1. The proportion of the Group's top 100 and 200 cash loan balances in total cash loans is 34% and 42% respectively (31 December 2015: 33% and 39%).

2. The proportion of the Group's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 66% and 78%. (31 December 2015: 59% and 68%).

3. The proportion of the Group's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 23% and 29% respectively. (31 December 2015: 21% and 26%).

g. The Bank provided a general loan loss provision amounting to TL 2.927.745 (31 December 2015: TL 2.543.192).

h. Information on loan types and provisions:

Current Period - 31 December 2016	Commercial Loans	Consumer Loans	Credit Cards	Total
Standard Loans	132.696.769	27.894.782	12.128.729	172.720.280
Close Monitoring Loans	3.790.611	1.536.885	690.487	6.017.983
Loans Under Follow-up	1.639.126	1.396.806	1.231.259	4.267.191
Specific Provision (-)	1.484.156	1.396.806	1.231.259	4.112.221
Total	136.642.350	29.431.667	12.819.216	178.893.233

As of 31 December 2016, the Bank has booked 100% specific provision amounting to TL 51 million after taking the collaterals into consideration for one of its non-performing commercial loans amounting to TL 206 million.

Prior Period - 31 December 2015	Commercial Loans	Consumer Loans	Credit Cards	Total
Standard Loans	109.865.327	26.821.142	11.723.535	148.410.004
Close Monitoring Loans	2.249.269	1.853.129	806.781	4.909.179
Loans Under Follow-up	1.016.088	1.184.274	1.172.961	3.373.323
Specific Provision (-)	868.775	1.184.274	1.172.961	3.226.010
Total	112.261.909	28.674.271	12.530.316	153.466.496

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i. Information on the movement of provision for loans and other receivables of the Bank:

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2016	868.775	1.184.274	1.172.961	3.226.010
Transferred during the period	929.529	637.906	513.936	2.081.371
Collection	(207.055)	(307.335)	(211.185)	(725.575)
Write-off (*)	(107.093)	(118.039)	(244.453)	(469.585)
31 December 2016	1.484.156	1.396.806	1.231.259	4.112.221

(*) TL 450,1 million (in full TL amount) of the Bank's non-performing loan portfolio has been sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 49,1 million (in full TL amount). Specific provision previously allocated for this amount, is shown under "Write-off" in the above table.

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2015	600.077	685.612	893.140	2.178.829
Transferred during the period	585.733	787.671	650.058	2.023.462
Collection	(182.014)	(230.670)	(221.620)	(634.304)
Write-off (*)	(135.021)	(58.339)	(148.617)	(341.977)
31 December 2015	868.775	1.184.274	1.172.961	3.226.010

(*) TL 248,5 million (in full TL amount) of the Bank's non-performing loan portfolio were sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 40,3 million (in full TL amount). Specific provision previously allocated for this amount is, included in "Write-off" section in above table.

j. Information on debt securities, treasury bills and other eligible bills:

	Trading Financial Assets (Net)	Available-for-Sale Financial Assets (Net)	Held-to-Maturity Securities (Net)	Total
Current Period - 31 December 2016				
Moody's Rating				
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	132.700	-	132.700
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	2.073.074	-	2.073.074
Ba1	56.653	32.321.698	17.976.870	50.355.221
Ba2	-	-	-	-
Total	56.653	34.527.472	17.976.870	52.560.995

	Trading Financial Assets (Net)	Available-for-Sale Financial Assets (Net)	Held-to-Maturity Securities (Net)	Total
Prior Period - 31 December 2015				
Moody's Rating				
Aaa	-	-	-	-
Aa1, Aa2, Aa3	171	-	-	171
A1, A2, A3	8.434	255.376	-	263.810
Baa1, Baa2, Baa3	15.418	42.220.320	10.688.440	52.924.178
Ba1	-	509.323	-	509.323
Ba2	-	-	-	-
Total	24.023	42.985.019	10.688.440	53.697.482

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k. Profile on significant risks in significant regions:

Current Period		Risk Categories (*)																	
31 December 2016		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic		79,508,445	50	46,010	-	-	12,607,632	129,426,842	50,588,970	20,687,819	220,140	-	-	-	-	440,842	71,098	3,896,437	297,514,285
European Union Countries		836,591	-	7	-	-	37,088,847	6,484,917	15,356	12,089	-	-	-	-	-	-	161	-	44,437,968
OECD Countries(**)		-	-	-	-	-	1,746,977	393,390	2,321	2,261	-	-	-	-	-	-	-	-	2,144,949
Off- Shore Regions		-	-	-	-	-	296,820	296,820	310	309	-	-	-	-	-	-	-	-	465,118
USA, Canada		-	-	-	-	-	3,371,790	289,366	6,145	2,781	-	-	-	-	-	-	-	-	3,670,082
Other Countries		-	-	-	-	-	645,996	792,231	12,575	3,312	-	-	-	-	-	-	-	-	1,454,138
Investment and associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities***		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		80,345,036	50	46,041	-	-	55,628,921	137,683,566	50,625,677	20,708,571	220,140	-	-	-	-	440,842	71,259	3,896,437	349,686,540
Prior Period		Risk Categories (*)																	
31 December 2015		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16(****)	17	Total
Domestic		76,063,029	48	27,013	-	-	17,366,984	101,423,711	33,496,207	20,620,877	187,210	13,507,875	-	-	-	278,802	-	4,341,753	267,313,509
European Union Countries		761,423	-	258	-	-	25,119,208	4,484,984	18,069	341,906	-	7,021	-	-	-	-	-	161	30,733,030
OECD Countries(**)		-	-	-	-	-	1,497,054	397,106	2,744	2,258	-	1,078	-	-	-	-	-	-	1,900,240
Off- Shore Regions		-	-	-	-	-	579,036	147,376	514	264	-	104	-	-	-	-	-	-	727,294
USA, Canada		-	-	-	-	-	1,817,962	119,676	6,444	3,398	-	1,238	-	-	-	-	-	-	1,948,718
Other Countries		-	-	25	-	-	598,292	953,639	16,184	4,023	-	2,381	-	-	-	-	-	-	1,574,544
Investment and associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities***		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		76,824,452	48	27,296	-	-	46,978,536	107,526,492	33,540,162	20,972,726	187,210	13,519,697	-	-	-	278,802	-	4,341,914	304,197,335

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

- | | | | |
|----|---|-----|--|
| 1. | Conditional and unconditional receivables from central governments and Central Banks | 9. | Conditional and unconditional receivables secured by mortgages |
| 2. | Conditional and unconditional receivables from regional or local governments | 10. | Past due receivables |
| 3. | Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 11. | Receivables defined under high risk category by BRSA |
| 4. | Conditional and unconditional receivables from multilateral development banks | 12. | Securities collateralized by mortgages |
| 5. | Conditional and unconditional receivables from international organizations | 13. | Securitization positions |
| 6. | Conditional and unconditional receivables from banks and brokerage houses | 14. | Short-term receivables from banks, brokerage houses and corporates |
| 7. | Conditional and unconditional receivables from corporates | 15. | Investments similar to collective investment funds |
| 8. | Conditional and unconditional receivables from retail portfolios | 16. | Equity security transactions |
| | | 17. | Other receivables |

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

(***) Assets and liabilities that are not distributed according to a consistent principle

(****) Equity security transactions has been added to the risk classes in the current period. Prior period balances are presented under "Other Receivables"

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L. Risk Profile according to sectors and counterparties:

Risk Classifications (*)																			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
31 December 2016																			
Agricultural	1	-	5	-	-	43,943	210,738	47,007	36	-	-	-	-	-	-	-	300,466	1,264	301,730
Farming and raising livestock	1	-	5	-	-	32,428	124,707	30,559	36	-	-	-	-	-	-	-	187,639	97	187,736
Forestry	-	-	-	-	-	11,134	84,596	16,290	-	-	-	-	-	-	-	-	110,853	1,167	112,020
Fishing	-	-	-	-	-	381	1,435	158	-	-	-	-	-	-	-	-	1,974	-	1,974
Manufacturing	10	-	411	-	-	45,661,241	4,752,648	2,884,987	36,405	-	-	-	-	-	-	-	23,056,376	30,279,326	53,335,702
Mining	-	0	-	-	-	1,768,451	134,179	106,877	-	-	-	-	-	-	-	-	374,350	1,634,957	2,009,507
Production	10	-	408	-	-	27,640,406	4,534,933	2,748,772	36,405	-	-	-	-	-	-	-	18,250,613	16,710,321	34,960,934
Electricity, Gas, Water	-	3	-	-	-	16,252,384	83,536	29,338	-	-	-	-	-	-	-	-	4,431,213	11,934,048	16,365,261
Construction	-	65	-	-	-	24,323,055	1,999,196	2,109,801	5,806	-	-	-	-	-	-	-	11,657,470	16,780,453	28,437,923
Wholesale	1,964	38	27,011	-	-	55,559,491	16,932,014	172,036	61,047	-	-	-	-	-	-	-	46,941,611	88,723,916	135,665,527
Retail and Retail Trade	54	10	1,367	-	-	58,998,206	11,674,834	4,338,139	16,839	-	-	-	-	-	-	-	27,600,374	7,111,367	34,711,741
Hotel,Food,Beverage Services	2	-	30	-	-	3,476,056	610,224	649,366	154,970	-	-	-	-	-	-	-	1,940,037	2,970,611	4,910,648
Transportation and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication	1,749	-	9	-	-	9,712,810	1,172,599	236,078	197	-	-	-	-	-	-	-	2,173,028	8,950,414	11,123,442
Financial Institutions	3	3	20	-	-	55,558,038	21,877,463	121,780	-	-	-	-	-	-	-	-	11,594,304	66,120,193	77,714,497
Real Estate and Lending Services	-	15	-	-	-	2,649,642	92,681	130,558	-	-	-	-	-	-	-	-	677,784	2,195,112	2,872,896
Self employment Service	-	26	-	-	-	555,765	142,891	35,665	-	-	-	-	-	-	-	-	222,739	511,408	734,347
Education Service	118	-	1,525	-	-	190,664	135,575	140,613	-	-	-	-	-	-	-	-	400,101	68,394	468,495
Health and social Services	38	25	24,019	-	-	1,453	1,855,308	777,110	30	-	-	-	-	-	-	-	2,333,244	796,217	3,129,461
Other	80,343,061	12	18,549	-	-	69,430	8,657,121	9,524,923	5,857	-	-	-	-	-	-	-	74,841,968	57,463,690	131,945,658
total	80,345,036	50	46,041	-	-	55,628,921	137,683,566	29,025,677	220,140	-	-	-	-	-	-	-	3,896,437	193,248,649	347,686,540

(*)Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

- | | | | |
|----|---|-----|--|
| 1. | Conditional and unconditional receivables from central governments and Central Banks | 9. | Conditional and unconditional receivables secured by mortgages |
| 2. | Conditional and unconditional receivables from regional or local governments | 10. | Past due receivables |
| 3. | Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 11. | Receivables defined under high risk category by BRSA |
| 4. | Conditional and unconditional receivables from multilateral development banks | 12. | Securities collateralized by mortgages |
| 5. | Conditional and unconditional receivables from international organizations | 13. | Securitization positions |
| 6. | Conditional and unconditional receivables from banks and brokerage houses | 14. | Short-term receivables from banks, brokerage houses and corporates |
| 7. | Conditional and unconditional receivables from corporates | 15. | Investments similar to collective investment funds |
| 8. | Conditional and unconditional receivables from retail portfolios | 16. | Equity security transactions |
| | | 17. | Other receivables |

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(**) Equity security transactions has been added to the risk classes in the current period. Prior period balances are presented under "Other Receivables"

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m. Term distribution of risks with term structure:

31 December 2016 Risk Categories	Time to Maturity					Total
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	
Conditional and unconditional receivables from central governments and Central Banks	4.229.642	33.158.436	2.054	1.014.665	41.940.239	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	50	-
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	14.869	2.276	2.770	3.921	22.205	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.601.052	2.497.116	4.801.796	4.876.725	28.852.232	-
Conditional and unconditional receivables from corporates	7.633.873	7.499.712	15.176.660	22.163.035	85.210.286	-
Conditional and unconditional receivables from retail portfolios	973.169	1.806.534	15.084.058	6.899.273	25.862.643	-
Conditional and unconditional receivables secured by mortgages	187.640	533.907	1.145.446	2.264.201	16.577.377	-
Past due receivables	-	-	-	-	-	220.140
Receivables defined under high risk category by BRSA	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	460.834	-	-	-	8	-
Equity security investments	-	-	-	-	-	71.259
Other Receivables	-	-	-	-	-	3.896.437
Total	28.101.079	45.497.981	36.212.784	37.221.820	198.465.040	4.187.836

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n. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

Ratings given by Fitch Ratings are used in determining risk weight class of the counterparties. The ratings of Fitch Ratings are used for Banks and Corporate Receivables asset class and are limited to receivables that have counterparties abroad. If the risk weight class solely consists of receivables from central governments and central banks, the credit ratings of the countries are taken into account. As of 6 November 2012, Fitch Ratings has increased Turkey's long-term foreign currency credit note from BB+ to BBB-. After the increase, the ratings of Fitch are also used for foreign currency bonds issued by Turkish Treasury and other foreign currency risks that are related to the Turkish central management. Below are the Credit Quality Degrees corresponding to Fitch Ratings.

Ratings to be matched	Credit Quality Degrees	Fitch
Ratings of long-term credits	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Ratings of short-term credits	1	F1+ and F1
	2	F2
	3	F3
	4	Below F3
	5	---
	6	---
Long-term securitization position ratings	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and below
Short-term securitization position ratings	1	F1+ and F1
	2	F2
	3	F3
	Diğerleri	Below F3
Matchings regarding collective investment institutes	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below

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Risk amounts according to risk weights:

31.12.2016	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from Equity
Risk Weights												
Amount Before												
Credit Risk												
Mitigation	31.607.301	-	13.073.187	-	97.759.722	63.569.097	143.600.341	76.892	-	-	-	10.844
Amount After Credit												
Risk Mitigation	28.055.271	-	11.513.283	11.200.302	86.300.023	50.263.798	133.008.060	76.892	-	-	-	10.844

o. Miscellaneous information regarding important sectors or counterparty type:

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired / provision allocated loans."

The Bank calculates general loan loss provision for "overdue loans" and specific provision for "impaired loans" in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made". The calculated general loan provision is shown under "impairment" column at the table below.

31 December 2016 Sectors/Counterparties	Loans(*)		Impairment	Specific Provision
	Impaired Receivables	Past Due Receivables		
Agricultural	11.276	3.136	74	11.276
Farming and raising livestock	9.971	1.503	33	9.971
Forestry	1.246	1.633	41	1.246
Fishing	59	-	-	59
Manufacturing	381.020	1.252.536	42.547	381.020
Mining	26.672	4.927	115	26.672
Production	346.738	162.848	5.673	346.738
Electricity, Gas, Water	7.610	1.084.761	36.759	7.610
Construction	144.750	207.805	5.507	144.750
Services	1.278.472	484.598	13.246	1.123.502
Wholesale and Retail Trade	874.098	310.816	8.755	874.098
Hotel, Food, Beverage Services	264.419	60.787	1.591	109.449
Transportation and Telecommunication	63.888	38.507	1.203	63.888
Financial Institutions	2.444	32.512	763	2.444
Real Estate and Lending Service	2.940	1.945	39	2.940
Self Employment Service	4.820	243	6	4.820
Education Service	29.379	909	23	29.379
Health and social services	36.484	38.879	866	36.484
Other	2.451.673	1.159.992	99.056	2.451.673
Total	4.267.191	3.108.067	160.430	4.112.221

(*) Breakdown of cash loans

p. Information related to impairment and loan loss provisions:

31 December 2016	Opening Balance	Provisions provided during the period	Provision Reversals	Other Adjustments (*)	Closing Balance
Specific Provision	3.226.010	2.081.371	(725.575)	(469.585)	4.112.221
General Provisions	2.543.192	384.553	-	-	2.927.745

(*) Presents the Write-Offs and Sales from Loans under Follow-up portfolio.

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r. Risk involved in counter-cyclical capital buffer calculation:

31 December 2016			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	169.125.928	3.058.902	172.184.830
Ireland	2.991.613	45.233	3.036.846
Holland	1.321.709	6.196	1.327.905
Great Britain	822.123	188.366	1.010.489
Russian Federation	548.376	15.797	564.173
Luxemburg	410.019	-	410.019
France	392.979	1.549	394.528
USA	203.919	163.150	367.069
Croatia	261.598	-	261.598
Egypt	5.978	243.506	249.484
Other	829.892	11.873	841.765

III. EXPLANATIONS ON CURRENCY RISK

The difference between the Group's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. The Bank keeps the foreign exchange exposure amount within the limits set by the ERC. The Board, taking into account the recommendations by the ERC, sets a limit for the size of a foreign exchange exposure, which is closely monitored by ALCO. Those limits are individually determined and followed for both the net overall foreign currency position and for the foreign exchange exposure. Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

The Parent Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	USD	EURO	Yen
Balance Sheet Evaluation Rate	TL 3,5000	TL 3,6897	TL 2,9861
1.Day bid rate	TL 3,5318	TL 3,6939	TL 3,0264
2.Day bid rate	TL 3,5329	TL 3,6901	TL 2,9961
3.Day bid rate	TL 3,5135	TL 3,6711	TL 2,9883
4.Day bid rate	TL 3,5041	TL 3,6639	TL 2,9852
5.Day bid rate	TL 3,5077	TL 3,6647	TL 2,9809

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented in the table below:

USD	:TL 3,5000
EURO	:TL 3,6897
Yen	:TL 2,9861

As of 31 December 2015;

	USD	EURO	Yen
Balance Sheet Evaluation Rate	TL 2,8800	TL 3,1422	TL 2,3864

Information related to Group's Currency Risk: (Thousands of TL)

The table below summarizes the Group's net foreign currency position, categorized by currency. Foreign currency indexed assets are classified as Turkish Lira assets according to the Uniform Chart of Accounts. In currency risk calculation, foreign currency indexed assets are considered as foreign currency items. In accordance with the "Communiqué on Calculation of Foreign Currency Net Position/Capital Standard Ratio by banks in stand-alone and consolidated basis"; prepaid expenses in assets, general loan loss provision and shareholders' equity in liabilities are excluded in the currency risk calculation. Therefore, there are differences

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between the amounts of foreign currency denominated assets and liabilities demonstrated on the table below and the amounts on the balance sheet.

