

DENİZBANK

FINANCIAL SERVICES GROUP

ANNUAL REPORT 2016

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Contact Information

DENİZBANK FINANCIAL SERVICES GROUP (DFSG)

BANKING SERVICES

DENİZBANK
DENİZBANK AG (AUSTRIA)
DENİZBANK MOSCOW (RUSSIAN FEDERATION)
EURODENİZ INTERNATIONAL BANKING UNIT LTD. (TRNC)

LEASING, FACTORING AND ASSET MANAGEMENT SERVICES*

DENİZLEASING
DENİZFACTORING
DESTEKASSET MANAGEMENT*

PRIVATE BANKING AND INVESTMENT ACTIVITIES

DENİZBANK PRIVATE BANKING
DENİZINVEST SECURITIES
DENİZ REAL ESTATE INVESTMENT TRUST
DENİZPORTFOLIO MANAGEMENT

INFORMATION TECHNOLOGY SERVICES

INTERTECH
EKSPRES IT AND TRADE

CULTURAL SERVICES

DENİZKÜLTÜR

OTHER SERVICES

BANTAŞ
AÇIK DENİZ RADIO-TV
DENİZ CARD PAYMENT SYSTEMS

**As of December 29, 2016, all of the shares were sold to natural and legal persons outside DFSG.*

DENİZBANK'S MISSION, VISION

DenizBank's mission is to become a bank that maximizes employee, customer and shareholder satisfaction with its position, image and corporate characteristics in the market by adopting a "supermarket approach" to financial services.

DenizBank envisions becoming one of the five largest banks in Turkey and the foremost financial institution in the region defined as the Middle East, Balkans, Caucasus and Commonwealth of Independent States countries through sustained and profitable growth.

DIVIDEND DISTRIBUTION POLICY

After deducting any sums that would be compulsory for the Bank to pay or set aside, such as general expenditures and miscellaneous depreciation costs as well as any amount of taxes that would be compulsory for the Bank to pay, from the calculated income at the end of the accounting year, the remaining sum shall constitute the net income; after deducting the previous year's losses, if any, the net income shall be distributed as follows:

First Scheme Legal Reserves:

a) 5% of this sum shall be allocated to the legal reserves.

First Dividends:

b) Out of the remaining amount, the rate and amount set by the Capital Markets Board of Turkey is allocated to the first dividend.

Second Dividends:

c) After deducting any sums specified in item (a) and (b) from the net income, the General Assembly shall be authorized to distribute such remaining amount, in part or in full, or to allocate as the extraordinary reserves.

General Legal Reserves:

d) Out of the sum calculated after deducting a dividend of 5% of the paid-in capital from the set amount to be distributed to the shareholders and other parties participating in the profit, 10% shall be added to the general legal reserves in accordance with Article 519, Paragraph 2, Item c of the Turkish Commercial Code.

Unless the discretionary legal reserves are duly set aside, and unless the dividends determined for the shareholders are distributed in cash and/or in the form of share certificates as per the Articles of Association, no decision may be adopted to allocate further legal reserves, to pass any profits to the following year, or to distribute any dividends to the members of the Board of Directors as well as any officials, workers and employees, to foundations established for various purposes, and to similar person and/or persons.

The date and manner of distribution to shareholders of the annual profit shall be determined by the General Assembly upon a proposal by the Board of Directors prepared under the relevant legislation issued by the Capital Markets Board. As of the accounting period of the dividend, irrespective of its issuing and acquiring dates, annual profit shall be distributed equally to all existing shares. The profits distributed pursuant to the provisions of these Articles of Association shall not be recalled.

DIVIDEND DISTRIBUTION PROPOSAL

At its meeting on 01 March 2017;

Taking into consideration the net profit of Denizbank A.Ş. for the financial year 2016 amounting to 1,409,280,690.32 TL, the Board of Directors hereby resolved to propose to the General Assembly:

- to allocate 5% of the net profit, amounting to 70,464,034.52 TL, to the general legal reserve according to Article 519/1 of the Turkish Commercial Code;
- to keep the exempt amount of 66,853,611.39 TL in the Mandatory Funds Account in order to benefit from the exception stated in Article 5/1-e of the Corporate Tax Law with respect to the profit gained by Denizbank A.Ş. in the financial year 2016 from the subsidiary sale;
- (i) to allocate the remaining net profit, amounting to 1,271,963,044.41 TL, to the Free Reserves (Extraordinary Reserves), and (ii) to postpone the issue on distribution and payment of dividends for 2016 to the shareholders of Denizbank A.Ş. for decision of another meeting of the General Assembly to be convened at the Board of Directors' option and proposal, and (iii) taking into consideration the letter of the Banking Regulation and Supervision Agency (BRSA) dated 02.12.2016 no. 20008792-101.01-E.19279, to apply for the permission of the BRSA to distribute dividends for 2016 to the shareholders of Denizbank A.Ş.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

All Articles of the Articles of Association were amended in 2016.

In line with our Bank's Board of Directors decision dated December 2, 2015, it was decided to amend all articles of the Bank's Articles of Association, except Article 6. The amendment text was approved by the CMB and the BRSA at the end of February and by the Ministry of Customs and Trade on March 3, 2016.

In accordance with our Bank's Board of Directors decision dated December 31, 2015, it was decided to increase the Bank's capital from TL 1,816,100,000 to TL 3,316,100,000 and to amend Article 6 of the Bank's Articles of Association entitled "Capital of the Bank." The amendment text was approved by the CMB and the BRSA at the end of January and by the Ministry of Customs and Trade on February 1, 2016.

