

*(Convenience Translation of the Independent Auditor's Review Report  
Originally Prepared and Issued in Turkish See Note 3.1.c)*

# **DENİZBANK ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT,  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AND NOTES FOR THE THREE MONTHS PERIOD  
ENDED 31 MARCH 2017**

- I. Independent Auditor's Review Report
- II. Publicly Disclosed Consolidated Financial Report

Convenience translation of the independent auditor's review report  
originally issued in Turkish, See Note I.c of Section Three

## INTERIM REVIEW REPORT AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Denizbank A.Ş;

### Introduction

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

### Scope of Review

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

### Conclusion

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

**Report on other regulatory requirements arising from legislation**

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

**Additional paragraph for convenience translation to English:**

As explained in detail in Note I.c. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation and Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by BRSA 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



Fatma Ebru Yücel, SMMM

Partner

4 May 2017

Istanbul, Turkey

DENİZBANK A.Ş. CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

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Büyükdere Caddesi No:141  
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Telephone and Fax Numbers  
Tel : 0.212.348 20 00  
Fax: 0.212.336 61 86

Website of the Bank  
www.denizbank.com

E-mail address of the Bank  
yatirimciiliskileri@denizbank.com

The consolidated financial report package prepared in accordance with the statement "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE CONSOLIDATED GROUP
- DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

Our special purpose entity and subsidiaries whose financial statements have been consolidated under this consolidated financial report are as follows:

Subsidiaries
1 Denizbank AG, Vienna
2 Eurodeniz International Banking Unit Ltd.
3 Deniz Yatırım Menkul Kıymetler A.Ş.
4 JSC Denizbank, Moscow
5 Deniz Portföy Yönetimi A.Ş.
6 Deniz Finansal Kiralama A.Ş.
7 Deniz Faktoring A.Ş.
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.
9 CR Erdberg Eins GmbH & Co KG
Structured Entity
1 DFS Funding Corp.

The consolidated financial statements and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the "Regulation on Accounting Principles and Documentations", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in Thousands of Turkish Lira.

4 May 2017



HAKAN ELVERDİ  
Senior Vice President  
International and Regulatory  
Financial Reporting



RUSLAN ABİL  
Executive Vice President  
Financial Affairs



HAKAN ATEŞ  
Member of Board of Directors  
and President and Chief  
Executive Officer



HERMAN GREF  
Chairman of Board of  
Directors



PAVEL BARCHUGOV  
Member of Board of Directors  
and Audit Committee



WOUTER G.M. VAN ROSTE  
Member of Board of Directors  
and Audit Committee



NIHAT SEVİNÇ  
Member of Board of Directors  
and Audit Committee

Contact information for questions on this financial report:

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## **SECTION ONE**

### **GENERAL INFORMATION**

#### **I. Parent Bank's date of establishment, beginning statute, its history including changes in its statute**

Denizbank A.Ş. ("the Bank") was established as a public bank to provide financing services to the marine sector in 1938. In 1992, as a result of the resolution of the Government to merge some public banks, the Bank was merged to Emlakbank. Following the resolution of the High Council of Privatization numbered 97/5 and dated 20 March 1997 to privatize 100% of shares of Denizbank A.Ş., share sale agreement between Zorlu Holding A.Ş. and the Privatization Administration was signed on 29 May 1997 and the Bank started its activities on 25 August 1997 upon obtaining a permission to operate. Bank's shares have been quoted on Borsa Istanbul ("BİST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 31 March 2017.

Dexia Participation Belgique SA, owned 100% directly and indirectly by Dexia SA/NV, acquired 75% of the outstanding shares of the Bank from Zorlu Holding A.Ş. on 17 October 2006, subsequent to the transfer of shares, Dexia Participation Belgique's ownership rate increased to 99,85%.

On 8 June 2012 Dexia Group and Sberbank of Russia ("Sberbank") have signed a sale and purchase agreement regarding the acquisition of 715.010.291,335 Parent Bank shares representing 99,85% of the Bank's capital. The transaction covers the Parent Bank as well as all of its subsidiaries in Turkey, Austria and Russia. Following all the necessary regulatory authorizations in the countries in which seller and buyer operate including that of the European Commission, after the approvals of Competition Authority on 9 August 2012, the Banking Regulation and Supervision Agency on 12 September 2012 and the Capital Markets Board ("CMB") on 24 September 2012, Dexia has transferred 99,85% of shares of the Parent Bank to Sberbank with a total consideration of TL 6.469.140.728 (Euro 2.790 million) which is the Preliminary Purchase Price determined as per the sale and purchase agreement as of 28 September 2012. Following the completion of the adjustment process of the Preliminary Purchase Price to Purchase Price in accordance with the terms in the Share Purchase Agreement, an additional amount of Euro 185 Million which is equivalent of TL 430.947.685(\*) was paid on 27 December 2012. Ultimately the process was completed with a total Purchase Price of TL 6.900.088.413 (Euro 2.975 million).

(\*)Amounts are reflected as full TL.

#### **II. Capital structure, shareholders controlling the management and supervision of the Parent Bank directly or indirectly, and if exists, changes on these issues and the Group that the Parent Bank belongs to**

<b>Current Period</b>		
<b>Name of the Shareholder</b>	<b>Amount (Full TL)</b>	<b>Share (%)</b>
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	-
<b>Total</b>	<b>3.316.100.000</b>	<b>100,00</b>

<b>Prior Period</b>		
<b>Name of the Shareholder</b>	<b>Amount (Full TL)</b>	<b>Share (%)</b>
Sberbank of Russia	3.311.211.134	99,85
Publicly traded	4.888.709	0,15
Others shareholders	157	--
<b>Total</b>	<b>3.316.100.000</b>	<b>100,00</b>

Paid capital of Parent Bank was increased at a total amount TL 1.500.000, TL 39 from share premiums, TL 113.097 from subsidiaries and associate shares and real estate sales income, TL 636.864 from extraordinary reserves and TL 750.000 from cash reserve on 28 June 2016.

**DENİZBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2017**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish,*  
*See Note 3.1.c*

**III. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and shares of the Parent Bank they possess and their areas of responsibility**

<b>Name</b>	<b>Title</b>	<b>Shares owned (%)</b>
<b>President of the Board of Directors</b>		
Herman Gref	Chairman	--
<b>Board of Directors</b>		
Nihat Sevinç	Deputy Chairman	--
Hakan Ateş	Member, President and CEO	0,000002
Alexander Vedyakhin	Member	--
Deniz Ülke Arıboğan	Member	--
Wouter G.M. Van Roste	Member	--
Timur Kozintsev	Member	--
Derya Kumru	Member	--
Igor Kondrashov	Member	--
Alexander Morozov	Member	--
Pavel Barchugov	Member	--
Alexander Titov <sup>(1)(6)</sup>	Member	--
Mykyta Volkov <sup>(2)(6)</sup>	Member	--
<b>Audit Committee</b>		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Pavel Barchugov	Member	--
<b>Executive Vice Presidents</b>		
Bora Böcügöz	Treasury, Financial Institutions, Private Banking	--
Ruslan Abil <sup>(3)</sup>	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services Group	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu <sup>(5)</sup>	Corporate Banking, Commercial Banking and Public Finance	--
Mustafa Saruhan Özel	Economic Research, Strategy and Program Management	--
Cem Demirağ	Head of Internal Control Unit and Compliance	--
Ali Murat Dizdar	Chief Legal Advisor	--
Ayşenur Hıçkiran	Card Payment Systems and Non-Branch Sales Channels	--
Murat Çelik	Digital Generation Banking	--
Selim Efe Teoman	Corporate and Commercial Loans	--
Ramazan Işık	Head of Inspection Board	--
Önder Özcan	Managerial Reporting and Budget Planning	--
Murat Kulaksız	SME Banking	--
Necip Yavuz Elkin	Human Resources and Deniz Academy	--
Burak Koçak	Agriculture Banking	--
Oğuzhan Özark	Retail Banking	--
Cemil Cem Önenç	Private Banking and Investment sales-Performance Management	--
Sinan Yılmaz	Risk Management Group Leader	--
Hakan Turan Pala	Corporate and Commercial Loans Analysis	--
Edip Kürşad Başer	Corporate Loans Policies	--
Murat Çitak	IT Security and Digital-Card Payment Operations	--
Verda Beril Yüzer Oğuz	Financial Institutions	--
Hayri Çansever	General Secretary and Sberbank Coordination	--
Umut Özdoğan <sup>(4)</sup>	Cash Management, Public Finance and Organization	--

<sup>(1)</sup> Alexander Titov was appointed as a Member of the Board of the Directors at the ordinary General Assembly meeting held on 29 March 2017 instead of Svetlana Sagaydak, who resigned from her posting position as of 2 March 2017.

<sup>(2)</sup> Vadim Kulik who resigned from Sberbank of Russia on 15 February 2017, left his position at Sberbank and therefore his membership on Denizbank Board of Directors was terminated at the Ordinary General Assembly meeting held on 29 March 2017 and Mykyta Volkov was appointed instead of him as a member of the Board of Directors.

<sup>(3)</sup> Suavi Demircioğlu, who has been serving as the Executive Vice President responsible for the Financial Affairs at the Bank, retired from the Bank as of 31 March 2017. As of 3 April 2017 he was replaced by Ruslan Abil who has been serving as Executive Vice President responsible for the Group Reporting and Asset- Liability Management Group by the decision of Board of Directors. The title of Ruslan Abil who serves as the Assistant Manager has been changed to Assistant General Manager in charge of the Financial Affairs Group and it has been decided to continue the signing authority of Group B jointly, which is held on behalf of our Bank.

<sup>(4)</sup> As of 10 March 2017, Umut Özdoğan was appointed as Assistant General Manager of Cash Management, Public Finance and Organization Group, who has served as Corporate Banking Branch Manager of İstanbul Corporate Branch in the Bank.

<sup>(5)</sup> Mehmet Aydoğdu who is in charge of Corporate Banking, Commercial Banking and Public Finance Assistant General Manager at Bank; his title has changed as Executive Vice President of Corporate Banking and Commercial Banking on 5 April 2017.



**DENİZBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2017**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
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*Originally Issued in Turkish,*  
*See Note 3.1.c*

<sup>(6)</sup> Alexander Titov who was appointed as a member of the Board of Directors at the Ordinary General Assembly meeting of the Bank on 29 March 2017 took an oath on 27 April 2017. Mykyta Volkov, who was appointed as a member of the Board of Directors at the same meeting resigned from his duty in Bank as of 26 April 2017.

**IV. Explanations regarding the real person and corporate qualified shareholders at the Parent Bank**

Commercial Title	Share Amounts	Share Percentages	Paid-in Capital	Unpaid Capital
Sberbank of Russia	3.311.211	99,85%	3.311.211	--

Sberbank is the controlling party of the Parent Bank's capital having both direct and indirect qualified shares.

As of 31 March 2017 the capital structure of Sberbank is as follows:

Shareholders	Share Percentages
Central Bank of Russia	50,00 %
Publicly traded	50,00 %
<b>Total</b>	<b>100,00 %</b>

Central Bank of the Russian Federation holds 50%+1 share within 22.586.948.000 ordinary and preferred shares in total in Sberbank of Russia (the rate in 21.586.948.000 ordinary shares corresponds to 52,32%).

**V. Type of services provided and the areas of operations of the Parent Bank**

The Parent Bank is a private sector deposit bank which provides banking services to its customers through 695 domestic and 1 foreign branch as of 31 March 2017.

Activities of the Parent Bank as stated in the 3rd clause of the Articles of Association are as follows:

In accordance with the Banking Law and regulations;

- Performing all kinds of banking activities,
- Dealing with transactions on all kinds of capital market instruments within the limits set by the related regulations and Capital Market Law regulations,
- Establishing domestic and/or foreign entities and participating in existing entities. Entering into loan and intelligence agreements with domestic and international financial institutions. Participating in consortiums and syndications,
- Incorporating insurance companies, operating insurance agencies, participating in insurance companies which are existing or planned to be founded.

Apart from the above-mentioned activities, in case different activities deemed advantageous and necessary for the company are to be undertaken in the future, they will be submitted to approval of the General Assembly based on Board of Director's decision and the company will be able to implement activities after the relevant decision is made by General Assembly.

**VI. A short explanation on the differences between the communiqué 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.**

Banks are obligated to prepare consolidated financial statements for credit institutions and financial subsidiaries for creating legal restrictions on a consolidated basis based on the "Communiqué on Preparation of Consolidated Financial Statements of Banks" by applying Turkish Accounting Standards. There is not any difference between the related Communiqué and the consolidation operations based on Turkish Accounting Standards except the scope of non-financial associate and subsidiary. Information in regards to consolidated subsidiaries and consolidation methods are given in Note III of Section Three.

**VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Parent Bank and its subsidiaries and repayment of debts.**

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Statements of Financial Position (Balance Sheets)
- II. Consolidated Statements of Off-Balance Sheet Items
- III. Consolidated Statements of Income
- IV. Consolidated Statements of Income and Expenses Under Shareholders' Equity
- V. Consolidated Statements of Changes in Shareholders' Equity
- VI. Consolidated Statements of Cash Flows

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(BALANCE SHEETS)**  
**AS OF 31 MARCH 2017 AND 31 DECEMBER 2016**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of  
Consolidated Financial Report  
Originally Issued in Turkish,  
See Note 3.1.c*

ASSETS	Footnotes	CURRENT PERIOD (31/03/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(5.1.a)	<b>2.994.020</b>	<b>11.771.435</b>	<b>14.765.455</b>	<b>2.281.807</b>	<b>12.557.554</b>	<b>14.839.361</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(5.1.b)	<b>617.506</b>	<b>392.737</b>	<b>1.010.243</b>	<b>1.049.942</b>	<b>397.917</b>	<b>1.447.859</b>
2.1 Financial Assets Held For Trading		617.506	392.737	1.010.243	1.049.942	397.917	1.447.859
2.1.1 Public Sector Debt Securities		59.151	5.794	64.945	93.100	3.787	96.887
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Positive Value of Trading Purpose Derivatives		547.857	386.943	934.800	946.929	394.096	1.341.025
2.1.4 Other Securities		10.498	-	10.498	9.913	34	9.947
2.2 Financial Assets Designated at Fair Value		-	-	-	-	-	-
2.2.1 Public Sector Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Securities		-	-	-	-	-	-
<b>III. BANKS</b>	(5.1.c)	<b>18.472</b>	<b>6.803.589</b>	<b>6.822.061</b>	<b>17.006</b>	<b>5.555.737</b>	<b>5.572.743</b>
<b>IV. DUE FROM MONEY MARKETS</b>		<b>2.006.825</b>	<b>-</b>	<b>2.006.825</b>	<b>3.001.571</b>	<b>-</b>	<b>3.001.571</b>
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		6.184	-	6.184	175	-	175
4.3 Reverse Repurchase Agreements		2.000.641	-	2.000.641	3.001.396	-	3.001.396
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(5.1.d)	<b>5.478.697</b>	<b>1.863.157</b>	<b>7.341.854</b>	<b>5.421.996</b>	<b>2.174.994</b>	<b>7.596.990</b>
5.1 Share Certificates		3.930	44.471	48.401	3.930	37.798	41.728
5.2 Public Sector Debt Securities		5.474.767	1.296.970	6.771.737	5.418.066	1.707.773	7.125.839
5.3 Other Securities		-	521.716	521.716	-	429.423	429.423
<b>VI. LOANS AND RECEIVABLES</b>	(5.1.e)	<b>54.613.121</b>	<b>43.807.030</b>	<b>98.420.151</b>	<b>49.267.080</b>	<b>41.883.408</b>	<b>91.150.488</b>
6.1 Loans and Receivables		53.518.970	43.797.610	97.316.580	48.268.612	41.878.192	90.146.804
6.1.1 Loans Utilized to the Bank's Risk Group		11.639	-	11.639	14.194	-	14.194
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		53.507.331	43.797.610	97.304.941	48.254.418	41.878.192	90.132.610
6.2 Loans under Follow-Up		3.656.004	20.278	3.676.282	3.635.008	16.631	3.651.639
6.3 Specific Provisions (-)		2.561.853	10.858	2.572.711	2.636.540	11.415	2.647.955
<b>VII. FACTORING RECEIVABLES</b>		<b>1.597.365</b>	<b>37.312</b>	<b>1.634.677</b>	<b>1.155.332</b>	<b>79.389</b>	<b>1.234.721</b>
<b>VIII. INVESTMENT HELD TO MATURITY (Net)</b>	(5.1.f)	<b>3.327.480</b>	<b>1.727.681</b>	<b>5.055.161</b>	<b>3.339.895</b>	<b>1.716.137</b>	<b>5.056.032</b>
8.1 Public Sector Debt Securities		3.327.480	1.688.158	5.015.638	3.339.895	1.678.583	5.018.478
8.2 Other Securities		-	39.523	39.523	-	37.554	37.554
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(5.1.g)	<b>10.147</b>	<b>-</b>	<b>10.147</b>	<b>10.147</b>	<b>-</b>	<b>10.147</b>
9.1 Associates accounted for Under Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		10.147	-	10.147	10.147	-	10.147
9.2.1 Financial Associates		1.508	-	1.508	1.508	-	1.508
9.2.2 Non-Financial Associates		8.639	-	8.639	8.639	-	8.639
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(5.1.h)	<b>12.103</b>	<b>136</b>	<b>12.239</b>	<b>12.103</b>	<b>130</b>	<b>12.233</b>
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		12.103	136	12.239	12.103	130	12.233
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(5.1.i)	<b>2.800</b>	<b>-</b>	<b>2.800</b>	<b>2.800</b>	<b>-</b>	<b>2.800</b>
11.1 Joint Ventures accounted for Under Equity Method		-	-	-	-	-	-
11.2 Unconsolidated Joint Ventures		2.800	-	2.800	2.800	-	2.800
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		2.800	-	2.800	2.800	-	2.800
<b>XII. LEASE RECEIVABLES (Net)</b>	(5.1.j)	<b>622.026</b>	<b>2.049.122</b>	<b>2.671.148</b>	<b>616.636</b>	<b>2.020.671</b>	<b>2.637.307</b>
12.1 Financial Lease Receivables		810.542	2.462.329	3.272.871	780.796	2.420.711	3.201.507
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		188.516	413.207	601.723	164.160	400.040	564.200
<b>XIII. HEDGING PURPOSE DERIVATIVES</b>	(5.1.k)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		<b>544.837</b>	<b>118.292</b>	<b>663.129</b>	<b>552.614</b>	<b>111.965</b>	<b>664.579</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>		<b>194.137</b>	<b>11.615</b>	<b>205.752</b>	<b>193.140</b>	<b>11.679</b>	<b>204.819</b>
15.1 Goodwill		869	-	869	869	-	869
15.2 Others		193.268	11.615	204.883	192.271	11.679	203.950
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(5.1.l)	<b>164.527</b>	<b>-</b>	<b>164.527</b>	<b>164.527</b>	<b>-</b>	<b>164.527</b>
<b>XVII. TAX ASSETS</b>	(5.1.m)	<b>158.158</b>	<b>207</b>	<b>158.365</b>	<b>220.354</b>	<b>34.510</b>	<b>254.864</b>
17.1 Current Tax Assets		3	207	210	67.178	34.510	101.688
17.2 Deferred Tax Assets		158.155	-	158.155	153.176	-	153.176
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(5.1.n)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Held For Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(5.1.o)	<b>1.302.508</b>	<b>821.315</b>	<b>2.123.823</b>	<b>1.099.302</b>	<b>603.655</b>	<b>1.702.957</b>
<b>TOTAL ASSETS</b>		<b>73.664.729</b>	<b>69.403.628</b>	<b>143.068.357</b>	<b>68.406.252</b>	<b>67.147.746</b>	<b>135.553.998</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(BALANCE SHEETS)**  
**AS OF 31 MARCH 2017 AND 31 DECEMBER 2016**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish,*  
*See Note 3.1.c*

LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD (31/03/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(5.II.a)	<b>34.972.496</b>	<b>64.080.830</b>	<b>99.053.326</b>	<b>35.185.381</b>	<b>57.010.570</b>	<b>92.195.951</b>
1.1 Deposits of the Bank's Risk Group		63.728	749.568	813.296	38.299	732.007	770.306
1.2 Others		34.908.768	63.331.262	98.240.030	35.147.082	56.278.563	91.425.645
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(5.II.b)	<b>477.150</b>	<b>455.191</b>	<b>932.341</b>	<b>546.611</b>	<b>701.775</b>	<b>1.248.386</b>
<b>III. FUNDS BORROWED</b>	(5.II.c)	<b>1.872.892</b>	<b>10.075.197</b>	<b>11.948.089</b>	<b>2.129.526</b>	<b>9.129.165</b>	<b>11.258.691</b>
<b>IV. DUE TO MONEY MARKETS</b>		<b>4.489.790</b>	-	<b>4.489.790</b>	<b>5.397.576</b>	-	<b>5.397.576</b>
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		380.098	-	380.098	-	-	-
4.3 Repurchase Agreements		4.109.692	-	4.109.692	5.397.576	-	5.397.576
<b>V. SECURITIES ISSUED (Net)</b>	(5.II.d)	<b>2.398.152</b>	<b>1.265.708</b>	<b>3.663.860</b>	<b>2.181.325</b>	<b>1.309.730</b>	<b>3.491.055</b>
5.1 Bills		1.979.427	-	1.979.427	1.766.245	-	1.766.245
5.2 Asset Backed Securities		411.190	-	411.190	415.080	-	415.080
5.3 Bonds		7.535	1.265.708	1.273.243	-	1.309.730	1.309.730
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrowers Funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		<b>1.348.096</b>	<b>384.585</b>	<b>1.732.681</b>	<b>1.429.351</b>	<b>532.863</b>	<b>1.962.214</b>
<b>VIII. OTHER EXTERNAL RESOURCES</b>	(5.II.e)	<b>1.243.048</b>	<b>930.094</b>	<b>2.173.142</b>	<b>1.060.323</b>	<b>912.887</b>	<b>1.973.210</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(5.II.f)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses ( - )		-	-	-	-	-	-
<b>XI. HEDGING PURPOSE DERIVATIVES</b>	(5.II.g)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(5.II.h)	<b>1.853.463</b>	<b>36.145</b>	<b>1.889.608</b>	<b>1.715.537</b>	<b>32.614</b>	<b>1.748.151</b>
12.1 General Provisions		1.322.266	-	1.322.266	1.269.354	-	1.269.354
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		121.149	8.100	129.249	114.048	7.671	121.719
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		410.048	28.045	438.093	332.135	24.943	357.078
<b>XIII. TAX LIABILITIES</b>	(5.II.i)	<b>190.479</b>	<b>22.157</b>	<b>212.636</b>	<b>188.093</b>	<b>17.072</b>	<b>205.165</b>
13.1 Current Tax Liability		190.047	10.847	200.894	188.093	1.626	189.719
13.2 Deferred Tax Liability		432	11.310	11.742	-	15.446	15.446
<b>XIV. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
14.1 Held For Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		-	<b>5.671.510</b>	<b>5.671.510</b>	-	<b>5.483.501</b>	<b>5.483.501</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(5.II.j)	<b>7.556.080</b>	<b>3.745.294</b>	<b>11.301.374</b>	<b>7.266.585</b>	<b>3.323.513</b>	<b>10.590.098</b>
16.1 Paid-In Capital		3.316.100	-	3.316.100	3.316.100	-	3.316.100
16.2 Supplementary Capital		(1.451.003)	(59.102)	(1.510.105)	(1.414.688)	(98.711)	(1.513.399)
16.2.1 Share Premium		15	-	15	15	-	15
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve		(383.370)	(71.263)	(454.633)	(444.941)	(110.354)	(555.295)
16.2.4 Revaluation Fund on Tangible Assets		95.527	12.161	107.688	28.852	11.643	40.495
16.2.5 Revaluation Fund on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation Fund on Investment Properties		13.397	-	13.397	13.397	-	13.397
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		11	-	11	11	-	11
16.2.8 Hedging Funds (Effective Portion)		(1.171.781)	-	(1.171.781)	(1.007.220)	-	(1.007.220)
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Supplementary Capital		(4.802)	-	(4.802)	(4.802)	-	(4.802)
16.3 Profit Reserves		4.204.568	1.361.751	5.566.319	3.988.561	1.144.242	5.132.803
16.3.1 Legal Reserves		252.819	5.019	257.838	182.355	5.019	187.374
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		3.915.414	11.173	3.926.587	3.769.533	11.173	3.780.706
16.3.4 Other Profit Reserves		36.335	1.345.559	1.381.894	36.673	1.128.050	1.164.723
16.4 Profit or Loss		1.477.962	2.442.645	3.920.607	1.368.342	2.277.982	3.646.324
16.4.1 Prior Periods' Profits / Losses		1.286.033	2.077.092	3.363.125	746.069	1.500.228	2.246.297
16.4.2 Current Period Profit / Loss		191.929	365.553	557.482	622.273	777.754	1.400.027
16.5 Minority Shares		8.453	-	8.453	8.270	-	8.270
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>56.401.646</b>	<b>86.666.711</b>	<b>143.068.357</b>	<b>57.100.308</b>	<b>78.453.690</b>	<b>135.553.998</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF**  
**OFF-BALANCE SHEET ITEMS**  
**AS OF 31 MARCH 2017 AND 31 DECEMBER 2016**  
(Currency: Thousands of TL- Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish,*  
*See Note 3.1.c*