Current Period – 31 December 2016	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank(**)	7.286.149	21.549.164	813.368	29.648.681
Banks	1.708.890	8.436.049	90.712	10.235.651
Financial Assets at Fair Value through Profit or Loss (Net)	1.040.519	2.291.344	88.068	3.419.931
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets (Net)	2.724.598	13.423.083	513.938	16.661.619
Loans	33.639.670	40.149.507	117.483	73.906.660
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	2.879.047	9.612.221	-	12.491.268
Hedging Derivative Financial Assets	909	123.999	-	124.908
Tangible Assets (Net)	656	1.772	-	2.428
Intangible Assets (Net)	957	-	-	957
Other Assets	2.772.832	2.372.326	332	5.145.490
Total Assets	52.054.227	97.959.465	1.623.901	151.637.593
Liabilities				
Bank Deposits	2.009.033	2.981.866	568.918	5.559.817
Foreign Currency Deposits (**)	35.465.856	45.587.046	2.926.897	83.979.799
Funds from Interbank Money Market	1.192.044	20.402.373	-	21.594.417
Borrowings	10.185.569	21.693.747	3.233	31.882.549
Marketable Securities Issued (Net)	37.318	9.753.037	186.679	9.977.034
Miscellaneous Payables	820.378	588.731	4.245	1.413.354
Hedging Derivative Financial Liabilities	346	98.645	-	98.991
Other Liabilities	538.190	729.369	8.900	1.276.459
Total Liabilities	50.248.734	101.834.814	3.698.872	155.782.420
Net on Balance Sheet Position	1.805.493	(3.875.349)	(2.074.971)	(4.144.827)
Net off-Balance Sheet Position (*)	(247.988)	2.694.400	2.186.692	4.633.104
Financial Derivative Assets	23.610.103	54.216.249	3.126.154	80.952.506
Financial Derivative Liabilities	23.858.091	51.521.849	939.462	76.319.402
Non-cash Loans	9.300.574	14.739.107	331.003	24.370.684
Prior Period - 31 December 2015				
Total Assets	38.606.527	84.885.534	3.813.504	127.305.565
Total Liabilities	36.260.877	95.199.089	3.130.013	134.589.979
Net on-Balance Sheet Position	2.345.650	(10.313.555)	683.491	(7.284.414)
Net off-Balance Sheet Position (*)	(1.060.502)	9.696.914	(711.580)	7.924.832
Financial Derivative Assets	11.691.940	35.565.987	2.383.944	49.641.871
Financial Derivative Liabilities	12.752.442	25.869.073	3.095.524	41.717.039
Non-cash Loans	5.540.104	12.755.039	298.623	18.593.766

(*) Presents the net balance of receivables and payables from derivative transactions. Foreign Exchange spot dealings shown under "Asset purchase commitments" in the financial statements are included in the net off-balance sheet position.

(**) Of the Cash Equivalents and Central Bank and Other FC, TL 739.794 [31 December 2015: TL 3.663.362] and of the foreign currency deposits TL 1.166.647 [31 December 2015: TL 777.277] are precious metal deposit account in demand.

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Currency risk sensitivity analysis:

The following table details the Parent Bank's sensitivity to a 10% change in exchange rates:

Change in exchange rate	Effect on Profit/Loss(*)	
	Current period 31 December 2016	Prior period 31 December 2015
(+)10 %	98.241	44.796
(-)10 %	[98.241]	[44.796]

(*) Presents amounts before Tax.

IV. EXPLANATIONS ON INTEREST RATE RISK:

"Interest Rate Risk" can be defined as the impact of interest rate changes on interest-sensitive asset and liability items of both on and off-balance sheets of the Group. The ERC sets limits for the interest rate sensitivity of on and off-balance sheet items and the sensitivity is closely monitored and reported weekly. In the case of high market fluctuations, daily transaction based reporting and analyses are made.

The Group manages the interest rate risk on a portfolio basis and tries to minimize the risk effect on the profitability, financial exposure and cash flows by applying different strategies. Basic methods such as using fixed or floating interest rates for different portfolios and maturities, setting the fixed margin in floating rates, or varying the rates for the short or long-term positions are applied actively.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period – 31 December 2016	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	27.670.460	-	-	-	-	7.341.825	35.012.285
Banks	3.352.046	526.653	35.765	-	-	6.471.714	10.386.178
Financial Assets at Fair Value Through Profit or Loss (Net)	1.429.587	3.240.326	1.778.638	831.953	397.087	7.268	7.684.859
Interbank Money Market Placements	37	-	-	-	-	-	37
Available-for-sale Financial Assets (Net)	2.728.783	3.812.803	10.226.314	12.060.817	5.698.755	279.585	34.807.057
Loans	48.869.828	23.856.332	44.775.558	52.007.808	9.228.737	154.970	178.893.233
Held-to-maturity Investments (Net)	2.280.482	576.857	1.788.154	11.961.634	1.369.743	-	17.976.870
Other Assets	1.618.679	1.607.946	1.304.507	2.044.110	290.805	2.874.257	9.740.304
Total Assets	87.949.902	33.620.917	59.908.936	78.906.322	16.985.127	17.129.619	294.500.823
Liabilities							
Bank Deposits	4.079.131	1.693.367	456.626	-	-	972.501	7.201.625
Other Deposits	93.336.342	23.513.023	15.107.142	6.063.731	470.442	28.275.499	166.766.179
Funds from Interbank Money Market	10.370.994	11.826.881	4.850.089	272.078	-	-	27.320.042
Miscellaneous Payables	232.555	281.232	593.932	209.928	70.024	3.991.800	5.379.471
Marketable Securities Issued (Net)	855.665	629.450	1.959.159	5.703.582	3.385.445	-	12.533.301
Borrowings	2.032.329	26.445.184	2.992.424	728.260	106.089	-	32.304.286
Other Liabilities (*)	589.218	1.255.622	2.170.074	870.686	248.617	37.861.702	42.995.919
Total Liabilities	111.496.234	65.644.759	28.129.446	13.848.265	4.280.617	71.101.502	294.500.823
Balance Sheet Long Position	-	-	31.779.490	65.058.057	12.704.510	-	109.542.057
Balance Sheet Short Position	(23.546.332)	(32.023.842)	-	-	-	(53.971.883)	(109.542.057)
Off-balance Sheet Long Position	1.270.226	2.217.995	242.768	-	28.298	-	3.759.287
Off-balance Sheet Short Position	-	-	-	(44.426)	-	-	(44.426)
Total Position	(22.276.106)	(29.805.847)	32.022.258	65.013.631	12.732.808	(53.971.883)	3.714.861

(*) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

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Prior Period - 31 December 2015	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	19.599.410	-	-	-	-	5.874.029	25.473.439
Banks	4.001.869	221.525	-	-	-	4.591.769	8.815.163
Financial Assets at Fair Value Through Profit or Loss (Net)	161.639	1.370.672	779.958	192.113	216.798	16.490	2.737.670
Interbank Money Market Placements	98	-	-	-	-	-	98
Available-for-sale Financial Assets (Net)	3.027.883	3.772.412	8.434.421	20.027.889	7.722.413	399.422	43.384.440
Loans	38.680.211	23.311.515	47.377.144	38.271.874	5.678.439	147.313	153.466.496
Held-to-maturity Investments (Net)	2.129.916	538.768	1.146.641	6.873.115	-	-	10.688.440
Other Assets	1.313.094	1.164.992	802.088	1.668.782	359.191	2.593.287	7.901.434
Total Assets	68.914.120	30.379.884	58.540.252	67.033.773	13.976.841	13.622.310	252.467.180
Liabilities							
Bank Deposits	7.555.987	4.837.964	267.238	-	-	256.697	12.917.886
Other Deposits	83.384.520	18.655.798	10.386.797	2.656.181	323.741	21.145.895	136.552.932
Funds from Interbank Money Market	9.126.813	1.716.681	867.723	10.328.904	2.209.118	-	24.249.239
Miscellaneous Payables	248.647	125.858	245.043	75.900	96.075	4.051.894	4.843.417
Marketable Securities Issued (Net)	257.468	1.461.110	1.473.515	6.489.944	2.728.752	-	12.410.789
Borrowings	2.761.728	18.122.250	4.345.062	724.989	222.846	-	26.176.875
Other Liabilities (*)	395.911	511.549	623.125	290.189	198.837	33.296.431	35.316.042
Total Liabilities	103.731.074	45.431.210	18.208.503	20.566.107	5.779.369	58.750.917	252.467.180
Balance Sheet Long Position	-	-	40.331.749	46.467.666	8.197.472	-	94.996.887
Balance Sheet Short Position	(34.816.954)	(15.051.326)	-	-	-	(45.128.607)	(94.996.887)
Off-balance Sheet Long Position	1.059.384	5.965.675	4.161.014	-	-	-	11.186.073
Off-balance Sheet Short Position	-	-	-	(5.180.675)	(4.240.072)	-	(9.420.747)
Total Position	(33.757.570)	(9.085.651)	44.492.763	41.286.991	3.957.400	(45.128.607)	1.765.326

(*) Shareholders' equity is presented under "Other liabilities" item in "Non-interest bearing".

b. Effective average interest rates for monetary financial instruments (%):

Average interest rates in the above tables are the weighted average rates of the related balance sheet items.

Current Period - 31 December 2016	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	0,75	-	5,31
Banks	0,19	2,24	-	12,00
Financial Assets at Fair Value Through Profit or Loss (Net)	-	-	-	12,27
Interbank Money Market Placements	-	-	-	9,84
Available-for-sale Financial Assets (Net)	2,38	3,71	3,79	9,52
Loans	3,66	5,07	4,27	13,04
Held-to-maturity Investments (Net)	3,62	4,05	-	9,82
Liabilities				
Bank Deposits	0,43	1,62	-	9,42
Other Deposits	1,13	2,45	0,07	8,78
Funds from Interbank Money Market	0,56	1,98	-	8,03
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	4,00	4,87	1,29	9,40
Borrowings	1,04	2,62	-	9,17

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Prior Period – 31 December 2015	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	0,49	-	5,81
Banks	0,47	0,48	-	10,86
Financial Assets at Fair Value Through Profit or Loss (Net)	3,26	-	-	13,14
Interbank Money Market Placements	-	-	-	9,37
Available-for-sale Financial Assets (Net)	2,46	3,80	-	9,94
Loans	3,56	4,35	3,36	12,93
Held-to-maturity Investments (Net)	3,69	3,83	-	10,13
Liabilities				
Bank Deposits	0,51	1,02	-	9,53
Other Deposits	1,12	1,94	0,06	9,10
Funds from Interbank Money Market	0,05	1,50	-	7,69
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	1,57	4,48	-	10,02
Borrowings	1,06	1,86	-	8,00

V. EXPLANATIONS ON EQUITY SECURITIES POSITION RISK DERIVED FROM BANKING BOOKS:

The Bank doesn't have any subsidiaries and affiliates that are traded on the "BIST".

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. Liquidity risk arises from situations in which the Bank is unable to meet the cash outflows with its cash sources and borrowing opportunities over collateralizing marketable securities, in case of sudden fund withdrawals by the individual/institutional funders of the Bank.

a) Information on risk capacity of the Bank, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet Bank's liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Bank has capacity to meet a high risk with broad and stable deposit, strong base capital structure and diversified foreign borrowing sources and is capable of providing additional liquidity with high quality liquid securities in its portfolio and available limits at both the Central Bank of Turkey and other Money markets.

Management of liquidity risk is shared by the ERC, ALCO, Treasury Department and Risk Management Department. The ERC determines the liquidity management policies and the appropriate liquidity risk level in line with the Bank's risk appetite and monitors whether the liquidity risk is managed under the framework of determined policies and within the defined limits.

The different categories of defined limits are;

- Limits related to wholesale funding sources,
- Limits related to liquid asset buffer,
- Limits related to loan/deposit ratio,
- Limits related to the cash inflows coverage capacity to cash outflows,
- Limits related to cash outflow coverage capacity in the stress environment

ALCO takes decision to use alternative funding sources, pricing of obtained funds and granted loans, and other decisions of Daily liquidity management. Treasury Department ensures that the Bank meets its short, middle and long term liabilities, with the transactions made in accordance with ALCO decisions order to utilize excess funding or close the funding gap, occurring on foreign currencies or maturity terms. Risk Management Department measures and monitors the liquidity risk, with the reports prepared and analyses made, and informs the top management. Liquidity risk reporting consists of periodic and special purpose reports prepared to be discussed in the ERC and ALCO meetings, stress tests, scenario analyses, risk limit compliance reports and legal liquidity reports.

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b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:

Each of the Bank's subsidiaries within the consolidation scope manages its own liquidity. Nevertheless, there are defined limits related to the funding amount that the Bank will provide to a subsidiary, in case of liquidity issues. Cumulative liquidity gap resulted in stress scenarios of subsidiaries, should not exceed the fund limits provided by the Bank.

c) Information on the Bank's funding strategy including the policies on funding types and variety of maturities:

The Bank targets to obtain additional funding sources besides the strong capital structure, from the most possible diversified, long term stable sources, considering cost factors. In this direction, concentration ratios such as share of retail funding sources in total funding sources, share of deposits of high amount in total deposits, share of borrowings made from the market in total market volume are monitored and limited with the applied risk limits. Treasury Unit performs necessary work to obtain long term foreign funding.

d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

Almost all of the Bank's liabilities are in TL, USD or EUR currencies and TL funds comprise of mainly equity and deposits. The Bank's liquidity in TL is managed with repurchase agreements made at CBRT/BIST using high quality securities owned by the Bank. Together with keeping the main purpose as using liabilities in TL in funding assets in TL, foreign currency liabilities are used in creating assets in TL using foreign exchange swaps, when necessary. Liquidity management is performed in the scope of internal risk limits, such as short term borrowing limits from markets determined by the Bank, market concentration limits, liquidity stress scenario, and cumulative liquidity gap.

Foreign currency funds are obtained through foreign exchange deposit accounts, foreign based, foreign currency loans, securities issued and repurchase agreements. Foreign currency liquidity management is performed using internal risk limits defined for liquidity buffer kept at correspondent banks and monitored daily in the scope of the Bank's risk limits, and cumulative gap in the scope of liquidity stress scenario, and other risk limits defined for wholesale funding and concentration. The Bank has available foreign currency borrowing limits at CBRT/BIST and other banks.

e) Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposit.

f) Information on the use of stress tests:

In cases of negative conditions such as an impairment in the securities in the Bank's portfolio, inability to replace short and long term borrowings, fast cash outflow, increase in non-performing loan ratio, high margin calls, the extent and duration of sufficient liquidity is analyzed by the stress tests made by the Risk Management Department. Risk limits determined according to analysis results exist within the Bank. It is ensured that the necessary actions are taken by sharing the analysis results and risk limit compliance status with the ALCO, ERC and related business units.

g) General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the ERC. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. In case one or several emergency situations occur, Bank's Liquidity Contingency Plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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Liquidity Coverage Ratio:

Current Period- 31.12.2016

		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			44.220.285	27.611.709
CASH OUTFLOWS					
2	Retail and Customers Deposits	95.843.696	40.420.913	8.614.548	4.042.091
3	Stable deposits	19.396.433	-	969.822	-
4	Less stable deposits	76.447.263	40.420.913	7.644.726	4.042.091
5	Unsecured Funding other than Retail and Small Business Customers Deposits	60.880.264	33.548.206	30.803.352	17.305.123
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	57.984.140	33.093.978	28.952.075	16.854.049
8	Other Unsecured Funding	2.896.124	454.228	1.851.277	451.074
9	Secured funding				
10	Other Cash Outflows	36.183.727	23.298.800	33.180.019	20.470.668
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	32.849.260	20.157.913	32.849.260	20.157.913
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	3.334.467	3.140.887	330.759	312.755
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	561.720	-	28.086	-
15	Other irrevocable or conditionally revocable commitments	52.151.420	16.101.047	2.607.571	805.052
16	TOTAL CASH OUTFLOWS			75.233.576	42.622.934
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	15.903.166	6.960.917	10.349.421	5.634.160
19	Other contractual cash inflows	30.532.866	22.223.618	30.532.362	22.223.331
20	TOTAL CASH INFLOWS	46.436.032	29.184.535	40.881.783	27.857.491
				Upper limit applied amounts	
21	TOTAL HQLA STOCK			44.220.285	27.611.709
22	TOTAL NET CASH OUTFLOWS			34.351.793	14.990.017
23	Liquidity Coverage Ratio (%)			129,12	187,06

[*]Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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Prior Period- 31.12.2015		Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	High quality liquid assets			40.208.564	28.575.791
CASH OUTFLOWS					
2	Retail and Customers Deposits	85.208.857	36.772.343	7.318.637	3.350.616
3	Stable deposits	24.044.967	6.532.367	1.202.248	326.618
4	Less stable deposits	61.163.890	30.239.977	6.116.389	3.023.998
	Unsecured Funding other than Retail and Small Business				
5	Customers Deposits	51.313.589	32.992.218	26.868.305	18.469.889
6	Operational deposits	3.594.333	1.348.712	898.583	337.178
7	Non-Operational Deposits	45.116.389	30.780.807	24.304.813	17.270.012
8	Other Unsecured Funding	2.602.867	862.699	1.664.909	862.699
9	Secured funding	-	-	76.445	76.445
10	Other Cash Outflows	22.328.218	14.385.247	20.447.844	12.685.752
	Liquidity needs related to derivatives and market valuation changes on derivatives transactions				
11		20.240.581	12.497.597	20.240.581	12.497.597
12	Debts related to the structured financial products	-	-	-	-
	Commitment related to debts to financial markets and other off balance sheet liabilities				
13		2.087.637	1.887.650	207.263	188.155
	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments				
14		513.147	-	25.657	-
15	Other irrevocable or conditionally revocable commitments	47.384.793	12.505.733	2.369.240	625.287
16	TOTAL CASH OUTFLOWS			57.106.129	35.207.988
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	15.290.277	7.301.889	10.457.063	6.137.499
19	Other contractual cash inflows	18.723.880	15.588.966	18.723.880	15.588.966
20	TOTAL CASH INFLOWS	34.014.157	22.890.855	29.180.943	21.726.465
				Upper limit applied amounts	
21	TOTAL HQLA STOCK			40.208.564	28.575.791
22	TOTAL NET CASH OUTFLOWS			27.925.186	13.481.523
23	Liquidity Coverage Ratio (%)			144,64	214,80

[*]Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits, bank deposits, foreign funds and borrowings from banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Periodic increases are observed in the liquidity coverage ratio during the weeks where the foreign currency reserve option is used in reserve requirements in CBRT, high amounts are maintained in bank placements or repurchase agreement volume decreases, on the other hand, fluctuations may occur in the liquidity coverage ratio during the weeks where the share of corporate or bank funds increase, or long term foreign funds which are replaced when due, such as syndicated loans are due in one month. Despite these fluctuations, it is observed that the ratio does not decrease below 124% during the period and remain at a quite higher level than the legal lower limit.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions, especially in foreign exchange swaps cause the foreign currency liquidity coverage ratio to be affected.