At the Ordinary General Assembly Meeting of our Bank held on March 31, 2016, it was decided to increase our Bank's capital from TL 1,816,100,000 to TL 3,316,100,000 and to amend Article 6 of the Bank's Articles of Association entitled "Capital of the Bank" within this scope and to amend all articles of the Bank's Articles of Association, except Article 6 at the same meeting.

With the registration of the mentioned General Assembly decisions on April 4, 2016, all articles except Article 6 of our Articles of Association have been amended.

Following the decision of the Extraordinary General Assembly, necessary approvals regarding the public offering of shares related to the capital increase were received from the CMB on May 23, 2016. The preference right period was completed on June 15, 2016. With the registration of the resolution of the Ordinary General Assembly held on March 31, 2016, the capital increase was completed and Article 6 regarding "Capital of the Bank" was amended on June 28, 2016.

SHAREHOLDING STRUCTURE, PAID-IN CAPITAL AND CHANGES, SHARES HELD BY THE MANAGEMENT

DenizBank increased its share capital from TL 1,816.1 million to TL 3,316.1 million, by TL 1,500 million, via TL 750 million from retained earnings from share premium and TL 750 million in cash.

Required approvals were obtained from the BRSA and CMB in January and from the Ministry of Customs and Trade on February 1, 2016.

Following the decision of the Extraordinary General Assembly, necessary applications were made to the CMB on April 1, 2016 regarding the public offering of shares with a nominal value of TL 1,500,000,000 subject to an increase and the offering circular related to the capital increase was approved by the CMB on May 23, 2016. The preference right period was exercised between May 27, 2016 and June 10, 2016. The unused shares amounting to TL 16,223,115 remaining after use of preference rights was offered to the public on June 15-16, 2016 and the sale of the unused shares on the Borsa Istanbul Primary Market was completed on June 15, 2016.

With the registration of the resolution of the Ordinary General Assembly held on March 31, 2016, related to the decision on the amendment of Article 6 regarding "Capital of the Bank" of the Articles of Association of the Bank on June 28, 2016, the capital increase was completed.

DenizBank's shareholding structure, and the shares held by ultimate controlling real person(s) as of December 31, 2016 are presented in the table below. DenizBank's shareholding structure does not contain any cross-shareholdings.

Shares Held by the Management

DenizBank's CEO Hakan Ateş owns 52,449 shares, corresponding to 0.000002% of the total capital.

DenizBank Shareholding Structure - 31.12.2016

Shareholders	Nominal Value (TL)	Share (%)
Sberbank of Russia	3,311,211,134	99.8526
Central Bank of Russia		49.9263
Foreign Institutional Investors		48.4285
Domestic Legal Entities		1.4978
Others	157	0.000005
Publicly Listed	4,888,709	0.1474
TOTAL	3,316,100,000	100.00

CHANGES IN THE MANAGEMENT, SHAREHOLDING STRUCTURE AND ACTIVITIES OF DFSG COMPANIES

Sale of DestekVarlık Yönetim Shares

Shares with a nominal value of TL 10 million of Destek Varlık Yönetim A.Ş., with a paid-in capital of TL 10 million previously owned by our Bank's subsidiaries Deniz Yatırım Menkul Kıymetler A.Ş., Ekspres Menkul Değerler A.Ş., Deniz Finansal Kiralama A.Ş., Deniz Faktoring A.Ş. and Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. were decided to be sold with Lider Faktoring acquiring 49.98% of the shares, Merkez Faktoring 49.98% of the shares and Nedim Menda, Jak Sucuz, Bahri Uğraş and Erhan Özçelik equally acquiring 0.04% of the shares with a price of TL 1.232 per share in accordance with the resolution of the company dated July 14, 2016. On July 15, 2016, a Share Sale and Purchase Agreement was signed between the parties, and following the approval of the BRSA and Competition Board, the entire sum was paid in cash and upfront, and the share transfer was completed on December 29, 2016.

Change in the Name and Operations of EkspresSecurities

Since the operations of our Bank's subsidiary Ekspres Menkul Değerler A.Ş. were discontinued as of December 31, 2013 and the company's capital markets operation licenses were transferred to another brokerage company, it became necessary to change the Articles of Association of the company as per CMB regulations in such a way that the name, purpose and operations of the company shall not cover investment services and operations. In this context, at the Extraordinary General Assembly of Ekspres Menkul Değerler A.Ş. on August 5, 2016, it was decided to change the name and type of the company. The company was renamed Ekspres Bilgi İşlem ve Ticaret Anonim Şirketi and the resolution was registered in the Istanbul Trade Registry Office on August 10, 2016.

DENİZBANK IN BRIEF

DenizBank completed its fourth year under the umbrella of Sberbank Group, Russia's oldest and largest bank.

DenizBank was founded in 1938 as a state-owned bank to provide funding for Turkey's developing maritime sector. Acquired by Zorlu Holding from the Privatization Administration as a banking license in early 1997, DenizBank became one of the country's major banks in a short period of time.

In October 2006, Dexia, a leading European financial services institution, acquired DenizBank from Zorlu Group and remained its primary shareholder for six years. On September 28, 2012, DenizBank started operating under the umbrella of Sberbank Group, Russia's oldest and largest bank.