	Footnotes	CURRENT PERIOD (31/03/2017)			PRIOR PERIOD (31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>66.344.303</b>	<b>97.825.306</b>	<b>164.169.609</b>	<b>54.889.084</b>	<b>89.829.528</b>	<b>144.718.612</b>
<b>I. GUARANTEES</b>	(5.III.a)	<b>10.105.978</b>	<b>18.511.625</b>	<b>28.617.603</b>	<b>10.041.664</b>	<b>18.740.351</b>	<b>28.782.015</b>
1.1. Letters of Guarantee		10.092.562	11.600.200	21.692.762	10.029.957	11.752.258	21.782.215
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		79.021	82.160	161.181	79.021	90.776	169.797
1.1.3. Other Letters of Guarantee		10.013.541	11.518.040	21.531.581	9.950.936	11.661.482	21.612.418
1.2. Bank Acceptances		6.145	242.591	248.736	5.498	251.332	256.830
1.2.1. Import Letter of Acceptance		6.145	242.591	248.736	5.498	251.332	256.830
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		42	2.662.911	2.662.953	42	2.426.574	2.426.616
1.3.1. Documentary Letters of Credit		42	1.884.570	1.884.612	42	1.611.093	1.611.135
1.3.2. Other Letters of Credit		-	778.341	778.341	-	815.481	815.481
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 Related Guarantees		-	-	-	-	-	-
1.8. Other Collaterals		7.229	4.005.923	4.013.152	6.167	4.310.187	4.316.354
1.9. Other Sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(5.III.a)	<b>29.533.325</b>	<b>4.990.190</b>	<b>34.523.515</b>	<b>28.323.856</b>	<b>4.027.727</b>	<b>32.351.583</b>
2.1. Irrevocable Commitments		26.365.500	4.990.190	31.355.690	25.004.358	4.027.727	29.032.085
2.1.1. Asset Purchase and Sale Commitments		1.595.631	3.851.853	5.447.484	405.787	2.956.586	3.362.373
2.1.2. Deposit Purchase and Sales Commitments		-	19.296	19.296	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		8.931.217	30.909	8.962.126	9.475.667	24.982	9.500.649
2.1.5. Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments		2.204.537	-	2.204.537	2.111.130	-	2.111.130
2.1.8. Tax and Fund Obligations from Export Commitments		2.332	-	2.332	2.415	-	2.415
2.1.9. Commitments for Credit Card Limits		13.483.244	-	13.483.244	12.764.645	-	12.764.645
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services		1.131	-	1.131	1.416	-	1.416
2.1.11. Receivables from "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.12. Payables for "Short" Sale Commitments On Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		147.408	1.088.132	1.235.540	243.298	1.046.159	1.289.457
2.2. Revocable Commitments		3.167.825	-	3.167.825	3.319.498	-	3.319.498
2.2.1. Revocable Loan Granting Commitments		3.167.266	-	3.167.266	3.318.939	-	3.318.939
2.2.2. Other Revocable Commitments		559	-	559	559	-	559
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>26.705.000</b>	<b>74.323.491</b>	<b>101.028.491</b>	<b>16.523.564</b>	<b>67.061.450</b>	<b>83.585.014</b>
3.1. Hedging Purpose Derivatives		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
3.2. Trading Purpose Derivatives		26.705.000	74.323.491	101.028.491	16.523.564	67.061.450	83.585.014
3.2.1. Forward Foreign Currency Purchases/Sales		1.576.618	3.359.157	4.935.775	1.711.451	2.321.703	4.033.154
3.2.1.1. Forward Foreign Currency Purchases		373.073	1.612.744	2.485.817	879.079	1.148.288	2.027.367
3.2.1.2. Forward Foreign Currency Sales		703.545	1.746.413	2.449.958	832.372	1.173.415	2.005.787
3.2.2. Currency and Interest Rate Swaps		20.404.134	63.140.849	83.544.983	10.988.532	57.347.352	68.335.884
3.2.2.1. Currency Swaps-Purchases		2.974.835	28.669.818	31.644.653	2.846.554	22.168.613	25.015.167
3.2.2.2. Currency Swaps-Sales		14.009.299	15.713.314	29.722.613	6.920.574	16.486.099	23.406.673
3.2.2.3. Interest Rate Swaps-Purchases		1.710.000	9.378.859	11.088.859	610.000	9.347.248	9.957.248
3.2.2.4. Interest Rate Swaps-Sales		1.710.000	9.378.858	11.088.858	611.404	9.345.392	9.956.796
3.2.3. Currency, Interest Rate and Security Options		4.724.248	5.275.538	9.999.786	3.823.581	5.299.660	9.123.241
3.2.3.1. Currency Options-Purchases		2.142.301	2.734.307	4.876.608	1.947.258	2.529.227	4.476.485
3.2.3.2. Currency Options-Sales		2.581.947	2.420.459	5.002.406	1.876.323	2.643.805	4.520.128
3.2.3.3. Interest Rate Options-Purchases		-	60.386	60.386	-	63.314	63.314
3.2.3.4. Interest Rate Options-Sales		-	60.386	60.386	-	63.314	63.314
3.2.3.5. Securities Options-Purchases		-	-	-	-	-	-
3.2.3.6. Securities Options-Sales		-	-	-	-	-	-
3.2.4. Currency Futures		-	-	-	-	-	-
3.2.4.1. Currency Futures-Purchases		-	-	-	-	-	-
3.2.4.2. Currency Futures-Sales		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Purchases		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sales		-	-	-	-	-	-
3.2.6. Others		-	2.547.947	2.547.947	-	2.092.735	2.092.735
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>435.301.519</b>	<b>133.033.033</b>	<b>568.334.552</b>	<b>406.703.917</b>	<b>104.773.998</b>	<b>511.477.915</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>99.239.890</b>	<b>2.532.579</b>	<b>101.772.469</b>	<b>93.768.668</b>	<b>2.468.962</b>	<b>96.237.630</b>
4.1. Customers' Securities and Portfolios Held		137.714	-	137.714	137.718	-	137.718
4.2. Securities Held in Custody		97.178.639	1.028.741	98.207.380	91.541.375	1.006.875	92.548.250
4.3. Checks Received for Collection		873.450	1.066.447	1.939.897	1.116.594	962.251	2.078.845
4.4. Commercial Notes Received for Collection		1.048.836	349.541	1.398.377	971.623	415.353	1.386.976
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items under Custody		-	87.136	87.136	-	83.793	83.793
4.8. Custodians		1.251	714	1.965	1.358	690	2.048
<b>V. PLEDGED ITEMS</b>		<b>335.734.419</b>	<b>129.773.678</b>	<b>465.508.097</b>	<b>312.550.745</b>	<b>101.470.333</b>	<b>414.021.078</b>
5.1. Securities		3.196.536	9.034	3.205.570	3.134.244	25.768	3.160.012
5.2. Guarantee Notes		237.531.525	46.344.003	283.875.528	217.463.456	45.384.701	262.848.157
5.3. Commodities		14.083.183	3.806.633	17.889.816	13.702.267	3.683.797	17.386.064
5.4. Warrants		-	-	-	-	-	-
5.5. Immovables		72.546.518	37.368.594	109.915.112	69.421.586	35.399.926	104.821.512
5.6. Other Pledged Items		8.376.657	42.245.414	50.622.071	8.829.192	16.976.141	25.805.333
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>327.210</b>	<b>726.776</b>	<b>1.053.986</b>	<b>384.504</b>	<b>834.703</b>	<b>1.219.207</b>
<b>TOTAL OFF BALANCE SHEET ITEMS (A+B)</b>		<b>501.645.822</b>	<b>230.858.339</b>	<b>732.504.161</b>	<b>461.593.001</b>	<b>194.603.526</b>	<b>656.196.527</b>

The accompanying notes are an integral part of these consolidated financial statements.

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIOD ENDED 31 MARCH 2017 AND 2016**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish,*  
*See Note 3.1.c*

INCOME AND EXPENSE ITEMS		Footnotes	CURRENT PERIOD (01/01-31/03/2017)	PRIOR PERIOD (01/01-31/03/2016)
<b>I.</b>	<b>INTEREST INCOME</b>	(5.IV.a)	<b>2.977.546</b>	<b>2.461.191</b>
1.1	Interest from Loans		2.515.143	2.024.301
1.2	Interest from Reserve Deposits		18.202	11.738
1.3	Interest from Banks		10.552	3.241
1.4	Interest from Money Market Transactions		10.200	3.922
1.5	Interest from Securities Portfolio		339.466	350.067
1.5.1	Trading Securities		2.355	1.651
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available for Sale Securities		185.874	241.478
1.5.4	Held to Maturity Securities		151.237	106.938
1.6	Interest from Financial Leases		58.639	51.648
1.7	Other Interest Income		25.344	16.274
<b>II.</b>	<b>INTEREST EXPENSE</b>	(5.IV.b)	<b>1.399.382</b>	<b>1.222.237</b>
2.1	Interest on Deposits		1.024.922	869.757
2.2	Interest on Funds Borrowed		215.384	154.963
2.3	Interest on Money Market Transactions		50.286	117.943
2.4	Interest on Securities Issued		69.849	58.156
2.5	Other Interest Expense		38.941	21.418
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>1.578.164</b>	<b>1.238.954</b>
<b>IV.</b>	<b>NET FEES AND COMMISSION INCOME /EXPENSE</b>	(5.IV.j)	<b>338.836</b>	<b>293.623</b>
4.1	Fees and Commissions Received		442.501	383.518
4.1.1	Non-Cash Loans		52.807	41.891
4.1.2	Other		389.694	341.627
4.2	Fees and Commissions Paid		103.665	89.895
4.2.1	Non-Cash Loans		576	271
4.2.2	Other		103.089	89.624
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>85</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/LOSS (Net)</b>	(5.IV.c)	<b>(144.355)</b>	<b>(228.382)</b>
6.1	Profit / Loss on Securities Trading		(16.215)	(6.960)
6.2	Profit / Loss on Derivative Financial Transactions		(402.997)	(697.124)
6.3	Foreign Exchange Gains / Losses		274.857	475.702
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5.IV.d)	<b>234.473</b>	<b>183.379</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>2.007.203</b>	<b>1.487.574</b>
<b>IX.</b>	<b>PROVISION FOR LOANS AND OTHER RECEIVABLES (-)</b>	(5.IV.e)	<b>526.941</b>	<b>405.361</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(5.IV.f)	<b>755.540</b>	<b>696.892</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>724.722</b>	<b>385.321</b>
<b>XII.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	(5.IV.g)	<b>724.722</b>	<b>385.321</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	(5.IV.h)	<b>(167.057)</b>	<b>(84.785)</b>
16.1	Current Tax		(154.292)	(102.442)
16.2	Deferred Tax		(12.765)	17.657
<b>XVII.</b>	<b>NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>557.665</b>	<b>300.536</b>
<b>XVIII.</b>	<b>PROFIT FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1	Assets Held for Sale		-	-
18.2	Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other		-	-
<b>XIX.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1	Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other		-	-
<b>XX.</b>	<b>P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1	Current Tax		-	-
21.2	Deferred Tax		-	-
<b>XXII.</b>	<b>NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT / LOSS (XVII+XXII)</b>	(5.IV.i)	<b>557.665</b>	<b>300.536</b>
23.1	Group's Profit / Loss		557.482	300.485
23.2	Minority Shares		183	51
	Earnings / Losses per Share (Per thousand share)		0,17	0,17

The accompanying notes are an integral part of these consolidated financial statements.



**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF**  
**INCOME AND EXPENSES**  
**UNDER SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED 31 MARCH 2017 AND 2016**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
*Consolidated Financial Report*  
*Originally Issued in Turkish,*  
*See Note 3.1.c*

STATEMENT OF INCOME AND EXPENSES UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD (01/01-31/03/2017)	PRIOR PERIOD (01/01-31/03/2016)
I.	ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	125.837	240.225
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	467	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	217.171	30.533
V.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	89	1.289
VI.	PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	(205.812)	(24.726)
VII.	THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-	-
IX.	DEFERRED TAXES OF VALUATION DIFFERENCES	15.859	(45.074)
X.	NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	153.611	202.247
XI.	CURRENT PERIOD PROFIT/LOSS	557.665	300.536
1.1	Net Change in Fair Value of Securities (Transfer to Profit & Loss)	(18.375)	(3.443)
1.2	Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(89)	(1.126)
1.3	Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
1.4	Other	576.129	305.105
XII.	TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	711.276	502.783

The accompanying notes are an integral part of these consolidated financial statements.

# DENİZBANK ANONİM ŞİRKETİ

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

### FOR THE PERIODS ENDED 31 MARCH 2017 AND 2016

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of  
Consolidated Financial Report  
Originally Issued in Turkish.  
See Note 3.1.c

CHANGES IN SHAREHOLDERS' EQUITY	Paid-In Capital	Inflation Adjustments to Paid-In Capital (*)	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit / (Loss)	Prior Period Net Profit / (Loss)	Securities Revaluation Reserve	Revaluation Fund of Tang./Intang.A.	Bonus Shares Obtained from Associates	Hedging Reserves	Val.Diff.Related to Assets Held for Sale/Disc.Opr.	Total Equity Attrib. to Equity Holders of the Parent	Minority Interest	Total Shareholders' Equity
<b>I. PRIOR PERIOD 01/01-31/03/2016</b>																		
Balance at the Beginning of Period	1,816.100	-	39	-	148.561	-	4,299.045	556.164	858.403	1,544.232	(479.788)	126.494	11	(583.262)	-	8,286.999	7.198	8,294.197
<b>Changes in the Period</b>																		
II. Increase / Decrease Related to Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation Differences of Securities	-	-	-	-	-	-	-	-	-	-	190.369	-	-	-	-	190.369	-	190.369
IV. Hedging Transactions (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(18.655)	-	(18.655)	-	(18.655)
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	1.126	-	1.126	-	1.126
4.2 Hedging of a Net Investment in Foreign Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(19.781)	-	(19.781)	-	(19.781)
V. Revaluation Fund of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation Fund of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences	-	-	-	-	-	-	-	30.533	-	-	-	-	-	-	-	30.533	-	30.533
IX. Changes Related to Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes Related to Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equities of Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Effect of Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current Period Net Profit / Loss	-	-	-	-	-	-	-	-	300.485	-	-	-	-	-	-	300.485	51	300.536
XVIII. Profit Distribution	-	-	-	-	38.132	-	124.586	-	(858.403)	695.685	-	-	-	-	-	-	-	-
18.1 Dividend Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfer to Reserves	-	-	-	-	38.132	-	124.586	-	(858.403)	695.685	-	-	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the End of Period (I+II+III+...+XVI+XVII+XVIII)</b>	<b>1,816.100</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>187.693</b>	<b>-</b>	<b>4,423.631</b>	<b>586.697</b>	<b>300.485</b>	<b>2,239.917</b>	<b>(289.419)</b>	<b>126.494</b>	<b>11</b>	<b>(601.917)</b>	<b>-</b>	<b>8,788.731</b>	<b>7.249</b>	<b>8,796.980</b>
<b>CURRENT PERIOD 01/01-31/03/2017</b>																		
<b>I. Balance at the Beginning of Period</b>	<b>3,316.100</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>187.374</b>	<b>-</b>	<b>3,780.706</b>	<b>1,159.921</b>	<b>1,400.027</b>	<b>2,246.297</b>	<b>(555.295)</b>	<b>53.892</b>	<b>11</b>	<b>(1,007.220)</b>	<b>-</b>	<b>10,561.828</b>	<b>8.270</b>	<b>10,590.098</b>
<b>Changes in the Period</b>																		
II. Increase / Decrease Related to Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation Differences of Securities	-	-	-	-	-	-	-	-	-	-	100.662	-	-	-	-	100.662	-	100.662
IV. Hedging Transactions (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	(164.561)	-	(164.561)	-	(164.561)
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	89	-	89	-	89
4.2 Hedging of a Net Investment in Foreign Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(164.650)	-	(164.650)	-	(164.650)
V. Revaluation Fund of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	339	-	-	-	339	-	339
VI. Revaluation Fund of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences	-	-	-	-	-	-	-	217.171	-	-	-	-	-	-	-	217.171	-	217.171
IX. Changes Related to Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes Related to Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equities of Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Effect of Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital Reserves from Inflation Adjustments to Paid-In Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current Period Net Profit / Loss	-	-	-	-	-	-	-	-	557.482	-	-	-	-	-	-	557.482	183	557.665
XVIII. Profit Distribution	-	-	-	-	70.464	-	145.881	-	(1,400.027)	1,116.828	-	66.854	-	-	-	-	-	-
18.1 Dividend Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfer to Reserves	-	-	-	-	70.464	-	145.881	-	(1,400.027)	1,116.828	-	66.854	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the End of Period (I+II+III+...+XVI+XVII+XVIII)</b>	<b>3,316.100</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>257.838</b>	<b>-</b>	<b>3,926.587</b>	<b>1,377.092</b>	<b>557.482</b>	<b>3,363.125</b>	<b>(454.633)</b>	<b>121.085</b>	<b>11</b>	<b>(1,171.781)</b>	<b>-</b>	<b>11,292.921</b>	<b>8.453</b>	<b>11,301.374</b>

(\*) The column "Other Reserves" amounting to TL (4.802) and relating to the "actuarial loss/profit" calculated as per TAS 19 "Employee Benefits" is stated under "Other Capital Reserves" in consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

**DENİZBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE PERIODS ENDED**  
**31 MARCH 2017 AND 2016**  
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of*  
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	CURRENT PERIOD (01/01-31/03/2017)	PRIOR PERIOD (01/01-31/03/2016)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit before Changes in Operating Assets and Liabilities (+)</b>	<b>937.512</b>	<b>1.698.324</b>
1.1.1 Interest Received (+)	2.721.962	2.298.539
1.1.2 Interest Paid (-)	1.377.628	1.210.525
1.1.3 Dividend Received (+)	85	-
1.1.4 Fees And Commissions Received (+)	442.501	374.206
1.1.5 Other Income (+)	-	1.258.006
1.1.6 Collections from Previously Written-Off Loans and Other Receivables (+)	243.796	273.378
1.1.7 Payments to Personnel and Service Suppliers (-)	317.280	279.738
1.1.8 Taxes Paid (-)	40.606	31.704
1.1.9 Other (+/-)	(735.318)	(983.838)
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>(2.349.929)</b>	<b>(2.834.009)</b>
1.2.1 Net (Increase) Decrease in Trading Securities (+/-)	20.898	3.703
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV (+/-)	-	-
1.2.3 Net (Increase) Decrease in Banks (+/-)	(396.242)	(14.287)
1.2.4 Net (Increase) Decrease in Loans (+/-)	(7.632.359)	(3.305.038)
1.2.5 Net (Increase) Decrease in Other Assets (+/-)	(1.052.233)	(808.635)
1.2.6 Net Increase (Decrease) in Bank Deposits (+/-)	2.518.534	417.226
1.2.7 Net Increase (Decrease) in Other Deposits (+/-)	4.319.175	2.984.430
1.2.8 Net Increase (Decrease) in Funds Borrowed (+/-)	954.200	(426.822)
1.2.9 Net Increase (Decrease) in Due Payables (+/-)	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities (+/-)	(1.081.902)	(1.684.586)
<b>I. Net Cash (Used in)/Provided from Banking Operations (+/-)</b>	<b>(1.412.417)</b>	<b>(1.135.685)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided from / (Used in) Investing Activities (+/-)</b>	<b>451.524</b>	<b>978.399</b>
2.1 Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)	-	-
2.2 Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)	-	-
2.3 Fixed Assets Purchases (-)	46.797	40.896
2.4 Fixed Assets Sales (+)	26.135	16.259
2.5 Cash Paid for Purchase of Investments Available for Sale (-)	380.926	579.053
2.6 Cash Obtained From Sale of Investments Available for Sale (+)	785.947	1.582.089
2.7 Cash Paid for Purchase of Investment Securities (-)	-	-
2.8 Cash Obtained from Sale of Investment Securities (+)	-	-
2.9 Other (+/-)	67.165	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided from / (Used in) Financing Activities (+/-)</b>	<b>(94.889)</b>	<b>(68.721)</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued (+)	2.578.583	1.983.620
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued (-)	2.673.472	2.052.341
3.3 Capital Increase (+)	-	-
3.4 Dividends Paid (-)	-	-
3.5 Payments for Finance Leases (-)	-	-
3.6 Other (+/-)	-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)</b>	<b>188.938</b>	<b>(74.662)</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(866.844)</b>	<b>(300.669)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of Period (+)</b>	<b>13.962.545</b>	<b>9.947.093</b>
<b>VII. Cash and Cash Equivalents at the End of Period</b>	<b>13.095.701</b>	<b>9.646.424</b>

The accompanying notes are an integral part of these consolidated financial statements.

## **SECTION THREE**

### **ACCOUNTING POLICIES**

#### **I. Basis of presentation**

##### **a. Preparation of the consolidated financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents**

Consolidated financial statements have been prepared in accordance with the regulations, communiqués, explanations and circulars published with respect to accounting and financial reporting principles by the Banking Regulation and Supervision Authority ("BRSA") within the framework of the provisions of the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Document Keeping published in the Official Gazette no. 26333 dated 1 November 2006 in relation with the Banking Law no. 5411, as well as the Turkish Accounting Standards (TAS") and Turkish Financial Reporting Standards ("TFRS") enforced by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the annexes and commentaries relating to these Standards (hereinafter collectively referred to as "Turkish Accounting Standards" or "TAS") if there are no specific regulations made by BRSA. The form and content of the consolidated financial statements which have been drawn up and which will be disclosed to public have been prepared in accordance with the "Communiqué on the financial Statements to be Disclosed to the Public by Banks and the Related Explanations and Footnotes" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" as well as the communiqués that introduce amendments and additions to this Communiqué. The parent shareholder Bank keeps its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Law and Turkish Tax legislation.

The amounts in the consolidated financial statements and explanations and footnotes relating to these statements have been denoted in Thousand Turkish Liras unless otherwise stated.

Consolidated financial statements have been prepared based on historical cost principle, except the financial assets and liabilities indicated at their actual values.

In the preparation of consolidated financial statements according to TAS, the management of the parent shareholder Bank should make assumptions and estimations regarding the assets and liabilities in the balance sheet. These assumptions and estimations are reviewed regularly, the necessary corrections are made and the effects of these corrections are reflected in the income statement. The assumptions and estimations used are explained in the related foot notes.

The accounting policies followed and revaluation principles used in the preparation of consolidated financial statements have been determined and implemented in accordance with the regulations, communiqués, explanations and circulars published by BRSA with respect to accounting and financial reporting principles and principles covered by TAS/TFRS in cases where there were no specific regulations made by BRSA and they are consistent with accounting policies implemented in consolidated financial statements prepared for the period ending on 31 December 2016.

These accounting policies and valuation principles are disclosed between the footnotes numbered II and XXIV. The amendments to TAS/TFRS effective from 1 January 2016 do not have a significant impact on DFS Group's accounting policies, financial position and performance. Changes in TAS/TFRS published but not yet effective as of the date of finalization of the financial statements will not have a material effect on DFS Group's accounting policies, financial position and performance, except for TFRS 9 Financial Instrument Standard.

DFH Group started to work for compliance with TFRS 9 Financial Instrument.

##### **b. Accounting policies and valuation principles used in the preparation of the financial statements**

None (31 December 2016: None).

##### **c. Additional paragraph for convenience translation:**

The effects of differences between accounting principles and standards set out by BRSA Accounting and Financial Reporting Legislation the 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.

**II. Explanation on the strategy for the use of financial instruments and transactions denominated in foreign currencies**

**a. Strategy for the use of financial instruments**

Denizbank Financial Services Group's ("DFS Group") external sources of funds are comprised of deposits with various maturity periods, and short-term borrowings. These funds are fixed rate in general and are utilized in high yield financial assets. The majority of the funds are allocated to high yield, floating rate instruments, such as Turkish Lira and foreign currency government securities and Eurobonds, and to loans provided to customers on a selective basis in order to increase revenue and support liquidity. The liquidity structure, insures meeting all liabilities falling due, is formed by keeping sufficient levels of cash and cash equivalents by diversifying the sources of funds. The Bank assesses the maturity structure of the sources, and the maturity structure and yield of placements at market conditions and adopts a high yield policy in long-term placements.