The Bank's high quality liquid assets mainly comprise of CBRT accounts by 65% and securities issued by Treasury of Republic of Turkey by 32%. Funding sources are mainly distributed between individual and retail deposits by 59%, corporate deposits by 28%, borrowings from banks by 5% and collateralized borrowings such as repurchase agreements by 4%.

Cash outflow amounting to TL 2.191 million (in full TL amount) is calculated based on the change of margin call amounts of derivative transactions and repurchase agreements during the last two years.

Akbank AG, part of the consolidation group and has an effect on liquidity coverage ratio in respect of its size, is subject to legal liquidity ratio projected by regulatory authority situated in its business location. In respect of its long term deposit insurance and borrowing structure which is hard to withdraw before maturity because of legal regulations, consolidated liquidity coverage ratio is higher than unconsolidated ratio.

In accordance with the "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948, dated 21 March 2014, liquidity coverage ratio is calculated for the last three months are presented below.

	Current Period - 31.12.2016	
	TL+FC	FC
October	122,85	149,72
November	120,89	220,90
December	143,62	190,56

	Prior Period - 31.12.2015	
	TP+YP	YP
October	155,95	239,12
November	137,50	184,31
December	140,46	220,97

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Breakdown of assets and liabilities according to their outstanding maturities:

Current Period – 31 December 2016	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank Banks	13.255.673	21.684.117	72.495	-	-	-	-	35.012.285
Financial Assets at Fair Value Through Profit or Loss (Net)	6.471.714	3.386.848	491.851	35.765	-	-	-	10.386.178
Interbank Money Market Placements Available-for-sale Financial Assets (Net)	7.268	452.630	358.038	1.550.277	2.835.489	2.481.157	-	7.684.859
Loans	-	37	-	-	-	-	-	37
Held-to-maturity Investments (Net)	279.585	102.335	205.575	2.530.718	19.037.852	12.650.992	-	34.807.057
Other Assets	-	24.574.530	24.801.566	38.549.688	68.930.492	21.881.987	154.970	178.893.233
	692.866	833.546	319.011	1.149.036	3.999.175	1.014.929	1.731.741	17.976.870
Total Assets	20.707.106	51.034.043	26.248.536	44.500.270	109.566.525	40.557.632	1.886.711	294.500.823
Liabilities								
Bank Deposits	972.501	4.079.131	1.693.367	456.626	-	-	-	7.201.625
Other Deposits	29.437.227	92.183.207	23.457.017	15.154.555	6.063.731	470.442	-	166.766.179
Borrowings	-	444.937	5.771.129	9.746.657	11.287.031	5.054.532	-	32.304.286
Funds from Interbank Money Market Marketable Securities Issued (Net)	-	6.833.745	1.265.662	3.657.997	12.403.666	3.158.972	-	27.320.042
Miscellaneous Payables	-	817.341	553.358	1.888.069	5.889.088	3.385.445	-	12.533.301
Other Liabilities (**)	90.709	4.074.180	191.920	484.608	309.614	228.440	-	5.379.471
	174.314	1.579.779	1.002.565	2.191.313	4.662.974	892.707	32.492.267	42.995.919
Total Liabilities	30.674.751	110.012.320	33.935.018	33.579.825	40.616.104	13.190.538	32.492.267	294.500.823
Net Liquidity Excess/ (Gap)	(9.967.645)	(58.978.277)	(7.686.482)	10.920.445	68.950.421	27.367.094	(30.605.556)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	210.927	(543.020)	458.147	2.218.108	1.370.701	-	3.714.863
Financial Derivative Liabilities	-	18.596.432	22.825.167	45.712.330	83.437.964	35.664.419	-	206.236.312
Non-cash Loans (***)	-	2.164.751	4.218.702	13.602.349	3.675.985	16.685.349	-	40.347.136
Prior Period - 31 December 2015								
Total Assets	11.468.251	45.879.443	22.389.295	38.514.973	91.141.869	41.421.849	1.651.500	252.467.180
Total Liabilities	22.993.963	105.797.736	32.917.347	24.434.256	29.386.654	8.922.333	28.014.891	252.467.180
Net Liquidity Excess/ (Gap)	(11.525.712)	(59.918.293)	(10.528.052)	14.080.717	61.755.215	32.499.516	(26.363.391)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	(282.597)	(133.237)	521.381	764.726	895.056	-	1.765.329
Financial Derivative Liabilities	-	23.205.575	13.692.495	22.971.630	22.967.966	43.500.490	-	126.338.156
Non-cash Loans (***)	-	2.052.141	3.048.802	7.778.711	4.302.278	15.174.788	-	32.356.720

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationery, pre-paid expenses and loans under follow-up, are shown in this column.

(**) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

(***) Amounts related to Letters of Guarantee represent contractual maturity and related amounts. Amounts are demand and can be withdrawn optional.

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Breakdown of liabilities due to their remaining contractual maturities:

Current Period - 31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	126.752.973	25.961.607	15.931.259	6.469.231	494.663	175.609.733
Funds borrowed from other financial institutions	451.508	5.966.555	10.163.960	12.971.677	5.492.299	35.045.999
Funds from interbank money market	6.859.683	1.319.907	3.940.518	13.129.842	3.335.945	28.585.895
Marketable Securities Issued (Net)	825.647	583.810	2.309.158	6.917.270	3.844.774	14.480.659
Prior Period - 31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	112.893.811	23.514.980	11.043.222	2.851.340	346.376	150.649.729
Funds borrowed from other financial institutions	841.475	5.714.588	10.946.996	7.084.743	3.124.309	27.712.111
Funds from interbank money market	9.149.762	1.749.709	942.155	11.137.190	2.409.030	25.387.846
Marketable Securities Issued (Net)	291.026	1.647.741	1.825.794	7.666.653	3.123.350	14.554.564

Breakdown of derivative instruments due to their remaining contractual maturities:

Current Period - 31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	23.564.084	29.916.286	43.654.105	36.371.321	7.448.897
- Outflow	(22.619.992)	(29.205.582)	(43.618.712)	(35.555.506)	(6.690.211)
Interest rate derivatives:					
- Inflow	12.897	106.796	422.549	1.802.328	968.894
- Outflow	(9.437)	(100.096)	(398.477)	(1.657.896)	(876.207)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	4.321	3.322	29.476	3.460.102	-
- Outflow	(27.886)	(53.308)	(163.159)	(3.368.257)	-
Interest rate derivatives:					
- Inflow	1.829	28.421	77.236	547.580	228.568
- Outflow	(6.570)	(49.212)	(115.317)	(535.384)	(210.855)
Total Inflow	23.583.131	30.054.825	44.183.366	42.181.331	8.646.359
Total Outflow	(22.663.885)	(29.408.198)	(44.295.665)	(41.117.043)	(7.777.273)

Prior Period - 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	23.521.509	11.659.292	21.402.437	9.573.309	2.256.618
- Outflow	(21.963.394)	(9.919.847)	(19.927.033)	(11.379.826)	(3.463.635)
Interest rate derivatives:					
- Inflow	7.376	91.693	541.979	1.761.854	864.766
- Outflow	(8.009)	(111.650)	(566.608)	(1.733.348)	(804.294)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	2.706	1.123	11.010	1.334.715	651.433
- Outflow	(17.936)	-	(78.691)	(1.239.213)	(422.920)
Interest rate derivatives:					
- Inflow	12.590	45.028	194.717	1.016.733	446.745
- Outflow	(17.292)	(66.692)	(250.531)	(1.126.186)	(477.654)
Total Inflow	23.544.181	11.797.136	22.150.143	13.686.611	4.219.562
Total Outflow	(22.006.631)	(10.098.189)	(20.822.863)	(15.478.573)	(5.168.503)

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VII. EXPLANATIONS ON LEVERAGE RATIO:

Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2016, leverage ratio of the Group calculated from the arithmetic average of the last 3 months is 8,32 % (31 December 2015: 8,33 %). This ratio is above minimum ratio which is 3%. Leverage ratio is almost on the same level in the current and prior period.

Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS :

		Current Period 31 December 2016(**)	Prior Period 31 December 2015(**)
1	Total assets in the consolidated financial statements prepared in accordance with TAS (*)	283.957.197	249.562.331
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	2.227.699	1.967.300
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	4.026.602	1.740.097
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(26.043.948)	(24.099.825)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(913.573)	(619.515)
6	Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	119.792.270	105.009.592
7	Total Risk	383.046.247	333.559.980

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(**)The arithmetic average of the last 3 months in the related periods

Disclosure of Leverage ratio template :

		Current Period 31 December 2016 (*)	Prior Period 31 December 2015(*)
Balance sheet Assets			
1	Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	279.032.802	247.950.964
2	(Assets deducted from Core capital)	(100.744)	(118.637)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	278.932.058	247.832.327
Derivative financial assets and credit derivatives			
4	Cost of replenishment for derivative financial assets and credit derivatives	7.140.932	2.574.641
5	Potential credit risk amount of derivative financial assets and credit derivatives	4.026.602	1.740.097
6	Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	11.167.534	4.314.738
Financing transactions secured by marketable security or commodity			
7	Risk amount of financing transactions secured by marketable security or commodity	3.076.086	3.004.421
8	Risk amount arising from intermediary transactions	-	-
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	3.076.086	3.004.421
Off-balance sheet transactions			
10	Gross notional amount of off-balance sheet transactions	90.784.142	78.930.395
11	(Correction amount due to multiplication with credit conversion rates)	(913.573)	(619.515)
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	89.870.569	78.310.880
Capital and total risk			
13	Core Capital	31.856.783	27.782.477
14	Total risk amount(sum of lines 3, 6, 9 and 12)	383.046.247	333.462.366
Leverage ratio			
15	Leverage ratio	8,32	8,33

(*) Three months average values

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VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Calculations of financial assets and liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand deposit represents the amount to be paid upon request. The fair value of the overnight deposit represents the carrying value. The expected fair value of the fixed rate deposit is calculated by discounted cash flow with the use of the market interest rates of similar liabilities and loans.

The fair value of marketable securities issued is calculated according to broker price quotations and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	Current Period 31 December	Prior Period 31 December	Current Period 31 December 2016	Prior Period 31 December
Financial Assets	242.063.375	216.354.637	244.418.528	217.085.528
Interbank Money Market Placements	37	98	37	98
Banks	10.386.178	8.815.163	10.385.545	8.815.163
Available-for-Sale Financial Assets	34.807.057	43.384.440	34.807.057	43.384.440
Held-to-Maturity Investments (Net)	17.976.870	10.688.440	17.932.174	10.840.922
Loans	178.893.233	153.466.496	181.293.715	154.044.905
Financial Liabilities	224.184.862	192.901.899	223.681.577	192.616.778
Bank Deposits	7.201.625	12.917.886	7.198.334	12.927.163
Other Deposits	166.766.179	136.552.932	167.098.642	136.696.723
Borrowings	32.304.286	26.176.875	31.410.114	25.879.551
Marketable Securities Issued (Net)	12.533.301	12.410.789	12.595.016	12.269.924
Miscellaneous Payables	5.379.471	4.843.417	5.379.471	4.843.417

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- Quoted market prices (non-adjusted) (1st level).
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level).
- Data not based on observable data regarding assets or liabilities (3rd level).

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Fair value hierarchy of the financial assets and liabilities of the Group according to the foregoing principles is given in the table below:

Current Period - 31 December 2016	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	9.865	-	-	9.865
- Share Certificates	7.268	-	-	7.268
- Trading Derivative Financial Assets	2.642	7.618.296	-	7.620.938
- Other Marketable Securities	46.788	-	-	46.788
Available-For-Sale Financial Assets				
- Government Debt Securities	29.240.863	-	-	29.240.863
- Share Certificates	-	54.344	-	54.344
- Other Marketable Securities	5.331.146	167.707	-	5.498.853
Hedging Derivative Financial Assets	-	807.874	-	807.874
Loans	-	181.293.715	-	181.293.715
Held To Maturity Investments (Net)				
- Government Debt Securities	15.205.027	-	-	15.205.027
- Other Marketable Securities	2.727.147	-	-	2.727.147
Total Assets	52.570.746	189.941.936	-	242.512.682
- Trading Derivative Financial Liabilities	4.389	4.595.458	-	4.599.847
- Hedging Derivative Financial Liabilities	-	98.991	-	98.991
Deposits	-	174.296.977	-	174.296.977
Funds Borrowed	-	31.410.114	-	31.410.114
Funds from Interbank Money Market	-	26.224.001	-	26.224.001
Securities Issued (Net)	-	12.595.016	-	12.595.016
Total Liabilities	4.389	249.220.557	-	249.224.946
Prior Period - 31 December 2015	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	10.103	-	-	10.103
- Share Certificates	6.532	-	-	6.532
- Trading Derivative Financial Assets	-	2.697.157	-	2.697.157
- Other Marketable Securities	23.878	-	-	23.878
Available-For-Sale Financial Assets				
- Government Debt Securities	35.306.201	-	-	35.306.201
- Share Certificates	-	115.958	-	115.958
- Other Marketable Securities	7.723.004	226.441	-	7.949.445
Hedging Derivative Financial Assets	-	651.368	-	651.368
Loans	-	154.044.905	-	154.044.905
Held To Maturity Investments (Net)				
- Government Debt Securities	10.840.922	-	-	10.840.922
- Other Marketable Securities	-	-	-	-
Total Assets	53.910.640	157.735.829	-	211.646.469
- Trading Derivative Financial Liabilities	-	1.767.851	-	1.767.851
- Hedging Derivative Financial Liabilities	-	158.960	-	158.960
Deposits	-	149.623.886	-	149.623.886
Funds Borrowed	-	25.879.551	-	25.879.551
Funds from Interbank Money Market	-	24.195.012	-	24.195.012
Securities Issued (Net)	-	12.269.924	-	12.269.924
Total Liabilities	-	213.895.184	-	213.895.184

As explained in the note of VII-b of the Third Section, share certificates, that are classified as available-for-sale and are carried at cost less impairment since they are not traded in active markets and their fair values cannot be measured reliably, are not shown in the table above.

There are no transfers between the 1st and the 2nd levels in the current year.

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IX. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Details of these transactions are provided in the off-balance sheet table. The Bank has no trust transactions.

X. EXPLANATIONS ON RISK MANAGEMENT TARGET AND POLICIES:

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

a. Explanations on Risk Management and Risk Weighted Amount (RWA):

1. The Bank's risk management approach:

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level. General strategies regarding Bank's risk management are given below:

- Effective management of risks within the Bank's risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank's Board of Directors has the ultimate responsibility for setting up and monitoring the efficiency of such a risk management system. The Board of Directors fulfills its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors approves and regularly reviews Bank's main risk approach, risk principles and policies which are initially discussed and decided by the Executive Risk Committee. The Board of Directors also determines Bank's risk appetite by risk limits taking market conditions and Bank's risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank's Senior Management is responsible to the Bank's Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner. The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management's responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyze the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed. The effectiveness and efficiency of the risk mitigation techniques are regularly monitor.

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2. Overview of RWA:

		Risk Weighted Amount		Minimum capital requirement
		Current Period 31 December 2016	Prior Period 31 December 2015	Current Period 31 December 2016
1	Credit risk (excluding counterparty credit risk) (CCR)	210.883.890	188.685.812	16.870.711
2	Standardised approach (SA)	210.883.890	188.685.812	16.870.711
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	13.262.393	4.420.197	1.060.991
5	Standardised approach for counterparty credit risk (SA-CCR)	13.262.393	4.420.197	1.060.991
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach (*)	212.244	-	16.980
10	Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11	Settlement risk	75	171	6
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	4.527.375	2.325.553	362.190
17	Standardised approach (SA)	4.527.375	2.325.553	362.190
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	17.319.817	14.905.737	1.385.585
20	Basic Indicator Approach	17.319.817	14.905.737	1.385.585
21	Standart Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	246.205.794	210.337.470	19.696.464

[*] Amounts related to Collective Investment Companies (CIY) have been first included in the calculation in accordance with the regulation of "Measurement and Assessment Evaluation of Capital Adequacy for Banks" effectiveness date is 31 March 2016. Accordingly period amounts are not presented.

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b. Linkages between financial statements and regulatory exposures:

1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories:

Legal consolidation refers to the consolidation that includes the consolidation of subsidiaries which are credit institutions or financial institutions in accordance with Article 5 paragraph 1 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks published in the Official Gazette dated November 8, 2006 and numbered 26340. Accounting consolidation refers to the consolidation in which all of the subsidiaries are included in the scope of consolidation in accordance with the Article 5 paragraph 6 of the same communiqué, irrespective of whether these subsidiaries are credit institutions or financial institutions, or not.