A rapid and extensive transformation

Following privatization in 1997, DenizBank implemented a "Return to Life" program that encompassed employee recruitment and new branch openings as part of its new corporate identity. These initiatives were undertaken in line with a five-year strategic plan, with all the Bank's growth objectives ultimately achieved. This growth was bolstered by buying back certain branches that were transferred to the Savings Deposit Insurance Fund, and by the Group's acquisition of Tarihbank at year-end 2002. To further extend its banking products and services, DenizBank established factoring, leasing, investment and portfolio management companies and acquired banks in Austria and Russia during this period.

As a result of the Bank's solid capital base and balanced financial structure, as well as the rapid growth of Turkey's banking sector, DenizBank reinforced its strong market position in very short order. In 2003, DenizBank Financial Services Group (DFSG) was formed to create a "financial supermarket" that provides a wide variety of financial services under a single umbrella.

The "financial supermarket" era in banking

In addition to the flagship DenizBank, DenizBank Financial Services Group includes six domestic and three international financial subsidiaries, six domestic non-financial subsidiaries and a branch in Bahrain. The Group's domestic companies include DenizInvest Securities, Deniz Real Estate Investment Trust, DenizPortfolio Management, DenizLeasing, DenizFactoring, DestekAsset Management*, Intertech, Ekspres IT and Trade, DenizKültür, Açık Deniz Radio-TV, Deniz Card Payment Systems and Bantaş. EuroDeniz, DenizBank AG and DenizBank Moscow are DFSG's international subsidiaries.

DenizBank Financial Services Group's primary customer segments include retail customers, small and medium-size enterprises, exporters, public and project finance customers, and commercial and corporate clients. The Group has identified the agriculture, energy, tourism, education, healthcare, sports, infrastructure and maritime industries as the top priority areas of its business activities. DFSG also operates in European Union countries via its Vienna-based subsidiary DenizBank AG. Additionally, DenizBank serves the Group's existing customers abroad that have commercial and trade ties with Russia, meeting their various financial needs.

DFSG consolidated its operations, financial control and accounting functions at the head-office level and converted DenizBank branches into marketing centers. As a result of this strategy, the Bank has maintained an optimal number of employees while increasing overall operational efficiency.

DFSG's service network reaches out to all segments of Turkish society. In addition to DenizBank's 694 branch locations in Turkey and Bahrain, DenizBank AG and DenizBank Moscow operate 43 branches in total. Additionally, DenizBank provides its retail and corporate clients the world over the opportunity to carry out financial transactions via the Internet, as part of its alternative distribution channel offering.

**As of December 29, 2016, all of the shares were sold to natural and legal persons outside DFSG.*

Deniz is Everywhere



737
BRANCHES*

4,756
ATMs

14,832
EMPLOYEES

10.3 MILLION
CUSTOMERS

REGION

- Mediterranean
- Europe 1
- Europe 2
- Europe 3
- Thrace
- Capital 1
- Capital 2
- West Anatolia
- Çukurova
- Aegean
- South East Anatolia
- Istanbul Anatolia 1
- Istanbul Anatolia 2
- Black Sea
- Marmara
- Central Anatolia

*Including DenizBank AG branches.

SBERBANK IN BRIEF

Group Profile

Established in 1841, Sberbank is a universal commercial bank with diversified businesses and global presence, playing a significant role in Russia's economy as the largest commercial bank in terms of assets, deposits and loans with market shares of 28.9%* (assets), 46.6%* (retail deposits) and 40.1%* (retail loans), respectively (according to Sberbank's calculations). More than 129 million individuals in Russia are clients of Sberbank, representing approximately 88% of the Russian population. Sberbank services 1.5 million corporate clients out of 4.5 million businesses in the country.

Sberbank offers its services through the largest banking distribution network of Russia via 15 thousand branches. Sberbank promotes banking via remote channels, which include the largest ATM network of around 79.8 thousand ATM and self-service terminals, as well as Online and Mobile services.

In addition to traditional banking (loans, deposits, cards), Sberbank has extended its product lines to provide high-end financial advisory services and a selection of investment solutions and operations on global markets via Sberbank CIB. Sberbank is actively developing its insurance business and retail brokerage.

Sberbank has international operations in the CIS region in Kazakhstan, Ukraine and Belarus, seven countries in Central and Eastern Europe via Sberbank Europe AG, and Turkey via DenizBank. Sberbank has representative offices in Germany and China, a branch in India and operations in Switzerland via Sberbank (Switzerland) AG.

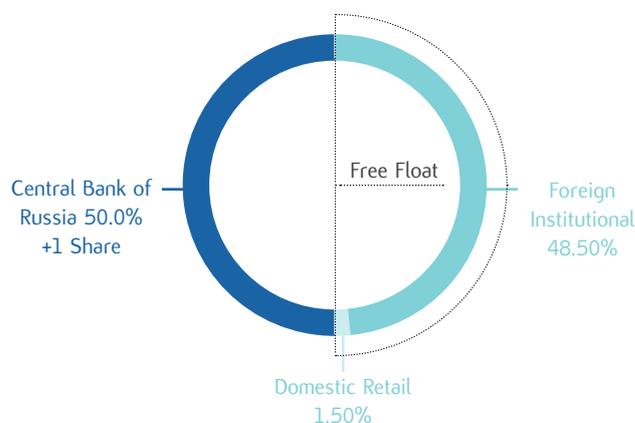
Sberbank's major shareholder is the Central Bank of Russia, which owns 50% of the Bank's share capital plus one voting share, while the remaining shareholder base is represented by international and domestic investors. The Bank's ordinary and preferred shares have been publicly traded in Russia since 1996; Sberbank's American Depositary Shares were listed on the London Stock Exchange, admitted to trading on the Frankfurt Stock Exchange and, trade over the counter in the United States.