DFS Group assumes risks within the pre-determined risk limits short-term currency, interest and price movements in money and capital markets and market conditions.

These positions are closely monitored by the Risk Management System of the Parent Bank and the necessary precautions are taken if the limits are exceeded or should there be a change in the market environment.

In order to avoid interest rate risk, assets and liabilities with fixed and floating interests are kept in balance, taking the maturity structure into consideration.

The asset-liability balance is monitored on a daily basis in accordance with their maturity structure and foreign currency type. The risks associated with short-term positions are hedged through derivatives such as forwards, swaps and options.

No risks are taken as far as possible on foreign currencies other than US Dollar and Euro. Transactions are made under the determined limits to cover the position.

Net foreign currency position of DFS Group in foreign enterprises is considered along with the position of the Parent Bank and the specific position is evaluated within the risk limits.

**b. Transactions denominated in foreign currencies**

**Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements**

DFS Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of the balance sheet date are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities are translated into TL by using foreign currency exchange rates of the Parent Bank and the resulting exchange differences are recorded as foreign exchange gains and losses. The Parent Bank's foreign currency exchange rates are as follows.

	31 March 2017	31 December 2016	31 March 2016
US Dollar	3,6362	3,5192 TL	2,8249 TL
Euro	3,8851	3,7099 TL	3,2090 TL

**Foreign exchange gains and losses included in the income statement**

As of 31 March 2017, net foreign exchange gain included in the income statement amounts to TL 274.857 (1 January - 31 March 2016: net foreign exchange income of TL 475.702).

**Total amount of valuation fund arising from foreign currency exchange rate differences**

The assets and liabilities of foreign operations are translated to TL at foreign exchange rates of the Parent Bank ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to TL at three monthly average foreign exchange rates of the Parent Bank. The foreign exchange differences derived from translation of income statements of consolidated subsidiaries, and arising from the difference between TL equivalent of their equities and the Parent Bank's share in their net assets are recorded in "other profit reserves".

**DENİZBANK ANONİM ŞİRKETİ**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 MARCH 2017**

(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of  
Consolidated Financial Report  
Originally Issued in Turkish,  
See Note 3.1.c*

As of 31 March 2017, total foreign exchange differences in equity amount to TL 1.345.559 (31 December 2016: TL 1.128.050).

The foreign exchange difference of TL 36.335 (31 December 2016: TL 36.673) arising from the translation of the financial statements of Bahrain branch of the Parent Bank to Turkish Lira per TAS 21 is recorded in "other profit reserves".

DFS Group's foreign currency denominated subsidiaries on a consolidated basis of the difference in the resulting exchange contracts to hedge the net investment hedge strategy is being implemented. Part of the same amount with foreign currency deposits is designated as hedging instrument and the effective portion of the foreign exchange difference of these financial liabilities is recognized under "Hedging funds" in equity.

### **III. Information regarding the consolidated subsidiaries**

Consolidated financial statements are prepared in accordance with ("TFRS 10") the "Turkish Accounting Standard for Consolidated Financial Statements".

The Parent Bank owns, directly or indirectly, the shares of Deniz Yatırım Menkul Kıymetler A.Ş. (Deniz Yatırım), Eurodeniz International Banking Unit Ltd. (Eurodeniz), Deniz Portföy Yönetimi A.Ş. (Deniz Portföy), Denizbank AG, JSC Denizbank, Deniz Finansal Kiralama A.Ş. (Deniz Leasing), Deniz Faktoring A.Ş. (Deniz Faktoring), Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz GYO), and CR Erdberg Eins GmbH & Co KG (CR Erdberg) and these subsidiaries are consolidated fully.

DFS Funding Corp., which is a structured entity, is also included in the scope of consolidation.

It was decided to change type and title of Ekspres Menkul Değerler A.Ş. (Ekspres Menkul Değerler) in Extraordinary General Assembly meeting held on 5 August 2016 and the decision has been registered at Istanbul Trade Registry Office on 10 August 2016 and title of Ekspres Menkul Değerler has changed as Ekspres Bilgi İşlem ve Ticaret Anonim Şirketi (Ekspres Bilgi İşlem) and it was excluded from consolidated subsidiaries in scope of BRSA regulations since it has a non-financial subsidiary status.

The Parent Bank and its consolidated subsidiaries are referred to as "DFS Group" in the disclosures and footnotes related to the consolidated financial statements.

In addition, the non-financial subsidiaries of the parent bank; Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ("Intertech"), Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Deniz Kültür") and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") which is jointly controlled company and affiliates of Intertech; Deniz Kartlı Ödeme Sistemleri A.Ş. and Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş., Deniz Immobilien Service GMBH ("Deniz Immobilien") subsidiary of Denizbank AG since they are non-financial subsidiaries are excluded from the consolidation process.

#### **Important changes on consolidated subsidiaries in reporting period**

None.

#### **Consolidation principles for subsidiaries**

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method.

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.

According to this method, the financial statements of the Parent Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income, expenses and off-balance sheet items, in preparing consolidated financial statements. Minority interests are presented separately in the consolidated balance sheet and consolidated income statement.

The carrying amount of the Parent Bank's investment in each subsidiary and the Parent Bank's portion of equity of each subsidiary are eliminated.

All intercompany transactions and intercompany balances between the consolidated subsidiaries and the Parent Bank are eliminated.

The financial statements which have been used in the consolidation are prepared as of 31 March 2017 and appropriate adjustments are made to financial statements to use uniform accounting policies for transactions and events alike in similar circumstances, in accordance with the principal of materiality.



**IV. Explanations on forward transactions, options and derivative instruments**

DFS Group's derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", forward foreign currency purchase/sale contracts, swaps, options and futures that are classified as "trading purpose" transactions. Derivative transactions are recorded with their fair values at contract date. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts.

The derivative transactions are valued at fair value using market prices or pricing models subsequent to initial recognition and are presented in the "Positive Value of Trading Purpose Derivatives" and "Negative Value of Trading Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. Gains and losses arising from a change in the fair value are recognized in the income statement. Fair values of derivatives are calculated using discounted cash flow model or market value.

**V. Explanations on interest income and expenses**

Interest income and expenses are recognized as they are accrued taking into account the internal rate of return method. Interest accrual does not start until non-performing loans become performing and are classified as performing loans or until collection in accordance with the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside", published in the Official Gazette No. 26333 dated 1 November 2006, which was prepared on the basis of the provisions of Articles 53 and 93 of the Banking Law no. 5411.

**VI. Explanations on fees and commissions**

Fees and commissions received and paid, and other fees and commissions paid to financial institutions are either recognized on an accrual basis over the period the service is provided or received or recognized as income or expense when collected or paid depending on their nature.

**VII. Explanations on financial assets**

Financial assets include cash; acquisition right of cash or acquisition right of other financial asset or bilateral exchange right of financial assets or equity instrument transactions with the counterpart. Financial assets are classified in four categories; as financial assets at fair value through profit or loss, financial assets available-for-sale, investment held-to-maturity, and loans and receivables.

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

**Financial assets held for trading**

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.

Trading financial assets are recognized at their fair value in the balance sheet and remeasured at their fair value after recognition.

All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

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.

**Financial assets at fair value through profit or loss**

DFS Group does not have any securities designated as “financial assets at fair value through profit or loss”.

**b. Investment securities available-for-sale**

Available-for-sale assets are financial assets that are not loans and receivables, held to maturity investments and financial assets at fair value through profit or loss.

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 the income statements. Unrealized gains and losses arising from the differences at fair value of securities classified as available for sale and that is representing differences between amortized cost calculated with effective interest method and fair value of financial assets are recognized under the account of “Marketable securities valuation differences” inside shareholder’s equity items. Unrealized profits and losses do not represent on relevant income statement until these securities are collected or disposed of and the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. When these securities are collected or disposed of, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

**c. Investment securities held-to-maturity**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold 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 reflects the fair value of the those instruments and subsequently recognized at amortized cost by using effective interest rate method.

Interest incomes obtained from held to maturity financial assets are presented in the line of “interest received from securities portfolio - investment securities held-to-maturity” in the consolidated statement of income.

There are no financial assets that are banned from being classified as investment securities held-to maturity for two years due to the violation of the tainting rule.

DFH Group has government securities with a maturity of 5-10 years and indexed to CPI in the 3 month real coupon ratios that remain constant throughout the maturity in the securities portfolio Available for sell and Held to Maturity. As stated by Secretary of Treasury in CPI indexed investor guide, three reference indexes used in calculating the actual coupon payment amounts of these securities are based on the CPI indexes of 2 months ago. DFH Group predicts the Inflation rate parallel to this. The estimated inflation rate updated as needed within the year.

**d. Loans and specific provisions**

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 to transaction costs which reflect fair value and subsequently recognized at the discounted value calculated using the “Effective interest method”.

Foreign currency loans are subject to evaluation and currency exchange differences arising from such re-measurements are reflected in “Foreign Exchange Gains/Losses” account in the consolidated income statement. Foreign currency-indexed loans are initially recognized in their Turkish Lira equivalents; repayments are calculated with exchange rate at payment date, currency exchange differences occurred are reflected in profit/loss accounts.

Specific and general allowances are made in accordance with the “Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside” published in the Official Gazette numbered 26333 dated 1 November 2006, and which was amended with the communiqué published in the Official Gazette numbered 27513 dated 6 March 2010.

When collections are made on loans that have been provided for, they are credited to the income statement accounts “Provision for Loan Losses or Other Receivables” if the provision was made in the current year, otherwise such collections are credited to “Other Operating Income” account with respect to allowances made in prior years. The interest income recovered is booked in “Other Interest Income” account.

**VIII. Explanations on impairment of financial assets**

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided.

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. 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-d of Section Three.

**IX. Explanations on offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the DFS 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 sale and repurchase agreements and transactions related to the lending of securities**

Government bonds and treasury bills sold to customers under repurchase agreements are classified according to purpose of being hold into portfolio on the assets side of the accompanying consolidated balance sheet within "Financial Assets Held for Trading", "Investment Securities Available for Sale" and "Investment Securities Held to Maturity" and are valuating according to valuation principles of relating portfolio. Funds obtained from repurchase agreements are presented on the liability side of the consolidated balance sheet within the account of "Funds Provided under Repurchase Agreements". The accrual amounts corresponding to the period is calculated over the sell and repurchase price difference determined in repurchase agreements. Accrued interest expenses calculated for funds obtained from repurchase agreements are presented in "Reverse Repurchase Agreements" account in liability part of the consolidated balance sheet.

Securities received with resale commitments are presented under "Reverse Repurchase Agreements" line in the balance sheet. The accrual amounts for the corresponding part to the period of the resale and repurchase price difference determined in reverse repurchase agreements are calculated using the "Effective interest method". The Parent Bank has not any security which subjected to borrowing activities.

**XI. Explanations on assets held for sale and discontinued operations**

An asset is regarded as "Asset held for resale" only when the sale is highly propable and the asset is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Various events and conditions can prolong completion period of sale transaction to more than 1 year. This loss of time is realized due to events and conditions out of control of an enterprise and in the position of competent evidence about sales plan of an enterprise for sale of relevant asset continuing, assets mentioned continuing to be classified as assets held for sale.

The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single balance.

A discontinued operation is a division of a bank that is either disposed or held for sale and represents a separate major line of business or geographical area of operations; or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

Shares of Destek Varlık Yönetim A.Ş., owned at 100% ratio by Deniz Yatırım, Ekspres Bilgi İşlem, Deniz Finansal Kiralama, Deniz Faktoring and Intertech, were sold to Lider Faktoring and Merkez Faktoring with a total consideration of TL 12.320 on 29 December 2016 in accordance with the Board of Directors decision of the Company dated 14 July 2016.

As 31 March 2017, DFS Group does not have non-current assets held for sale and a discontinued operation (31 December 2016: None).

## **XII. Explanations on goodwill and other intangible assets**

### **a. Goodwill**

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles. Assets of the acquired company which are not presented on financial statements but separated from goodwill represented with fair values of tangible assets (credit card brand equity, customer portfolio etc.) and/or contingent liabilities to financial statements in process of acquisition.

In accordance with "TFRS 3 - Business Combinations", the goodwill is not amortized. It is tested yearly or if there is any indication of impairment according to "Turkish Accounting Standard 36 (TAS 36) - Impairment of Assets".

### **b. Other intangible assets**

Intangible assets are initially classified over acquisition cost values and other costs which are required for activation of the financial asset in accordance with TAS 38 "Intangible Assets" standard. Intangible assets are evaluated over excess value of net cost that derived from accumulated depreciation and accumulated impairment after recognition period.

The Group's intangible assets consist of software, license rights, data/telephone line, total values of credit cards and personal loans portfolio.

Intangible assets purchased before 1 January 2003 and after 31 December 2006 are amortized on a straight-line basis; and those purchased between the aforementioned dates are amortized by using the double-declining method. Useful life of an asset is estimated by assessment of the expected life span of the asset, technical, technological wear outs, of the asset. The amortization rates used approximate the useful lives of the assets.

Maintenance costs associated with the computer software that are in use are expensed at the period of occurrence.

## **XIII. Explanations on tangible assets**

DFH Group has passed to revaluation model from cost model in the framework of TAS 16 "Intangible Fixed Assets" in valuation of properties in use which are traced under intangible fixed assets as of 31 December 2016 while it tracks all of its intangible fixed assets in accordance with TAS 16 "Intangible Fixed Assets". Positive differences between property value in expertise reports prepared by licenced valuation firms and net carrying amount of the related property are tracked under equity accounts while negative differences are traced under income statement.

	<b>Estimated Economic Life (Year)</b>	<b>Depreciation Rate</b>
<b>Movables</b>		
- Office machinery	4 Years	10 % - 50 %
- Furniture/Furnishing	5 Years	10 % - 50 %
- Means of transport	5 Years	20 % - 50 %
- Other equipment	10 Years	2,50 % - 50 %
<b>Real estates</b>	50 Years	2 % - 3,03 %

Expenditures for maintenance and repairs that are routinely made on tangible assets are charged 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.

There are no restrictions such as pledges and mortgages on tangible assets or no purchase commitments.

## **XIV. Explanations on investment properties**

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment property is carried at fair value. Gains or losses arising from a change in the fair value of investment property are recognized in the income statement in the period in which they occur.

Investment property is derecognized through disposal or withdrawal from use and when no future economic benefit is expected from its disposal. Gains or losses arising from the disposal of investment property are recognized in the related statement of income or expense accounts in the period in which they occur.

Due to sale of the Parent Bank's real property to the subsidiary Deniz GYO in 2015, this property has been classified as investment property in the Group's consolidated financial statements, and the difference of TL 13.397 between the net book value and fair value as of the date of sale has been classified in "Investment Properties Revaluation Differences" under Equity according to TAS 16.

#### **XV. Explanations on leasing activities**

Fixed assets acquired through financial leasing are recognized in tangible assets and depreciated in line with fixed assets group they relate to. The obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement.

DFS Group has finance lease transactions as "lessor" via its subsidiary, Deniz Leasing. The lease receivables related to leased assets are recorded as finance lease receivables. 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 unrecognized portion is followed under unearned interest income account.

Specific provisions for non-performing financial lease receivables of DFS Group are provided for in accordance with the "Communiqué On Procedures and Principles For The Provisions To Be Set Aside By Financial Leasing, Factoring and Financing Companies For Their Receivables" published in the Official Gazette numbered 28861 dated 24 December 2013 and it represented under loans and specific provision for receivables in the consolidated balance sheet.

Transactions regarding operational agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

#### **XVI. Explanations on provisions and contingent liabilities**

Provisions other than specific and general provisions for loans and other receivables and free provisions for probable risks, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by DFS Group management. Whenever the amount of such obligations cannot be measured, they are regarded as "Contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can be measured reliably, a provision is recognized. If the amount of the obligation cannot be measured reliably or the possibility of an outflow of resources embodying economic benefits is remote, such liabilities are disclosed in the footnotes.

Based on the representations of the Parent Bank's attorneys, there are 9.525 lawsuits against DFS Group with total risks amounting to TL 190.127, US Dollar 857 and Euro 1.580 as of 31 March 2017. There are also 12.814 follow-up cases amounting to TL 627.798, US Dollar 2.364 and Euro 434 in total that are filed by DFS Group and are at courts. DFS Group booked a provision amounting to TL 44.415 for the continuing lawsuits (31 December 2016: TL 29.059).

#### **XVII. Explanations on obligations for employee benefits**

Provision for employee benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

The Parent Bank in accordance with existing legislation in Turkey, is required to make retirement and notice payments to each employee whose employment is terminated due to reasons other than resignation or misconduct. Except to the this extents, the Parent Bank is required to make severance payment to each employee whose employment is terminated due to retirement, death, military service and to female employees following their marriage within one year leave the job of their own accords by fourteenth clause of Labour Law.

DFS Group, in accordance with TAS 19 "Employee Benefits" realized provision registry under the condition of prediction of present value of possible liability in the future related to employee termination benefits. Losses and gains which occur after 1 January 2013 are adjusting under the Equity Accounts in accordance with updated TAS 19 Standard.

The Bank has recognized vacation pay liability amount which is calculated from unused vacation to financial statement as a provision.

## **XVIII. Explanations on taxation**

### **a. Current taxes**

In accordance with the Corporate Tax Law No: 5520 published in the Official Gazette numbered 26205 dated 21 June 2006, the corporate tax rate is levied at 20% beginning from 1 January 2006.

Companies file their corporate tax returns between the 1st and 25th days of the following four months period after to which they relate and the payments are made until the end of that month.

The provision for corporate tax for the period is reflected as the "Current Tax Liability" in the liabilities and "Current Tax Provision" in the income statement.

In accordance with the Corporate Tax Law, tax losses can be carried forward for five years. The tax authorities can inspect tax returns and the related accounting records back to a maximum period of five years.

Besides institutions reside in Turkey, dividends paid to the offices or the institutions earning through their permanent representatives in Turkey are not subject to withholding tax. According to the decision no. 2006/10731 of the Council of Ministers published in the Official Gazette no. 26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. In this respect, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the institutions residing in Turkey is 15%. While applying the withholding tax rates on dividend payments to the foreign based institutions and the real persons, the withholding tax rates covered in the related Avoidance of Double Taxation Treaty are taken into account. Addition of profit to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The foreign subsidiaries of DFS Group that operate in Austria, the Russian Federation and Cyprus are subject to corporate tax rates of 25%, 20% and 2%, respectively.

Current Tax Effects that sourced from directly classified in equity transactions represent on equity accounts.

### **b. Deferred taxes**

In accordance with TAS 12 "Income Taxes", DFS Group accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Individual deferred tax assets and liabilities of the consolidated entities have been offset in their separate financial statements, but have not been offset in the consolidated balance sheet. As a result of offsetting, as of 31 March 2017 deferred tax assets of TL 158.155 (31 December 2016: TL 153.176) and deferred tax liabilities of TL 11.742 (31 December 2016: TL 15.446) have been recognized in the accompanying financial statements.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

Deferred tax liabilities are generally recognized for all taxable temporary and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset is not computed 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.

### **c. Transfer pricing**

In the framework of the provisions on "Disguised Profit Distribution Through Transfer Pricing" regulated under article 13 of Corporate Tax Law no. 5520, pursuant to the Corporate Tax Law General Communiqué no. 1, which became effective upon its promulgation in the Official Gazette dated 3 April 2007 and numbered 26482, Corporate Tax Law General Communiqué no. 3, which became effective upon its promulgation in the Official Gazette dated 20 November 2008 and numbered 27060, Council of Ministers Decree no. 2007/12888, which became effective upon its promulgation in the Official Gazette dated 6 December 2007 and numbered 26722, Council of Minister Decree no. 2008/13490, which became effective upon its promulgation in the Official Gazette dated 13 April 2008 and numbered 26846, "General Communiqué No. 1 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 18 November 2007 and numbered 26704 and "General Communiqué No. 2 on Disguised Profit Distribution Through Transfer Pricing", which became effective upon its promulgation in the Official Gazette dated 22 April 2008 and numbered 26855, profits shall be deemed to have been wholly or partially distributed in a disguised manner through transfer pricing if companies engage in the sales or purchases of goods or services with related parties at prices or amounts defined contrary to the arm's length



principle. Buying, selling, manufacturing and construction operations and services, renting and leasing transactions, borrowing or lending money, bonuses, wages and similar payments are deemed as purchase of goods and services in any case and under any condition.

Corporate taxpayers are obliged to fill in the “The Form on Transfer Pricing, Controlled Foreign Corporation and Thin Capital” regarding the purchases or sales of goods or services they perform with related parties during a fiscal period and submit it to their tax office in the attachment of the corporate tax return.

Furthermore, the taxpayers registered in the Large Taxpayers Tax Administration (Büyük Mükellefler Vergi Dairesi Başkanlığı) must prepare the “Annual Transfer Pricing Report” in line with the designated format for their domestic and cross-border transactions performed with related parties during a fiscal period until the filing deadline of the corporate tax return, and if requested after the expiration of this period, they must submit the report to the Administration or those authorized to conduct tax inspection.

**XIX. Additional explanations on borrowings**

Instruments representing the borrowings are initially recognized at cost represented its fair value and measured at amortized cost based on the internal rate of return at next periods. Foreign currency borrowings have been translated using the foreign currency buying rates of the Parent Bank at the balance sheet date. Interest expense incurred for the period has been recognized in the accompanying financial statements.

General hedging techniques are used for borrowings against liquidity and currency risks. The Parent Bank, if required, borrows funds from domestic and foreign institutions. The Parent Bank can also borrows funds in the forms of syndication loans and securitization loans from foreign institutions.

**XX. Explanations on issuance of share certificates**

No share certificate has been issued in 2017 (31 December 2016: TL 50.418.910).

**XXI. Explanations on acceptances**

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

As of the balance sheet date, there are no acceptances recorded as liability in return for assets.

**XXII. Explanations on government grants**

As of the balance sheet date, DFS Group does not have any government grants.

**XXIII. Explanations on segment reporting**

Segment reporting is presented in Note IX of Section Four.

**XXIV. Explanations on other matters**

None (31 December 2016: None).

## SECTION FOUR

### CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

#### I. Explanations related to the consolidated shareholders' equity

Shareholders' equity and capital adequacy ratio are calculated in accordance with the "Regulation on Equities of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The current period equity amount of the Bank is TL 16.519.931 while its capital adequacy standard ratio is 14,74% as of 31 March, 2017. Calculations of 31 December 2016 have been made in the framework of repealed regulations and equity amount is TL 15.803.437 while the capital adequacy standard ratio is 14,17%.