	Carrying values of items					
	Carrying values as reported in published financial statements (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework (**)	Not subject to capital requirements or subject to deduction from capital
Current Period - 31.12.2016						
Assets						
Cash and balances at central bank	35.012.285	35.012.285	-	-	-	-
Financial assets held for trading	7.684.859	-	7.684.859	-	2.892.875	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	10.386.178	10.386.178	-	-	-	-
Receivables from money markets	37	37	-	-	-	-
Available for sale financial assets (net)	34.807.057	32.146.949	-	-	2.631.348	28.760
Loans and receivables	178.893.233	178.882.408	-	-	-	10.825
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	17.976.870	17.961.451	-	-	15.419	-
Investments in associates (net)	3.923	3.923	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	5.008.600	5.008.600	-	-	-	-
Derivative financial assets held for hedges	807.874	-	807.874	-	-	-
Tangible assets (net)	881.360	852.497	-	-	-	28.863
Intangible assets (net)	361.527	-	-	-	-	361.527
Investment properties (net)	-	-	-	-	-	-
Tax assets	26.334	23.334	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	74.188	74.169	-	-	-	19
Other assets	2.576.498	2.576.195	-	-	303	-
Total assets	294.500.823	282.931.026	8.492.733	-	5.539.945	429.994
Liabilities						
Deposits	173.967.804	-	-	-	-	173.967.804
Derivative financial liabilities held for trading	4.599.847	-	4.599.847	-	2.236.153	4.599.847
Loans	32.304.286	-	-	-	-	32.304.286
Debt to money markets	27.320.042	-	27.320.042	-	-	27.320.042
Debt securities in issue	12.533.301	-	-	-	-	12.533.301
Funds	-	-	-	-	-	-
Various debts	5.379.471	-	-	-	57	5.379.471
Other liabilities	1.436.897	-	-	-	-	1.436.897
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	98.991	-	98.991	-	-	98.991
Provisions	3.557.901	-	-	-	-	3.557.901
Tax liability	810.016	-	-	-	-	810.016
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	32.492.267	-	-	-	-	32.492.267
Total liabilities	294.500.823	-	32.018.880	-	2.236.210	294.500.823

(*) Unconsolidated financial statements of Bank are stated.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are represented in "Subject to market risk framework" column

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2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Current Period - 31.12.2016	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework(*)
1	Asset carrying value amount under scope of regulatory consolidation	294.070.829	282.931.026	-	8.492.733	5.539.945
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	(32.018.880)	(2.236.210)
3	Total net amount under regulatory scope of consolidation	294.070.829	282.931.026	-	40.511.613	7.776.155
4	Off-balance sheet amounts	300.531.920	26.631.584	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	(3.248.780)
9	Differences due to risk reduction	-	(5.126.117)	-	(24.530.477)	-
10	Exposure amounts considered for regulatory purposes		304.436.493	-	15.981.136	4.527.375

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

3. Explanations of differences between accounting and regulatory exposure amounts:

a) Financial and regulatory scope of consolidation:

There is no difference between the financial and regulatory scope of consolidation.

b) Differences between accounting and regulatory exposure amounts:

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of "Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio".

c) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks":

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

c. Credit risk explanations:

1. General qualitative information about credit risk:

Risk limits are defined by Board of Directors in a such manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in

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line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

Credit rating models are used in loan allocation processes in accordance with the risk appetite, credit policies and targets of the Bank. Rating all credit customers is essential for the Bank. Credit ratings are used as the main factor in determining target segments, authority levels, prices, limits and collateralization levels in loan portfolios. Application models are used during initial loan underwriting and behavioral models are used for customers whose previous credit performance could be monitored. Behavioral models are mainly used in the credit monitoring process and in the evaluation process of portfolio risk.

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, customer, credit type and customer segment.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. During the process of credit risk management, the Risk Management Department conducts measurement, monitoring and reporting activities of the credit risk using statistical models. In addition to the credit risk-related risk limits, various concentrations in the loan portfolio are also analyzed. It is assured to act within the policy of allocation, monitoring, Limit Follow-up and management, by establishing policy regarding to Country risk and concentration risk management. Cost of loan and collections of non-performing loans are monitored periodically. In addition, stress testing and scenario analysis studies are carried out on the loan portfolio.

Assessment of the internal systems established to encompass all branches and departments and related entities are among the highest priorities of the Board of Directors to ensure the continuity of its operations, competencies and activities. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are carried out by the Board of Directors, the Audit Committee, the Executive Risk Committee, Internal Audit, Internal Control, Risk Management activities and Internal Systems Responsible.

The Board of Directors is responsible for determining the risk baseline of the Bank, the risk approach and the level of risk taking. The Board of Directors manages the risks through the Executive Risk Committee. The committee is responsible for establishing risk policies, determining methods for measuring and managing risks, and establishing and monitoring appropriate risk limits. All risk policies established by the Executive Risk Committee are written and integrated into the Bank's long-term general strategy.

2. Credit quality of assets:

		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
Current Period 31.12.2016		Defaulted exposures	Non-defaulted exposures		
1	Loans	4.267.191	178.738.263	6.606.412	176.399.042
2	Debt Securities	-	52.568.263	54.877	52.513.386
3	Off-balance sheet exposures	198.157	94.143.666	205.438	94.136.385
4	Total	4.465.348	325.450.192	6.866.727	323.048.813

3. Changes in stock of defaulted loans and debt securities:

		Current Period 31.12.2016
1	Defaulted loans and debt securities at end of the previous reporting period	3.532.825
2	Loans and debt securities that have defaulted since the last reporting period	2.120.026
3	Returned to non-defaulted status	24.803
4	Amounts written off	469.585
5	Other changes	693.115
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions	4.465.348

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4. Additional disclosure related to the credit quality of assets:

- a) Definitions of overdue and provision allocated receivables are presented in Note II-o of Section Four:
- b) The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application:

All loans that have completed the 90 day overdue period are automatically taken into follow-up accounts and they are subjected to specific provision within the related month at the Bank. In exceptional cases, the delinquency process is suspended due to a court decision and the Bank's credit amount in this scope is insignificant as of 31 December 2016.

- c) Definitions of the methods used when determining the provision amount, are presented in Note VII-c of Section Three:
- d) Definitions of restructured receivables:

Banks can restructure both the first, second group loans and other receivables as well as non-performing loans and receivables. The first, second group loans and other receivables are restructured to enhance customer's ability to repay the loan. Besides, apart from credit risk, it involves changes in the contractual conditions with the demand of customer. While Non-performing loans and receivables are restructured to ensure the collection of the receivables by changing the cash flow of the loan.

e) Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

31 December 2016	
Domestic	171.594.721
European Union Countries	6.331.327
OECD Countries (*)	125.337
Off-Shore Banking Regions	2
USA, Canada	26.644
Other	660.232
Total	178.738.263

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

Breakdown by sector

31 December 2016	
Agricultural	162.329
Farming and raising livestock	84.875
Forestry	77.099
Fishing	355
Manufacturing	41.743.794
Mining	2.281.365
Production	25.660.182
Electricity, Gas, Water	13.802.247
Construction	23.978.994
Services	62.057.217
Wholesale and Retail Trade	24.195.383
Hotel, Food, Beverage Services	3.888.003
Transportation and Telecommunication	8.757.580
Financial Institutions	20.774.570
Real Estate and Lending Services	1.410.477
Self employment Service	564.786
Education Service	387.134
Health and social Services	2.079.284
Other	50.795.929
Total	178.738.263

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Breakdown by outstanding maturity

31 December 2016	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	24.574.530	24.801.566	38.549.688	68.930.492	21.881.987	178.738.263

f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

Breakdown by geographical area:

31 December 2016	Loans Under Follow-up	Provisions
Domestic	4.266.137	4.111.167
European Union Countries	649	649
OECD Countries (*)	-	-
Off-Shore Banking Regions	3	3
USA, Canada	81	81
Other	321	321
Total	4.267.191	4.112.221

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

Breakdown by sector

31 December 2016	Loans Under Follow-up	Provisions
Agricultural	11.276	11.276
Farming and raising livestock	9.971	9.971
Forestry	1.246	1.246
Fishing	59	59
Manufacturing	381.020	381.020
Mining	26.672	26.672
Production	346.738	346.738
Electricity, Gas, Water	7.610	7.610
Construction	144.750	144.750
Services	1.278.472	1.123.502
Wholesale and Retail Trade	874.098	874.098
Hotel, Food, Beverage Services	264.419	109.449
Transportation and Telecommunication	63.888	63.888
Financial Institutions	2.444	2.444
Real Estate and Lending Services	2.940	2.940
Self employment Service	4.820	4.820
Education Service	29.379	29.379
Health and social Services	36.484	36.484
Other	2.451.673	2.451.673
Total	4.267.191	4.112.221

As of 31 December 2016, Non Performing Loans written-off from Asset amounting to TL469.585.

g) Aging analysis for overdue receivables:

Delayed Time	Total
30-60 days overdue	2.367.824
60-90 days overdue	740.243
Total	3.108.067

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h) Breakdown of restructured receivables based on whether or not provisions are allocated:

Restructured Receivables	31 Aralık 2016
Loans Structured from Standard Loans and Other Receivables	2.742.877
Loans Composed of Follow-on Loans and Other Receivables	3.026.531
Loans Restructured from Non-Performing Loans	177.871

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables, specific provision is allocated for the loans restructured from non-performing loans.

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

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The risk amount and the amount of collateral are also compared against the value losses that may occur in the collateral, and in case of gap between risk and collateral, the Bank Monitoring System automatically generates "Risky Transaction Registration".

In the calculation of capital adequacy ratio, real estate mortgages are subject to valuation process in accordance with the related legislation. There is no physical collateral used for risk reduction other than real estate.

Financial guarantees used in capital adequacy calculations are blocked deposits held at the bank and there is no netting other than these.

Collateral management processes are written in credit policies and checks are made to ensure that there is no concentration of third party guarantor type and collateral.

5. Credit risk mitigation techniques – overview:

		Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Current Period 31.12.2016								
1	Loans	156.316.220	20.082.822	17.508.016	4.653.754	4.613.101	-	-
2	Debt Securities	52.513.386	-	-	-	-	-	-
3	Total	208.829.606	20.082.822	17.508.016	4.653.754	4.613.101	-	-
4	Of which defaulted	4.465.348	-	-	-	-	-	-

6. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

The ratings given by the international credit rating agency Fitch Ratings are used to determine the risk weights to be applied in the calculation of capital adequacy. Fitch Ratings are limited to the receivables of the counterparty residing abroad; central government or central banks, banks and corporate receivables.

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

Current Period - 31.12.2016	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
1 Exposures to central governments or central banks	76.720.323	3.641.222	76.720.323	72.683	25.386.083	11,5%
2 Exposures to regional governments or local authorities	-	250	-	50	25	0,0%
3 Exposures to public sector entities	36.006	21.891	36.007	5.946	41.953	0,0%
4 Exposures to multilateral development banks	-	-	-	-	-	0,0%
5 Exposures to international organisations	-	-	-	-	-	0,0%
6 Exposures to institutions	19.932.042	55.097.519	19.932.042	15.981.788	14.787.307	6,7%
7 Exposures to corporates	115.119.449	43.477.182	110.699.263	21.587.620	129.579.790	58,9%
8 Retail exposures	46.640.581	32.552.004	46.453.291	3.810.507	37.697.849	17,2%
9 Exposures secured by residential property	11.138.434	172.492	11.132.846	67.456	3.920.106	1,8%
10 Exposures secured by commercial real estate	8.944.111	909.766	8.944.068	558.570	6.154.894	2,8%
11 Past-due loans	220.140	-	220.140	-	243.346	0,1%
12 Higher-risk categories by the Agency Board	-	235	-	-	-	0,0%
13 Exposures in the form of covered bonds	-	-	-	-	-	0,0%
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0,0%
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	212.244	248.632	212.246	15.087	227.332	0,1%
16 Other assets	3.896.437	-	3.896.437	-	2.084.078	0,9%
17 Investments in equities	71.259	-	71.259	-	71.259	0,0%
18 Total	282.931.026	136.121.193	278.317.922	42.099.707	220.194.021	100,0%

8. Standardised Approach – Exposures by asset classes and risk weights:

Current Period - 31.12.2016										Other risk weights	Total risk amount [**]
Asset classes/ Risk weight	%0	%10	%20	%35	%50[*]	%75	%100	%150	%200		
1 Exposures to central governments or central banks	29.488.771	-	163.991	-	50.677.979	-	14.295	-	-	-	76.793.006
2 Exposures to regional governments or local authorities	-	-	-	-	50	-	-	-	-	-	50
3 Exposures to public sector entities	4.088	-	-	-	-	-	41.953	-	-	-	41.953
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	19.715.092	-	11.025.691	-	24.611.941	-	276.198	-	-	-	35.913.830
7 Exposures to corporates	5.815.404	-	182.913	-	4.314.565	-	127.334.986	30.481	-	-	132.286.883
8 Retail exposures	361.880	-	-	-	-	50.263.798	-	-	-	-	50.263.798
9 Exposures secured by residential property	5.588	-	-	11.200.302	-	-	-	-	-	-	11.200.302
10 Exposures secured by commercial real estate	43	-	-	-	6.695.488	-	2.807.150	-	-	-	9.502.638
11 Past-due loans	-	-	-	-	-	-	173.729	46.411	-	-	220.140
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	233.511	-	-	-	-	-	227.333	-	-	-	227.333
16 Investments in equities	-	-	-	-	-	-	71.259	-	-	-	71.259
17 Other assets	1.699.809	-	140.688	-	-	-	2.055.940	-	-	-	3.896.437
18 Total	57.324.186	-	11.513.283	11.200.302	86.300.023	50.263.798	133.002.843	76.892	-	-	320.417.629

[*]Secured by real estate

[**]Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM)

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d. Counterparty Credit risk (CCR) explanations:

1. Qualitative disclosure related to counterparty credit risk:

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies, corporate segment, micro segment customers, private banking customers and individual customers. The products are grouped as interest swap transactions, foreign currency option transactions (plain vanilla), foreign exchange option transactions (exotic), interest option transactions, commodity Transactions, credit derivatives and repo transactions.

"Conformity Test" is applied to the customers to determine whether the products to be presented to the customers are in compliance with the customers' financial status and their knowledge and experience. The tests to be applied are prepared in a way that bank can evaluate the information received from the customers with the method including "risk and return preference" and knowledge and experience" classifications determined by the Bank.

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For the transactions within the scope of the CCR, appropriate limits to the risk appetite, policies and strategies of the Bank are determined. The determined limits are approved by the Board of Directors for the banks. For the firms and individuals apart from banks regular loan approval processes and limits are conducted.

The counterparty credit risk limits for financial institutions are also determined separately and presented to the Board of Directors for approval. The determined limits are reviewed at least once a year. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made. If deemed necessary, the approved limits are blocked by the Credit Committee / Credit Allocation Business Unit and by the approval of the Board of Directors.

In counterparty credit risk management of financial institutions, risk mitigation methods such as netting agreements, collateral and "margin" agreements are used. Collateralization principles and procedures are applied for companies and individuals other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

The risk of reverse tendency within the scope of the CKR appears in two ways as the risk of general reversal and the risk of specific reversal.

To avoid the general counter trend risk;

-Depending on the direction of the financing expenses of the corporate and commercial companies, it is taken care that the interest swap transactions made are aimed at "hedging". If the short-term liability of the firm is more than short-term liabilities susceptible to interest, interest rate swaps will be applied to the firm with the fixed interest rate. In the other case, interest rate swap transactions that the company pays variable interest are made.

-It is also important to note that the transactions are "hedged" for foreign currency transactions. If the firm is in a long position in the foreign exchange market, the transactions that the foreign exchange seller is the company and if the company is in the short position in the foreign exchange market, the transactions that the foreign exchange buyer is the company are taken into consideration.

To avoid the risk of specific counter trend risk;

-In the option transactions made on the other party's own shares, transactions are not made where the same counterparty is the option seller.

-In the credit derivative transactions on the counterparty's own credit risk, there are no transactions that the counterparty is the protection seller

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There are no triggering factors for the actions taken under the CCR to grant additional collateral due to the decline in the credibility of the Bank.

2. Analysis of counterparty credit risk exposure by approach:

	Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
Current Period - 31.12.2016						
1 Standardised Approach (for derivatives)	8.396.783	4.206.962	-	1,4	12.603.745	7.559.021
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	3.377.391	1.538.866
5 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	3.377.391	1.538.866
6 Total						9.097.887

(*) Effective Expected Positive Exposure

3. Credit valuation adjustment (CVA) capital charge:

	Exposure at default post-CRM	RWA
Current Period - 31.12.2016		
Total portfolios subject to the Advanced CVA capital charge		
1 (i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	12.603.745	4.159.105
4 Total subject to the CVA capital charge	12.603.745	4.159.105

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4. Standardised approach of CCR exposures by regulatory portfolio and risk weights:

Current Period - 31.12.2016 Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure(*)
Regulatory portfolio									
Claims from central governments and central banks	50.214	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	1.289	-	-	1.289
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	2.021.795	10.399.860	-	3.156	-	-	5.607.445
Corporates	-	-	9	9.953	-	3.437.039	-	-	3.442.017
Retail portfolios	-	-	-	-	42.742	-	-	-	32.057
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	15.079	-	-	15.079
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	50.214	-	2.021.804	10.409.813	42.742	3.456.563	-	-	9.097.887

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

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

5. Composition of collateral for CCR exposure: Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.

6. Credit derivatives exposures:

Current Period - 31.12.2016	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	6.635.216	4.931.513
Credit options	-	-
Other credit derivatives	-	-
Total notionals	6.635.216	4.931.513
Fair values		
Positive fair value (asset)	1.643.573	1.643.573
Negative fair value (liability)	-	-

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7. Exposures to central counterparties (CCP):

Current Period - 31.12.2016		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)	-	-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	269.861	5.397
4	(ii) Exchange-traded Derivatives	269.861	5.397
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	1.964	4
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)		
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

e. Securitization explanations: The Bank has no securitization transactions.

f. Explanations on market risk:

1. Qualitative disclosure requirements related to market risk:

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary.

Market risk is calculated by two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations use variance-covariance, historical simulation and Monte Carlo simulation methods. The software used can perform calculations with an advanced yield curve and volatility models. The VaR model is based on the assumptions of 99% confidence interval and a 10-day holding period. VaR analyses are performed on a daily basis and reported to the Senior Management. VaR analyses are also used as risk and limit management instrument for trading transactions. The limits are reviewed periodically according to market conditions and the application of specified limits is subject to authority restrictions and therefore the control effectiveness is increased. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which have significant impact and the effects of market fluctuations. Retrospective tests of the model outputs are performed regularly. The standard method is used for the legal reporting.

The following table indicates the details of the market risk calculation as of 31 December 2016, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

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1. Standardised approach:

		RWA
	Outright products	
1	Interest rate risk (general and specific)	2.012.660
2	Equity risk (general and specific)	11.875
3	Foreign exchange risk	2.444.377
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	58.463
7	Scenario approach	-
8	Securitisation	-
9	Total	4.527.375

Outright products refer to positions in products that are not optional.

g. Explanations on operational risk:

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of July 1, 2012, is used in the annual operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2016 is calculated by using the gross income of the Bank in 2013, 2014 and 2015.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

	31.12.2013	31.12.2014	31.12.2015	Total/Positive GI year number	Ratio (%)	Total
Gross income	8.506.114	8.997.640	10.207.953	3	15	1.385.585
Amount subject to Operational Risk (Amount*12,5)						17.319.817

h. Interest rate risk related to banking book:

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Executive Risk Committee in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

In addition to interest rate sensitivities measured and reported weekly, daily and transaction-based analyses are also performed when significant fluctuations occur in markets.

Repricing term mismatch and duration mismatch analyses, net economic value change analyses under different interest rate stress scenarios and income simulations are used for interest rate risk management. Repricing risk, yield curve risk, basis risk and optionality risk are considered under interest rate risk scope.