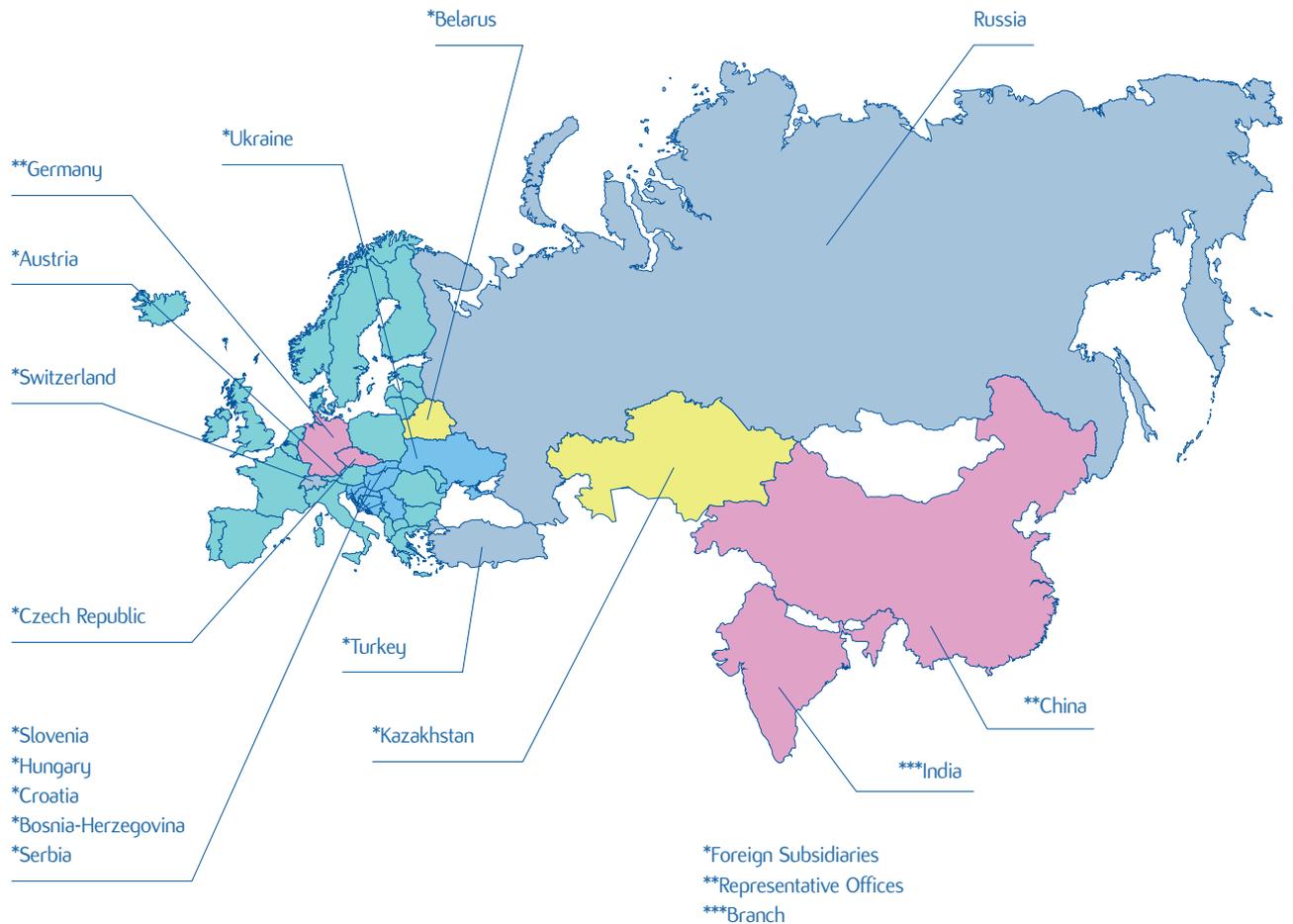
General banking license by the Bank of Russia No. 1481.

Sberbank's official website is www.sberbank.com.

**According to Sberbank's calculation as of 01.01.2017*

SBERBANK'S OWNERSHIP STRUCTURE





RETAIL DEPOSITS MARKET SHARE

46.6%

RETAIL LOANS MARKET SHARE

40.1%

CORPORATE LOANS MARKET SHARE

31.7%

ATM AND SELF-SERVICE TERMINALS

79.8 thousand

EMPLOYEES

>325 thousand

CUSTOMERS

~129 million in Russia**~139 million Internationally**

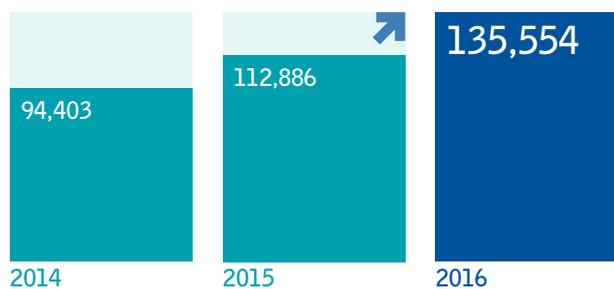
BRANCHES

~15 thousand

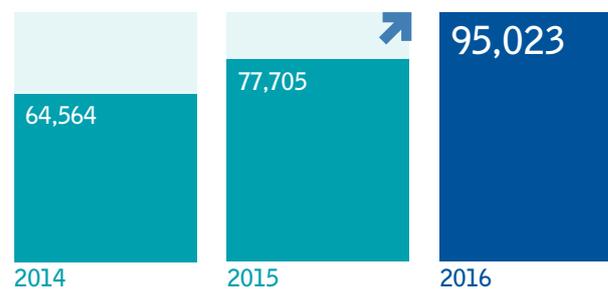
FINANCIAL HIGHLIGHTS

CONSOLIDATED

TOTAL ASSETS (TL million)