#### a. Components of consolidated shareholders' equity

	Current Period 31 March 2017	Amounts subject to treatment before 1/1/2014	Prior Period 31 December 2016	Amounts subject to treatment before 1/1/2014
<b>Common Equity Tier 1 capital</b>				
Directly issued qualifying common share capital plus related stock surplus	3.316.100		3.316.100	
Share premium	15		15	
Legal reserves	4.184.425		3.968.080	
Projected gains to shareholders' equity of the accounting standards in Turkey	332.236		212.370	
Profit	3.920.607		3.646.324	
Net current period profit	557.482		1.400.027	
Prior period profit	3.363.125		2.246.297	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	11		11	
Minority shares	8.453		8.270	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>11.761.847</b>		<b>11.151.170</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
Prudential valuation adjustments	--		--	
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	459.946		560.456	
Development cost of operating lease	89.656		91.733	
Goodwill (net of related tax liability)	696	869	522	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	163.908	204.883	122.370	203.950
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	--		378	
Cash-flow hedge reserve	--		--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--		--	
Securitisation gain on sale	--		--	
Gains and losses due to changes in own credit risk on fair valued liabilities	--		--	
Defined-benefit pension fund net assets	--		--	
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	--		--	
Reciprocal cross-holdings in common equity	--		--	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% thresh	--		--	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	--		--	
Mortgage servicing rights (amount above 10% threshold)	--		--	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	--		--	
Amount exceeding the 15% threshold	--		--	
of which: significant investments in the common stock of financials	--		--	
of which: mortgage servicing rights	--		--	
of which: deferred tax assets arising from temporary differences	--		--	
National specific regulatory adjustments	--		--	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	--		--	
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>714.206</b>		<b>775.459</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>11.047.641</b>		<b>10.375.711</b>	

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**Additional Tier 1 capital: instruments**

Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards

--

--

Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards

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Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out

--

--

The additional Tier 1 capital shares of third parties

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--

The additional Tier 1 capital shares of third parties (Geçici Madde 3 kapsamında olanlar)

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**Additional Tier 1 capital before regulatory adjustments**

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**Additional Tier 1 capital: regulatory adjustments**

Investments in own Additional Tier 1 instruments

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--

Reciprocal cross-holdings in Additional Tier 1 instruments

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--

Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am

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Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)

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National specific regulatory adjustments

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**The process of transition will continue to reduce from Tier 1 Capital**

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--

Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)

41.148

81.927

Net deferred tax asseUliabity)ty which is not deducted from Common Equity Tier 1 oapitat for the purposes of the sub

--

252

paragraph of the Provisionat Article 2 of the Regulation on Banks Own Funds (-)

Regulatory adjustments apptied to Additionat Tier 1 due to insutficient Tier 2 to cover deductions

--

--

**Total regulatory adjustments to Additional Tier 1 capital**

**41.148**

**82.179**

**Additional Tier 1 capital (AT1)**

**(41.148)**

**(82.179)**

**Tier 1 capital (T1 = CET1 + AT1)**

**11.006.493**

**10.293.532**

**Tier 2 capital: instruments and provisions**

Directly issued qualifying Tier 2 instruments plus related stock surplus

4.264.797

4.262.567

Directly issued qualifying Tier 2 instruments plus related stock surplus

--

140.768

The additional Tier 1 capital shares of third parties

--

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The additional Tier 1 capital shares of third parties ((Covered by Temporary Ailicte 3)

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Provisions

1.276.860

1.269.354

**Tier 2 capital before regulatory adjustments**

**5.541.657**

**5.531.921**

**Tier 2 capital: regulatory adjustments**

Investments in own Tier 2 instruments (-)

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--

Reciprocal cross-holdings in Tier 2 instruments

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Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (am

--

--

Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)

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--

National specific regulatory adjustments (-)

--

--

**Total regulatory adjustments to Tier 2 capital**

--

--

**Tier 2 capital (T2)**

**5.541.657**

**5.531.921**

**Total capital (TC = T1 + T2)**

**16.548.150**

**15.825.453**

**Total risk weighted assets**

Loans extended being non compliant with articles 50 and 51 of the Law

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Podion ot the sum of the banka' reat estate net book vaNce, which is in excess ot titiy per cent of their oan funds and net book vatues of those ot memhandise and real estate which hava to be acquirad dua to their raceivabtas and disposed of pursuant to Aniole 57 ot the Banking Laa, which cannot be disposed ot despite the lapse ola period of five years s:nce the dat e ot such acquisition

15.214

9.825

National specific regulatory adjustments

13.005

12.191

**The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital**

of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%

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of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above

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--

of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above

--

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**Shareholders' Equity**

Total shareholders' equity	16.519.931	15.803.437
Total risk weighted items	112.061.157	111.503.228
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	9,86	9,31
Consolidated Tier 1 Capital Adequacy Ratio (%)	9,82	9,23
Consolidated Capital Adequacy Standard Ratio (%)	14,74	14,17
<b>BUFFERS</b>		
Institution specific buffer requirement	1,293	0,647
Capital conservation buffer requirement (%)	1,250	0,625
Bank specific countercyclical buffer requirement (%)	0,043	0,022
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	--	0,013
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	--	--
Significant investments in the common stock of financials	--	--
Mortgage servicing rights (net of related tax liability)	--	--
Deferred tax assets arising from temporary differences (net of related tax liability)	--	--
<b>Applicable caps on the inclusion of provisions in Tier 2</b>	1.322.266	1.269.354
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1.276.860	1.269.354
Cap on inclusion of provisions in Tier 2 under standardised approach	--	--
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	--	--
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	--	--
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>	--	--
Current cap on common equity T1 capital instruments subject to phase out arrangements	--	--
Amount excluded from common equity T1 capital due to cap (excess over cap after redemptions and maturities)	--	--
Current cap on additional T1 capital instruments subject to phase out arrangements	--	--

(\*) The calculation of shareholders' equity in the capital there are no credits included in "Temporary Article 4".

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**b. Information on debt instruments included in the calculation of equity**

Issuer	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	SBERBANK OF RUSSIA	DEXIA CREDIT LOCAL PARIS	DEXIA CREDIT LOCAL PARIS	DEXIA CREDIT LOCAL PARIS
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans	Subordinated Loans
Governing law(s) of the instrument	"Regulations on Banks' Equity" dated 5 September 2013.	"Regulations on Banks' Equity" dated 5 September 2013.	"Regulations on Banks' Equity" dated 5 September 2013.	"Regulations on Banks' Equity" dated 1 November 2006.	"Regulations on Banks' Equity" dated 1 November 2006.	"Regulations on Banks' Equity" dated 1 November 2006.	"Regulations on Banks' Equity" dated 1 November 2006.	"Regulations on Banks' Equity" dated 1 November 2006.
<b>Regulatory treatment</b>								
Subject to 10% deduction as of 1/1/2015	Not Deducted	Not Deducted	Not Deducted	Deducted	Deducted	Deducted	Deducted	Deducted
Eligible at solo/group/both	Eligible	Eligible	Eligible	Eligible	Eligible	Eligible	Eligible	Eligible
Instrument type	Loan	Loan	Loan	Loan	Loan	Loan	Loan	Loan
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	447	545	1091	1091	1091	0	0	0
Par value of instrument	447	545	1091	1091	1091	727	473	182
Accounting classification	3470102	3470102	3470102	3470102	3470102	3470102	3470102	3470102
Original date of issuance	30.09.2014	30.04.2014	31.01.2014	30.09.2013	28.06.2013	27.02.2008	27.09.2007	28.06.2007
Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full on condition that it is at fifth years of the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full or partially at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.	Subject to the written approval of the Banking Regulation and Supervision Agency, repayable in full at any time before the planned repayment date, on condition that it is at least 5 years after the loan is given.
Subsequent call dates, if applicable	None.	None.	None.	None.	None.	None.	None.	None.
<b>Coupons/Dividends*</b>								
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Floating	Floating	Floating
Coupon rate and any related index	First five year 6.2%, after IRS +5.64	First five year 7.93%, after IRS +6.12	7.50%	7.49%	6.10%	Libor + 2.90%	Libor + 2.10%	Libor + 2.10%
Existence of a dividend stopper	None.	None.	None.	None.	None.	None.	None.	None.
Fully discretionary, partially discretionary or mandatory	--	--	--	--	--	--	--	--
Existence of step up or other incentive to redeem	None.	None.	None.	None.	None.	None.	None.	None.
Noncumulative or cumulative	--	--	--	--	--	--	--	--
<b>Convertible or non-convertible</b>								
If convertible, conversion trigger (s)	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be fully or partially extinguished principal amount and interest payment liabilities of loan or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	May be permanently or temporarily derecognized or converted into capital in accordance with the related regulations in the case that the operation authorization of the Bank is revoked or in the event of an occurring possibility that the Bank may be transferred to the Fund.	None.	None.	None.
If convertible, fully or partially	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	--	--	--
If convertible, conversion rate	--	--	--	--	--	--	--	--
If convertible, mandatory or optional conversion	--	--	--	--	--	--	--	--
If convertible, specify instrument type convertible into	--	--	--	--	--	--	--	--
If convertible, specify issuer of instrument it converts into	--	--	--	--	--	--	--	--
<b>Write-down feature</b>								
If write-down, write-down trigger(s)	None.	None.	None.	None.	None.	None.	None.	None.
If write-down, full or partial	--	--	--	--	--	--	--	--
If write-down, permanent or temporary	--	--	--	--	--	--	--	--
If temporary write-down, description of write-up mechanism	--	--	--	--	--	--	--	--
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim after the borrowing instruments to be included in the additional principal capital and after deposit holders and all other claimants.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.	Gives the owner the right to collect the claim before share certificates and primary subordinated debts and after all other debts.
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Possessed for Article 8.	Not Possessed.	Not Possessed.	Not Possessed.
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	--	--	--	--	--	Article 8/2 (g)	Article 8/2 (g)	Article 8/2 (g)

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- c. Main difference between "Equity" amount mentioned in equity statement and "Equity" amount in consolidated balance sheet sources from general provisions and subordinated credits. The portion of main amount to credit risk of general provision up to 1.25% and subordinated credits are considered as supplementary capital in the calculation of "Equity" amount included in equity statement as result of deductions mentioned in scope of Regulation on Equity of Banks. Additionally, Losses reflected to equity are determined through excluding losses sourcing from cash flow hedge reflected in equity in accordance with TAS which are subjects of discount from Seed Capital. On the other hand, leasehold improvement costs monitored under Plant, Property and Equipment in balance sheet, intangible assets and deferred tax liabilities related to intangible assets, net carrying value of properties acquired in return for receivables and kept for over 5 years and certain other accounts determined by the Board are taken into consideration in the calculation as assets deducted from capital.

**II. Explanations related to the consolidated foreign currency exchange rate risk**

- a. **Foreign exchange risk the Group is exposed to, related estimations, and the limits set by the Board of Directors of the Parent Bank for positions which are monitored daily**

Foreign currency exchange and parity risks are taken by DFS Group within defined value at risk limits. Measurable and manageable risks are taken within legal limits.

Foreign currency exchange rate risk is monitored along with potential evaluation differences in foreign currency transactions in accordance with "Regulation on Bank's Internal Control and Risk Management Systems". Value at Risk approach is used to measure the exchange rate risk and calculations are made on a daily basis.

Based on general economic environment and market conditions the Parent Bank's Board of Directors reviews the risk limits daily and makes changes where necessary.

- b. **The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives**

In accordance with TAS 39, DFS Group applies net investment hedge accounting to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments in its consolidated financial statements.

Informations relating to investment hedge to avoid foreign currency exchange rate risk arising from retranslation of its foreign investments are explained in Note VIII-a of Section Four.

- c. **Foreign exchange risk management strategy**

Foreign currency exchange and parity risks are taken by DFS Group within defined value at risk limits. Measurable and manageable risks are taken within legal limits.

- d. **The Parent Bank's spot foreign exchange bid rates as of the balance sheet date and for each of the five days prior to that date**

US Dollar purchase rate as at the balance sheet date	TL 3,6362
Euro purchase rate as at the balance sheet date	TL 3,8851

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
27 March 2017	3,5931	3,9045
28 March 2017	3,6186	3,9283
29 March 2017	3,6416	3,9268
30 March 2017	3,6386	3,9083
31 March 2017	3,6362	3,8851

- e. **The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days prior to the balance sheet date**

The arithmetical average US Dollar and Euro purchase rates for March 2017 are TL 3,6687 and TL 3,9187, respectively.

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**f. Information on currency risk**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC <sup>(5)</sup></b>	<b>Total</b>
<b>Assets</b>				
Cash and Balances with the Central Bank of the Republic of Turkey	3.004.591	6.322.905	2.443.939	<b>11.771.435</b>
Due from Banks and Other Financial Institutions	5.035.607	1.603.561	164.421	<b>6.803.589</b>
Financial Assets at Fair Value Through Profit or Loss <sup>(1)</sup>	168.049	49.510	--	<b>217.559</b>
Interbank Money Market Placements	--	--	--	<b>--</b>
Investment Securities Available-for-Sale	581.514	1.150.494	131.149	<b>1.863.157</b>
Loans <sup>(2)</sup>	21.921.047	24.264.088	1.067.256	<b>47.252.391</b>
Investments in Subsidiaries and Associates	136	--	--	<b>136</b>
Investment Securities Held-to-Maturity	142.366	1.585.315	--	<b>1.727.681</b>
Hedging Purpose Financial Derivatives	--	--	--	<b>--</b>
Tangible Assets	117.323	101	868	<b>118.292</b>
Intangible Assets <sup>(3)</sup>	--	--	--	<b>--</b>
Other Assets <sup>(4)</sup>	2.027.976	958.901	137.104	<b>3.123.981</b>
<b>Total Assets</b>	<b>32.998.609</b>	<b>35.934.875</b>	<b>3.944.737</b>	<b>72.878.221</b>
<b>Liabilities</b>				
Bank Deposits	1.245.968	1.599.323	742.603	<b>3.587.894</b>
Foreign Currency Deposits	38.881.806	20.433.289	1.177.841	<b>60.492.936</b>
Interbank Money Markets	--	--	--	<b>--</b>
Funds Borrowed from Other Financial Institutions	3.046.105	12.676.810	23.792	<b>15.746.707</b>
Marketable Securities Issued	1.159.653	106.055	--	<b>1.265.708</b>
Miscellaneous Payables	271.355	105.080	8.150	<b>384.585</b>
Hedging Purpose Financial Derivatives	--	--	--	<b>--</b>
Other Liabilities <sup>(6)</sup>	327.063	837.740	13.281	<b>1.178.084</b>
<b>Total Liabilities</b>	<b>44.931.950</b>	<b>35.758.297</b>	<b>1.965.667</b>	<b>82.655.914</b>
<b>Net "On Balance Sheet Position"</b>	<b>(11.933.341)</b>	<b>176.578</b>	<b>1.979.070</b>	<b>(9.777.693)</b>
<b>Net "Off-Balance Sheet Position" <sup>(7)</sup></b>	<b>11.536.876</b>	<b>100.079</b>	<b>(1.688.921)</b>	<b>9.948.034</b>
Financial Derivatives (Assets)	20.242.679	22.791.354	1.027.656	<b>44.061.689</b>
Financial Derivatives (Liabilities)	(8.705.803)	(22.691.275)	(2.716.577)	<b>(34.113.655)</b>
<b>Net Position</b>	<b>(396.465)</b>	<b>276.657</b>	<b>290.149</b>	<b>170.341</b>
Non-Cash Loans	7.471.946	10.484.266	555.413	<b>18.511.625</b>
<b>Prior Period</b>				
Total Assets	32.181.703	35.331.989	3.317.138	<b>70.830.830</b>
Total Liabilities	43.329.377	29.648.915	1.657.128	<b>74.635.420</b>
<b>Net "On Balance Sheet Position"</b>	<b>(11.147.674)</b>	<b>5.683.074</b>	<b>1.660.010</b>	<b>(3.804.590)</b>
<b>Net "Off-Balance Sheet Position"</b>	<b>11.032.843</b>	<b>(5.646.113)</b>	<b>(1.418.136)</b>	<b>3.968.594</b>
Financial Derivatives (Assets)	19.896.141	16.210.215	886.959	<b>36.993.315</b>
Financial Derivatives (Liabilities)	(8.863.298)	(21.856.328)	(2.305.095)	<b>(33.024.721)</b>
<b>Net Position</b>	<b>(114.831)</b>	<b>36.961</b>	<b>241.874</b>	<b>164.004</b>
Non-Cash Loans	7.005.000	11.257.796	477.555	<b>18.740.351</b>

(1) : Foreign currency differences of derivative assets amounting to TL 175.178 are excluded.

(2) : Foreign currency indexed loans amounting to TL 3.445.361 are included.

(3) : Intangible assets amounting to TL 11.615 are excluded.

(4) : Factoring receivables indexed to foreign currency, amounting to TL 227.011 are included. Prepaid expenses at the amount of TL 10.986 are not included.

(5) : There are gold amounts in total assets amounting to TL 3.265.689 and in total liabilities amounting to TL 1.255.565.

(6) : Not including the exchange rate difference of TL 3.745.294 pertaining to derivative financial loans and the FX equity of TL 258.752 and the free reserve of TL 6.751.

(7) : Net amount of Receivables and Liabilities from financial derivatives is shown on the table. FX SWAP Transactions that reported under the "Financial Assets Purchase Pledges" is included in "Net Off-Balance Sheet Position".

### III. Explanations related to the consolidated interest rate risk

#### a. Interest rate sensitivity of the assets, liabilities and off-balance sheet items

Standard method is used in measuring the interest rate risk of assets, liabilities and off-balance sheet items.

#### b. The expected effects of the fluctuations of market interest rates on the Group's financial position and cash flows, the expectations for interest income, and the limits the board of directors has established on daily interest rates

The Parent Bank relies on sensitivity in determining limits against negative market conditions and monitors the risk within this context. Sensitivity calculations are made and limits are monitored on a weekly basis.

Market interest rates are monitored daily and interest rates are revised where necessary.

#### c. The precautions taken for the interest rate risk the Group was exposed to during the current year and their expected effects on net income and shareholders' equity in the future periods

The Group uses sensitivity analysis, historical stress-testing and value at risk methods to analyze and take precautions against interest rate risk faced during current period. Interest sensitivity limits have been defined and limits are being monitored on a weekly basis.

"Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on remaining repricing dates)":

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash and Balances with the Central Bank of the Republic of Turkey	3.663.936	--	--	--	--	11.101.519	14.765.455
Due from Banks and Other Fin. Inst.	1.339.600	705.683	315.165	--	--	4.461.613	6.822.061
Financial Assets at Fair Value Through Profit or Loss	165.238	146.159	179.515	324.265	184.566	10.500	1.010.243
Interbank Money Market Placements	2.006.825	--	--	--	--	--	2.006.825
Investment Securities Av.-for-Sale	598.529	1.013.371	1.099.475	2.437.933	2.144.144	48.402	7.341.854
Loans	14.291.393	12.671.349	16.354.163	36.298.215	17.701.460	1.103.571	98.420.151
Investment Securities Held-to-Mat.	339.619	--	2.080.748	600.823	2.033.971	--	5.055.161
Other Assets (*)	223.876	718.242	396.351	1.939.037	1.044.845	3.324.256	7.646.607
<b>Total Assets</b>	<b>22.629.016</b>	<b>15.254.804</b>	<b>20.425.417</b>	<b>41.600.273</b>	<b>23.108.986</b>	<b>20.049.861</b>	<b>143.068.357</b>
<b>Liabilities</b>							
Bank Deposits	2.564.551	933.883	111.972	277.901	--	207.512	4.095.819
Other Deposits	34.012.042	16.066.322	13.578.070	9.879.909	487.981	20.933.183	94.957.507
Interbank Money Market Placements	4.489.790	--	--	--	--	--	4.489.790
Miscellaneous Payables	--	--	10.795	--	--	1.721.886	1.732.681
Marketable Securities Issued	519.144	2.067.177	817.662	259.877	--	--	3.663.860
Funds Borrowed from Other Fin. Inst.	2.829.685	5.556.700	4.322.752	608.961	4.301.501	--	17.619.599
Other Liabilities (**)	99.848	77.696	94.381	504.173	176.545	15.556.458	16.509.101
<b>Total Liabilities</b>	<b>44.515.060</b>	<b>24.701.778</b>	<b>18.935.632</b>	<b>11.530.821</b>	<b>4.966.027</b>	<b>38.419.039</b>	<b>143.068.357</b>
On Balance Sheet Long Position	--	--	1.489.785	30.069.452	18.142.959	--	49.702.196
On Balance Sheet Short Position	(21.886.044)	(9.446.974)	--	--	--	(18.369.178)	(49.702.196)
Off-Balance Sheet Long Position	2.956.975	5.142.496	893.512	4.296.329	4.328.907	--	17.618.219
Off-Balance Sheet Short Position	(1.442.963)	(7.924.724)	(2.144.176)	(3.187.454)	(2.912.791)	--	(17.612.108)
<b>Total Interest Sensitivity Gap</b>	<b>(20.372.032)</b>	<b>(12.229.202)</b>	<b>239.121</b>	<b>31.178.327</b>	<b>19.559.075</b>	<b>(18.369.178)</b>	<b>6.111</b>

(\*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investment Properties, Investments in Associates and Joint Ventures, Tax Assets, Investments in Subsidiaries, Assets to be sold and other assets with balances of TL 663.129, TL 205.752, TL 164.527, TL 12.947, TL 158.365, TL 12.239, TL 132.435 and TL 1.974.862 respectively.

(\*\*) Other liabilities/non-interest bearings include; Shareholders' Equity, Tax Liabilities, Provisions, and Other Liabilities with balances of TL ; 11.301.374, TL 212.636, TL 1.889.608 and TL 2.152.840 respectively.



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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash and Balances with the Central Bank of the Republic of Turkey	3.690.409	--	--	--	--	11.148.952	<b>14.839.361</b>
Due from Banks and Other Fin. Inst.	855.829	260.105	169.288	--	--	4.287.521	<b>5.572.743</b>
Financial Assets at Fair Value Through Profit or Loss	415.670	188.658	267.941	365.926	199.717	9.947	<b>1.447.859</b>
Interbank Money Market Placements	3.001.571	--	--	--	--	--	<b>3.001.571</b>
Investment Securities Av.-for-Sale	305.338	649.893	1.320.671	2.509.948	2.769.411	41.729	<b>7.596.990</b>
Loans	14.507.220	8.979.161	17.911.370	30.957.978	17.791.075	1.003.684	<b>91.150.488</b>
Investment Securities Held-to-Mat.	1.654.843	365.704	329.400	480.903	2.225.182	--	<b>5.056.032</b>
Other Assets (*)	573.602	187.879	527.646	1.540.244	1.042.657	3.016.926	<b>6.888.954</b>
<b>Total Assets</b>	<b>25.004.482</b>	<b>10.631.400</b>	<b>20.526.316</b>	<b>35.854.999</b>	<b>24.028.042</b>	<b>19.508.759</b>	<b>135.553.998</b>
<b>Liabilities</b>							
Bank Deposits	331.633	795.851	105.887	265.369	--	76.053	<b>1.574.793</b>
Other Deposits	36.855.195	10.782.700	14.062.585	9.506.576	526.631	18.887.471	<b>90.621.158</b>
Interbank Money Market Placements	5.397.576	--	--	--	--	--	<b>5.397.576</b>
Miscellaneous Payables	--	--	--	--	--	1.962.214	<b>1.962.214</b>
Marketable Securities Issued	688.505	1.894.739	456.230	266.086	185.495	--	<b>3.491.055</b>
Funds Borrowed from Other Fin. Inst.	3.821.161	3.889.867	3.131.408	1.742.145	4.157.611	--	<b>16.742.192</b>
Other Liabilities (**)	280.887	228.536	91.714	460.544	186.705	14.516.624	<b>15.765.010</b>
<b>Total Liabilities</b>	<b>47.374.957</b>	<b>17.591.693</b>	<b>17.847.824</b>	<b>12.240.720</b>	<b>5.056.442</b>	<b>35.442.362</b>	<b>135.553.998</b>
On Balance Sheet Long Position	--	--	2.678.492	23.614.279	18.971.600	--	<b>45.264.371</b>
On Balance Sheet Short Position	(22.370.475)	(6.960.293)	--	--	--	(15.933.603)	<b>(45.264.371)</b>
Off-Balance Sheet Long Position	3.281.977	3.160.110	2.450.357	4.068.624	4.273.732	--	<b>17.234.800</b>
Off-Balance Sheet Short Position	(2.591.356)	(5.676.746)	(3.397.900)	(2.165.234)	(2.910.824)	--	<b>(16.742.060)</b>
<b>Total Interest Sensitivity Gap</b>	<b>(21.679.854)</b>	<b>(9.476.929)</b>	<b>1.730.949</b>	<b>25.517.669</b>	<b>20.334.508</b>	<b>(15.933.603)</b>	<b>492.740</b>

(\*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investment Properties, Investments in Associates and Joint Ventures, Tax Assets, Investments in Subsidiaries, Assets to be sold and other assets with balances of 664.579, TL 204.819, TL 164.527, TL 12.947, TL 254.864, TL 12.233, TL 123.311 and TL 1.579.646 respectively.

(\*\*) Other liabilities - interest free - include equities amount of TL 10.590.098, tax debt amounting to TL 205.165, provision balances amounting to TL 1.748.151 and other foreign resources amount of TL 1.973.210.

**d. Average interest rates applied to monetary financial instruments**

Current Period: 31 March 2017	EUR %	USD %	JPY %	TL %
<b>Assets</b>				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,78	--	4,00
Due from Banks and Other Financial Institutions	1,00	1,34	--	11,74
Financial Assets at Fair Value Through Profit or Loss	2,29	5,10	--	11,55
Interbank Money Market Placements	--	--	--	11,72
Investment Securities Available-for-Sale	0,33	4,60	--	8,80
Loans	4,56	5,78	5,50	16,29
Investment Securities Held-to-Maturity	4,46	5,05	--	11,42
<b>Liabilities</b>				
Bank Deposits	1,07	1,29	--	11,82
Other Deposits	1,51	3,04	0,58	11,69
Interbank Money Market Placements	--	--	--	9,52
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	2,75	3,75	--	--
Funds Borrowed from Other Financial Institutions	2,73	3,74	--	13,04
<b>Prior Period: 31 December 2016</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,49	--	5,00
Due from Banks and Other Financial Institutions	0,88	1,54	--	9,38
Financial Assets at Fair Value Through Profit or Loss	1,33	4,95	--	11,22
Interbank Money Market Placements	--	--	--	8,49
Investment Securities Available-for-Sale	1,42	4,44	--	9,05
Loans	4,60	5,68	5,39	16,38
Investment Securities Held-to-Maturity	4,46	4,68	--	9,52
<b>Liabilities</b>				
Bank Deposits	0,15	1,54	--	4,34
Other Deposits	1,64	3,10	0,30	10,74
Interbank Money Market Placements	--	--	--	8,47
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	2,75	3,75	--	--
Funds Borrowed from Other Financial Institutions	2,74	3,74	--	12,56

**IV. Position risk of equity shares on banking book**

**a. Comparison of carrying, fair and market values of equity shares**

DFS Group does not have associate and subsidiary traded at BIST markets as of 31 March 2017 (31 December 2016: None).