The interest rate risk arising from banking book is calculated and reported on a monthly basis according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no 28034 on 23 August 2011.

The Group's calculation of the interest rate risk derived from banking books is presented below:

Currency	Applied Shock (+/- x basis points)	Gains / Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TL	(400)	3.522.632	10,12%
TL	500	(3.732.576)	(10,71%)
USD	(200)	(534.093)	(1,53%)
USD	200	509.074	1,47%
EURO	(200)	57.075	0,15%
EURO	200	(270.409)	(0,78%)
Total (for negative shocks)		3.045.614	8,74%
Total (for positive shocks)		(3.493.911)	(10,02%)

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XI. EXPLANATIONS ON HEDGE TRANSACTIONS:

The Group hedges its TL and foreign denominated fixed rate financial assets with cross currency swaps and interest swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. As long as the hedge relationship is effective, fair value change of the hedged item is disclosed together with its related asset or liability in the balance sheet for TL denominated fixed rate mortgage loans. Fair value changes which have already been booked in equity, have been reclassified from equity to income statement for TL and FC denominated fixed rate available-for-sale financial assets.

The Group hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Hedging reserves" whereas ineffective part is accounted in the income statement. At instances when cash flows relating to hedged item (interest expense) affect the income statement, profit/loss of the related hedging item is taken out of the equity and reflected on the income statement.

Prospective tests are performed at the inception of the hedge relationships and both prospective and retrospective tests are performed at each reporting period-end regularly by using "Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of TAS 39.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

The Group also applies fair value hedge to hedge the foreign currency risk arising from investments abroad. Effective portion of the fair value change of the hedging instrument is accounted under "Hedging funds" under equity. Ineffective portion is accounted under income statement.

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As of 31 December 2016, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet of the Bank are summarized in the following table:

	Current Period 31 December 2016			Prior Period 31 December 2015		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps						
-TL	2.497.225	682.966	-	1.228.638	648.858	-
-FC	20.894.823	124.908	98.991	11.575.795	2.510	158.960
Total	23.392.048	807.874	98.991	12.804.433	651.368	158.960

1. Explanations on Accounting Net Investment Hedge:

The Group has been using hedge against fair value strategy to hedge against foreign currency risk born of EURO 320 million which represents share premiums and paid-in-capital of Akbank AG, one of its subsidiaries. EURO 320 million of syndication loans used by the Group have been classified as "hedge instruments."

2. Explanations on Fair Value Hedge:

Current Period - 31 December 2016

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(94.580)	89.557	(5.023)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	260	(246)	14
Cross-currency swap	Fixed interest rate FC Issued Eurobond, FC Lease Receivables	Interest rate and currency risk	599	(732)	(133)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	784.031	(776.488)	7.543

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency from the interest rate and foreign exchange risks.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

Prior Period - 31 December 2015

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(175.849)	170.936	(4.913)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	88	(93)	(5)
Cross-currency swap	Fixed interest rate FC Issued Bonds, FC Lease Receivables	Interest rate and currency risk	412	(447)	(35)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	236.846	(233.961)	2.885
Cross-currency swap	Fixed interest rate TL available-for-sale financial assets, FC borrowings	Interest rate and currency risk	312.135	(307.153)	4.982

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency from the interest rate and foreign exchange risks.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

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As of 31 December 2016 fair value hedge transactions have been proven to be effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2016, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 12.845 (31 December 2015: TL 8.588).

3. Explanations on Cash Flow Hedge:

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net)
			Assets	Liabilities			
Interest Rate Swap	Floating-rate long Term FC funds borrowed	Cash Flow risk due to changes in interest rate of funds	94.338	-	78.608	(9.850)	-

As of 31 December 2016 cash flow hedge transactions have been determined as effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2016, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (43.790) (31 December 2015: TL (75.471)).

XII. EXPLANATIONS ON BUSINESS SEGMENTS:

The Group operates in three main business segments including including consumer banking, commercial banking, SME banking, and corporate-investment and private banking with treasury activities. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account customer, customer relationship manager, branch segment and product. This information is made available to the branch and Head Office personnel through a web-based management reporting system.

Consumer banking offers a variety of retail services such as deposit accounts, consumer loans, commercial installment loans, credit cards, insurance products and asset management services. The consumer banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate Banking and Commercial Banking and SME Banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Bank provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities. In the scope of private banking, The Bank serves the members of the high-income customers who have expectations for upper-class service quality both in banking and investment transactions.

The Treasury Unit conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits. These transactions are performed according to the Bank's requirements. Furthermore, Treasury Unit also carries out marketing and pricing activities of treasury products for customers and branch network. The Treasury Unit also serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

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Other Business segments consist of the operations of Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş., Ak Portföy Yönetim A.Ş. and Akbank (Dubai) Limited which are consolidated as subsidiary of Bank.

Information on business segments as of 31 December 2016 and 31 December 2015 presented in the following tables include changes mentioned in Section One, Note III. Explanations on business segments are prepared on the basis of data obtained from Bank Management Reporting System.

	Consumer Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Bank's Total Activities
Current Period – 31 December 2016					
Operating Income	4.313.256	6.447.743	1.051.592	1.100.722	12.913.313
Profit from Operating Activities	1.621.783	4.258.167	816.233	[497.959]	6.198.224
Income from Subsidiaries				2.658	2.658
Profit before Tax	1.621.783	4.258.167	816.233	[495.301]	6.200.882
Corporate Tax				[1.346.703]	[1.346.703]
Minority Shares				[11]	[11]
Net Profit for the Period	1.621.783	4.258.167	816.233	[1.842.015]	4.854.168
Segment Assets	50.388.066	147.186.165	80.504.590	5.614.790	283.693.611
Investments in Associates.	-	-	-	-	3.923
Undistributed Assets	-	-	-	-	10.803.289
Total Assets	-	-	-	-	294.500.823
Segment Liabilities	85.174.995	87.332.818	76.307.706	4.662.127	253.477.646
Undistributed Liabilities	-	-	-	-	8.530.910
Shareholders' Equity	-	-	-	-	32.492.267
Total Liabilities	-	-	-	-	294.500.823
Other Segment Items					
Capital Investment	-	-	-	445.335	445.335
Amortization	[28.821]	[22.529]	[75]	[167.317]	[218.742]
Non-cash Other Income-Expense	[543.166]	[840.898]	[109.719]	[758.242]	[2.252.025]

	Consumer Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Bank's Total Activities
Prior Period – 31 December 2015					
Operating Income	3.636.611	5.208.536	823.658	1.086.879	10.755.684
Profit from Operating Activities	434.637	3.632.355	732.671	[622.866]	4.176.797
Income from Subsidiaries				2.275	2.275
Profit before Tax	434.637	3.632.355	732.671	[620.591]	4.179.072
Corporate Tax				[949.706]	[949.706]
Minority Shares				[9]	[9]
Net Profit for the Period	434.637	3.632.355	732.671	[1.570.306]	3.229.357
Segment Assets					
Investments in Associates.	47.424.063	119.823.738	75.311.131	4.599.381	247.158.313
Undistributed Assets	-	-	-	-	3.923
Total Assets	-	-	-	-	5.304.944
Segment Liabilities	-	-	-	-	252.467.180
Undistributed Liabilities	73.133.732	76.127.302	64.354.829	3.445.966	217.061.829
Shareholders' Equity	-	-	-	-	7.390.460
Total Liabilities	-	-	-	-	28.014.891
Other Segment Items					
Capital Investment	-	-	-	159.528	159.528
Amortization	[39.983]	[24.815]	[462]	[160.840]	[226.100]
Non-cash Other Income-Expense	[1.019.406]	[526.358]	[43.607]	[775.623]	[2.364.994]

SECTION FIVE

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INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

a. Information related to cash equivalents and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash equivalents and the account of the CBRT:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Cash/Foreign Currency	1.135.291	559.576	935.450	448.460
The CBRT	4.228.312	28.943.471	1.230.328	22.776.999
Other(*)	1	145.634	2	82.200
Total	5.363.604	29.648.681	2.165.780	23.307.659

(*) As of 31 December 2016, precious metal account amounts to TL 4.947 (31 December 2015: TL 56.414).

2. Information related to the account of the CBRT:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Demand Unrestricted Account	1.530	-	1.830	-
Time Unrestricted Account	-	5.173.596	-	853.816
Time Restricted Account	-	-	-	-
Reserve Requirement	4.226.782	23.769.875	1.228.498	21.923.183
Total	4.228.312	28.943.471	1.230.328	22.776.999

3. Explanation on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 11,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4,5% and 24,5% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities)

b. Information on financial assets at fair value through profit or loss:

- As of 31 December 2016, financial assets at fair value through profit or loss given as collateral/blocked amount to TL 9.721 (31 December 2015: TL 8.463); and those subject to repo transactions amount to TL 569 (31 December 2015: TL 1.489).
- Table of positive differences related to trading derivative financial assets:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Forward Transactions	471.979	-	198.176	-
Swap Transactions	3.702.044	3.184.326	577.202	1.699.565
Futures Transactions	-	-	-	-
Options	26.984	235.605	896	221.318
Other	-	-	-	-
Total	4.201.007	3.419.931	776.274	1.920.883

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c. Information on banks account:

1. Information on banks account:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Banks	150.527	10.235.651	1.586.889	7.228.274
Domestic	149.080	2.574.639	1.586.889	1.834.297
Foreign	1.447	7.661.012	-	5.393.977
Head Quarters and Branches Abroad	-	-	-	-
Total	150.527	10.235.651	1.586.889	7.228.274

2. Information on foreign banks account:

	Unrestricted Amount		Restricted Amount (**)	
	Current Period 31 December 2016	Prior Period 31 December 2015	Current Period 31 December 2016	Prior Period 31 December 2015
European Union Countries	1.719.248	1.446.858	5.356.726	3.144.498
USA, Canada	570.116	786.390	-	1.754
OECD Countries (*)	9.974	9.996	-	-
Off-Shore Banking Regions	17	-	15	-
Other	6.261	4.481	102	-
Total	2.305.616	2.247.725	5.356.843	3.146.252

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

(**) Restricted amounts which mainly consist of collaterals related to borrowings, are kept in several banks.

d. Information on available-for-sale financial assets:

1. As of 31 December 2016, available-for-sale financial assets subject to repurchase agreements amount to TL 16.282.871 (31 December 2015: TL 20.185.224); and those given as collateral/blocked amounting to TL 2.062.303 (31 December 2015: TL 1.939.145).

2. Information on available-for-sale financial assets:

	Current Period 31 December 2016		Prior Period 31 December 2015	
Debt Securities		35.630.700		44.023.242
Quoted to Stock Exchange		35.462.993		43.796.801
Not Quoted to Stock Exchange		167.707		226.441
Share Certificates		67.341		128.794
Quoted to Stock Exchange		-		-
Not Quoted to Stock Exchange		67.341		128.794
Impairment Provision (-)		890.984		767.596
Total		34.807.057		43.384.440

e. Information related to loans:

1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	245	-	82
Corporate Shareholders	-	245	-	82
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	4.591.797	900.355	3.421.775	1.447.220
Loans Granted to Employees	105.759	-	99.195	-
Total	4.697.556	900.600	3.520.970	1.447.302

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2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Non-specialized Loans	172.720.280	2.742.877	-	6.017.983	3.026.531	-
Business Loans	27.630.244	362.411	-	2.015.195	1.089.972	-
Export Loans	7.005.141	70.000	-	11.111	8.110	-
Import Loans	1.462.837	-	-	-	-	-
Loans Granted to Financial Sector	7.132.273	6.451	-	973	-	-
Consumer Loans	27.894.782	528.858	-	1.536.885	902.019	-
Credit Cards	12.128.729	411.000	-	690.487	514.387	-
Other	89.466.274	1.364.157	-	1.763.332	512.043	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	172.720.280	2.742.877	-	6.017.983	3.026.531	-

The Bank has a cash loan exposure of USD 1.5 billion related with the acquisition finance of a telecommunication company within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral. Negotiations on restructuring of the loan have started among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of the Company and it is expected that negotiations will produce a positive outcome. Respective loan is classified under "Standard loans and other receivables" as of 31 December 2016.

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of Extension		
Extended by 1 or 2 times	2.631.740	2.526.412
Extended by 3,4 or 5 times	110.731	476.406
Extended by more than 5 times	406	23.713
Total	2.742.877	3.026.531

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Extension periods	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	258.704	955.035
6 - 12 Months	162.063	209.102
1 - 2 Years	634.135	551.321
2 - 5 Years	1.046.975	954.342
5 Years and over	641.000	356.731
Total	2.742.877	3.026.531

3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables				
Receivables	47.421.529	727.923	1.427.952	838.858
Non-Specialized Loans	47.421.529	727.923	1.427.952	838.858
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables				
and Other Receivables	125.298.751	2.014.954	4.590.031	2.187.673
Non-Specialized Loans	125.298.751	2.014.954	4.590.031	2.187.673
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	172.720.280	2.742.877	6.017.983	3.026.531

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4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

Current Period- 31.12.2016	Short-term	Medium and Long-term	Total
Consumer Loans-TL	453.953	27.962.936	28.416.889
Mortgage Loans	8.491	13.548.749	13.557.240
Automotive Loans	5.413	372.723	378.136
Consumer Loans	440.049	14.041.464	14.481.513
Other	-	-	-
Consumer Loans- Indexed to FC	-	10.708	10.708
Mortgage Loans	-	9.601	9.601
Automotive Loans	-	-	-
Consumer Loans	-	1.107	1.107
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	9.862.772	747.868	10.610.640
With Installment	4.152.291	745.705	4.897.996
Without Installment	5.710.481	2.163	5.712.644
Consumer Credit Cards-FC	9.319	-	9.319
With Installment	-	-	-
Without Installment	9.319	-	9.319
Personnel Loans-TL	2.966	62.162	65.128
Mortgage Loans	-	3.000	3.000
Automotive Loans	-	147	147
Consumer Loans	2.966	59.015	61.981
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	40.491	38	40.529
With Installment	16.120	38	16.158
Without Installment	24.371	-	24.371
Personnel Credit Cards-FC	102	-	102
With Installment	-	-	-
Without Installment	102	-	102
Credit Deposit Account-TL (Real Person)	938.942	-	938.942
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	11.308.545	28.783.712	40.092.257

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Prior Period – 31.12.2015	Short-term	Medium and Long-term	Total
Consumer Loans-TL	116.139	27.719.566	27.835.705
Mortgage Loans	1.485	13.428.250	13.429.735
Automotive Loans	725	538.497	539.222
Consumer Loans	113.929	13.752.819	13.866.748
Other	-	-	-
Consumer Loans- Indexed to FC	-	16.613	16.613
Mortgage Loans	-	15.454	15.454
Automotive Loans	-	-	-
Consumer Loans	-	1.159	1.159
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	10.011.944	831.329	10.843.273
With Installment	4.269.698	831.329	5.101.027
Without Installment	5.742.246	-	5.742.246
Consumer Credit Cards-FC	15.969	-	15.969
With Installment	5.457	-	5.457
Without Installment	10.512	-	10.512
Personnel Loans-TL	1.225	58.407	59.632
Mortgage Loans	-	1.730	1.730
Automotive Loans	-	167	167
Consumer Loans	1.225	56.510	57.735
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	39.312	69	39.381
With Installment	15.348	69	15.417
Without Installment	23.964	-	23.964
Personnel Credit Cards-FC	182	-	182
With Installment	79	-	79
Without Installment	103	-	103
Credit Deposit Account-TL (Real Person)	762.321	-	762.321
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	10.947.092	28.625.984	39.573.076

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5. Information on commercial installment loans and corporate credit cards:

Current Period – 31.12.2016	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	1.111.879	6.336.363	7.448.242
Mortgage Loans	2.111	8.541	10.652
Automotive Loans	47.976	2.097	50.073
Consumer Loans	1.061.792	6.325.725	7.387.517
Other	-	-	-
FC Indexed Commercial Installment Loans	39.970	166.395	206.365
Mortgage Loans	-	3.040	3.040
Automotive Loans	6.296	1.056	7.352
Consumer Loans	33.674	162.299	195.973
Other	-	-	-
Commercial Installment Loans-FC	84	153.604	153.688
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	84	153.604	153.688
Other	-	-	-
Corporate Credit Cards-TL	2.157.063	127	2.157.190
With Installment	952.803	80	952.883
Without Installment	1.204.260	47	1.204.307
Corporate Credit Cards-FC	1.436	-	1.436
With Installment	-	-	-
Without Installment	1.436	-	1.436
Credit Deposit Account-TL (Legal Person)	726.714	-	726.714
Credit Deposit Account-FC (Legal person)	-	-	-
Total	4.037.146	6.656.489	10.693.635
Prior Period – 31.12.2015	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	167.589	6.257.337	6.424.926
Mortgage Loans	2.477	25.413	27.890
Automotive Loans	5.309	12.919	18.228
Consumer Loans	159.803	6.219.005	6.378.808
Other	-	-	-
FC Indexed Commercial Installment Loans	4.138	127.182	131.320
Mortgage Loans	-	3.954	3.954
Automotive Loans	330	4.479	4.809
Consumer Loans	3.808	118.749	122.557
Other	-	-	-
Commercial Installment Loans-FC	1.431	133.731	135.162
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.431	133.731	135.162
Other	-	-	-
Corporate Credit Cards-TL	1.629.075	899	1.629.974
With Installment	698.710	899	699.609
Without Installment	930.365	-	930.365
Corporate Credit Cards-FC	1.537	-	1.537
With Installment	17	-	17
Without Installment	1.520	-	1.520
Credit Deposit Account-TL (Legal Person)	733.897	-	733.897
Credit Deposit Account-FC (Legal person)	-	-	-
Total	2.537.667	6.519.149	9.056.816

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6. Loans according to types of borrowers:

	Current Period 31 December 2016	Prior Period 31 December 2015
Public	1.983.806	1.520.933
Private	176.754.457	151.798.250
Total	178.738.263	153.319.183

7. Distribution of domestic and foreign loans: Loans are classified according to the locations of the customers:

	Current Period 31 December 2016	Prior Period 31 December 2015
Domestic Loans	171.595.025	148.428.324
Foreign Loans	7.143.238	4.890.859
Total	178.738.263	153.319.183

8. Loans granted to investments in associates and subsidiaries: None.

9. Specific provisions accounted for loans:

	Current Period 31 December 2016	Prior Period 31 December 2015
Loans and Other Receivables with Limited Collectibility	587.401	448.339
Loans and Other Receivables with Doubtful Collectibility	815.140	869.262
Uncollectible Loans and Receivables	2.709.680	1.908.409
Total	4.112.221	3.226.010

10. Information on non-performing loans (Net):

10 (i). Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group Loans and Other Receivables with Limited Collectibility	IV. Group Loans and Other Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2016			
(Gross Amounts Before Specific Provisions)	38.292	63.415	76.164
Restructured Loans and Other Receivables	36.475	62.859	74.909
Rescheduled Loans and Other Receivables	1.817	556	1.255
Prior Period: 31 December 2015			
(Gross Amounts Before Specific Provisions)	35.103	55.654	56.366
Restructured Loans and Other Receivables	34.624	55.457	52.131
Rescheduled Loans and Other Receivables	479	197	4.235

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10 (ii).Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance: 31 December 2015	448.339	869.262	2.055.722
Additions (+)	2.040.955	11.313	29.103
Transfers from Other Categories of Non- Performing Loans (+)	-	1.703.484	1.535.442
Transfers to Other Categories of Non-Performing Loans (-)	1.703.484	1.535.442	-
Collections (-)	196.557	228.801	292.560
Write-offs (-) (*)	1.852	4.676	463.057
Corporate and Commercial Loans	358	2.484	104.251
Consumer Loans	1.213	1.404	115.422
Credit Cards	281	788	243.384
Other	-	-	-
Balance at the End of the Period	587.401	815.140	2.864.650
Specific Provisions (-)	587.401	815.140	2.709.680
Net Balance at Balance Sheet (**)	-	-	154.970

(*) The Bank has sold non-performing loan portfolio, for which 100% provision was provided and which is worth TL 450,1 million, (in full TL amount) for an amount of TL 49,1 million (in full TL amount) to Güven Varlık Yönetimi A.Ş.