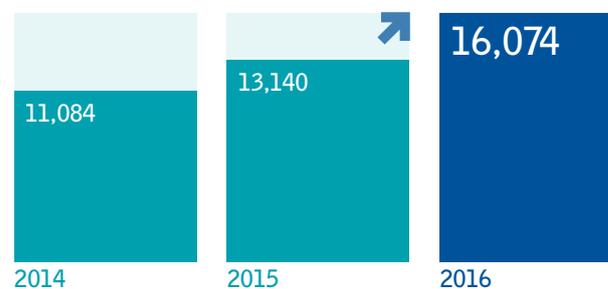
LOANS⁽¹⁾ (TL million)



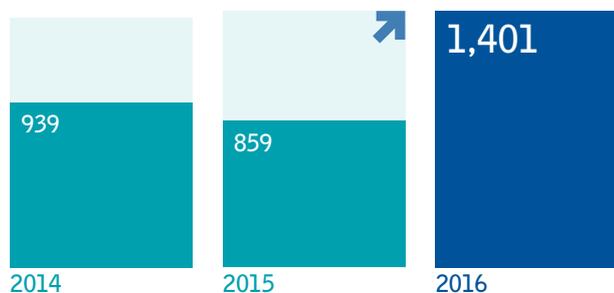
DEPOSITS⁽²⁾ (TL million)



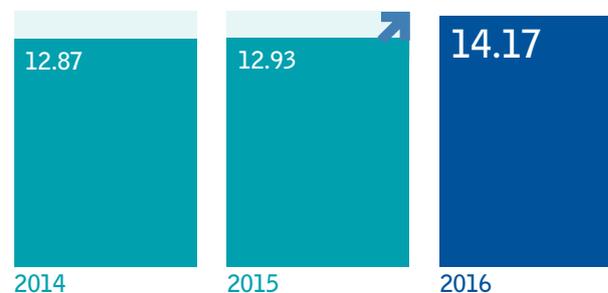
SHAREHOLDERS' EQUITY⁽³⁾ (TL million)



NET PROFIT (TL million)



CAPITAL ADEQUACY RATIO (%)



Audited consolidated BRSA financials.

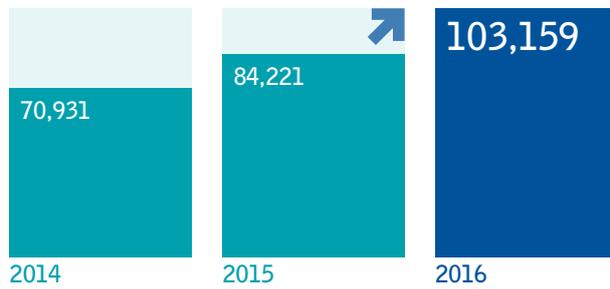
⁽¹⁾ Includes factoring and leasing receivables.

⁽²⁾ Excludes bank deposits.

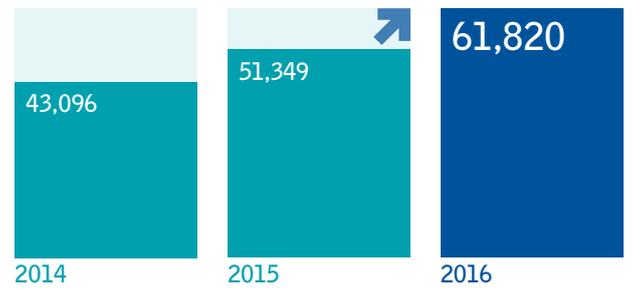
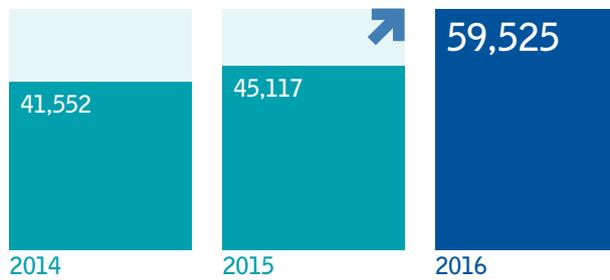
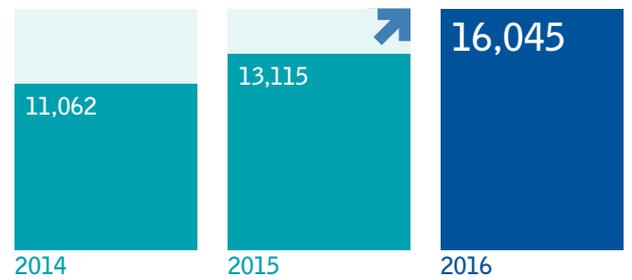
⁽³⁾ Includes sub-debts.