**b. Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capital**

None (31 December 2016: None).

**V. Explanations related to the consolidated liquidity risk**

Liquidity risk can form as a result of significant changes which can happen in market liquidity or a general funding risk. Funding risk states the risk of not meeting cash outflows completely because of maturity mismatch between assets and liabilities while market liquidity risk states the risk of not liquidating assets because of a collision in market conditions or insufficient market depth.

Within the Parent Bank, the procedures and principles regarding liquidity risk management are determined by the "Liquidity Risk Management Policy" approved by the Board of Directors. This policy includes the basic duties and principles of Liquidity risk management within the Parent Bank including the related methods, procedures, controls, and reporting framework. The "Liquidity Emergency Action Plan" was established within the Liquidity Risk Management Policy and measures were taken against unexpected liquidity shortages.

The Parent Bank's portfolio of securities held for liquidity risk management is structured in a way that it consists public securities and treasury stocks issued by Treasury of Turkey in order to reduce liquidity risk sourcing from market to minimum level. Criteria and principles related to security investments which shall be received to this portfolio are committed on paper and approved by the related committee.

The liquidity risk management resulting from the funding is the basis of the Parent Bank's liquidity management activities. Main funding source of the Parent Bank is deposits since it is a more stable funding source compared to other sources and it has a diversification effect. Additionally, security issuance and credit usage activities are performed in order to extend the maturity of funding.

A large majority of Parent Bank's liabilities consist of TL, US Dollar, Euro and gold. The main foreign currency funding source of the Parent Bank is credit received from deposit and credit agencies. Foreign currency liquidity risk is at a low level since the foreign currency sources of the Parent Bank are at a higher level and has a longer maturity than assets.

"Risk Appetite Disclosure" is reviewed annually in order to manage risks in accordance with the Bank's strategy and its financial power. Risk Appetite Disclosure includes limits towards liquidity risks besides other risk limits. Risk appetite limits are reported to senior management monthly in scope of risk management activities.

Short-term liquidity management of the Parent Bank is under the responsibility of Treasury Group. Treasury Group reports to Assets and Liabilities Committee (ALCO) weekly related to liquidity structure. ALCO has an active role in establishing related systems and monitoring and decision making processes regarding liquidity risk management. ALCO is also responsible and authorized for monitoring current liquidity position and legal and internal liquidity indicators and taking decisions related to liquidity management taking risk appetite framework into consideration.

Liquidity risk management is performed as par consolidated and non-consolidated. In this context, liquidity monitoring and management in associates are performed by the related associate and monitored closely by the Parent Bank.

Scenario analyses, including specific conditions having significance with respect to liquidity which have been experienced or which shall possibly be experienced, are performed in order to measure liquidity level under stress conditions. A liquidity level at a sufficient amount to meet all liabilities even under stress conditions is aimed in scope of this scenario analyses through evaluating measures which can be taken. Assumptions related to liquidity stress tests are reviewed annually at minimum. Periodical stress tests are performed within the determined scenarios and liquidity situation is monitored constantly.

Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Parent Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Consolidated foreign currency rate calculated for the last three months is at the lowest level in February 184,11 and at the highest level in January 274,52 while the liquidity coverage rate is at the lowest level in February 97,35 and at the highest level in January 110,08.

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**a. Liquidity coverage ratio**

Current Period	Total unweighted value (*)		Total weighted value(**)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 Total High Quality Liquid Assets			22.362.083	14.746.976
<b>CASH OUTFLOWS</b>				
2 Retail deposits and deposits from small business customers, of which				
3 Stable deposits	64.411.697	42.462.857	6.044.692	4.246.286
4 Less stable deposits	7.929.560	--	396.478	--
5 Unsecured wholesale funding, of which	56.482.137	42.462.857	5.648.214	4.246.286
6 Operational deposits	27.745.148	13.549.095	16.978.267	8.676.457
7 Non-operational deposits	5.740.376	2.555.908	1.435.094	638.977
8 Unsecured debt	16.696.722	9.869.929	10.235.123	6.914.222
9 Secured wholesale funding	5.308.050	1.123.258	5.308.050	1.123.258
10 Additional requirements of which			44.948	44.948
11 Outflows related to derivative exposures and other collateral requirements	5.841.359	10.233.323	2.661.943	7.298.470
12 Outflows related to loss of funding on debt products	1.100.274	5.860.453	1.100.274	5.860.453
13 Credit and liquidity facilities	--	--	--	--
14 Other contractual funding obligations	4.741.085	4.372.870	1.561.669	1.438.017
15 Other contingent funding obligations	1.385.399	974.462	1.384.867	974.462
	54.681.725	16.430.203	4.418.202	1.619.534
<b>16 TOTAL CASH OUTFLOWS</b>			<b>31.532.919</b>	<b>22.860.157</b>
<b>CASH INFLOWS</b>				
17 Secured lending	2.247.619	--	--	--
18 Inflows from fully performing exposures	11.521.341	6.856.115	9.344.898	6.320.327
19 Other cash inflows	274.772	10.763.105	274.772	10.763.105
<b>20 TOTAL CASH INFLOWS</b>	<b>14.043.732</b>	<b>17.619.220</b>	<b>9.619.670</b>	<b>17.083.432</b>
			<b>Total adjusted value</b>	
<b>21 TOTAL HQLA</b>			<b>22.362.083</b>	<b>14.746.976</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>21.913.249</b>	<b>5.776.725</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>102,3</b>	<b>236,6</b>

(\*) Average of consolidated liquidity coverage rate which is calculated by means of monthly simple arithmetic average for the last three months, average of consolidated liquidity coverage rate which is calculated by means of weekly simple arithmetic average for the last three months.

Prior Period	Total unweighted value (*)		Total weighted value(**)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 Total High Quality Liquid Assets			20.033.226	12.857.037
<b>CASH OUTFLOWS</b>				
2 Retail deposits and deposits from small business customers, of which				
3 Stable deposits	57.675.367	35.614.053	5.507.091	3.561.405
4 Less stable deposits	5.208.907	--	260.445	--
5 Unsecured wholesale funding, of which	52.466.460	35.614.053	5.246.646	3.561.405
6 Operational deposits	26.356.827	11.970.447	15.025.492	6.919.243
7 Non-operational deposits	5.601.040	2.437.107	1.400.260	609.277
8 Unsecured debt	16.518.103	8.782.761	9.387.548	5.559.387
9 Secured wholesale funding	4.237.684	750.579	4.237.684	750.579
10 Additional requirements of which			173.464	173.464
11 Outflows related to derivative exposures and other collateral requirements	5.246.846	8.068.269	2.475.074	5.575.897
12 Outflows related to loss of funding on debt products	1.151.728	4.398.147	1.151.728	4.398.147
13 Credit and liquidity facilities	--	--	--	--
14 Other contractual funding obligations	4.095.118	3.670.122	1.323.346	1.177.750
15 Other contingent funding obligations	2.369.250	933.190	1.399.629	933.190
	51.564.631	15.057.850	4.221.627	1.505.275
<b>16 TOTAL CASH OUTFLOWS</b>			<b>28.802.377</b>	<b>18.668.474</b>
<b>CASH INFLOWS</b>				
17 Secured lending	2.607.807	--	--	--
18 Inflows from fully performing exposures	10.998.795	6.898.849	8.708.864	6.387.496
19 Other cash inflows	445.904	5.652.432	445.904	5.652.432
<b>20 TOTAL CASH INFLOWS</b>	<b>14.052.506</b>	<b>12.551.281</b>	<b>9.154.768</b>	<b>12.039.928</b>
			<b>Total adjusted value</b>	
<b>21 TOTAL HQLA</b>			<b>20.033.226</b>	<b>12.857.037</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>19.647.609</b>	<b>6.628.546</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>101,9</b>	<b>197,1</b>

(\*) Average of consolidated liquidity coverage rate which is calculated by means of monthly simple arithmetic average for the last three months, average of consolidated liquidity coverage rate which is calculated by means of weekly simple arithmetic average for the last three months.

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Calculation table of liquidity coverage rate is reported to BRSA monthly and monitored daily in the Parent Bank.

Premium/high quality liquid assets consists of cash assets, reserves kept in Central Bank of Republic of Turkey and free/open securities. Cash outflows consist of deposits, bank borrowings, non-cash credits, derivative products and other liabilities without a certain maturity. Additionally, several bank borrowings are shown as cash outflow regardless of their maturity since they include contingent annuity. On the other hand, cash outflows also include additional guarantee liability sourcing from possible changes in fair values of derivative transactions. Cash inflows consist of credits having maturity less than 30 days and a certain payment due date and receivables from banks and derivative products.

**b. Presentation of assets and liabilities according to their residual maturities**

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Years and Over	Non-Interest Bearing (*)	Toplam
<b>Assets</b>								
Cash and Balances with the Central Bank of the Republic of Turkey	5.225.182	9.540.273	--	--	--	--	--	14.765.455
Due from Banks and Other Fin.Inst.	4.461.613	961.072	439.841	697.306	262.229	--	--	6.822.061
Financial Assets at Fair Value Through Profit or Loss	10.500	149.805	146.098	157.334	361.940	184.566	--	1.010.243
Interbank Money Market Placements	--	2.006.825	--	--	--	--	--	2.006.825
Investment Securities Av.-for-Sale	48.401	--	817	14.460	4.284.013	2.994.163	--	7.341.854
Loans	--	9.704.826	3.104.615	16.905.498	40.097.282	27.504.359	1.103.571	98.420.151
Investment Securities Held-to-Maturity	--	--	--	152.627	2.691.473	2.211.061	--	5.055.161
Other Assets	1.478.011	223.875	718.242	396.351	1.939.037	1.044.845	1.846.246	7.646.607
<b>Total Assets</b>	<b>11.223.707</b>	<b>22.586.676</b>	<b>4.409.613</b>	<b>18.323.576</b>	<b>49.635.974</b>	<b>33.938.994</b>	<b>2.949.817</b>	<b>143.068.357</b>
<b>Liabilities</b>								
Bank Deposits	207.519	2.564.544	933.883	111.972	277.901	--	--	4.095.819
Other Deposits	20.933.315	33.977.551	16.070.455	13.581.039	9.907.115	488.032	--	94.957.507
Funds Borrowed from Other Fin.Inst. and Subordinated Loans	--	1.920.440	2.940.611	7.315.201	1.096.465	4.346.882	--	17.619.599
Interbank Money Market Placements	--	4.489.790	--	--	--	--	--	4.489.790
Marketable Securities Issued	--	519.145	632.221	817.662	1.321.265	373.567	--	3.663.860
Miscellaneous Payables	1.721.886	--	--	10.795	--	--	--	1.732.681
Other Liabilities	1.354.049	310.961	170.049	653.892	494.970	176.545	13.348.635	16.509.101
<b>Total Liabilities</b>	<b>24.216.769</b>	<b>43.782.431</b>	<b>20.747.219</b>	<b>22.490.561</b>	<b>13.097.716</b>	<b>5.385.026</b>	<b>13.348.635</b>	<b>143.068.357</b>
<b>Net Liquidity Gap</b>	<b>(12.993.062)</b>	<b>(21.195.755)</b>	<b>(16.337.606)</b>	<b>(4.166.985)</b>	<b>36.538.258</b>	<b>28.553.968</b>	<b>(10.398.818)</b>	<b>--</b>
<b>Net "Off-Balance Sheet Position"</b>								
Financial Derivatives (assets)	--	(27.807)	24.300	(7.776)	(191.984)	--	--	(203.267)
Financial Derivatives (liabilities)	--	22.052.321	9.516.726	7.616.751	4.908.319	6.318.495	--	50.412.612
Non-Cash Loans	--	(22.080.128)	(9.492.426)	(7.624.527)	(5.100.303)	(6.318.495)	--	(50.615.879)
	--	2.864.320	2.113.261	7.556.499	3.504.409	12.579.114	--	28.617.603
<b>Prior Period</b>								
Total Assets	10.401.399	24.219.299	4.511.490	16.990.685	42.006.901	34.756.277	2.667.947	135.553.998
Total Liabilities	22.056.804	45.740.749	15.195.757	20.372.752	14.141.045	5.593.895	12.452.996	135.553.998
<b>Net Liquidity Gap</b>	<b>(11.655.405)</b>	<b>(21.521.450)</b>	<b>(10.684.267)</b>	<b>(3.382.067)</b>	<b>27.865.856</b>	<b>29.162.382</b>	<b>(9.785.049)</b>	<b>--</b>
<b>Net "Off-Balance Sheet Position"</b>								
Financial Derivatives (assets)	--	874.059	(769.459)	117.624	(174.800)	--	--	47.424
Financial Derivatives (liabilities)	--	18.331.884	9.011.985	4.365.116	4.293.056	5.814.178	--	41.816.219
Non-Cash Loans	--	(17.457.825)	(9.781.444)	(4.247.492)	(4.467.856)	(5.814.178)	--	(41.768.795)
	--	1.775.889	2.589.671	7.421.090	4.259.244	12.736.121	--	28.782.015

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short run such as tangible assets, investments in associates, joint ventures and subsidiaries, stationary supplies, non-performing loans (net) and prepaid expenses are included in this column.

**VI. Explanations related to leverage ratio**

**Information on matters causing difference between leverage ratios of current period and previous period:**

Leverage ratio of DFS Group is 5,36% as of 31 March 2017 (31 December 2016: 5,51%). This ratio is over minimum ratio. Difference between leverage ratios of current and previous period mainly sources from increase in risk amounts regarding assets on balance sheet.

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**Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS :**

	<b>Current Period (**)</b>	<b>Prior Period (**)</b>
1 Total assets in the consolidated financial statements prepared in accordance with TAS (*)	141.487.573	131.643.936
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	(3.445.308)	(3.916.000)
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	609.070	485.213
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	--	--
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	(503)	(503)
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	62.849.622	58.563.211
7 Total Risk	<b>201.500.454</b>	<b>186.775.857</b>

(\*) 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.

**Leverage ratio common disclosure template:**

	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>On-balance sheet exposures</b>		
1 On-balance sheet items (exclude derivatives and SFTs; include collateral)	138.042.265	127.727.936
2 (Assets deducted in determining Basel III Tier 1 capital)	(304.474)	(282.798)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines )	137.737.791	127.445.138
<b>Derivative exposures</b>		
4 Replacement cost	1.091.810	1.226.002
5 Add-on amount	609.070	485.213
6 Total derivative exposures (sum of 4 and 5 lines )	1.700.880	1.711.215
<b>Securities financing transaction exposures</b>		
7 Gross SFT assets (with no recognition of accounting netting)	252.707	204.604
8 Agent transaction exposures		
9 Total securities financing transaction exposures (sum of 7 and 8 lines)	252.707	204.604
<b>Other off-balance sheet exposures</b>		
10 Off-balance sheet exposures with gross nominal amount	61.809.579	57.415.403
11 Adjustment amount off-balance sheet exposures with credit conversion factor	(503)	(503)
12 Total off-balance sheet exposures (sum of 10 and 11 lines)	61.809.076	57.414.900
<b>Capital and total exposures</b>		
13 Tier 1 capital	10.800.896	10.274.321
14 Total exposures (sum of 3,6,9 and 12 lines)	201.500.454	186.775.857
<b>Leverage ratio</b>		
15 Leverage ratio	5,36	5,51

(\*) The arithmetic average of the last 3 months in the related periods.

**VII. Explanations on Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. As the Standard Approach is used in calculating the Parent Bank's capital adequacy , the tables to be prepared under the Approach Based on the Internal Ratings Method (IDF) have not been presented yet as of 31 March 2017.

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**a. Overview of RWA**

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	100.721.262	101.521.984	8.057.701
2 <i>Standardised approach (SA)</i>	100.721.262	101.521.984	8.057.701
3 <i>Internal rating-based (IRB) approach</i>	--	--	--
4 Counterparty credit risk	1.416.700	1.670.008	113.336
5 <i>Standardised approach for counterparty credit risk (SA-CCR)</i>	1.416.700	1.670.008	113.336
6 <i>Internal model method (IMM)</i>	--	--	--
7 Basic risk weight approach to internal models equity position in the banking account	--	--	--
8 Investments made in collective investment companies - look-through approach	--	--	--
9 Investments made in collective investment companies - mandate-based approach (*)	10.821	9.843	866
10 Investments made in collective investment companies - %1250 weighted risk approach	--	--	--
11 Settlement risk	--	--	--
12 Securitization positions in banking accounts	--	--	--
13 <i>IRB ratings-based approach (RBA)</i>	--	--	--
14 <i>IRB Supervisory Formula Approach (SFA)</i>	--	--	--
15 <i>SA/simplified supervisory formula approach (SSFA)</i>	--	--	--
16 Market risk	577.663	399.825	46.213
17 <i>Standardised approach (SA)</i>	577.663	399.825	46.213
18 <i>Internal model approaches (IMM)</i>	--	--	--
19 Operational Risk	9.334.711	7.901.568	746.777
20 <i>Basic Indicator Approach</i>	9.334.711	7.901.568	746.777
21 <i>Standart Approach</i>	--	--	--
22 <i>Advanced measurement approach</i>	--	--	--
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	--	--	--
24 Floor adjustment	--	--	--
25 <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>112.061.157</b>	<b>111.503.228</b>	<b>8.964.893</b>

**VIII. Explanations related to hedging transactions**

**a. Net Investment Risk**

DFH Group applies net investment hedge strategy to hedge against the currency risk arising on a consolidated basis from the net investments amounting to a total of Euro 1.170 million and US Dollar 7 million of subsidiaries Denizbank AG and Eurodeniz. The part consisting of the same amounts of its foreign currency deposit has been defined as "hedging instrument". The effective part of the change in value of the foreign currency deposit arising from exchange rate has been recognized as "hedging funds" under equity.

On the other hand, as of 1 April 2014 the Parent Bank stopped applying net investment hedge accounting due to its net investment to hedge against the currency risk on the subsidiary of JSC Denizbank, and the total hedging fund which is booked under equity for such subsidiary is amounting to TL (57.744).

Total net investment hedging funds recognized under equity is amounting to TL (1.171.254) as of 31 March 2017 (31 December 2016: TL (1.006.604)).

**b. Cash Flow Hedge**

The Parent Bank stopped applying cash flow hedge accounting arising from the fluctuations in the interest rate and in which the hedging instrument was interest rate swaps and the hedged item was deposit, on 31 May 2013. Consequently, derivatives financial instruments which were previously in "hedging purpose derivatives assets/liabilities" because of being risk hedging instruments are classified in "financial assets/liabilities held for trading" lines. Negative differences amounting to TL (18.657) which were cumulated until the transfer date in "hedging funds" account under equity will be transferred to statement of income until the maturities of related derivative instruments. As of the balance sheet date, net negative valuation difference under equity is NET amounting to TL (527) (31 December 2016: (616)).

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**IX. Explanations related to the consolidated segment reporting**

DFS Group is active in three areas, namely, wholesale banking, retail banking, treasury and investment banking.

Wholesale banking offers financial and banking solutions to large-scale local and international corporate and commercial customers. In order to meet customer needs related to projects, investment and working capital, corporate banking offers short and long-term working capital loans, investment loans, non-cash loans, foreign exchange transactions, export finance, project finance, structured finance, corporate finance, deposit products and cash management services.

In retail banking, it offers loan products (consumer loans, mortgage, and vehicle loans), distinctive credit cards, investment products (mutual funds, shares, government bonds/treasury bills, and repos), deposit products (time, demand, protected), insurance products, SME loans as well as agricultural loans. Alternative distribution channels allow customers to meet their banking needs without the need to physically visit the branches. Among products that meet every day needs of customers are overdraft loans, automated bill payment, checkbooks and rental safes.

Within treasury and investment banking, sales, prop-trading and private banking departments offer spot and forward TL and foreign exchange transactions, trading of treasury bills, bonds and other local and international securities and derivative products. Servicing the upper segment of wealthy and high income retail customers who require sophisticated banking and investment services falls within the scope of private banking.

Segment information of the Group as of 31 March 2017 is presented in the following table:

	Wholesale Banking		Retail Banking		Treasury and Investment Banking	Total
Current Period (01.01.2017-31.03.2017)	Corporate Banking	Commercial&Public Finance	SME&Agriculture Banking	Retail Banking		
Net interest income	226.360	187.691	487.743	335.817	340.553	1.578.164
Net fee and commission income	21.585	24.876	170.806	138.645	(17.076)	338.836
Other income/expense, net	18.916	62.423	38.859	51.263	(81.258)	90.203
<b>Total segment income</b>	<b>266.861</b>	<b>274.990</b>	<b>697.408</b>	<b>525.725</b>	<b>242.219</b>	<b>2.007.203</b>
Other operating expenses	(57.408)	(86.858)	(268.864)	(324.986)	(17.424)	(755.540)
Provision for loan losses and other receivables	2.390	(80.521)	(212.188)	(98.062)	(138.560)	(526.941)
Tax charge						(167.057)
<b>Net profit from continuing operations</b>	<b>211.843</b>	<b>107.611</b>	<b>216.356</b>	<b>102.677</b>	<b>86.235</b>	<b>557.665</b>
Net profit from discontinued operations	--	--	--	--	--	--
<b>Net profit</b>	<b>211.843</b>	<b>107.611</b>	<b>216.356</b>	<b>102.677</b>	<b>86.235</b>	<b>557.665</b>
<b>Current Period (31.03.2017)</b>						
Segment assets	27.882.972	24.193.701	33.218.512	17.430.792	37.001.598	139.727.575
Subsidiaries and associates						25.186
Undistributed assets						3.315.596
<b>Total assets</b>						<b>143.068.357</b>
Segment liabilities	14.964.723	10.438.178	15.833.875	55.608.744	30.803.004	127.648.524
Undistributed liabilities						4.118.459
Shareholders' equity						11.301.374
<b>Total liabilities</b>						<b>143.068.357</b>

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	Wholesale Banking		Retail Banking		Treasury and Investment Banking	Total
Prior Period (01.01.2016-31.03.2016)	Corporate Banking	Commercial&Public Finance	SME&Agriculture Banking	Retail Banking		
Net interest income	180.794	180.162	326.621	205.939	345.438	1.238.954
Net fee and commission income	22.946	24.723	138.229	126.719	(18.994)	293.623
Other income/expense, net	40.565	80.561	26.298	47.982	(240.409)	(45.003)
<b>Total segment income</b>	<b>244.305</b>	<b>285.446</b>	<b>491.148</b>	<b>380.640</b>	<b>86.035</b>	<b>1.487.574</b>
Other operating expenses	(55.771)	(84.468)	(245.432)	(287.529)	(23.692)	(696.892)
Provision for loan losses and other receivables	(9.378)	(52.562)	(140.516)	(147.854)	(55.051)	(405.361)
Tax charge						(84.785)
<b>Net profit from continuing operations</b>	<b>179.156</b>	<b>148.416</b>	<b>105.200</b>	<b>(54.743)</b>	<b>7.292</b>	<b>300.536</b>
Net profit from discontinued operations	--	--	--	--	--	--
<b>Net profit</b>	<b>179.156</b>	<b>148.416</b>	<b>105.200</b>	<b>(54.743)</b>	<b>7.292</b>	<b>300.536</b>
<b>Prior Period (31.12.2015)</b>						
Segment assets	27.311.779	22.840.097	28.333.699	16.536.941	37.514.556	132.537.072
Subsidiaries and associates						25.180
Undistributed assets						2.991.746
<b>Total assets</b>						<b>135.553.998</b>
Segment liabilities	16.212.772	11.243.823	13.644.291	51.266.805	28.455.620	120.823.311
Undistributed liabilities						4.140.589
Shareholders' equity						10.590.098
<b>Total liabilities</b>						<b>135.553.998</b>

Information relating to segment information of the Group was prepared in accordance with data obtained from system of Management Reporting.



## **SECTION FIVE**

### **DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS**

#### **I. Explanations and disclosures related to consolidated assets**

##### **a. Information on cash and balances with the Central Bank of the Republic of Turkey**

###### **1. Information on cash and balances with the Central Bank of the Republic of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	894.816	678.343	876.276	947.988
Central Bank of the Republic of Turkey	2.099.204	11.093.092	1.405.531	11.609.546
Other (*)	--	--	--	20
<b>Total</b>	<b>2.994.020</b>	<b>11.771.435</b>	<b>2.281.807</b>	<b>12.557.554</b>

(\*) Includes TL 20 of cheques purchased.