(**) The bank has allocated 100% specific provision amounting to TL 61 million (in full TL amount) after taking the collaterals into consideration for one of its commercial loans amounting to TL 206 million (in full TL amount).

10 (iii).Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period: 31 December 2016			
Balance at the End of the Period	54.196	56.434	245.869
Specific Provision (-)	54.196	56.434	114.793
Net Balance on Balance Sheet	-	-	131.076
Prior Period: 31 December 2015			
Balance at the End of the Period	14.731	10.469	224.180
Specific Provision (-)	14.731	10.469	93.568
Net Balance at Balance Sheet	-	-	130.612

In Parent Bank, non-performing loans granted as foreign currency are followed under TL accounts of balance sheet.

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10 (iv). Breakdown of non-performing loans according to their gross and net values:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net): 31 December 2016			
Loans granted to corporate entities and real persons (Gross)	587.401	815.140	2.864.650
Specific Provision Amount (-)	587.401	815.140	2.709.680
Loans granted to corporate entities and real persons (Net)	-	-	154.970
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-
Prior Period (Net): 31 December 2015			
Loans granted to corporate entities and real persons (Gross)	448.339	869.262	2.055.722
Specific Provision Amount (-)	448.339	869.262	1.908.409
Loans granted to corporate entities and real persons (Net)	-	-	147.313
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-

11. Information on the collection policy of non-performing loans and other receivables:

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals.

12. Information on the write-off policy:

Write-off policy of the Bank for receivables under follow-up is to retire the receivables from assets in case of verification of the inability of collection through the legal follow-up process.

f. Held-to-maturity investments:

1. Information on financial assets subject to repurchase agreements and those given as collateral/blocked:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Given as collateral/blocked	113.728	2.122.032	133.637	1.903.784
Subject to repurchase agreements	3.625.467	7.110.699	2.918.515	3.011.127
Total	3.739.195	9.232.731	3.052.152	4.914.911

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2. Information on held-to-maturity government debt securities:

	Current Period 31 December 2016	Prior Period 31 December 2015
Government Bonds	13.091.240	9.654.713
Treasury Bills	-	-
Other Government Debt Securities	2.370.665	1.033.727
Total	15.461.905	10.688.440

3. Information on held-to-maturity investments:

	Current Period 31 December 2016	Prior Period 31 December 2015
Debt Securities	18.150.663	10.761.480
Quoted to Stock Exchange	18.150.663	10.761.480
Not Quoted to Stock Exchange	-	-
Impairment Provision (-)	173.793	73.040
Total	17.976.870	10.688.440

4. The movement of investment securities held-to-maturity:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance at the Beginning of the Period	10.688.439	10.800.111
Foreign Currency Differences on Monetary Assets	1.269.337	864.389
Purchases During Year (*)	5.882.218	382
Disposals Through Sales and Redemptions	130.259	1.112.849
Impairment Provision (-)	100.753	63.740
Change in Amortized Cost	367.888	200.147
Balance at the End of the Period	17.976.870	10.688.440

(*) Due to the change of intention, The Bank has classified its Government Debt Securities with the notional amount EUR 96.359 thousand and USD 1.591.672 thousand from Available For Sale Financial Assets portfolio to Held to Maturity Securities portfolio in the current year. As of classification date, the book value which reflects the fair value of the related securities are EUR 98.531 thousand and USD 1.650.112 thousand respectively and these amounts are accepted as the new costs of related securities. The Marketable Securities Valuation Differences of classified securities are amortized throughout the remaining term of held to maturity investments by using effective interest rate method.

g. Information on investments in associates (Net):

1. Non-consolidated associates:

1 (i). Reasons for being out of consolidation for non-consolidated associates: In accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks they have been left out of the scope of consolidation.

1 (ii). Information about non-consolidated associates:

Title	Address (City / Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1 Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	9,98	9,98
2 Kredi Kayıt Bürosu A.Ş.	İstanbul/Turkey	9,09	9,09

1 (iii). Main financial figures of non-consolidated associates, in the order of the above table:

The financial figures stated below have been obtained from the financial statements dated 31 December 2016 for Bankalararası Kart Merkezi A.Ş. and 30 September 2016 for Kredi Kayıt Bürosu A.Ş.

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	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	80.262	39.897	50.024	1.068	-	10.403	3.869	-
2	185.448	129.647	135.578	2.817	90	16.458	26.782	-

1 (iv). Movement schedule for non-consolidated subsidiaries:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance at the Beginning of the Period	3.923	3.923
Movements During the Period		
Additions	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends from Current Year Income	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Revaluation/Impairment	-	-
Balance at the End of the Period	3.923	3.923
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

2. Consolidated subsidiaries within the current period: None.

h. Information on subsidiaries (Net):

1. Information related to shareholders' equity of major subsidiaries:

The amounts below are obtained from the 31 December 2016 financial data which were subject to the regulations of the related companies.

	Ak Finansal Kiralama A.Ş.	Ak Yatırım Menkul Değerler A.Ş.	Ak Portföy Yönetimi A.Ş.	Akbank AG	Akbank (Dubai) Limited
Paid in Capital	235.007	46.802	4.079	740.648	2.243
Share Premium	-	-	-	-	-
Reserves	453.950	59.231	11.366	1.236.746	13.717
Gains recognized in equity as per TAS	-	(1.603)	3	-	-
Profit/Loss	113.988	92.559	27.729	161.093	13.619
-Net Current Period Profit	113.988	31.633	27.358	161.093	(3.010)
-Prior Year Profit/Loss	-	60.926	371	-	16.629
Development Cost of Operating Lease (-)	48	1.355	-	199	-
Remaining other intangible assets after offset with the related deferred tax liability excluding mortgage servicing rights	983	1.059	122	516	-
Total Common Equity	801.914	194.575	43.055	2.137.772	29.579
Total Additional Tier I Capital	-	-	-	-	-
Portion of Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities not deducted from the Common Equity as per the 1 st Clause of Provisional Article 2 of the "Regulation on the Equity of Banks" (-)	655	706	81	344	-
Total Tier I Capital	801.259	193.869	42.974	2.137.428	29.579
Tier II Capital	25.361	-	-	-	-
CAPITAL	826.620	193.869	42.974	2.137.428	29.579
Deductions from Capital	-	-	-	-	-
TOTAL CAPITAL	826.620	193.869	42.974	2.137.428	29.579

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The Bank's subsidiaries, included in the consolidated calculation of capital requirement, do not have additional capital requirements.

2. Non-consolidated subsidiaries: None.

3. Consolidated subsidiaries:

3 (i). Information about consolidated subsidiaries:

		The Parent Bank's Share Percentage-If Different Voting Percentage (%)		Risk Group of Bank's Percentage (%)
	Title	Address (City / Country)		
1	Ak Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	99,99
2	Ak Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100,00	100,00
3	Ak Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	100,00
4	Akbank AG	Frankfurt/Germany	100,00	100,00
5	Akbank (Dubai) Limited[*]	Dubai/TheUnitedArab Emirates	100,00	100,00

As of 27 December 2016 The Board of Directors of the Bank decided to wind up Akbank (Dubai) Limited and open a representative office in same location. Operations related to processes started to be carried out by the competent authorities.

Main financial figures of consolidated subsidiaries, in the order of the above table:

The financial figures have been obtained from the financial statements as at 31 December 2016 prepared in accordance with local regulations.

	Total Assets	Shareholders ' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	5.445.932	802.940	34.035	350.622	292	113.988	89.530	-
2	870.208	196.989	6.165	95.851	30.405	31.633	26.942	-
3	53.006	43.177	1.039	3.705	-	27.358	22.909	-
4	20.448.007	2.138.487	1.612	572.358	65.542	161.093	148.039	-
5	32.168	29.579	7	-	-	(3.010)	3.697	-

Though not being the subsidiary of the Bank, A.R.T.S Ltd. which was established in November 1999 respectively in connection with rising long-term financing, is included in the full scope of consolidation as "Structured Entity" due to the 100% control of this entity by the Group.

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3 (ii). Movement schedule for consolidated subsidiaries:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance at the Beginning of the Period	1.350.741	907.230
Movements During the Period		
Additions (*)	-	358.121
Bonus Shares and Contributions to Capital	-	-
Dividends from Current Year Income	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Revaluation/Impairment	-	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries (**)	175.200	85.390
Balance at the End of the Period	1.525.941	1.350.741
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(*) Additions in the prior period include share capital increases of Ak Finansal Kiralama A.Ş. and Akbank AG amounting to TL 60.000 and EUR 100 Million.

(**) The amount represents the value changes within the scope of fair value hedge as described in unconsolidated financial statements of the Parent Bank.

3 (iii). Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period 31 December 2016	Prior Period 31 December 2015
Banks	1.176.382	1.001.182
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	281.065	281.065
Finance Companies	-	-
Other Financial Subsidiaries	68.494	68.494

3 (iv). Subsidiaries quoted on a stock exchange: None.

i. Information on finance lease receivables (Net):

	Current Period 31 December 2016		Prior Period 31 December 2015	
	Gross	Net	Gross	Net
2016	-	-	1.461.941	1.232.830
2017	1.902.135	1.640.186	1.009.706	822.731
2018	1.242.683	1.018.701	784.343	656.898
2019	932.451	780.873	892.889	468.864
2020 and following years	1.785.702	1.568.840	550.801	794.458
Total	5.862.971	5.008.600	4.699.680	3.975.781

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j. Information on the hedging derivative financial assets:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	682.966	30.570	648.858	575
Cash Flow Hedge	-	94.338	-	1.935
Net Investment Hedge in a foreign operation	-	-	-	-
Total	682.966	124.908	648.858	2.510

k. Information on property and equipment:

	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2015				
Cost	843.368	988.790	1.656	1.833.814
Accumulated Depreciation(-)	324.233	713.451	-	1.037.684
Net Book Value	519.135	275.339	1.656	796.130
Current Period End: 31 December 2016				
Net Book Value at the Beginning of the Period	519.135	275.339	1.656	796.130
Additions	11.285	204.376	5.664	221.325
Transferred	4.936	-	(4.936)	-
Disposals (-), net	4.922	710	-	5.632
Depreciation (-)	21.080	109.383	-	130.463
Impairment	-	-	-	-
Cost at Period End	845.644	1.153.832	2.384	2.001.860
Accumulated Depreciation at Period End (-)	336.290	784.210	-	1.120.500
Closing Net Book Value	509.354	369.622	2.384	881.360
	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2014				
Cost	852.693	985.242	2.495	1.840.430
Accumulated Depreciation(-)	308.494	668.582	-	977.076
Net Book Value	544.199	316.660	2.495	863.354
Current Period End: 31 December 2015				
Net Book Value at the Beginning of the Period	544.199	316.660	2.495	863.354
Additions	6.084	73.275	5.467	84.826
Transferred	6.306	-	(6.306)	-
Disposals (-), net	7.165	1.269	-	8.434
Depreciation (-)	30.289	113.327	-	143.616
Impairment	-	-	-	-
Cost at Period End	843.368	988.790	1.656	1.833.814
Accumulated Depreciation at Period End (-)	324.233	713.451	-	1.037.684
Closing Net Book Value	519.135	275.339	1.656	796.130

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I. Information on intangible assets

1. Cost and accumulated amortization at the beginning and end of the period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cost	800.726	576.407
Accumulated Amortization (-)	439.199	352.302
Net Book Value	361.527	224.105

2. Reconciliation of movements for the current period and prior period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Opening Balance Net Book Value	224.105	229.004
Additions	224.038	74.285
Disposals (-), net	-	-
Depreciation (-)	86.616	79.184
Closing Net Book Value	361.527	224.105

m. Information on the investment properties: None.

n. Information on deferred tax asset :

As of 31 December 2016, foreign currency deferred tax asset of the Group is TL 23.773 (31 December 2015: TL 162.153). Temporary differences subject to deferred tax calculation result from mainly the differences between the book values, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank and in consolidated subsidiaries, are presented as net on an individual entity level. As noted in Note XVIII of Section Three, for the purposes of consolidated financial statements deferred taxes arising from different consolidated subsidiaries are presented separately in assets and liabilities. There are no carry forward tax losses that can be used as deductions for the tax calculation for the Group. An explanation on the net deferred tax liability is given in Note II-i-2 of Section Five.

	Accumulated temporary differences		Deferred tax assets/liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Employee benefits	228.082	192.906	45.483	38.502
Differences between fair value and book value of financial assets	1.712.181	1.244.837	343.036	252.769
Other	316.689	334.492	63.336	66.898
Deferred Tax Asset			451.855	358.169
Differences between book value and tax base of property, plant and equipment	246.191	123.540	(49.238)	(24.708)
Differences between book value and tax base of financial assets	2.649.149	982.104	(545.380)	(183.724)
Country risk provision	191.197	140.736	(61.183)	(45.036)
Deferred Tax Liabilities			(655.801)	(253.468)
Deferred Tax Asset/(Liabilities)				
Net			(203.946)	104.701

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o. Information on property and equipment held for sale and related to discontinued operations:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cost	74.980	183.237
Accumulated Depreciation (-)	792	3.371
Net Book Value	74.188	179.866

	Current Period 31 December 2016	Prior Period 31 December 2015
Opening Balance Net Book Value	179.866	158.652
Additions	70.537	42.857
Disposals (-), net	174.552	18.343
Depreciation (-)	1.663	3.300
Closing Net Book Value	74.188	179.866

p. Information on other assets:

Other assets amount to TL 2.576.498 (31 December 2015: TL 1.908.108) on the balance sheet and do not exceed 10% of the total assets, excluding the off-balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits:

1. Information on maturity structure of the deposits: There are no seven-day notification deposits.

1 (i). Current Period – 31 December 2016:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	8.069.435	13.958.692	25.950.507	593.510	682.811	639.454	54.663	49.949.072
Foreign Currency Deposits	12.192.760	15.829.619	31.151.998	6.485.790	5.854.907	11.295.040	3.038	82.813.152
Residents in Turkey	10.007.922	15.346.925	28.828.328	2.452.915	1.227.788	3.700.666	2.950	61.567.494
Residents Abroad	2.184.838	482.694	2.323.670	4.032.875	4.627.119	7.594.374	88	21.245.658
Public Sector Deposits	293.278	17.272	46.506	20.012	2.006	51	-	379.125
Commercial Deposits	7.529.160	7.573.160	8.379.056	715.839	2.302.032	476.238	-	26.975.485
Other Institutions Deposits	273.469	382.938	2.498.253	1.081.325	1.017.328	229.385	-	5.482.698
Gold Vault	1.079.125	-	3.952	-	80.519	3.051	-	1.166.647
Interbank Deposits	972.501	391.288	4.969.500	452.015	365.039	51.282	-	7.201.625
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	14.504	213.948	361.173	-	30.070	4.288	-	623.983
Foreign Banks	262.326	177.340	4.608.327	452.015	334.969	46.994	-	5.881.971
Participation Banks	695.671	-	-	-	-	-	-	695.671
Other	-	-	-	-	-	-	-	-
Total	30.409.728	38.152.969	72.999.772	9.348.491	10.304.642	12.694.501	57.701	173.967.804

1 (ii). Prior period – 31 December 2015:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	5.854.541	11.048.811	25.059.860	533.204	423.784	607.126	88.074	43.615.400
Foreign Currency Deposits	9.425.204	16.275.713	26.262.848	1.836.401	5.101.733	9.203.957	4.156	68.110.012
Residents in Turkey	8.162.755	15.755.616	24.538.202	1.076.617	798.916	3.129.479	4.064	53.465.649
Residents Abroad	1.262.449	520.097	1.724.646	759.784	4.302.817	6.074.478	92	14.644.363
Public Sector Deposits	827.355	9.616	38.014	10.414	1.593	2.313	-	889.305
Commercial Deposits	5.139.789	6.149.494	7.277.063	441.389	414.558	252.271	-	19.674.564
Other Institutions Deposits	200.889	480.886	2.227.357	192.340	171.088	213.814	-	3.486.374
Gold Vault	721.005	4.502	22.633	23.092	6.045	-	-	777.277
Interbank Deposits	256.697	1.503.563	4.122.452	6.749.223	217.182	68.769	-	12.917.886
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	8.656	162.141	247.674	-	-	-	-	418.471
Foreign Banks	207.791	1.341.422	3.874.778	6.749.223	217.182	68.769	-	12.459.165
Participation Banks	40.250	-	-	-	-	-	-	40.250
Other	-	-	-	-	-	-	-	-
Total	22.425.480	35.472.585	65.010.227	9.786.063	6.335.983	10.348.250	92.230	149.470.818

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2. Information on saving deposits insurance:

Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund: The deposit amounts of the consolidated subsidiaries located abroad are subject to local insurance regulations and are not included in the table below.