UNCONSOLIDATED

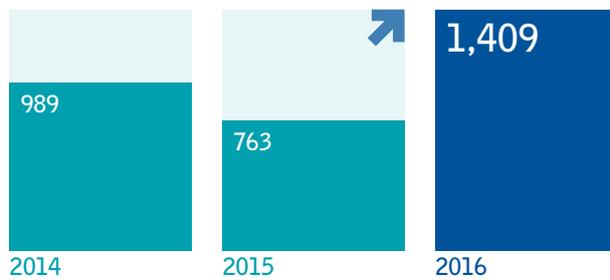
TOTAL ASSETS (TL million)



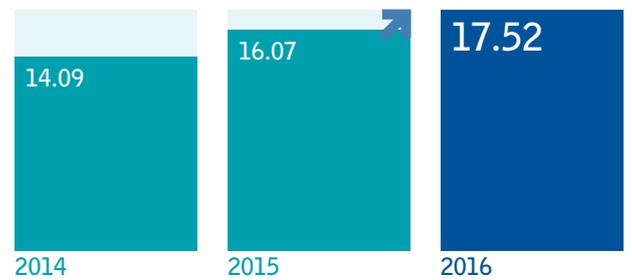
LOANS (TL million)

DEPOSITS⁽¹⁾ (TL million)SHAREHOLDERS' EQUITY⁽²⁾ (TL million)

NET PROFIT (TL million)



CAPITAL ADEQUACY RATIO (%)



Audited unconsolidated BRSA financials.

⁽¹⁾ Excludes bank deposits.

⁽²⁾ Includes sub-debts.

2016 HIGHLIGHTS

JANUARY–FEBRUARY–MARCH

DenizBank was awarded as the bank that grew its reputation the most at “The ONE Awards – Integrated Marketing Awards,” held with the collaboration of Marketing Turkey, one of the leading journals of the marketing industry, and AKADEMETRE.

DenizBank joined forces with Young Community Volunteers. The Bank collaborated with the Community Volunteers Foundation to encourage youth to become engaged in social responsibility efforts. DenizBank is the main supporter of the foundation.

DenizBank employees participated in the Runatolia footrace.

Awards were presented to winners of the “Best First Script” contest in collaboration with the Turkish Cinema and Audiovisual Culture Foundation (TÜRSAK) to support original script writing, which is considered as one of the most important requirements for enduring works of art to be created in Turkish and world cinema.

DenizBank received the Gold Stevie Award for its “Fastest Loan for SMEs” service.

“WhatsApp” started to be used to access DenizBank Call Center.

We organized the second Digital Camp, which has become an annual tradition, where we keep our finger on the pulse of the digital world.

APRIL–MAY–JUNE

Intertech held the “Code the Bank 2” contest.

The Captains’ Meeting was held in Antalya with the theme “Deniz Is Wherever You May Be.”

Final Four excitement was on within CEV DenizBank Volleyball Men’s and Women’s Champions League in Italy and Poland.

With its differentiated innovative solutions, DenizBank was awarded by being named a “Model Bank” in the category of “Digital Banking Transformation” by Celent, a globally renowned authority.

DenizBank brought the digital world to farmers with its platform “From Deniz to Earth.” Adding another to its portfolio of innovative solutions in agriculture, the Bank put into service the “From Deniz to Earth” Facebook page, specially designed for producers.

DenizBank increased its paid-in capital by TL 1.5 billion.

Providing services to a wide range of customers with its well-established structure in Austria and Germany, DenizBank AG was granted the “Excellent Customer Orientation” award for the second time by the Financial Marketing Association of Austria thanks to its customer oriented service approach.

JULY–AUGUST–SEPTEMBER

In line with its mission to take culture and arts to wider sections of society, DenizBank brought to life the “2nd DenizBank First Script, First Movie” contest by expanding the scope of its collaboration with the Turkish Cinema and Audiovisual Culture Foundation (TÜRSAK).

Organized with the support of DenizBank, the 45th Naval Cup Salih Reis Open Sea Yacht Race was held August 12-16.

OCTOBER-NOVEMBER-DECEMBER

DenizBank & TOSYÖV joined forces for SMEs across the seven regions of Turkey.

DenizBank Designated World Leader in Innovation – The Bank has been designated “The Most Innovative Bank of the World,” the grand prize in the 2016 BAI Banking Innovation Awards organized by the US-based Bank Administration Institute (BAI), one of the most respected authorities on banking management in the world of financial services. DenizBank also received the “Eli Aciman Advertising Copy Special Award.”

At “Global Finance The Innovators 2016” awards, DenizBank garnered The Best Organizational Innovation Award of the Year 2016 with the mobile transformation project for branch sales teams.

DenizBank reached an agreement with TOBB (The Union of Chambers and Commodity Exchanges of Turkey) and KGF (Credit Guarantee Fund) as regards the “Breathing Loan for SMEs” project, which offers SMEs loans at special interest rates and maturity periods.

AWARDS

Marketing Turkey – Akademetre – “The Bank That Grew Its Reputation the Most” Award (January 2016)

In research conducted by the Marketing Turkey journal in collaboration with Akademetre, in which identified companies that grew their reputation the most in 2015 across many industries, DenizBank was awarded as “The Bank That Grew Its Reputation the Most.”

DenizBank’s “Fastest Loan for SMEs” service received the Gold Stevie Award (March 2016)

With its “Fastest Loan for SMEs” service, DenizBank received the Gold Stevie Award in the “Marketing Solution” category, at the Awards for Sales & Customer Service held by Stevie Awards, one of the most prestigious global awards organizations of the business world, in which over 2,000 corporations from 36 countries compete.

Celent Award (April 2016)

With its differentiated innovative solutions, DenizBank was awarded as “Model Bank” in the category of “Digital Banking Transformation” by Celent, a globally renowned authority.