###### **2. Information on balances with the Central Bank of the Republic of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	846.020	1.578.299	1.405.531	1.501.383
Unrestricted Time Deposits	1.253.184	--	--	--
Restricted Time Deposits	--	9.514.793	--	10.108.163
<b>Total</b>	<b>2.099.204</b>	<b>11.093.092</b>	<b>1.405.531</b>	<b>11.609.546</b>

Includes the balances of consolidated foreign subsidiaries at foreign central banks.

###### **3. Information on required reserves**

As of 31 March 2017, all banks operating in Turkey should provide a reserve in a range of 4% to 10,5% (31 December 2016: between 4% and 10,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 5% to 19% (31 December 2016: between 4,5% and 24,5%) in US Dollars or standard gold for their liabilities in foreign currencies.

CBRT began paying interest for the required reserves maintained in Turkish Lira as from November 2014 and for the required reserves maintained in US Dollar as from May 2015. The interest income of TL 18.202 derived from the required reserves maintained by the Parent Bank at CBRT (1 January - 31 March 2016: TL 11.738) has been recorded under the account "interests derived from required reserves".

##### **b. Information on financial assets at fair value through profit or loss**

###### **1. Information on trading securities given as collateral or blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	--	--	--	--
Bonds, Treasury Bills and Similar Marketable Securities	7.896	--	8.380	--
Other	--	--	--	--
<b>Total</b>	<b>7.896</b>	<b>--</b>	<b>8.380</b>	<b>--</b>

###### **2. Trading securities subject to repurchase agreements**

None (31 December 2016: None).

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**3. Positive value of trading purpose derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	19.618	37.123	1.549	57.153
Swap Transactions	527.245	284.476	944.857	268.949
Futures Transactions	--	--	--	--
Options	994	65.344	523	67.994
Other	--	--	--	--
<b>Total</b>	<b>547.857</b>	<b>386.943</b>	<b>946.929</b>	<b>394.096</b>

**c. Information on Banks**

**1. Information on Banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	7.401	1.207.291	6.383	655.752
Foreign	11.071	5.596.298	10.623	4.899.985
Foreign head offices and branches	--	--	--	--
<b>Total</b>	<b>18.472</b>	<b>6.803.589</b>	<b>17.006</b>	<b>5.555.737</b>

**d. Information on investment securities available-for-sale**

**1. Major types of investment securities available-for-sale**

Investment securities available-for-sale consist of share certificates, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury and foreign private sector debt securities.

**2. Investment securities available-for-sale given as collateral**

Available-for-sale financial assets which were collateralized consist of securities offered to various financial institutions, primarily the Central Bank of the Republic of Turkey and İstanbul Takas ve Saklama Bankası A.Ş. (Settlement and Custody Bank) for interbank money market, foreign exchange market and other transactions. Such financial assets include government bonds and Eurobonds, and their total book value amounts to TL 1.002.172 (31 December 2016: TL 849.495).

**3. Investment securities available-for-sale given as collateral or blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	--	--	--	--
T-bills, Bonds and Similar Securities	83.951	918.221	725.926	123.569
Other	--	--	--	--
<b>Total</b>	<b>83.951</b>	<b>918.221</b>	<b>725.926</b>	<b>123.569</b>

**4. Investment securities available-for-sale subject to repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	3.538.267	--	3.830.370	--
Treasury Bills	--	--	--	--
Other Debt Securities	--	--	--	--
Bonds Issued or Guaranteed by Banks	--	--	--	--
Asset Backed Securities	--	--	--	--
Other	--	--	--	--
<b>Total</b>	<b>3.538.267</b>	<b>--</b>	<b>3.830.370</b>	<b>--</b>

**5. Information on available-for-sale securities**

	Current Period	Prior Period
<b>Debt instruments</b>	<b>7.705.214</b>	<b>7.865.668</b>
Quoted on Stock Exchange	7.705.214	7.865.668
Unquoted on Stock Exchange	--	--
<b>Share certificates</b>	<b>48.401</b>	<b>41.728</b>
Quoted on Stock Exchange	44.451	37.779
Unquoted on Stock Exchange	3.950	3.949
<b>Impairment provision (-)</b>	<b>411.761</b>	<b>310.406</b>
<b>Total</b>	<b>7.341.854</b>	<b>7.596.990</b>

**e. Information related to loans**

**1. Information on all types of loans and advances given to shareholders and employees of the Bank**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
<b>Indirect Loans Granted to Shareholders</b>	<b>--</b>	<b>6.076</b>	<b>--</b>	<b>7.721</b>
<b>Loans Granted to Employees</b>	<b>59.278</b>	<b>4</b>	<b>60.741</b>	<b>4</b>
<b>Total</b>	<b>59.278</b>	<b>6.080</b>	<b>60.741</b>	<b>7.725</b>

**2. Information on loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled**

	Performing Loans and Other Receivables Agreement conditions modified			Loans and Other Receivables Under Close Monitoring Agreement conditions modified		
	Loans and Other Receivables (Total)	Extension of Payment Plan	Other	Loans and Other Receivables (Total)	Extension of Payment Plan	Other
<b>Non-specialized Loans</b>	<b>82.009.813</b>	<b>1.465.527</b>	<b>--</b>	<b>5.961.517</b>	<b>2.894.389</b>	<b>--</b>
Working Capital Loans	31.559.627	371.122	--	516.766	463.049	--
Export Loans	1.331.990	5.856	--	10.566	2.285	--
Import Loans	--	--	--	--	--	--
Loans Given to Financial Sector	1.212.517	--	--	169.197	163.368	--
Consumer Loans	12.966.532	257.838	--	1.152.836	378.181	--
Credit Cards	4.953.296	23.297	--	303.186	63.206	--
Other	29.985.851	807.414	--	3.808.966	1.824.300	--
<b>Specialization Loans</b>	<b>8.526.619</b>	<b>20.727</b>	<b>--</b>	<b>818.631</b>	<b>367.132</b>	<b>--</b>
<b>Other Receivables</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>90.536.432</b>	<b>1.486.254</b>	<b>--</b>	<b>6.780.148</b>	<b>3.261.521</b>	<b>--</b>

(\*) The Bank has a cash loan exposure amounting to USD 120 million 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 (31 December 2016: USD 117 million). Discussions among shareholders of the entity, creditor banks and related public institutions regarding restructuring of current main partner including change of shareholder have been commenced and it is expected that aforementioned discussions shall result in a positive development. Respective loan is classified under "Standard Loan and Other Receivables" as of 31 March 2017.

	Performing Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
<b>Number of modifications made to extend payment plan</b>		
Extended by 1 or 2 times	1.291.822	2.989.563
Extended by 3,4 or 5 times	194.354	269.901
Extended by more than 5 times	78	2.057
<b>Total</b>	<b>1.486.254</b>	<b>3.261.521</b>

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Extended payment period of time	Performing Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	6.529	112.793
6-12 Months	16.650	64.795
1-2 Years	41.463	204.310
2-5 Years	435.082	950.011
5 Year and Over	986.530	1.929.612
<b>Total</b>	<b>1.486.254</b>	<b>3.261.521</b>

**3. Information on consumer loans, individual credit cards and personnel credit cards**

	Short Term	Medium or Long Term	Total
<b>Consumer Loans-TL</b>	<b>273.417</b>	<b>13.074.629</b>	<b>13.348.046</b>
Real estate Loans	4.257	4.873.582	4.877.839
Vehicle Loans	1.613	369.168	370.781
General Purpose Loans	267.547	7.829.603	8.097.150
Other	--	2.276	2.276
<b>Consumer Loans-Indexed to FC</b>	<b>--</b>	<b>33.578</b>	<b>33.578</b>
Real estate Loans	--	33.144	33.144
Vehicle Loans	--	--	--
General Purpose Loans	--	434	434
Other	--	--	--
<b>Consumer Loans-FC</b>	<b>5</b>	<b>83.357</b>	<b>83.362</b>
Real estate Loans	5	2.206	2.211
Vehicle Loans	--	--	--
General Purpose Loans	--	189	189
Other	--	80.962	80.962
<b>Individual Credit Cards-TL</b>	<b>4.595.948</b>	<b>285.230</b>	<b>4.881.178</b>
Installment	2.088.845	285.230	2.374.075
Non installment	2.507.103	--	2.507.103
<b>Individual Credit Cards-FC</b>	<b>1.141</b>	<b>--</b>	<b>1.141</b>
Installment	--	--	--
Non installment	1.141	--	1.141
<b>Loans Given to Employees-TL</b>	<b>3.363</b>	<b>29.017</b>	<b>32.380</b>
Real estate Loans	--	1.708	1.708
Vehicle Loans	--	84	84
General Purpose Loans	3.363	27.225	30.588
Other	--	--	--
<b>Loans Given to Employees - Indexed to FC</b>	<b>--</b>	<b>--</b>	<b>--</b>
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
<b>Loans Given to Employees - FC</b>	<b>21</b>	<b>234</b>	<b>255</b>
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	21	234	255
<b>Personnel Credit Cards - TL</b>	<b>24.178</b>	<b>229</b>	<b>24.407</b>
Installment	11.173	229	11.402
Non installment	13.005	--	13.005
<b>Personnel Credit Cards - FC</b>	<b>27</b>	<b>--</b>	<b>27</b>
Installment	--	--	--
Non installment	27	--	27
<b>Overdraft Loans-TL (Real Persons) (*)</b>	<b>619.500</b>	<b>--</b>	<b>619.500</b>
<b>Overdraft Loans-FC (Real Persons)</b>	<b>2.247</b>	<b>--</b>	<b>2.247</b>
<b>Total</b>	<b>5.519.847</b>	<b>13.506.274</b>	<b>19.026.121</b>

(\*) Overdrafts used by the personnel of the Parent Bank are TL 1.411 (31 December 2016: TL 1.489).

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**4. Information on installment commercial loans and corporate credit cards**

	Short Term	Medium or Long Term	Total
<b>Installment Commercial Loans - TL</b>	<b>1.222.581</b>	<b>11.750.774</b>	<b>12.973.355</b>
Real estate Loans	375	221.548	221.923
Vehicle Loans	11.669	491.101	502.770
General Purpose Loans	1.210.537	11.038.125	12.248.662
Other	--	--	--
<b>Installment Commercial Loans - Indexed to FC</b>	<b>14.854</b>	<b>1.267.037</b>	<b>1.281.891</b>
Real estate Loans	--	9.544	9.544
Vehicle Loans	198	33.550	33.748
General Purpose Loans	14.656	1.223.943	1.238.599
Other	--	--	--
<b>Installment Commercial Loans - FC</b>	<b>1.336</b>	<b>525.793</b>	<b>527.129</b>
Real estate Loans	--	--	--
Vehicle Loans	--	200	200
General Purpose Loans	1.336	525.593	526.929
Other	--	--	--
<b>Corporate Credit Cards - TL</b>	<b>349.594</b>	<b>19</b>	<b>349.613</b>
Installment	148.687	19	148.706
Non installment	200.907	--	200.907
<b>Corporate Credit Cards - FC</b>	<b>116</b>	<b>--</b>	<b>116</b>
Installment	--	--	--
Non installment	116	--	116
<b>Overdraft Loans-TL (Legal Entities)</b>	<b>1.480.965</b>	<b>--</b>	<b>1.480.965</b>
<b>Overdraft Loans-FC (Legal Entities)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>3.069.446</b>	<b>13.543.623</b>	<b>16.613.069</b>

**5. Domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	88.716.334	82.206.250
Foreign Loans	8.600.246	7.940.554
<b>Total</b>	<b>97.316.580</b>	<b>90.146.804</b>

**6. Loans granted to subsidiaries and associates**

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	11.639	14.139
Indirect loans granted to subsidiaries and associates	--	--
<b>Total</b>	<b>11.639</b>	<b>14.139</b>

**7. Specific provisions for loans**

	Current Period	Prior Period
<b>Specific Provisions</b>		
Loans and Receivables with Limited Collectability	77.642	128.655
Loans and Receivables with Doubtful Collectability	479.999	463.077
Uncollectible Loans and Receivables	2.015.070	2.056.223
<b>Total</b>	<b>2.572.711</b>	<b>2.647.955</b>

**8. Information on non-performing loans (Net)**

(i) Information on loans under follow-up, loans and other receivables those are restructured /rescheduled

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current Period</b>	<b>8.228</b>	<b>34.520</b>	<b>116.860</b>
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	8.228	34.520	116.860
<b>Prior Period</b>	<b>12.405</b>	<b>22.935</b>	<b>107.038</b>
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	12.405	22.935	107.038

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(ii) Information on the movement of non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Balances at Beginning of Period</b>	<b>571.012</b>	<b>866.753</b>	<b>2.213.874</b>
Additions (+)	448.106	19.744	43.823
Transfers from Other Categories of Non-Performing Loans (+)	--	492.041	354.115
Transfers from Other Categories of Non-Performing Loans (-)	492.041	354.115	--
Collections (-)	57.267	54.022	114.551
Write-offs (-) (*)	--	--	261.190
Corporate and Commercial Loans	--	--	7.960
Retail Loans	--	--	90.790
Credit Cards	--	--	72.208
Other	--	--	90.232
<b>Balances at End of the Period</b>	<b>469.810</b>	<b>970.401</b>	<b>2.236.071</b>
Specific Provisions (-)	77.642	479.999	2.015.070
<b>Net Balance on Balance Sheet</b>	<b>392.168</b>	<b>490.402</b>	<b>221.001</b>

(\*)The Parent Bank has sold loan portfolios amounting to TL 155.670, which is being followed in the legal follow-up accounts with sales agreements dated March 31, 2017 to for TL 12.900 with a business loan portfolio amounting to TL 105.520 for TL 5.400.

(iii) Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current Period: 31 March 2017</b>			
Balance as of the Period End	10.058	8.562	1.658
Specific Provisions (-)	1.950	8.519	389
<b>Net Balance on Balance Sheet</b>	<b>8.108</b>	<b>43</b>	<b>1.269</b>
<b>Prior Period: 31 December 2016</b>			
Balance as of the Period End	7.700	8.431	500
Specific Provisions (-)	2.979	8.298	138
<b>Net Balance on Balance Sheet</b>	<b>4.721</b>	<b>133</b>	<b>362</b>

(iv) Information on non-performing loans according to beneficiary group

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current Period (Net): 31 March 2017</b>	<b>392.168</b>	<b>490.402</b>	<b>221.001</b>
Loans Granted to Real Persons and Legal Entities (Gross)	469.810	968.125	2.236.071
Specific provisions (-)	77.642	477.723	2.015.070
Loans Granted to Real Persons and Legal Entities (Net)	392.168	490.402	221.001
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	2.276	--
Specific provisions (-)	--	2.276	--
Other Loan and Receivables (Net)	--	--	--
<b>Prior Period (Net): 31 December 2016</b>	<b>442.357</b>	<b>403.676</b>	<b>157.651</b>
Loans Granted to Real Persons and Legal Entities (Gross)	571.012	864.547	2.213.874
Specific provisions (-)	128.655	460.871	2.056.223
Loans Granted to Real Persons and Legal Entities (Net)	442.357	403.676	157.651
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	2.206	--
Specific provisions (-)	--	2.206	--
Other Loan and Receivables (Net)	--	--	--

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**f. Information on investment securities held-to-maturity**

**1. Information on securities subject to repurchase agreement and given as collateral or blocked**

**(i) Information on securities subject to repurchase agreement**

Held-to-maturity investments subject to repurchase agreement are TL 757.402 (31 December 2016: TL 1.797.997).

**(ii) Information on securities subject to given as collateral or blocked**

Collateralized held-to-maturity investments are government bonds, whose book value is amounting to TL 2.979.768 (31 December 2016: TL 1.099.775).

**2. Information on government securities held-to-maturity**

	<b>Current Period</b>	<b>Prior Period</b>
Government Bonds	5.015.638	5.018.478
Treasury Bills	--	--
Other Government Debt Securities	--	--
<b>Total</b>	<b>5.015.638</b>	<b>5.018.478</b>

**3. Information on investment securities held-to-maturity**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>	<b>5.077.540</b>	<b>5.066.364</b>
Quoted on Stock Exchange	5.077.404	5.028.810
Unquoted on Stock Exchange	136	37.554
<b>Impairment (-)</b>	<b>22.379</b>	<b>10.332</b>
<b>Total</b>	<b>5.055.161</b>	<b>5.056.032</b>

**4. Information on the movement of investment securities held-to-maturity during the period**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>5.056.032</b>	<b>3.376.169</b>
Foreign exchange differences (*)	90.650	270.686
Purchases during the year (**)	--	1.419.509
Disposals/Redemptions	(67.165)	--
<b>Impairment losses (-)</b>	<b>24.356</b>	<b>10.332</b>
<b>Total</b>	<b>5.055.161</b>	<b>5.056.032</b>

(\*) Accruals of investment securities held-to-maturity are included in "foreign exchange differences".

(\*\*) Classifications of available-for-sale financial assets are shown under "Purchases During The Year".

The Parent Bank transferred a portion of its securities from "investment securities available-for-sale" portfolio, as of reclassification date with a new cost is amounting to TL 2.826.026 and US Dollar 320.674, to the "investment securities held-to-maturity" portfolio due to change in the intention of holding dating 23 July, 24 July, 26 December 2013 and 24 January 2014. The negative valuation differences amounting to TL 326.599 followed under equity until the date of classification will be amortized with effective interest method and recycled to profit/loss until the maturities of these securities. As of the balance sheet date, the remaining negative valuation difference under equity is TL 217.081 (31 December 2016: TL 224.805).

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**g. Investments in associates**

**1. Investments in unconsolidated associates**

Title	Address (City/Country)	The Parent Bank's share percentage (%)	The Parent Bank's risk group share percentage (%)
1-Kredi Kayıt Bürosu A.Ş.	İstanbul/Türkiye	9	--
2-Kredi Garanti Fonu A.Ş.	Ankara/Türkiye	2	--
3-Ege Tarım Ürünleri Lisanslı Dep. A.Ş.	İzmir/Türkiye	9	--

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	219.532	148.046	158.333	2.187	--	34.759	34.773	--
2	314.961	304.494	6.585	18.431	--	5.530	5.483	--
3	10.819	10.496	7.996	152	--	(600)	(465)	--

Information on the financial statements is presented as of the period ended 31 December 2016.

**2. Investments in consolidated associates**

There are no investments in consolidated associates.

**h. Investments in subsidiaries**

**1. Information on shareholders' of major subsidiaries**

The parent Bank does not need any capital requirement due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

Amounts at below prepared within the scope of regulation depended by Denizbank AG and they are obtained from financial datas of 31 March 2017.

	Denizbank AG
Paid-in capital	745.283
Share Premium	1.090.256
Reserves	2.630.667
Deductions from capital	1.793
<b>Total Common Equity</b>	<b>4.464.413</b>
Total Additional Tier I Capital	--
Deductions from capital	7.173
<b>Total Core Capital</b>	<b>4.457.240</b>
Total Supplementary Capital	109.020
<b>Capital</b>	<b>4.566.260</b>
Deductions from capital	--
<b>SHAREHOLDERS' EQUITY</b>	<b>4.566.260</b>



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**2. Information on non-consolidated subsidiaries**

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%)
1-Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Istanbul/Turkey	100	--
2-Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	100	--
3-Deniz Kartlı Ödeme Sistemleri A.Ş.	Istanbul/Turkey	--	100
4-Açık Deniz Radyo ve Televizyon İletişim Yayıncılık ve Sanayi A.Ş.	Istanbul/Turkey	--	100
5-Deniz Immobilien Service GmbH	Vienna/Austria	--	100
6-Ekspres Bilgi İşlem ve Ticaret A.Ş.	Istanbul/Türkiye	71	29

	Total Assets	Shareholders'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	178.898	(2.607)	57.646	1.392	--	584	1.404	--
2	1.280	1.275	--	--	--	(42)	(23)	--
3	220	211	--	2	--	(9)	(5)	--
4	315	304	--	--	--	1	3	--
5	92	92	--	--	--	(2)	(2)	--
6	17.299	15.824	2.192	293	--	223	157	--

Information on the financial statements is presented as of the period ended 31 March 2017, subsidiaries above are not included in consolidation because they are nonfinancial partnerships.

**3. Information on consolidated subsidiaries**

Title	Address (City/Country)	The Parent Bank's share percentage(%)	Other shareholders' share percentage (%) (*)	Consolidation Method
1 Denizbank AG	Vienna/Austria	100	--	Full consolidation
2 Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--	Full consolidation
3 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--	Full consolidation
4 JSC Denizbank Moskova	Moscow / Russia	49	51	Full consolidation
5 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100	Full consolidation
6 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51	Full consolidation
7 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--	Full consolidation
8 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	--	91	Full consolidation
9 CR Erdberg Eins GmbH & Co KG	Vienna/Austria	--	100	Full consolidation

(\*) Presenting risk group of Bank's share percentage.

	Total Assets	Shareholders'Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
1	40.117.481	4.704.155	44.600	413.470	1.972	161.109	81.734	--	--
2	495.753	25.715	77	6.044	--	377	744	--	--
3	213.468	175.361	2.229	2.047	196	8.852	2.572	--	--
4	978.685	280.710	3.516	14.069	2.614	9.402	6.219	--	--
5	14.766	13.559	16	403	65	1.297	803	--	--
6	2.990.862	652.722	124.792	59.211	--	21.523	19.793	--	--
7	1.707.672	208.109	1.961	55.078	--	17.364	16.848	--	--
8	200.493	199.228	182	111	--	2.079	1.331	--	--
9	100.182	87.680	81.691	1	--	842	472	--	--

Includes information on the consolidated financial statements as of 31 March 2017.

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*See Note 3.1.c*

(i) Movement of consolidated subsidiaries

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>2.378.988</b>	<b>2.307.921</b>
<b>Movements during the Period</b>	<b>21.688</b>	<b>71.067</b>
Purchases (*)	--	--
Bonus Shares Received	--	--
Dividends from Current Year Profit	--	--
Sales (**)	--	(9.999)
Revaluation Increase, Effect of Inflation and F/X Difference	21.688	87.520
Other (*)	--	(6.454)
Allowance for impairment	--	--
<b>Balance at the End of the Period</b>	<b>2.400.676</b>	<b>2.378.988</b>
<b>Capital Commitments</b>	<b>--</b>	<b>--</b>
<b>Share Percentage at the end of Period (%)</b>	<b>--</b>	<b>--</b>

(\*) Type of Ekspres Menkul Değerler A.Ş. has changed and excluded from consolidation scope.

(\*\*)Shares of Destek Varlık Yönetim A.Ş., owned at total 100% ratio by Deniz Yatırım, Ekspres Bilgi İşlem, Deniz Finansal Kiralama, Deniz Faktoring and Intertech, were sold to Lider Faktoring and Merkez Faktoring with a total consideration of TL 12.320 on 29 December 2016 in accordance with the Board of Directors decision of the Company dated 14 July 2016.

(ii) Sectorial information on the consolidated subsidiaries and the related carrying amounts

	Current Period	Prior Period
Banks	1.420.738	1.417.857
Insurance Companies	--	--
Factoring Companies	138.107	138.107
Leasing Companies	529.762	512.877
Finance Companies	--	--
Other Subsidiaries	312.069	310.147
<b>Total</b>	<b>2.400.676</b>	<b>2.378.988</b>

Balances of the consolidated subsidiaries above have been eliminated in the accompanying financial statements.

(iii) Quoted subsidiaries within the consolidation scope

	Current Period	Prior Period
Quoted on domestic markets	84.498	67.141
Quoted on foreign markets	--	--

(iv) Consolidated subsidiaries disposed during the current period: None

(v) Consolidated subsidiaries acquired during the current period: None

i. Entities Under Common Control (Joint Ventures)

1. Entities Under Common Control (Joint Ventures)

Title	The Parent Bank's share percentage (%)	The Group's share percentage (%)	Current Assets	Non-Current Assets	Non-Current Liabilities	Income	Expenses
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33	33	21.991	25.381	--	8.531	(4.640)

Information on the unreviewed financial statements is presented as of the period ended 31 March 2017.

2. Reasons of being non-consolidated for non-consolidated entities under common control (Joint Ventures) and methods of recognition of entities under common control (Joint Ventures) in the Parent Bank's unconsolidated financial statements

The Parent Bank, although represents Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş") with 33% of ownership rate as entities under common control in its financial statements, it was not consolidated due to be nonfinancial entity. This entity is carried at cost.