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	Current Period 31 December 2016	Prior Period 31 December 2015	Current Period 31 December 2016	Prior Period 31 December 2015
Saving Deposits	22.883.007	21.092.387	27.066.065	22.523.013
Foreign Currency Saving Deposits	7.498.797	7.409.503	32.274.350	26.265.420
Other Deposits in the Form of				
Saving Deposits	-	-	-	-
Foreign Branches' Deposits				
under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign				
Authorities' Insurance	-	-	-	-

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	Current Period 31 December 2016	Prior Period 31 December 2015
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	1.249.200	926.599
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Forward Transactions	409.197	-	249.438	-
Swap Transactions	3.227.474	673.404	229.908	1.030.603
Futures Transactions	-	-	-	-
Options	12.254	277.518	3	257.899
Other	-	-	-	-
Total	3.648.925	950.922	479.349	1.288.502

c. Information on borrowings:

1. Information on banks and other financial institutions:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	294.726	472.133	286.556	520.324
From Foreign Banks, Institutions and Funds	127.011	31.410.416	16.527	25.353.468
Total	421.737	31.882.549	303.083	25.873.792

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2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Short-term	175.931	1.800.256	209.421	3.284.045
Medium and Long-term	245.806	30.082.293	93.662	22.589.747
Total	421.737	31.882.549	303.083	25.873.792

3. The liabilities providing the funding sources of the Group are deposits, borrowings, marketable securities issued and money market borrowings. Deposits are the most important funding source of the Group and the diversification of these deposits by number and type of depositors with a stable structure does not create any risk concentration. The borrowings are composed of funds such as syndicated and securitized borrowings and post-financing obtained from different financial institutions with different maturity-interest structures and characteristics. There is no risk concentration in any of the funding sources of the Group.

d. Information on securities issued (Net):

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bank bills	776.911	-	1.548.685	892.932
Bonds	1.779.356	9.977.034	1.825.136	8.144.036
Total	2.556.267	9.977.034	3.373.821	9.036.968

e. Information on other foreign liabilities:

Other foreign liabilities amount to TL 1.436.897 (31 December 2015: TL 1.492.861) and do not exceed 10% of the total balance sheet.

f. Information on financial leasing agreements: None.

g. Information on the hedging derivative financial liabilities:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	-	98.645	-	157.528
Cash Flow Hedge	-	346	-	1.432
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	98.991	-	158.960

h. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
	31 December 2016	31 December 2015
General Provisions	2.927.745	2.543.192
Provisions for Group I. Loans and Receivables	2.313.404	2.046.557
- Additional Provision for loans with extended payment period	111.423	70.085
Provisions for Group II. Loans and Receivables	317.165	305.259
- Additional Provision for loans with extended payment period	77.996	62.876
Provisions for Non-cash Loans	132.523	108.853
Other	164.653	82.523

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As of 31 December 2016 the Bank has booked general provision by considering minimum provision rates in accordance with "Amendment of Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" published in the Official Gazette dated 14 December 2016, no.29918. The Bank's provision ratios are over these minimum ratios. If the minimum provision ratios stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 1,8 billion (full TL amount).

2. Information on reserves for employee rights:

	Current Period 31 December 2016	Prior Period 31 December 2015
Balance Sheet Obligations for:		
- Post-employment benefits (pension and medical)	-	-
- Reserve for employment termination benefits	146.104	124.027
- Reserve for unused vacation	81.978	68.879
Total	228.082	192.906

As explained in Note 2(ii) below, there is no liability that needs to be accounted under the balance sheet since the Fund's fair value compensates for defined benefit obligations as explained in Note 2(iii).

	Current Period 31 December 2016	Prior Period 31 December 2015
Income Statement Charge for:		
- Post-employment benefits (pension and medical)	(175.248)	(154.457)
- Reserve for employment termination benefits	(49.704)	(62.388)
- Reserve for unused vacation	(13.099)	(8.277)
Total	(238.051)	(225.122)

The charge for the post-employment benefits represents the cash payments, which represent the employer's contribution determined by the Social Security Law no: 506 and additional 2% contribution of the employer. The employer's contribution amounting to TL 175.248 (31 December 2015: TL 154.457) during the year has been included in employee costs under operating expenses.

2 (i). Employment termination benefits and unused vacation rights:

Under the Turkish Labor Law, the Bank and its subsidiaries operated in Turkey are required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 (in full TL amount) (31 December 2015: TL 3.828,37 (in full TL amount)) for each year of service. This liability is legally not funded and there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current Period 31 December 2016	Prior Period 31 December 2015
Discount Rate (%)	3,64	4,17
Rate for the Probability of Retirement (%)	94,07	93,88

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The amount of TL 4.426,16 (1 January 2016: TL 4.092,53) effective from 1 July 2016 has been taken into consideration in calculating the reserve for employee termination benefits.

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

	Current Period 31 December 2016	Prior Period 31 December 2015
Prior Period Closing Balance	124.027	67.034
Recognized as an Expense During the Period	49.704	62.388
Actuarial Loss/(Gain)	20.240	63.770
Paid During the Period	(47.867)	(69.165)
Balance at the End of the Period.	146.104	124.027

As of 31 December 2016, the Group has allocated vacation liability amounting to TL 81.978 (31 December 2015: TL 68.879).

2 (ii). Post-employment benefits:

The Group's obligation in respect of the post-employment benefits transferrable to SSI, as explained in Note XVII of Section Three, has been calculated by a registered actuary. In this context, the value of the obligation regarding these benefits to be transferred to SSI as of the balance sheet date would equal the approximate payment amount that would need to be made to SSI as part of the transfer. The actuarial parameters and results used for the calculation of this amount reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%). Accordingly, as of 31 December 2016, the surplus of the Fund, including the obligation for other non-transferrable benefits of TL 317.383 (31 December 2015: TL 275.785) amounts to TL 209.173 (31 December 2015: TL 302.564).

	Current Period 31 December 2016	Prior Period 31 December 2015
Present value of funded obligations	(1.184.939)	(986.395)
- Pension benefits transferrable to SSI	(1.635.774)	(1.377.543)
- Post-employment medical benefits transferrable to SSI	768.218	666.933
- Other non-transferrable benefits	(317.383)	(275.785)
Fair value of plan assets	1.394.112	1.288.959
Surplus	209.173	302.564

The amount of the post-employment medical benefits transferrable to SSI are calculated over discounted net present value of medical liabilities and health premiums

The principal actuarial assumptions used were as follows:

	Current Period 31 December 2016	Prior Period 31 December 2015
Discount rate		
- Pension benefits transferrable to SSI	% 9,80	% 9,80
- Post-employment medical benefits transferrable to SSI	% 9,80	% 9,80
- Other non-transferrable benefits	% 4,49	% 4,27

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

The movement in the fair value of plan assets of the year is as follows:

	Current Period 31 December 2016	Prior Period 31 December 2015
Prior period end	1.288.959	1.205.692
Actual return on plan assets	198.804	166.008
Employer contributions	175.248	154.457
Employee contributions	149.708	132.086
Benefits paid	(418.607)	(369.284)
Period end	1.394.112	1.288.959

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Plan assets are comprised as follows:

	Current Period		Prior Period	
	31 December 2015		31 December 2015	
Bank placements	999.280	72%	938.789	73%
Property and equipment	19.135	1%	18.739	1%
Marketable securities and share certificates	279.076	20%	240.010	19%
Other	96.621	7%	91.421	7%
Period end	1.394.112	100%	1.288.959	100%

3. Information on provisions related with foreign currency difference of foreign indexed loans:

As of 31 December 2016, the provision related to foreign currency differences of foreign indexed loans amounts to TL 1.741 (31 December 2015: TL 23.811), which is offset with the balance of foreign currency indexed loans in these financial statements.

4. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash:

Provision for non-cash loans that are non-funded and non-transformed into cash as of 31 December 2016 is amounting to TL 73.086 (31 December 2015: TL 83.868).

5. Information on other provisions:

5 (i). Information on general reserves for possible risks: TL 200.000 (31 December 2015: TL 200.000).

5 (ii). Information on provisions for banking services promotion:

The Group has provisions for credit cards and banking services promotion activities amounting to TL 89.968 (31 December 2015: TL 139.240).

i. Explanations on tax liability:

1. Explanations on tax liability:

Tax calculations of the Group are explained in Note XVIII of Section Three. As of 31 December 2016, the corporate tax liability after the deduction of temporary taxes paid is TL 288.226 (31 December 2015: TL 379.083).

1 (i). Information on taxes payable:

	Current Period	Prior Period
	31 December 2016	31 December 2015
Corporate Taxes Payable	288.226	379.083
Taxation on Marketable Securities	112.225	96.179
Property Tax	1.798	1.706
Banking Insurance Transaction Tax (BITT)	105.455	90.711
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	7.236	4.831
Other	59.822	52.145
Total	574.762	624.655

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1 (ii). Information on premium payables:

	Current Period 31 December 2016	Prior Period 31 December 2015
Social Security Premiums – Employee	1.376	362
Social Security Premiums – Employer	325	414
Bank Social Aid Pension Fund Premium- Employee	97	9
Bank Social Aid Pension Fund Premium – Employer	134	11
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	1.939	948
Unemployment Insurance – Employer	3.656	1.895
Other	8	37
Total	7.535	3.676

2. Information on deferred tax liability:

As of 31 December 2016, Turkish Lira deferred tax liability of the Group amounts to TL 227.719. (31 December 2015: TL 57.452). An explanation about the net deferred tax asset is given in Note I-L of Section Five.

j. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current Period 31 December 2016	Prior Period 31 December 2015
Common Stock	4.000.000	4.000.000
Preferred Stock	-	-

2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Share Capital	4.000.000	8.000.000

3. Information on the share capital increases during the period and their sources: None.

4. Information on share capital increases from capital reserves during the current period: None.

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: None.

6. The effects of anticipations based on the financial figures for prior periods regarding the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties at these indicators;

The Group has been continuing its operations with high profitability and has been retaining most of its net profit in the equity, either by increasing its capital or transferring it into reserves. On the other hand, only a small part of the equity is allocated to investment such as associates and fixed assets, thus giving a chance for considerably high free capital which provides funds for liquid and interest bearing assets. Considering all these factors, the Group continues to its operations with strong shareholders' equity.

7. Information on privileges given to shares representing the capital: None.

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8. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(587.935)	(573.267)	(627.540)	(486.868)
Foreign Currency Differences	-	-	-	-
Total	(587.935)	(573.267)	(627.540)	(486.868)

k. Information on minority shares:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
Beginning Balance		119		100
Net Profit Share of other shareholders		11		9
Previous Term Dividend		-		-
Net Currency difference due to foreign subsidiaries		-		-
Effect of Changes within scope of consolidation		-		10
Balance end of Period		130		119

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III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans (*):

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Short-term Loans	4.840.519	116.486	4.027.347	121.525
Medium and Long-term Loans	7.442.754	2.628.102	5.901.808	2.288.878
Interest on Loans Under Follow-Up	25.548	-	27.565	1
Premiums Received from the Resource	-	-	-	-
Utilization Support Fund	-	-	-	-
Total	12.308.821	2.744.588	9.956.720	2.410.404

(*) Fee and commission income from cash loans are included.

2. Information on interest income on banks:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From the CBRT	-	7.051	396	310
From Domestic Banks	63.246	9.415	44.202	3.284
From Foreign Banks	1.127	26.067	120	12.248
From Headquarters and Branches Abroad	-	-	-	-
Total	64.373	42.533	44.718	15.842

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Trading Financial Assets	11.286	1	9.353	69
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	1.772.370	768.359	1.561.618	750.365
From Held-to-Maturity Investments	424.649	213.315	418.215	169.823
Total	2.208.305	981.675	1.989.186	920.257

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available-for sale and held-to-maturity portfolios with semi-annual fixed real coupon rates with a maturity of 5 to 10 years. For the valuation of related securities Bank uses an index, which is calculated by considering estimated inflation rate on balance sheet date. Related inflation rate is updated during the year when necessary. As of 31 December 2016 the valuation index of related securities based on actual coupon rates and the change between reference inflation rate at the issue date and inflation index at the reporting date

4. Information on interest income received from associates and subsidiaries: None.

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b. Information on interest expense:

1.Information of interest expense on borrowings (*):

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Banks	39.500	529.332	34.161	391.408
The CBRT	-	-	-	-
Domestic Banks	28.240	8.421	26.345	5.401
Foreign Banks	11.260	520.911	7.816	386.007
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	29.399	-	10.680
Total	39.500	558.731	34.161	402.088

(*) Fee and commission expense from cash loans are included.

2.Information on interest expense given to associates and subsidiaries: None.

3.Information on interest expense given to securities issued:

	Current Period 31 December 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Interest expense on securities issued	369.234	421.948	304.399	439.768

4. Maturity structure of the interest expense on deposits :

There are no seven-day notification deposits.

Current Period-31.12.2016	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	
TL							
Bank Deposits	281	64.755	105.589	3.166	2.633	288	176.712
Saving Deposits	-	1.230.503	2.640.043	54.950	55.059	63.006	4.043.561
Public Sector Deposits	-	6.309	4.027	1.446	161	42	11.985
Commercial Deposits	-	659.509	892.013	256.865	204.187	45.665	2.058.239
Other Deposits	4	64.207	242.383	63.284	73.440	20.278	463.596
Total	285	2.025.283	3.884.055	379.711	335.480	129.279	6.754.093
FC							
Foreign Currency Deposits	3.104	309.739	544.600	87.738	48.757	191.135	1.185.073
Bank Deposits	-	8.169	42.629	43.213	12.771	804	107.586
Precious Metals Deposits	-	-	1	-	500	218	719
Total	3.104	317.908	587.230	130.951	62.028	192.157	1.293.378
Grand Total	3.389	2.343.191	4.471.285	510.662	397.508	321.436	8.047.471

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		Time Deposits					
Prior Period – 31.12.2015	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	Total
TL							
Bank Deposits	34	22.137	83.777	5.310	2.756	431	114.445
Saving Deposits	-	1.139.410	2.172.407	55.074	42.284	55.563	3.464.738
Public Sector Deposits	-	1.428	4.352	4.251	168	212	10.411
Commercial Deposits	-	612.154	489.128	55.802	56.811	15.526	1.229.421
Other Deposits	3	42.410	144.657	10.436	54.773	20.538	272.817
Total	37	1.817.539	2.894.321	130.873	156.792	92.270	5.091.832
FC							
Foreign Currency Deposits	7.867	248.291	334.061	45.422	103.246	190.771	929.658
Bank Deposits	15	20.430	50.064	63.707	4.684	500	139.400
Precious Metals Deposits	-	-	13	-	465	113	591
Total	7.882	268.721	384.138	109.129	108.395	191.384	1.069.649
Grand Total	7.919	2.086.260	3.278.459	240.002	265.187	283.654	6.161.481

c. Explanations on dividend income:

	Current Period 31 December 2016	Prior Period 31 December 2015
From Trading Financial Assets	1.943	11
From Financial Assets at Fair Value Through Profit or Loss	-	-
From Available-for-sale Financial Assets	59	509
Other (*)	656	1.755
Total	2.658	2.275

(*)Discloses the dividend income received from non-consolidated investments in associates and subsidiaries.

d. Information on trading profit/loss(Net):

	Current Period 31 December 2016	Prior Period 31 December 2015
Profit	3.181.830.939	6.878.067.093
Income From Capital Market Transactions	814.248	867.639
Income From Derivative Financial Transactions (*)	10.198.428	5.680.437
Foreign Exchange Gains	3.170.818.263	6.871.519.017
Loss (-)	3.180.884.959	6.878.000.947
Loss from Capital Market Transactions	628.802	641.504
Loss from Derivative Financial Transactions (*)	9.201.379	6.261.046
Foreign Exchange Loss	3.171.054.778	6.871.098.397
Total (Net)	945.980	66.146

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL 600.854 (31 December 2015: (-) TL 30.596)

e. Explanations on other operating income:

"Other Operating Income" in the Income Statement mainly includes collections from receivables for which provision has been allocated in prior periods and the sale from non-performing loans portfolio. In addition, income amounting to TL 181.774 originating from the acquisition of Visa Europe Ltd, of which the Bank is a Shareholder, by Visa Inc., has been reflected to financial statements.

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f. Provision expenses related to loans and other receivables of the Group:

	Current Period 31 December 2016	Prior Period 31 December 2015
Specific Provisions for Loans and Other Receivables	1.790.722	1.757.858
III. Group Loans and Receivables	588.940	449.245
IV. Group Loans and Receivables	816.495	870.334
V. Group Loans and Receivables	385.287	438.279
General Provision Expenses	386.853	438.930
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	1	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets	1	-
Investments in Associates, Subsidiaries and Held-to-maturity		
Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	72.600	24.294
Total	2.250.176	2.221.082

g. Information related to other operating expenses:

	Current Period 31 December 2016	Prior Period 31 December 2015
Personnel Expenses	1.798.580	1.671.033
Reserve for Employee Termination Benefits	1.849	1.328
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	130.463	143.616
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	86.616	79.184
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	1.663	3.300
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	1.776.123	1.613.654
Operational Leasing Expenses	187.913	177.543
Maintenance Expenses	25.820	23.497
Advertisement Expenses	131.620	120.577
Other Expenses	1.430.770	1.292.037
Loss on Sales of Assets	22	326
Other(*)	669.597	845.364
Total	4.464.913	4.357.805

(*) The balance shown in the "other" line includes fees and commissions reimbursements as per the decision of Consumer Arbitration Board, Courts and Offices of Enforcement amounting to TL 92.180 (31 December 2015: TL 217.281). In addition, as a result of the audit performed by Ministry of Customs and Trade in accordance with Consumer Protection Law - No: 6502, an administrative fine amounting to TL 116.254 is notified to the Bank. Part of the related fine amounting to TL 87.191, calculated as a result of %25 cash allowance according to the Misdemeanor Law - No: 5326 Provisional Article 17/6, is represented in this row.

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h. Information on income/loss from minority interest:

	Current Period 31 December 2016	Prior Period 31 December 2015
Income/(loss) from minority interest	11	9

i. Information on profit/(loss) from continued and discontinued operations before tax:

The Bank's income before tax consists of net interest income amounting to TL 8.490.469, net fees and commission income amounting to TL 2.569.397 and the amount of other operating expense is TL 4.464.913.

The Bank has no discontinued operations

j. Information on tax provision of continued and discontinued operations:

As of 31 December 2016, the Group has a current tax expense of TL 1.069.329 and deferred tax expense of TL 277.374. The amount of deferred tax income that occurred due to the temporary differences is TL 144.929 and deferred tax expense is TL 428.535 the amounts of deferred tax income occurred due to the closing of temporary differences is TL 23.011 and deferred tax expense is TL 16.779 respectively.