“Excellent Customer Orientation” Award to DenizBank AG for the second time in a row (June 2016)

Providing services to a wide range of customers with its well-established structure in Austria and Germany, DenizBank AG was granted the “Excellent Customer Orientation” award for the second time by the Financial Marketing Association of Austria thanks to its customer oriented service approach.

Award at the Crystal Apples (October 2016)

DenizBank won the “Eli Aciman Special Award for Advertisement Script.”

BAI Award (October 2016)

DenizBank was awarded as “The Most Innovative Bank of The Year” at the 2016 BAI Banking Innovation Awards organized by US based Bank Administration Institute (BAI), one of the most prestigious institutions in the field of banking management in the financial services industry.

Global Finance Award (November 2016)

At “Global Finance The Innovators 2016” awards, where the most innovative projects of the year are designated by Global Finance, DenizBank garnered The Best Organizational Innovation Award of the Year 2016 with the mobile transformation project for branch sales teams.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Stakeholders, Customers and Business Partners,

Despite rising geopolitical risks as well as the slowing global economy, in 2016 the Turkish banking sector maintained asset quality and showed a relative increase in profitability ratios while the capital adequacy ratio hovered around 15%, nearly double the global standards. DenizBank—one of the largest players of the Turkish banking sector—reported strong results in 2016, increasing its consolidated assets by 20%, expanding its loan portfolio by 22% and growing deposits by 27%.

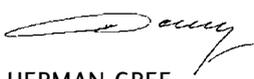
During the year, DenizBank bolstered its capital position, allowing the Bank to continue supporting a wide range of sectors of the country's economy, with specific focus on agriculture, SMEs, energy, construction, infrastructure, tourism, healthcare, sports clubs and education. DenizBank also continued to support major investments that play a significant role in Turkey's development.

Committed to expanding its product mix and services based on its robust technology infrastructure throughout the reporting year, DenizBank once again proved its technological superiority, winning the "Most Innovative Bank of the Year" award at the BAI Global Banking Innovation Awards 2016.

At 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.

Cooperation with Sberbank played a key role in DenizBank's operational success in 2016, and I am confident that our collaboration will be productive in the coming period.

Best regards,



HERMAN GREF
CHAIRMAN



MESSAGE FROM THE CEO

We are once again proud to be designated the world's number one bank in innovation: At the BAI Banking Innovation Awards 2016, we were presented with the “The World's Most Innovative Bank” award.

Esteemed Friends of DenizBank,

Although the world's most developed economies, led by the USA, demonstrated a considerable recovery in 2016, the global economy as a whole expanded by only 3.1%, well below its true potential. As the economic recovery in the US continued at a gradual pace, the Euro zone showed signs of a real upswing. In Japan, however, the deflationary process continued despite counteractive macroeconomic measures in place there for some years now. Emerging markets saw a sharp drop in their growth rates, while China reported growth of about 6.5-7%. China is slowing its economy in a controlled manner, and the decline in its growth performance has pulled down energy and commodity prices worldwide.

Brexit's economic impact will be seen in the long term...

The major event of 2016 relating to the future trajectory of the global economy was the referendum whereby British citizens voted to exit the EU. Although the road map of the exit process remains unclear, the economic effects of the process are expected to be felt more fully in 2017.

The Fed sticks to its tight monetary policy...

Since US inflation has yet to reach the desired level, the Fed maintained a tight monetary policy centered on gradual interest rate hikes, resulting in a sharp decline in capital inflows to emerging economies. The ECB, meanwhile, pursued an expansionary monetary policy to boost domestic demand and accelerate growth, expanding its bond purchase program during the year to include private corporate bonds. Europe's central bank is expected to take further steps to bolster the economic recovery in the Euro zone in the coming year.

Turkey maintained budgetary discipline...

Turkey followed its economic trajectory without compromising budget discipline in 2016, posting growth just under 3% at year's end. Despite the recessionary tendencies in the global economy, our country turned the fall in the price of energy, of which it is a net importer, into a significant advantage: Turkey managed to narrow its current deficit by a considerable margin during the year. Despite



the failed coup attempt of July 15, and the deterioration of relations with Russia, one of our major trade partners, the domestic market remained vibrant thanks to public spending and state incentives. In the coming period, as indicated in the Medium Term Program 2017-19, which sets out Turkey's economic road map, steps will be taken to boost the domestic market through public spending.

Despite of the unfavorable developments of 2016, especially the failed coup of July 15, the ratio of Turkey's budget deficit to national income remains well below the Maastricht criteria, and the budget continues to generate a primary surplus, clear indications of the country's successful adherence to fiscal discipline. If the structural reform package of the 65th government is implemented effectively, private sector investments will grow and the economy will leap forward in every respect in the coming period.

In addition to its achievements in the digital arena, DenizBank remains one of the main sponsors of leading projects that make significant contributions to Turkey's economic and social development.

In collaboration with Sberbank, we continue to support projects bolstering Turkey's prospects...