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**j. Information on receivables from leasing activities**

**1. Maturity analysis of finance lease receivables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	181.135	174.269	192.240	184.849
Between 1-4 years	1.391.975	1.241.803	1.425.809	1.269.652
Over 4 years	1.699.761	1.255.076	1.583.458	1.182.806
<b>Total</b>	<b>3.272.871</b>	<b>2.671.148</b>	<b>3.201.507</b>	<b>2.637.307</b>

**2. Information on net investments in finance lease receivables**

	Current Period	Prior Period
Gross finance lease receivable	3.272.871	3.201.507
Unearned finance income (-)	601.723	564.200
Cancelled leasing agreements (-)	--	--
<b>Net investment on finance leases</b>	<b>2.671.148</b>	<b>2.637.307</b>

**3. Information on operating lease activities**

Deniz Finansal Kiralama A.Ş. started to fleet rental operations in the scope of operational leasing in June 2014.

Future receivables arising from leased assets are not recognized in the Group's balance sheet. Receivables arising from the rents invoiced within the period are recognized in the Group's balance sheet.

As of 31 March 2017, the Group's receivables which arise from its operational leasing agreements and will emerge in the future are distributed as follows by year:

	Current Period	Prior Period
Up to 1 year	33.317	31.158
Between 1-5 years	27.356	29.254
5 years and over	--	--
<b>Total</b>	<b>60.673</b>	<b>60.412</b>

**k. Explanation on hedging purpose derivatives**

None (31 December 2016: None).

**l. Explanation on investment property**

Investment properties are properties held by Deniz GYO for the basic purpose of making lease profit.

As of 31 March 2017, the Group has investment property is amounting to TL 164.527 (31 December 2016: TL 164.527) which carried from it's fair value on the Group's Financial Statements.

**m. Information on deferred tax asset**

Deferred tax asset calculated on the basis of related regulation is TL 158.155 (31 December 2016: TL 153.176) and deferred tax liability is TL 11.742 (31 December 2016: TL 15.446). These balances are the net of deductible and taxable temporary differences calculated as of the balance sheet date.

The following table presents the deferred tax bases:

	Current Period	Prior Period
Miscellaneous Provisions Financial Loss (**)	119.733	102.894
Unearned Income	60.551	56.753
Provision for Employee Benefits	24.254	22.882
Valuation Differences of Financial Assets	29.601	22.110
Financial Loss (*)	--	629
<b>Deferred Tax Assets</b>	<b>234.139</b>	<b>205.268</b>
Valuation Differences of Tangible Assets	(25.783)	(16.007)
Valuation Differences of Derivatives	(32.394)	(32.269)
Other	(29.549)	(19.262)
<b>Deferred Tax Liabilities</b>	<b>(87.726)</b>	<b>(67.538)</b>
<b>Net Deferred Tax Assets</b>	<b>146.413</b>	<b>137.730</b>

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(\*) Fiscal loss essentially arises from the valuation of financial instruments in the calculation of corporate tax of the current period under the Tax Procedures Law (TPL).

(\*\*) Balances of Deniz Leasing and Deniz Faktoring are also included in Miscellaneous Provisions.

**n. Explanation on property and equipment held for sale and related to discontinued operations**

DFG Group has no held for trade assets and discontinuing operations in current period. (31 December 2016: None).

**o. Information on other assets**

**1. Information on prepaid expense, taxes and similar items**

DFS Group's total prepaid expenses are TL 503.348 (31 December 2016: TL 300.053).

**2. Other assets do not exceed 10% of total assets excluding the off-balance sheet items.**

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**II. Explanations and disclosures related to consolidated liabilities**

**a. Information on deposits**

**1. Information on maturity structure of deposits**

**Current period - 31 March 2017:**

	<b>7</b>		<b>Up to 1</b>		<b>3-6</b>	<b>6 Months-</b>	<b>1 Year and</b>	<b>Accumulated</b>	
	<b>Demand</b>	<b>Days</b>	<b>Month</b>	<b>1-3 Months</b>	<b>Months</b>	<b>1 Year</b>	<b>Over</b>	<b>Deposit</b>	<b>Total</b>
		<b>Notice</b>						<b>Accounts</b>	
Saving Deposits	2.553.365	--	1.944.916	15.006.298	668.821	166.456	262.650	21.974	<b>20.624.480</b>
Foreign Currency Deposits (*)	14.441.393	--	4.024.452	12.289.978	1.897.096	7.485.167	19.816.801	1.400	<b>59.956.287</b>
Residents in Turkey	6.415.020	--	3.483.873	10.932.950	1.404.278	2.285.740	1.653.251	1.227	<b>26.176.339</b>
Residents Abroad	8.026.373	--	540.579	1.357.028	492.818	5.199.427	18.163.550	173	<b>33.779.948</b>
Public Sector Deposits	776.624	--	14.688	92.843	4.161	269	13.687	--	<b>902.272</b>
Commercial Deposits	2.780.323	--	2.110.207	5.244.338	101.275	194.095	118.544	--	<b>10.548.782</b>
Other Ins. Deposits	122.276	--	73.631	1.618.241	249.238	107.456	218.195	--	<b>2.389.037</b>
Precious Metal Deposits	259.334	--	25.354	179.293	23.710	30.653	13.298	5.007	<b>536.649</b>
Bank Deposits	207.519	--	2.730.491	1.044.228	1.609	1.826	110.146	--	<b>4.095.819</b>
Central Bank	--	--	--	--	--	--	--	--	<b>--</b>
Domestic Banks	4.936	--	1.850.200	104.081	--	1.820	--	--	<b>1.961.037</b>
Foreign Banks	72.106	--	880.291	940.147	1.609	6	110.146	--	<b>2.004.305</b>
Special Finan. Inst.	130.477	--	--	--	--	--	--	--	<b>130.477</b>
Other	--	--	--	--	--	--	--	--	<b>--</b>
<b>Total</b>	<b>21.140.834</b>	<b>--</b>	<b>10.923.739</b>	<b>35.475.219</b>	<b>2.945.910</b>	<b>7.985.922</b>	<b>20.553.321</b>	<b>28.381</b>	<b>99.053.326</b>

(\*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 41.263.313 and Commercial Deposit customers at the amount of TL 18.692.974.

**Prior period - 31 December 2016:**

	<b>7</b>		<b>Up to 1</b>		<b>3-6</b>	<b>6 Months-</b>	<b>1 Year and</b>	<b>Accumulated</b>	
	<b>Demand</b>	<b>Days</b>	<b>Month</b>	<b>1-3 Months</b>	<b>Months</b>	<b>1 Year</b>	<b>Over</b>	<b>Deposit</b>	<b>Total</b>
		<b>Notice</b>						<b>Accounts</b>	
Saving Deposits	2.322.348	--	2.355.686	15.076.048	701.221	153.831	252.692	26.694	<b>20.888.520</b>
Foreign Currency Deposits (*)	12.890.613	--	2.975.273	11.835.876	1.553.924	6.001.084	19.819.205	1.325	<b>55.077.300</b>
Residents in Turkey	5.861.977	--	2.696.271	10.866.308	1.278.067	1.962.383	1.588.328	1.165	<b>24.254.499</b>
Residents Abroad	7.028.636	--	279.002	969.568	275.857	4.038.701	18.230.877	160	<b>30.822.801</b>
Public Sector Deposits	486.443	--	38.636	51.363	3.669	349	10.808	--	<b>591.268</b>
Commercial Deposits	2.820.471	--	2.206.973	5.371.941	711.082	155.101	226.933	--	<b>11.492.501</b>
Other Ins. Deposits	102.245	--	103.356	1.515.642	128.363	9.358	178.377	--	<b>2.037.341</b>
Precious Metal Deposits	265.351	--	29.656	151.809	41.997	28.783	12.364	4.268	<b>534.228</b>
Bank Deposits	76.053	--	507.818	882.414	860	1.767	105.881	--	<b>1.574.793</b>
Central Bank	--	--	--	--	--	--	--	--	<b>--</b>
Domestic Banks	7.198	--	111.364	27.378	--	1.767	--	--	<b>147.707</b>
Foreign Banks	44.298	--	396.454	855.036	860	--	105.881	--	<b>1.402.529</b>
Special Finan. Inst.	24.557	--	--	--	--	--	--	--	<b>24.557</b>
Other	--	--	--	--	--	--	--	--	<b>--</b>
<b>Total</b>	<b>18.963.524</b>	<b>--</b>	<b>8.217.398</b>	<b>34.885.093</b>	<b>3.141.116</b>	<b>6.350.273</b>	<b>20.606.260</b>	<b>32.287</b>	<b>92.195.951</b>

(\*) Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 36.483.244 and Commercial Deposit customers at the amount of TL 18.594.056.

**2. Information on deposit insurance**

- (i) Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

Deposits owned by foreign subsidiaries in scope of consolidation are under insurance coverage according to legislations of countries in which they are located and are not included in following table.

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	Saving Deposit Insurance Fund		Exceeding the Insurance Coverage Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	11.273.233	10.732.125	9.269.732	10.067.622
Foreign Currency Saving Deposits	3.017.795	2.373.888	12.299.891	9.536.921
Other Saving Deposits	--	--	--	--
Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--	--	--
<b>Total</b>	<b>14.291.028</b>	<b>13.106.013</b>	<b>21.569.623</b>	<b>19.604.543</b>

(ii) Saving deposits that are not under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	122.079	162.530
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	--	--
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	38.989	41.124
Deposits and Other Accounts linked to Crimes Mentioned in 282nd Article of 5237 Numbered Turkish Penal Code dated on 26/09/2004	--	--
Deposits belong to Off-Shore Banks who are established in Turkey	37.996	24.265
<b>Total</b>	<b>199.064</b>	<b>227.919</b>

(iii) Saving deposits in Turkey are not covered by any insurance in any other countries since the Bank's headquarter is not located abroad.

**b. Information on trading purpose derivatives**

**1. Negative value of trading purpose derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	13.257	11.825	40.220	19.978
Swap Transactions	463.884	359.246	506.384	595.267
Futures Transactions	--	--	--	--
Options	9	84.120	7	86.530
Other	--	--	--	--
<b>Total</b>	<b>477.150</b>	<b>455.191</b>	<b>546.611</b>	<b>701.775</b>

**c. Information on funds borrowed**

**1. Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank Loans	--	--	--	--
Domestic Bank and Institutions	835.382	786.153	1.094.208	740.691
Foreign Bank, Institutions and Funds	1.037.510	9.289.044	1.035.318	8.388.474
<b>Total</b>	<b>1.872.892</b>	<b>10.075.197</b>	<b>2.129.526</b>	<b>9.129.165</b>

**2. Maturity information of funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1.330.269	4.753.394	1.602.323	3.571.403
Medium and Long-Term	542.623	5.321.803	527.203	5.557.762
<b>Total</b>	<b>1.872.892</b>	<b>10.075.197</b>	<b>2.129.526</b>	<b>9.129.165</b>

**d. Information on securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	7.535	1.265.708	--	1.309.730
Bills	1.979.427	--	1.766.245	--
Asset Backed Security	411.190	--	415.080	--
<b>Total</b>	<b>2.398.152</b>	<b>1.265.708</b>	<b>2.181.325</b>	<b>1.309.730</b>

Nominal value of TL 58.388 (31 December 2016: TL 70.095) of the securities issued were repurchased by the Parent Bank and offset in the financial statements.

**e. If other liabilities line of the balance sheet exceeds 10% of the balance sheet total; excluding the off balance sheet commitments; information on components making up at least 20% of the other liabilities**

Other liabilities do not exceed 10% of the balance sheet total excluding the off-balance sheet items.

**f. Information on lease payables (net)**

None (31 December 2016: None).

**1. Changes in agreements and further commitments arising**

None (31 December 2016: None).

**2. Obligations under finance leases**

None (31 December 2016: None).

**3. Explanations on operational leases**

DFS Group has operational lease agreements for its bank branches, motor vehicles and ATM locations. Rental payments for the majority of these agreements are made and expensed on a monthly basis. The unexpired portion of prepayments made for rent agreements on a yearly basis are accounted for under prepaid expenses in "other assets".

**4. Explanation on "Sell-and-lease back" agreements**

There is no sale and lease back transactions in the current period.

**g. Information on liabilities arising from hedging purpose derivatives**

None (31 December 2016: None).

**h. Explanation on provisions**

**1. Information on general provisions**

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	939.810	907.233
Additional Provision for Loans with Extended Maturities	71.838	71.838
Provisions for Loans and Receivables in Group II	274.116	258.866
Additional Provision for Loans with Extended Maturities	160.565	160.565
Provisions for Non Cash Loans	108.340	103.255
Other	--	--
<b>Total</b>	<b>1.322.266</b>	<b>1.269.354</b>

The minimum provision ratio for the calculation of the general provision according to "Regulation on the Amendment of the Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks and the Other Receivables and Provisions to be Issued" published in the Official Gazette dated 14 December 2016 and numbered 29918, The Parent Bank provided a general provision above the minimum provision ratio as of 31 March 2017. If the minimum allowance ratios stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 982.000 (31 December 2016: TL 868.000).

## 2. Provision for currency exchange gain/loss on foreign currency indexed loans

As of 31 March 2017, the reserves allocated for the exchange rate differences of loans indexed to foreign currency amount to TL 6.747 (31 December 2016: TL 128). Provisions for exchange rate differences pertaining to loans indexed to foreign currency are netted off against the credits and receivables under asset items in financial statements.

## 3. Liabilities on provision for employee benefits

TAS 19 required to using the actuarial methods for calculation of operating obligations.

Accordingly, the following actuarial assumptions were used in the calculation of the total reserve for employment termination benefits:

	Current Period	Prior Period
Discount rate	5,71 %	5,71 %
Interest Rate	11,00 %	11,00 %
Expected rate of salary/limit increase	5,00 %	5,00 %

As of 31 March 2017, TL 88.757 of provision for employment termination benefits (31 December 2016: TL 86.385) and TL 40.492 of unused vacation accruals (31 December 2016: TL 35.334) were reflected to the consolidated financial statements.

Movement of retirement pays liability during the period:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>86.385</b>	<b>70.923</b>
Changes in the period	3.186	21.344
Actuarial loss/gain	--	8.388
Paid in the period	(859)	(14.517)
FX difference	145	247
<b>Balance at the End of the Period</b>	<b>88.857</b>	<b>86.385</b>

## 4. Information on other provisions

- (i) As of 31 March 2017, the free reserves allocated to potential risks amount to TL 253.846 (31 December 2016: TL 233.823), This amount includes the free provision for future risks related to certain loans in the loan portfolio.

- (ii) Information on other provisions exceeding 10% of total provisions

TL 92.765 (31 December 2016: TL 85.998) of other provisions consists of provisions for non-cash loans that are not indemnified and converted into cash. TL 44.415 (31 December 2016: TL 29.059) consists of provisions for lawsuits pending against DFS Group and TL 47.067 (31 December 2016: TL 8.179) consists of other provisions.

### i. Information on taxation

#### 1. Information on current taxes

- (i) Information on current tax liability

As of 31 March 2017, the corporate tax provision of DFS Group is TL 153.704 (31 December 2016: TL 320.330), and it has been offset with advance taxes amounting to TL 103.125 (31 December 2016: TL 312.220).

- (ii) Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	50.579	8.110
Taxation on securities	57.651	52.785
Capital gains taxes on property	2.181	1.992
Banking Insurance Transaction Tax (BITT)	46.672	50.659
Taxes on foreign exchange transactions	--	--
Value added taxes payable	8.124	3.636
Other	12.619	46.938
<b>Total</b>	<b>177.826</b>	<b>164.120</b>



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(iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	8.471	8.154
Social security premiums- employer share	9.343	8.933
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	350	348
Pension fund membership fees and provisions- employer share	428	426
Unemployment insurance- employee share	605	582
Unemployment insurance- employer share	1.153	1.111
Other	2.718	6.045
<b>Total</b>	<b>23.068</b>	<b>25.599</b>

**2. Information on deferred tax liabilities**

Deferred tax liability calculated on the basis of related regulation is TL 11.742 (31 December 2016 TL 5.446). Information on deferred taxes is disclosed in Note "m" of explanations and disclosures related to consolidated assets.

**j. Information on shareholders' equity**

**1. Paid-in capital**

	Current Period	Prior Period
Common Stock	3.316.100	3.316.100
Preferred Stock	--	--

Paid-in capital of the Parent Bank is shown as nominal above.

**2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital**

Registered paid-in capital system is not applied.

**3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period**

None.

**4. Information on share capital increases from revaluation funds**

None.

**5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments**

The capital is totally paid in and there are no capital commitments.

**6. Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators**

Balance sheets of the entities under DFS Group are managed prudently, to minimize the negative effects of interest rate, foreign currency and credit risks. This policy contributes to the progress of DFS Group's profitability with a steady increasing trend.

**7. Information on the privileges given to stocks representing the capital**

The Parent Bank does not have any preferred stocks.

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**8. Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Shares (*)	50.368.526	50.368.526
Preferred Stock	--	--
Common Stock Issue Premium (**)	15	15
Common Stock Cancellation Profits	--	--
Other Equity Instruments	--	--
<b>Total Common Stock Issued (*)</b>	<b>50.369</b>	<b>50.369</b>

(\*) Related to the Bank's paid-in capital increase on 27 September 2004. At that date, the paid-in capital was increased from TL 202.000 to TL 290.000; and TL 50.369 of this TL 88.000 increase was received in cash through issuance of new shares to the public.

(\*\*) The share price for the above mentioned public issuance was "twothousandeighthundredandseventyfive" Turkish Liras and a total issuance premium of TL 94.441 was realized. The inflation restatement effect of TL 3.910 was also recognized over the original balance until December 2004. A total issuance premium of TL 60 was realized through the Bank's paid-in capital increase amounting TL 400.000 on 28 August 2008.

Share premium at an amount of TL 94.501 and inflation adjustment differences of share premium at an amount of TL 3.910 has been added to paid-in capital with the capital increase made by the Bank at the date of 14 October 2015.

A share premium at an amount of TL 15 has been occurred due to capital increase on 28 June 2016 at an amount of TL 1.500.000.

**9. Securities Revaluation Reserve**

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and JVs	--	--	--	--
Valuation Difference	(383.370)	(71.263)	(444.941)	(110.354)
FX Difference	--	--	--	--
<b>Total</b>	<b>(383.370)</b>	<b>(71.263)</b>	<b>(444.941)</b>	<b>(110.354)</b>

**10. Information on hedging funds**

Explanations about hedging funds are in Note VIII of Section Four.

**11. Information on minority shares**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>8.270</b>	<b>7.198</b>
Minority interest in net income of consolidated subsidiaries	183	1.072
Increase/(decrease) in minority interest due to disposals	--	--
Other	--	--
<b>Balance at the End of the Period</b>	<b>8.453</b>	<b>8.270</b>

**12. Information on revaluation differences of tangible assets**

DFH Group has passed to revaluation model from cost model in the framework of TAS 16 "Intangible Fixed Assets" in valuation of properties in use which are traced under intangible fixed assets as of 31 December 2016 while it tracks all of its intangible fixed assets in accordance with TAS 16 "Intangible Fixed Assets". Revaluation difference amount of TL 40.834 is recognized under equities as a result of revaluation process.

Revaluation differences of tangible assets amounting to TL 66.854 is income from sales of real estate, associates, subsidiaries and equity securities classified as available-for-sale and recorded in equity.

**13. Information on the profit distribution**

Net profit amount of TL 1.409.281 from the year of 2016 is distributed as that the amount of TL 70.464 is classified as legal reserves, and TL 66.854 is transferred under required funds as sales revenue with the ratio of 75% of real estate and subsidiary according to the Corporate Tax Law No: 5520 article 5. Clause 1/e while the rest amount of TL 1.271.963 is classified as extraordinary reserves in accordance with the offer of General Assembly dated 29 March, 2017 Board of Directors' of Parent Bank.

### III. Explanations and disclosures related to consolidated off-balance sheet items

#### a. Information related to off-balance sheet commitments

##### 1. Type and amount of irrevocable commitments

Large proportion of DFS Group's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 March 2017, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 28.617.603, TL 13.483.244 and TL 2.204.537, respectively (31 December 2016: TL 28.782.015, TL 12.764.645 and TL 2.111.130, respectively). These items are detailed in the off-balance sheet accounts.

##### 2. Type and amount of possible losses from off-balance sheet items referred to below

###### (i) Guarantees, bills of exchange and acceptances and other letters of credit which can be considered as financial collateral

As of 31 March 2017, DFS Group has letters of guarantee amounting to TL 21.692.762, bills of exchange and acceptances amounting to TL 248.736, guarantees and sureties on letters of credit amounting to TL 2.662.953 and other guarantees and sureties amounting to TL 4.013.152.

As of 31 December 2016 DFS Group has letters of guarantee amounting to TL 21.782.215, bills of exchange and acceptances amounting to TL 256.830, and guarantees and sureties on letters of credit amounting to TL 2.426.616 and other guarantees and sureties amounting to TL 4.316.354.

###### (ii) Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	1.089.107	1.103.750
Final Letters of Guarantee	13.962.940	14.223.149
Letters of Guarantee for Advances	2.790.374	2.874.152
Letters of Guarantee given to Customs Offices	161.182	169.797
Other Letters of Guarantee	3.689.159	3.411.367
<b>Total</b>	<b>21.692.762</b>	<b>21.782.215</b>

#### 3. Information on non-cash loans

##### (i) Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given for Obtaining Cash Loans	8.255.362	8.211.637
With Original Maturity of 1 Year or Less	7.733.546	7.816.907
With Original Maturity of More Than 1 Year	521.816	394.730
Other Non-Cash Loans	20.362.241	20.570.378
<b>Total</b>	<b>28.617.603</b>	<b>28.782.015</b>

#### b. Contingent assets and liabilities

Tax investigation report for 2010 has been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file cost collected from customers who use individual credits with respect to Resource Utilization Support Fund. Tax investigation report for 2010 has been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of file cost collected from customers who use individual credits with respect to Resource Utilization Support Fund. In tax inspection reports, an accrual slip including Resource Utilization Support Fund at an amount of TL 1.774 and delaying penalty at an amount of TL 2.141 has been submitted on account of the fact that the Bank has not calculated Resource Utilization Support Fund over file cost collected from customers who use individual credits. There is no provision made in financial statements since the implementation of the Bank is in line with legislation taking into consideration that file costs should be included in non-interest revenues rather than interest revenue in Uniform Chart of Account published by Banking Regulation and Supervision Agency. The Bank has appealed to the court for the stay of execution. The defendant tax office has notified the Bank regarding payment orders on 15 March 2016 since the aforementioned case has not been concluded. The Bank has paid a total amount of TL 3.957 to Large Taxpayers Office with prejudice including a RUSF at an amount of TL 1.774, a penalty rate amounting to TL 2.141 and a late fee at an amount of TL 42 on 21 March 2016 and has applied to Istanbul Tax Court for the stay of execution and cancellation of payment orders on 22 March 2016. According to the court decision communicated on 2 March 2017, the amount of TL 3.957 paid to the Large

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Taxpayers Office was decided to be returned to the Bank. The related amount has been deducted on 27 March 2017. The defendant administration went to the appeal process to reverse the judgement.

As a result of examination of filing expenditure collected from customers who are provided individual credits by Tax Inspection Board - Istanbul Large Taxpayers Directorate with respect to Resource Utilization Support Fund (RUSF), a tax investigation report is issued for 2011. Accrual slips including RUSF amount of TL 2,182 and penalty rate amount of TL 2.911 is notified for 2011 in tax investigation report since the Bank did not calculate RUSF over filing expenditure collected from customers who are provided individual credits. No provisions are made in financial statements since it is concluded that implementation of Bank are compliant to legislation considering decisions regarding repayment of file expenditures in court decisions due to not being accepted as interest in Uniform Chart of Accounts published by BRSA. The Bank has filed a claim in order for suspension of execution to Istanbul Administrative Court on 16 January 2017. It is decided to suspend execution on 19 January 2017.

Besides based on the principle of conservatism DFS Group made a provision amounting to TL 44.415 (31 December 2016: TL 23.959) for lawsuits pending against itself; which are classified in "Other provisions" item at the balance sheet. Other ongoing lawsuits which have not any provision are unlikely to occur and for which cash outflow is not expected to incur.

#### IV. Explanations and disclosures related to consolidated statement of income

##### a. Interest income

##### 1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term Loans	645.056	28.605	596.105	26.275
Medium and Long Term Loans	1.243.002	583.327	945.373	442.218
Loans Under Follow-Up	15.153	--	14.330	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
<b>Total</b>	<b>1.903.211</b>	<b>611.932</b>	<b>1.555.808</b>	<b>468.493</b>

Interest income received from loans also includes fees and commissions from cash loans granted.

##### 2. Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	1.110	576	--	--
Domestic Banks	3.682	2.057	136	2.717
Foreign Banks	--	3.127	388	--
Foreign Head Offices and Branches	--	--	--	--
<b>Total</b>	<b>4.792</b>	<b>5.760</b>	<b>524</b>	<b>2.717</b>

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to 18.202 (1 January - 31 March 2016: 11.738) recognized under "Interest Income Received From Required Reserves" account.