The Group has no discontinued operations.

k. Explanation on current period net profit and loss of continued and discontinued operations:

Net profit of the Bank is TL 4.854.179.

The Group has no discontinued operations

l. Explanations on current period net profit and loss:

1. Explanation on the quality, amount and frequency of the figures of the income and expense stemming from ordinary banking operations, if necessary to understand the performance of the Group for the current period: None.
2. Explanation on the changes in the estimations regarding the figures on the financial statements, if there exists a possibility that the profit and loss for the current or the following periods will be impacted: None.

m. Other figures on profit and loss statement:

"Other Fee and Commission Income" in the Income Statement mainly consists of commissions received from credit card, money transfer and insurance transactions.

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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments: TL 16.705.913 asset purchase commitments (31 December 2015: TL 5.154.131), TL 17.397.602 commitments for credit card limits (31 December 2015: TL 17.672.898) and TL 6.200.426 commitments for cheque books (31 December 2015: TL 5.764.751).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

The Group has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

- 2 (i). Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

	Current Period 31 December 2016	Prior Period 31 December 2015
Bank Acceptance Loans	3.583.229	933.230
Letters of Credit	5.232.776	5.359.136
Other Guarantees	4.379.339	3.513.090
Total	13.195.344	9.805.456

- 2 (ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period 31 December 2016	Prior Period 31 December 2015
Revocable Letters of Guarantee	984.154	651.210
Irrevocable Letters of Guarantee	13.700.319	12.025.211
Letters of Guarantee Given in Advance	3.179.535	2.681.029
Guarantees Given to Customs	2.642.796	3.019.643
Other Letters of Guarantee	6.644.988	4.174.171
Total	27.151.792	22.551.264

3. Information on non-cash loans:

- 3 (i). Total amount of non-cash loans:

	Current Period 31 December 2016	Prior Period 31 December 2015
Non-cash Loans Given against Cash Loans	5.574.735	3.411.739
With Original Maturity of 1 Year or Less Than 1 Year	2.778.785	1.614.511
With Original Maturity of More Than 1 Year	2.795.950	1.797.228
Other Non-cash Loans	34.772.401	28.944.981
Total	40.347.136	32.356.720

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

	Current Period 31 December 2016				Prior Period 31 December 2015			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	13.071	0,08	2.486	0,01	14.438	0,11	360	-
Farming and Raising	1.812	0,01	-	-	973	0,01	-	-
Livestock	11.257	0,07	2.486	0,01	13.457	0,10	360	-
Forestry	2	-	-	-	8	-	-	-
Fishing	4.265.398	26,68	7.629.696	30,80	5.141.241	37,36	6.728.786	35,39
Manufacturing	91.055	0,57	96.606	0,39	79.290	0,58	81.367	0,43
Mining	3.453.922	21,60	6.184.176	24,93	3.758.802	27,31	5.279.412	27,73
Production	720.421	4,51	1.348.914	5,48	1.303.149	9,47	1.368.007	7,23
Electric, Gas and Water	2.412.743	15,09	2.432.380	9,87	1.720.886	12,50	2.137.690	11,30
Construction	8.667.782	54,29	11.864.783	49,44	6.468.781	47,04	8.662.656	47,71
Services	5.669.264	35,46	6.552.920	26,60	4.909.257	35,67	4.697.020	24,83
Wholesale and Retail Trade	89.544	0,56	62.510	0,25	55.337	0,40	68.933	0,36
Hotel, Food and	323.449	2,02	1.000.648	4,02	180.641	1,31	198.981	1,02
Beverage Services	2.346.707	14,76	4.087.920	18,01	1.103.071	8,05	3.581.190	20,88
Transportation and	4.367	0,03	23.105	-	4.967	0,04	95	-
Telecommunication	7.080	0,04	5.430	0,02	17.778	0,13	8.961	0,05
Financial Institutions	11.917	0,07	2.606	0,01	13.957	0,10	2.272	0,01
Real Estate and Leasing	215.454	1,35	129.644	0,53	183.773	1,34	105.204	0,56
Services	617.458	3,86	2.441.339	9,88	417.608	2,99	1.064.274	5,60
Other								
Total	15.976.452	100,00	24.370.684	100,00	13.762.954	100,00	18.593.766	100,00

3 (iii). Information on the non-cash loans classified in Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	15.751.779	24.199.619	224.673	171.065
Letters of Guarantee	13.498.076	13.271.209	223.359	159.148
Bank Acceptances	-	3.583.229	-	-
Letters of Credit	260	5.220.599	-	11.917
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	18.849	-	-
Other Commitments and Contingencies	2.253.443	2.105.733	1.314	-

4. Mutual Funds :

As of 31 December 2016, the Group is the founder of 44 mutual funds (31 December 2015: 43 mutual funds) with an unaudited total fund value of TL 3.916.212 (31 December 2015: TL 3.283.444). The shares of the mutual funds established in accordance with the Capital Markets Board legislation are kept dematerialized by Istanbul Settlement and Custody Bank, Inc.

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b. Information on derivative transactions:

	Current Period 31 December 2016	Prior Period 31 December 2015
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	229.454.018	121.194.557
FC Trading Forward Transactions	25.778.446	15.110.525
Trading Swap Transactions	174.793.147	82.031.968
Futures Transactions	-	-
Trading Option Transactions	28.882.425	24.052.064
Interest Related Derivative Transactions (II)	143.587.460	105.501.560
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	86.004.924	60.395.904
Interest Rate Options	57.582.536	45.105.656
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	12.324.720	11.410.433
A. Total Trading Derivative Transactions (I+II+III)	385.366.198	238.106.550
Types of Hedging Transactions		
Fair Value Hedges	18.382.865	12.526.955
Cash Flow Hedges	5.009.183	277.478
Foreign Currency Investment Hedges	-	-
B. Total Hedging Related Derivatives	23.392.048	12.804.433
Total Derivative Transactions (A+B)	408.758.246	250.910.983

c. Explanations on credit derivatives and risks beared due to these:

As of 31 December 2016: None (31 December 2015: USD 55 million credit default swaps with 5 years maturity).

d. Explanations on contingent assets and liabilities:

1. Contingent Liabilities:

The Bank has accounted a provision amounting to TL 61.076 (31 December 2015: 10.312 TL) for the contingent liabilities with a high probability of realization regarding continuing opposing trials. There are also some other opposing trials. In Addition the probability of realization of these trials is low so no cash outflow expected regarding these trials.

2. Contingent Assets:

None.

e. Explanations on the activities carried out on behalf and account of other persons:

The policy is explained on note XIII in Section Four.

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

a. Information on distribution of profit:

The Ordinary General Assembly Meeting of the Parent Bank was held on 28 March 2016. In the Ordinary General Assembly, it was resolved to distribute a TL 2.994.848 cash dividend over the TL 600.000 net unconsolidated income from 2015 operations to the Bank's shareholders, Chairman and Members of the Board of Directors. It was also resolved in the General Assembly to transfer TL 8.646 to other capital reserves, to allocate TL 40.000 as legal and TL 2.346.202 as extraordinary reserves.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

b. Information on hedge funds:

1. Information on cash flow hedge:

Due to facts described in "Explanations of Hedging Transactions" section in Note XV of Section Four, there are discontinued hedge accounting transactions. As of 31 December 2016, the fair value change of the hedging instrument since the beginning of hedge accounting left after amortization has been reflected to profit/loss accounts that is shown under "hedging funds" in equity is TL (-) 35.032 (31 December 2015: TL (-) 60.377)

2. Information on net investment hedge:

The Bank is hedged against net investment risk arising from fluctuations in foreign exchange rates through the use of foreign currency denominated financial borrowings. In this context, effective portion of the change in foreign currency denominated financial liabilities resulting from changes in the foreign exchange rates is recognized under "Hedging reserves" within equity. As of 31 December 2016, the amount directly recognized in equity is (-) TL 358.165 (31 December 2015: TL (-) 218.005)

c. Information on to foreign exchange difference:

Within the financial statements of the Group's subsidiaries founded abroad, balance sheet items are translated into Turkish Lira with the foreign exchange rates prevailing at the balance sheet date, and income statements items are translated into Turkish Lira with the average foreign exchange rates. Related foreign exchange differences are accounted in the shareholders' equity under "Other profit reserves."

d. Information on available-for-sale financial assets:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are sold, disposed or impaired.

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

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalents:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency, money in transit, bought bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months and investment in marketable securities excluding equity securities are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cash	3.049.765	2.247.086
Cash, Foreign Currency and Other	1.409.698	1.478.809
Demand Deposits in Banks (*)	1.640.067	768.277
Cash Equivalents	4.059.676	3.098.443
Interbank Money Market Placements	98	700.000
Time Deposits in Banks	4.031.890	1.512.927
Marketable Securities	27.688	885.516
Total Cash and Cash Equivalents	7.109.441	5.345.529

(*) The restricted demand accounts are not included.

2. Cash and cash equivalents at the end of period:

	Current Period 31 December 2016	Prior Period 31 December 2015
Cash	3.750.722	3.049.765
Cash, Foreign Currency and Other	1.835.555	1.409.698
Demand Deposits in Banks (*)	1.915.167	1.640.067
Cash Equivalents	9.076.729	4.059.676
Interbank Money Market Placements	37	98
Time Deposits in Banks	9.029.952	4.031.890
Marketable Securities	46.740	27.688
Total Cash and Cash Equivalents	12.827.451	7.109.441

(*) The restricted demand accounts are not included.

b. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to (-) TL 3.637.319 (31 December 2015: (-) TL 2.181.620) consists mainly of items such as fees and commissions paid, other operating income excluding income from doubtful receivables, other operating expense excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 2.318.602 (31 December 2015 TL 3.392.125) consists mainly of changes in miscellaneous payables and other liabilities

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the three months periods, and amounts to TL 1.416.377 (31 December 2015: TL 934.340).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP

Information on the volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Current Period – 31 December 2016:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	3.421.775	1.447.302	-	-
Balance at the End of the Period	-	-	4.591.797	900.600	-	-
Interest and Commission Income Received	-	-	371.473	4.256	-	-

2. Prior Period -31 December 2015:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	2.464.548	1.986.485	-	-
Balance at the End of the Period	-	-	3.421.775	1.447.302	-	-
Interest and Commission Income Received	-	-	253.718	5.321	-	-

3. Information on deposits of the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Deposit						
Balance at the Beginning of the Period	-	-	2.102.633	1.337.174	2.181.203	2.115.511
Balance at the End of the Period	-	-	2.172.789	2.102.633	2.315.646	2.181.203
Interest on Deposits(*)	-	-	232.402	194.782	153.684	129.147

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
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4. Information on forward and option agreements and other similar agreements made with the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	-	-	3.501.482	2.364.278	-	-
Balance at the End of the Period	-	-	10.110.973	3.501.482	-	-
Total Income/Loss	-	-	27.091	(2.082)	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions. Accordingly, as a result of the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Group. As of 31 December 2016, the net exposure for direct and indirect shareholders of the Group is TL 34.978 (31 December 2015: TL 10.244).

5. Information regarding benefits provided to the Group's key management:

As of 31 December 2016 benefits provided to the Group's key management amount to TL 38.600 (31 December 2015: TL 36.406).

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the domestic and foreign branches and representatives of the bank:

	Number	Number of Employees			
Domestic Branches	840	13.831			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
Off-shore Banking Region Branches	1	12	Malta	38.438.723	-

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure: In 2016, the Bank has opened 2 domestic branches and closed up 63 domestic branches.

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IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

It is decided in the Board of Directors meeting dated 11 January 2017, to increase the upper limit of Banks authorized capital by TL 2.000.000 from TL 8.000.000 to TL 10.000.000 and to extend the allowed duration for upper limit of authorized capital until the end of 2021. Correspondingly, it is decided to make changes in the 9th article of Association and to attain this goal, General Management has been entitled to carry out operations with the competent authorities.

**SECTION SIX
OTHER EXPLANATIONS**

I. OTHER EXPLANATIONS

None.

**SECTION SEVEN
EXPLANATIONS ON AUDIT REPORT**

I. EXPLANATIONS ON AUDIT REPORT

The interim period consolidated financial statements for the period ended 31 December 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The audit report dated 31 January 2017 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

RESOLUTIONS OF THE ORDINARY GENERAL MEETING ON MARCH 28, 2017

- 1 Discussion of the Board of Directors Annual Report for 2016,
- 2 Discussion of the Auditors Reports for 2016,
- 3 Discussion and ratification of the financial statements for 2016,
- 4 Discharge of liability of the members of the Board of Directors,
- 5 Distribution of the 2016 net profit in accordance with the proposal of the Board of Directors, as follows;

In accordance with the 82nd article of Articles of Association of Akbank, the dividend to be distributed from 2016 profit of TL 4,528,712,188.29 will be as follows;

- Gross TL 200,000,000, equal to 5% of the paid-in capital of the Bank as of 31st December 2016 which is TL4,000,000,000, will be allocated as primary cash gross dividend; and gross TL 700,000,000 will be allocated as secondary cash gross dividend. Total gross dividend of TL 900,000,000 equal to 22.5% of the paid in capital, will be distributed to shareholders,
 - Cash dividend payments to start from March 30, 2017,
 - In accordance with the first paragraph clause (e) and (f) of article 5 of the Corporate Tax Law, TL 129.884.859,73 which is exempt from corporate tax and in accordance with the first paragraph clause (g) of article 10 of the Corporate Tax Law, TL 10,000,000 which is deductible from corporate tax base to be allocated to a "Special Fund Account"; and after allocating TL 70.000.000 to Legal Reserves, the remaining profit will be retained under Extraordinary Reserves
- 6 Election of Suzan SABANCI DİNÇER, Erol SABANCI, Hayri ÇULHACI, Cem MENGİ, Şakir Yaman TÖRÜNER, Aziz Aykut DEMİRAY, Nafiz Can PAKER and Emre DERMAN as Member of the Board of Directors and İsmail Aydın GÜNTER as an Independent Member of the Board of Directors to replace those whose terms expired until the next Ordinary General Meeting to be held on 2018,
 - 7 To pay the Members of the Board of Directors a gross salary of TL10.000. -per month; and also to have the Remuneration Committee that will be authorized by the Board of Directors, determine the payments that will be made to the Members for their duties within the Bank in case they assume specific duties within the Bank; and to determine an upper limit of TL 8,000,000.-in gross total, for the payments that will be made until the Ordinary General Meeting that will be held in 2018,
 - 8 Approval of PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the bank's independent audit in 2017,
 - 9 Revision of the Bank's articles of association on articles 9 and 48 in accordance with the approvals of Banking Regulation and Supervision Agency dated 18.01.2017 numbered 966, Capital Markets Board dated 19.01.2017 numbered 710 and Ministry of Customs and Trade dated 26.01.2017 numbered 22159446.

RESOLUTIONS OF THE ORDINARY GENERAL MEETING ON MARCH 28, 2017

NEW VERSION

Capital and Mode and Terms of Payment of Capital

Article: 9

A. The Bank adopted the authorized capital system in accordance with the provisions of Capital Market Law and implemented the authorized capital system pursuant to the Capital Markets Board's permission No. 116/1376 dated December 2, 1999. The authorized capital of the Bank is TL 10,000,000,000 (ten billion) divided into 1,000,000,000,000 (one trillion) registered shares each with a nominal value of 1 Kuruş.

Capital Markets Board's approval of the authorized capital is valid between 2017 and 2021 (5 years). Even if the authorized capital has not been reached at the end of 2021, in order for the Board of Directors to take a decision to raise the Bank's capital after 2021, the Board is required obtain get the authorization of the General Assembly not longer than 5 years for a new time period after obtaining the permission of the Capital Markets Board for the previously approved authorized capital or a new authorized capital level. In case the aforementioned authorization is not obtained, the Bank shall not increase its capital with a Board of Directors' resolution. The Board of Directors is authorized to issue new shares and raise the issued capital up to the authorized capital in accordance with the provisions of the Capital Markets Law.

B. The issued capital of the Bank is TL 4,000,000,000 (four billion) divided into 400,000,000,000 (four hundred billion) registered shares each with a nominal value of 1 Kuruş.

C. The issued capital of TL 4,000,000,000 (four billion) is paid fully and in cash, free from collusion.

The shares which represent the capital are registered in accordance with the principles of dematerialization.

When necessary, the Bank's capital can be raised or lowered within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Law.

D. Unless resolved otherwise by the General Assembly, the existing shareholders of the Bank are entitled to acquire, in proportion to their current shareholding, new shares to be issued against new cash capital injection. The unused preemptive rights of the shareholders entitled to these shares - in accordance with the related communiqués of the Capital Markets Board and the applicable provisions of the Turkish Commercial Code, by addressing the Bank in the time period to be determined by the Board of Directors which is not to be shorter than 15 or longer than 60 days commencing from the event depicted by the aforementioned legislation - shall be void. The shares released due to unused preemptive rights shall be subject to the applicable legislation.

E. All shares must be registered and listed on the Stock Exchange.

General Management

Article: 48

The Board of Directors may appoint a General Manager to run the management and transactions of the Bank in accordance with the Turkish Commercial Code, provisions of the Banking Code and other relevant legislation, provisions of this Articles of Association and within powers to be granted to such person and where necessary, with a term of office which exceeds that of the Board of Directors. The Board of Directors may remove the General Manager if deemed necessary. The appointment and removal shall be registered and announced.

he General Manager:

- a) is the highest officer of management and execution after the Board of Directors and represents the Bank within the framework of the powers conferred upon it by such Board.
 - b) determines, amends, reinforces and if necessary submits to approval of the Board of Directors, regulations and principles concerning the Bank's activities and transactions and distribution of work.
 - c) may give mandate for certain transactions but may not transfer the duty of management.
 - d) is liable, under the provisions concerning the liability of the members of the Board of Directors, to the Bank, shareholders and creditors of the Bank for non or insufficient fulfillment of the obligations imposed or conferred on him. The fact that the General Manager is under the orders and supervision of the Board of Directors does not eliminate this liability.
 - e) the General Manager and other officials accepted by the law make an oath according to the Banking Code.
- 10 Empowerment of the Board of Directors in connection with matters falling within scope of articles 395 and 396 of the Turkish Commercial Code,
- 11 Approval of donation limits for the bank up to 0.4% of its equity in accordance with the Banking Law article 59.

Additionally, in accordance with item 13 of the Agenda, shareholders have been informed about donations of TL 5,109,306.54 made to foundations and associations in 2016.



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