##### 3. Information on interest income received from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	2.161	194	1.303	348
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Investment Securities Available-for-Sale	165.831	20.043	201.477	40.001
Investment Securities Held-to-Maturity	102.606	48.631	96.473	10.465
<b>Total</b>	<b>270.598</b>	<b>68.868</b>	<b>299.253</b>	<b>50.814</b>

As stated in the chapter III footnote numbered VII, the Parent Bank has government securities in the available for sale and held to maturity securities portfolio with a maturity of 5 to 10 years and having CPI indexed 3 months real coupon ratio fixed until maturity. As stated in the Undersecretariat of Treasury's securities indexed CPI Investors Guide, the reference indexes used in calculating the actual coupon payment amounts of these assets are based on the CPI of previous two months. The Parent Bank determines the estimated inflation rate accordingly. The estimated inflation rate is updated as needed within the year. As of 31 March 2017, the valuation of the related securities was based on the yearly 9,95% inflation forecast. If the valuation of these securities indexed to CPI was made according to the reference index valid for March 31 2017, the valuation differences of the securities under equity would decrease by TL 12.211 and the consolidated net profit for the period would have increased by TL 51.714 to TL 609.379.

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**4. Information on interest income received from associates and subsidiaries**

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	140	82

**b. Interest expense**

**1. Information on interest expense related to funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>55.527</b>	<b>159.857</b>	<b>35.570</b>	<b>119.393</b>
Central Bank of the Republic of Turkey	--	--	3	--
Domestic Banks	20.086	5.090	24.109	3.097
Foreign Banks	35.441	154.767	11.458	116.296
Foreign Head Offices and Branches	--	--	--	--
<b>Other Institutions</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>55.527</b>	<b>159.857</b>	<b>35.570</b>	<b>119.393</b>

Interest expense related to funds borrowed also includes fees and commission expenses.

**2. Information on interest expense paid to associates and subsidiaries**

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	2.300	229

**3. Information on interest expense paid to securities issued**

	Current Period	Prior Period
Interest Paid to Securities Issued	69.849	58.156

**4. Maturity structure of the interest expense on deposits**

Account Name	Demand Deposits	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year		
<b>TL</b>								
Bank Deposits	--	8.700	--	--	--	--	--	8.700
Saving Deposits	9	53.107	401.499	18.168	4.184	7.044	556	484.567
Public Sector Deposits	--	636	2.484	101	7	220	--	3.448
Commercial Deposits	--	56.097	147.882	8.865	4.343	3.004	--	220.191
Other Deposits	--	2.539	46.922	(2.276)	410	4.061	--	51.656
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
<b>Total</b>	<b>9</b>	<b>121.079</b>	<b>598.787</b>	<b>24.858</b>	<b>8.944</b>	<b>14.329</b>	<b>556</b>	<b>768.562</b>
<b>FC</b>								
Foreign Currency Deposits	859	138.856	80.142	8.965	10.267	8.248	6	247.343
Bank Deposits	394	4.568	--	--	--	--	--	4.962
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	1	1.920	1.752	101	177	80	24	4.055
<b>Total</b>	<b>1.254</b>	<b>145.344</b>	<b>81.894</b>	<b>9.066</b>	<b>10.444</b>	<b>8.328</b>	<b>30</b>	<b>256.360</b>
<b>Grand Total</b>	<b>1.263</b>	<b>266.423</b>	<b>680.681</b>	<b>33.924</b>	<b>19.388</b>	<b>22.657</b>	<b>586</b>	<b>1.024.922</b>

**c. Information on trading income/loss**

	Current Period	Prior Period
<b>Income</b>	<b>112.682.550</b>	<b>56.657.271</b>
Capital Market Transactions	5.179	10.396
Derivative Financial Instruments	3.749.593	1.985.489
Foreign Exchange Gains	108.927.778	54.661.386
<b>Loss (-)</b>	<b>112.826.905</b>	<b>56.885.653</b>
Capital Market Transactions	21.394	17.356
Derivative Financial Instruments	4.152.590	2.682.613
Foreign Exchange Losses	108.652.921	54.185.684
<b>Net Trading Income / Loss</b>	<b>(144.355)</b>	<b>(228.382)</b>

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Net gain from foreign exchange translation differences related to derivative financial instruments is TL (495.557) (net gain for the period 1 January - 31 March 2016: TL (803.334)).

**d. Information on other operating income**

	Current Period	Prior Period
Reversal of prior periods' provisions	123.569	124.193
Sale revenue for Real estate properties	11.460	5.282
Communication income	2.608	2.747
Cheque book fees	711	938
Other	96.125	50.219
<b>Total</b>	<b>234.473</b>	<b>183.379</b>

**e. Impairment on loans and other receivables**

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	301.395	300.283
<i>Loans and Receivables in Group III</i>	<i>81.542</i>	<i>69.544</i>
<i>Loans and Receivables in Group IV</i>	<i>85.832</i>	<i>90.462</i>
<i>Loans and Receivables in Group V</i>	<i>134.021</i>	<i>140.277</i>
Non-performing Commissions and Other Receivables	--	--
General Loan Loss Provisions	52.912	32.827
Free Provision for Probable Risks	19.143	175
Impairment Losses on Securities	48.716	42.412
<i>Financial Assets at Fair Value Through Profit or Loss</i>	<i>599</i>	<i>112</i>
<i>Investment Securities Available-for-Sale</i>	<i>48.117</i>	<i>42.300</i>
Impairment Losses on Associates, Subsidiaries, Joint Ventures and	35.607	
Investment Securities Held to Maturity		12.610
<i>Associates</i>	<i>--</i>	<i>--</i>
<i>Subsidiaries</i>	<i>--</i>	<i>--</i>
<i>Joint Ventures</i>	<i>--</i>	<i>--</i>
<i>Investment Securities Held-to-Maturity</i>	<i>35.607</i>	<i>12.610</i>
Other	69.168	17.054
<b>Total</b>	<b>526.941</b>	<b>405.361</b>

**f. Information related to other operational expenses**

	Current Period	Prior Period
Personnel Expenses	348.453	330.786
Reserve for Employee Termination Benefits	2.327	3.145
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	--	--
Depreciation Charges of Tangible Assets	30.597	30.209
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	25.819	21.789
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	649	483
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	239.517	220.927
<i>Operational Leases Expenses</i>	<i>65.779</i>	<i>60.885</i>
<i>Repair and Maintenance Expenses</i>	<i>14.827</i>	<i>12.880</i>
<i>Advertisement Expenses</i>	<i>15.501</i>	<i>17.845</i>
<i>Other Expenses (*)</i>	<i>143.410</i>	<i>129.317</i>
Losses on Sale of Assets	831	100
Other	107.347	89.453
<b>Total</b>	<b>755.540</b>	<b>696.892</b>

(\*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationery, entertainment and representation, heating and lighting, credit card service fee and others amounting to TL 19.659, TL 23.175, TL 4.546, TL 1.810, TL 7.497, TL 32.657 and TL 54.066, respectively (1 January - 31 March 2016: TL 19.458, TL 19.031, TL 6.006, TL 1.755, TL 6.959, TL 24.363 and TL 51.745, respectively).

**g. Information on profit / loss before tax from continued and discontinued operations**

As 1 January - 31 March 2017, DFS Group has a profit before tax from continuing operations amounting to TL 724.722 (1 January-31 March 2016: TL 385.321).

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**h. Information on tax provision for continued and discontinued operations**

**1. Current period taxation benefit or charge and deferred tax benefit or charge**

As 1 January - 31 March 2017 the current period taxation charge on continuing operations is TL 154.292 (1 January - 31 March 2016: TL 102.442) while deferred tax benefit is TL 12.765 (1 January - 31 March 2016: TL 17.657 deferred tax charge).

There are not current period taxation charge on discontinuing operations. ( 1 January-31 March 2016: None).

**2. Deferred tax benefit / (charge) arising from origination or reversal of temporary differences**

<b>Deferred tax benefit/charge arising from temporary differences</b>	<b>Current Period</b>	<b>Prior Period</b>
Arising from Origination of Deductible Temporary Differences (+)	27.752	225.933
Arising from Reversal of Deductible Temporary Differences (-)	(33.823)	(115.941)
Arising from Origination of Taxable Temporary Differences (-)	(55.206)	(109.423)
Arising from Reversal of Taxable Temporary Differences (+)	48.512	17.088
<b>Total</b>	<b>(12.765)</b>	<b>17.657</b>

**3. Deferred tax benefit / (charge) arising from temporary differences, tax losses or unused tax credits**

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period</b>	<b>Prior Period</b>
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(5.442)	180.585
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(6.694)	(92.335)
Arising from Origination (+)/ Reversal (-) of Tax Losses	(629)	(70.593)
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
<b>Total</b>	<b>(12.765)</b>	<b>17.657</b>

**i. Information on net profit and loss**

**1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period**

Income generated from DFS Group's ordinary banking transactions during the current and prior period are mainly consisted of interest income from loans and marketable securities and income from other banking services. Main expense items are the interest expenses related to deposits and borrowings which are the main funding sources of marketable securities and loans.

**2. Profit or loss attributable to minority interests**

	<b>Current Period</b>	<b>Prior Period</b>
Profit/(loss) attributable to minority interests	183	51

**3. No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.**

**j. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items**

<b>Other Fees and Commissions Received</b>	<b>Current Period</b>	<b>Prior Period</b>
Credit card clearing and other commissions	145.230	138.452
Contracted merchant / POS commissions	61.281	59.762
Insurance services	52.245	33.873
Filing fees	39.898	27.369
Account management fees	21.971	22.514
Intermediary services	13.961	21.817
Remittance commissions	11.951	9.719
Expertise fees	4.379	3.710
Other	38.778	24.411
<b>Total</b>	<b>389.694</b>	<b>341.627</b>

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<b>Other Fees and Commissions Paid</b>	<b>Current Period</b>	<b>Prior Period</b>
Credit card / POS commissions	75.612	67.160
EFT fees and commissions	1.491	2.418
Other	25.986	20.046
<b>Total</b>	<b>103.089</b>	<b>89.624</b>

**V. Explanations and disclosures related to DFS Group's risk group**

**a. Information on loans and other receivables to DFS Group's risk group**

**Current Period**

<b>DFS Group's Risk Group (*)</b>	<b>Associates, Subsidiaries and Joint-Ventures</b>		<b>Bank's Direct and Indirect Shareholder</b>		<b>Other Real Persons and Legal Entities in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	14.146	128.405	5.448	7.721	56	4
Balance at the End of the Period	11.657	128.750	2.662	6.076	--	4
Interest and Commission Income Received	184	7	141	--	1	--

(\*) As described in the Article 49 of Banking Law no.5411.

**Prior Period**

<b>DFS Group's Risk Group (*)</b>	<b>Associates, Subsidiaries and Joint-Ventures</b>		<b>Bank's Direct and Indirect Shareholder</b>		<b>Other Real Persons and Legal Entities in Risk Group</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	2	35.394	2.299	19.970	33	30
Balance at the End of the Period	14.146	128.405	5.448	7.721	56	4
Interest and Commission Income Received	84	19	274	--	1	--

(\*) As described in the Article 49 of Banking Law no.5411.

**b. Information on deposits held by and funds borrowed from DFS Group's risk group**

<b>DFS Group's Risk Group (*)</b>	<b>Associates, Subsidiaries and Joint-Ventures</b>		<b>Bank's Direct and Indirect Shareholder (**)</b>		<b>Other Real Persons and Legal Entities in Risk Group</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
Balance at the Beginning of the Period	102.325	27.778	6.607.506	6.257.056	9.247	8.552
Balance at the End of the Period	66.081	102.325	7.408.838	6.607.506	10.344	9.247
Interest and Commission Income Received	2.423	5.166	88.509	71.954	167	102

(\*) As described in the Article 49 of Banking Law no.5411.

(\*\*) Includes the subordinated loans of US Dollar 1.050 million and Euro 115 million received from Sberbank.

**c. Information on forward and option agreements and similar agreements made with DFS Group's risk group**

<b>DFS Group's Risk Group (*)</b>	<b>Associates, Subsidiaries and Joint-Ventures</b>		<b>Bank's Direct and Indirect Shareholder</b>		<b>Other Real Persons and Legal Entities in Risk Group</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Transactions for Trading Purposes:</b>						
Balance at the Beginning of the Period	--	--	--	--	--	11.510
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	380	(5)	--	(388)
<b>Transactions for Hedging Purposes:</b>						
Balance at the Beginning of the Period	--	--	--	--	--	--
Balance at the End of the Period	--	--	--	--	--	--
Total Income/(Loss)	--	--	--	--	--	--

(\*) As described in the Article 49 of Banking Law no.5411.



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**d. Information on benefit provided to Executives**

DFS Group makes payment amounting to TL 9.856 (31 March 2016: TL 6.757) to its Executives as of 31 March 2017.

**e. Information on transactions with DFS Group's risk group**

As of 31 March 2017, cash loans and other receivables of the risk group represent 0,02% of DFS Group's total cash loans and bank deposits granted the deposits and borrowings represent 6,4% of DFS Group's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,5% of the total non-cash balance.

The risk group, which DFS Group belongs to, has finance and operation lease contracts with Deniz Leasing. The Parent Bank gives brokerage services through its branches for Deniz Yatırım. As part of the consolidation adjustments, these balances and transactions have been eliminated from the accompanying financial statements.

**VI. Subsequent events**

None.

## **SECTION SIX**

### **INDEPENDENT AUDITORS' REVIEW REPORT**

#### **I. Information on the independent auditors' review report**

DFS Group's consolidated financial statements and footnotes have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member Firm of Ernst&Young Global Limited) and the independent auditors' review report dated 4 May 2017 is presented in front of the consolidated financial statements.

#### **II. Disclosures and footnotes prepared by independent auditor**

There are no significant issues and required disclosures and footnotes related to DFS Group's operations, deemed as necessary, which have not been explained in the sections above.

## **SECTION SEVEN**

### **INTERIM ACTIVITY REPORT**

(\*) Amounts are expressed in TL in Section Seven.

#### **Message From the Chairman**

Reporting relative increase in profitability and maintaining asset quality in 2016 despite the decelerating global economy as well as rising geopolitical risks, Turkish banking sector made a better start to 2017 with increase in both profitability and growth ratios along with approximately 16% CAR parallel to expectations. With its innovative products and services, DenizBank—one of the important players of the Turkish banking sector—reported stronger results in 1Q2017, increasing its consolidated assets by 6%, expanding its loan portfolio by 8% and growing deposits by 5%.

In 2017, DenizBank continued its support in a wide range of sectors, primarily agriculture, tourism, sports clubs, SMEs, energy, construction, infrastructure, healthcare and education, whereby it is one of the leading financiers.

Having marked its difference in each area with its innovative perspective while continuing to expand its product range and services based on its robust technology infrastructure, DenizBank became one of the pioneers in shaping digitalization in Turkey in the first quarter of 2017. According to the Accenture Digitization Index study, while being one of the 23 leading companies in Turkey in Digital Index Total Score comprising Digital Strategy, Digital Operational Competence and Digital Services criteria, DenizBank also became the leader in Digital Services field in Turkey with a ratio of 98% with the banking sector average remaining at 81%.

As DenizBank, we have no doubt that the Turkish banking industry will continue to achieve sustainable growth over the long run, thanks to its strong capital structure, prudent risk management principles, advanced technology and top-quality human resources.

Collaboration with Sberbank has played a key role in DenizBank's achievements in recent years, and I am confident that we will be even more productive in our work together in 2017.

#### **Message From The President and CEO**

In the first three months of 2017, Turkish banking sector displayed a better performance than in the previous year, parallel to expectations. DenizBank grew its asset, loan and deposit above the sector average in the first three months of the year.

Our consolidated and unconsolidated assets increased by 6% and 5% on a year to date basis & 25% on a year-on year basis and reached TL 143,1 billion and TL 108,4 billion, respectively.

DenizBank's consolidated and unconsolidated customer deposits reached TL 95,0 billion and TL 61,9 billion, recording 28% and 29% yearly increase & 5% and 4% year-to-date rise, respectively. Expanding customer base up 16% year-on-year, parallel to the branch network consisting of 739 branches in 81 provinces of Turkey together with 43 branches of its foreign subsidiaries, have been one of the most important factors in the increase of DenizBank's deposits.

In the first three months of 2017, DenizBank continued to transfer its funds into the economy and reached its consolidated loans to TL 102,7 billion increasing by 29% y-o-y and 8% y-t-d. Unconsolidated loan volume was realized at TL 68,1 billion, growing by 27% y-o-y and 10% y-t-d. Consolidated cash and non-cash loan volume reached TL 131,1 million in total increasing by 27% y-o-y and 6% y-t-d.

Attaching great importance to the development of niche sectors that will contribute to the long term development targets of Turkey, Denizbank continued to support agriculture, SME, tourism, public finance, sports clubs, education, health and energy sectors that it defined as niche sectors. Since the date of its establishment, Denizbank, considering the SMEs and agriculture sector as the backbones of Turkish economy, offered credits secured by Credit Guarantee Fund (KGF) through all its branches as of the first quarter of 2017. Ensuring that the SMEs access to finance with low costs, it became the first private bank realizing "Nefes Loan" project in cooperation with the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and Credit Guarantee Fund in line with its motto "Life begins at breath". While approximately 11 thousand customers utilized Nefes Loan as of the first quarter of 2017, the SMEs, which are members of TOBB, were supported by credits secured by KGF amounting up to TL 6 billion.

Our consolidated and unconsolidated shareholders' equity increased by 7% compared to the end of 2016, reaching TL 11,3 billion. Including subordinated loan, our consolidated shareholders' equity reached TL 17,0 billion increasing by 6% y-t-d.

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DenizBank increased its consolidated net profit of TL 558 million in the first three months of 2017 with a 86% rise year on year basis, while recording TL 546 million unconsolidated net profit. DenizBank recorded 20,4% of consolidated ROE, higher than the sector average.

As a bank focused on making a difference in the lives of its customers, Denizbank continued to develop its products and services based on sound technology infrastructure and took its place among the leading banks sahıping digitalization in Turkey in the first quarter of 2017. Developing digital services in line with changing customers' needs as an innovative bank, Denizbank became one of the 23 pioneers in Turkey by its Digital Index Total Score based on Digital Strategies, Digital Operational Competences and Digital Services as per Accenture Digitalization Index studies. Standing out with a ratio of 98% when compared to the banking sector average of 81%, it became the leader in Turkey in the field of Digital Services.

DenizBank, with its contribution to the economy of the country through its financial activities, aims to spread education, culture, arts and spores to the public sphere and continued to be the main sponsor of "Toplum Gönüllüleri Vakfı"(Community Volunteers Foundation), which operates in 77 provinces of Turkey.

In its 20th year, DenizBank will continue to write new success stories together with the Sberbank family, driven by dynamism of being a young bank and self-confidence of the unique success story achieved with a devoted work.

#### **Changes in DFSG Companies**

There are no significant changes in DenizBank Financial Services Group companies.

#### **Amendments to Articles of Association**

There is no amendment to Articles of Association.

#### **Amendments to Rating Notes**

The amendments to Ratings of DenizBank assigned by Fitch Ratings and Moody's in 2017 are below.

On 20 March 2017, following the announcement regarding the change of Turkey's rating outlook to Negative from Stable, Moody's announced that it has affirmed "Ba2" long term local and foreign Issuer Default Ratings with "Negative" outlook and "ba3" baseline credit assessment (BCA) of DenizBank.

On 14 March 2017, Fitch Ratings announced that it has downgraded DenizBank's viability rating to "bb" from "bb+" and affirmed its long term local and foreign ratings as 'BB+' with "Stable" outlook, short term local and foreign ratings as 'B', support rating as '3' and national long term rating as 'AA(tur)' with "Stable" outlook.

Ratings are as follows:

##### **Moody's\***

Outlook	<b>Negative</b>
Long Term Foreign Currency Deposits	<b>Ba2</b>
Short Term Foreign Currency Deposits	<b>Not Prime</b>
Long Term Local Currency Deposits	<b>Ba2</b>
Short Term Local Currency Deposits	<b>Not Prime</b>
Baseline Credit Assessment (BCA)	<b>ba3</b>

\*As of 20.03.2017

##### **Fitch Ratings\*\***

Outlook	<b>Stable</b>
Long Term Foreign Currency	<b>BB+</b>
Short Term Foreign Currency	<b>B</b>
Long Term Local Currency	<b>BB+</b>
Short Term Local Currency	<b>B</b>
Viability	<b>bb</b>
Support	<b>3</b>
National	<b>AA (tur)</b>

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**Financial Information**

**a. General Outlook of the Banking Sector**

Evaluation of the banking sector according to the March 2017 data\*:

-Loan volume (excluding financial sector loans)	TL 1.811 billion
TL Loan volume (excluding financial sector loans)	TL 1.212 billion
FX Loan volume (excluding financial sector loans)	USD 166 billion
-Deposit Volume (excluding interbank deposits)	TL 1.526 billion
TL Deposit Volume (excluding interbank deposits)	TL 843 billion
FX Deposit Volume (excluding interbank deposits)	USD 189 billion

In the first three months of 2017, the total loan volume of the banking sector increased by 5,7% compared to the end of 2016 and by 21,2% compared to the same period of the previous year and reached TL 1.811 billion. In the first three months of 2017, SME, corporate and commercial loans became the segments with priority impact on total loan increase. In the first three months of the year, consumer loans indicated a 4% increase compared to 2016 year-end rates, while a 14% increase year-on-year basis. On the other hand, credit card loans showed an 1,5% increase in the first three months of the year. Commercial and corporate loans including SME loans grew by 6% in the first three months, while indicating 9% rise year-on-year basis. While completing the year of 2016 at level of 3,2% and the year of 2016 at level of 3,3 from its highest level of 5,8% during the crisis, the total NPL ratio remained same as 3,3% as at March 2017.

Total deposits reached TL 1.526 billion by increasing 19% compared to the same period of 2016 and 5% according to 2016-end. The sector's total equity rose by 16% y-o-y and 6% y-t-d in the first three months, reaching TL 318 billion.

The net profit of the banking sector in the first three months was realized as TL 13,5 billion recording a 65% y-o-y increase.

\* Banking sector data are extracts from the BRSA weekly & monthly bulletin including participation bank figures.

**b. Summary Financial Highlights**

<b>Summary Consolidated Financial Highlights (TL millions)</b>		
<b>Balance Sheet</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
Securities <sup>(1)</sup>	12.472	12.760
Net Loans <sup>(2)</sup>	102.726	95.023
Banks	20.014	18.588
Total Assets	143.068	135.554
Customer Deposits <sup>(3)</sup>	94.958	90.621
Time	74.024	71.741
Demand	20.934	18.880
Borrowings <sup>(4)</sup>	11.948	11.259
Securities Issued <sup>(4)</sup>	3.664	3.491
Sub-ordinated Loans	5.672	5.484
Shareholders' Equity	11.301	10.590
Paid-in Capital	3.316	3.316
Non-cash Loans	28.618	28.782
<b>Income Statements</b>	<b>31.03.2017</b>	<b>31.03.2016</b>
Interest Income	2.978	2.461
Interest Expense	(1.399)	(1.222)
Net Interest Income after Provisions	1.051	834
Non-interest Income	533	339
Non-interest Expense	(859)	(787)
Net Income	558	301

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<b>Other Highlights</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
Number of Branches <sup>(5)</sup>	739	737
Number of Employees	14.706	14.832
Number of ATMs	4.916	4.756
Number of POS Terminals	201.848	200.756
Number of Credit Cards	3.622.843	3.572.969

<sup>(1)</sup> It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

<sup>(2)</sup> Includes factoring and leasing receivables.

<sup>(3)</sup> Excludes bank deposits

<sup>(4)</sup> Securities issued by Special Purpose Entity DFS Funding Corp. are reported under Securities Issued

<sup>(5)</sup> Includes subsidiaries' branches

**c. Assessment of Financial Position and Risk Management**

	<b>Consolidated</b>	
	<b>31.03.2017</b>	<b>31.12.2016</b>
Capital Adequacy Ratio (%)	14,74	14,17
Shareholders' Equity	11.301	10.590
Return on Average Equity (%)	20,4	14,8
Non-performing Loans/ Total Cash Loans Ratio (%)	3,5	3,7
Free Capital <sup>(1)</sup>	9.146	8.115
Free Capital Ratio <sup>(2)</sup> (%)	6,39	5,99

<sup>(1)</sup> Free Capital = Shareholders' Equity - Net Non-performing Loans - Subsidiaries - Deferred Tax Assets - Tangible and Intangible Fixed Assets - Prepaid Expenses - Fixed Assets to be disposed of

<sup>(2)</sup> Free Capital Ratio = Free Capital / Total Assets