Shaping its operations along the vision of contributing to Turkey's economic and social development, DenizBank has provided USD 20 billion in long-term financing to over 300 projects over the last ten years. In the period from September 2012, when Sberbank acquired the Bank, until December 2016:

- Our loan book grew by 159% and our share in the loan market went up from 4.9% to 5.5%;
 - The Bank offered the Turkish economy USD 6.8 billion in long term financing for 59 major projects with a total investment volume of USD 31.7 billion;
 - DenizBank transferred USD 1.5 billion to mega projects which are set to play a critical role in Turkey's future:
- › Allocation of a guarantee letter limit worth USD 331 million in the scope of the USD 675 million EPC contract for construction of the third bridge over the Bosphorus;
 - › The largest contribution by a private bank to the first phase financing package of İstanbul's third airport project—EUR 500 million out of a total of EUR 4.5 billion;
 - › As part of Public-Private Sector Partnership (PPP) project tenders, the Bank allocated a total limit of EUR 336 million to the Mersin and Bilkent PPP projects;
 - › The allocation of a USD 37 million credit limit to the Cyprus Peace Water project, whose total project cost stands at USD 290 million;
 - › Financing solutions for TAV Bodrum Airport, and Ilisu Dam, which is set to become Turkey's fourth largest hydroelectric power plant;
 - › The only bank providing a 15-year project finance loan worth USD 160 million to finance the Ankara Train Station investment worth USD 200 million.

DenizBank leads the support of agriculture and tourism

Despite the recessionary tendencies in the global economy, the Bank continued to move forward in 2016, increasing its net profit by 63% on a consolidated basis to TL 1,401 million, and raising its paid-in capital by TL 1.5 billion, TL 750 million in cash. During the year, the Bank extended new financing facilities to numerous sectors, mainly energy, construction, infrastructure, tourism, healthcare, municipalities, sports clubs and education. With the loan amounting to USD 3 billion in 2016, DenizBank continued to contribute to the tourism sector. The Bank continued its support to the country's sports clubs in order to bolster the performance of Turkish sports. As for the agricultural sector, the Bank boosted its market share among private banks to 37%, having allocated loans worth TL 8.1 billion to over 1 million producers at year-end 2016.

DenizBank's SME Support Loan: "Breather Loan"...

Having expanded its SME client base to 1.4 million, DenizBank recently executed a new agreement with TOBB (Turkish Union of Chambers and Exchanges) and KGF (Credit Guarantee Fund) related to the "Breather Loan for SMEs." Under this initiative, the TL 250 million to be transferred by TOBB will be increased ten-fold through DenizBank funding. Our branches serving all Turkish provinces will thus extend TL 2.5 billion in credit to TOBB-member SMEs to help them boost their business performance.

Once again designated the world leader in innovation...

Keeping a close watch on the global banking sector's innovation-based development, DenizBank continued to make a difference with its innovative products and services in 2016. Placing technology at the heart of its operations, the Bank was once again designated the "The World's Most Innovative Bank" at the BAI Banking Innovation Awards, held by the US-based Bank Administration Institute (BAI). The Bank was proud to represent Turkey and the Turkish banking sector with success at this prestigious competition, which has been organized for the past six years, where over 540 top-notch financial institutions from across the globe participate with more than 1,000 projects. The Bank had received another award at this competition in 2014, and was granted the "Global Innovator of the Year" award at the 2015 EFMA Awards. As such, the Bank has collected three major awards in the global arena in the last three years.

In another major development in 2016, playing a key role in helping the Bank gain all these prestigious awards and lead the pack in terms of innovation, our technology and innovation subsidiary, InterTech moved into its new office in Teknopark İstanbul, Turkey's leading innovation hub. As the largest tech company of the Middle East and Eastern Europe, InterTech—which also has offices in Esentepe ODTÜ Technocity, İzmir Science Park and Vienna, Austria—will concentrate its extensive resources in its new facility, creating immense synergy and competitive edge for the Bank as a whole.

Significantly contributing to the national economy not only through financial activities but also via educational, cultural, artistic and sports related initiatives, DenizBank continued to support the İstanbul State Symphony Orchestra, and Orchestra Academic Baskent Concerts. In 2015, the Bank teamed up with the Turkish Cinema and Audiovisual Culture Foundation (TÜRSAK) to launch the "First Script Contest," becoming the event's name sponsor. In the field of education, DenizBank contributed to the İMECE project organized by the Social Services Foundation (TOVAK) under the auspices of the Ministry of National Education to renovate primary schools in need.

I hereby extend my gratitude to all our stakeholders for their contributions to our business operations in DenizBank's fourth fiscal year under the umbrella of Sberbank Group. We are committed to setting sail toward new achievements with the support of our main shareholder Sberbank, business partners and almost 15 thousand employees in the coming period.

Best regards,



HAKAN ATEŞ
CEO

BANKING SERVICES

DENİZBANK CUSTOMER SEGMENTATION

DenizBank has classified customers into six main segments to reflect its customer-oriented service approach to its operations in the most effective manner.

Corporate Banking: This segment serves all companies with annual sales turnover of at least TL 200 million, as well as the groups to which these companies belong. (Financial services companies are included in this segment regardless of their turnover amount.)

Commercial Banking: This segment serves companies with annual sales turnover of at least TL 40 million that do not fall within the scope of the Corporate Banking segment.

Public Banking: This segment serves local public administrations, their subsidiaries and economic enterprises, as well as state economic enterprises, their establishments and subsidiaries, and all other enterprises in which the public or public companies hold at least a 50% stake.

SME Banking: This segment serves firms and sole proprietorships with annual turnover of less than TL 40 million, as well as the owners and partners of businesses (from TL 25 million to TL 40 million is the common area with Commercial Banking).

Agricultural Banking: This segment covers producers with farmer certification who earn a living from agricultural activities as well as agricultural organizations with legal entity and agribusinesses.

Retail Banking: This segment serves individuals, self-employed professionals, owners and partners of corporate and commercial segment companies and owners and partners of companies that are clients of the Bank's SME segment with annual turnover of more than TL 5 million.

In addition to these six main segments, DenizBank delivers private banking services to upper retail segment clients and companies with a liquid net worth of at least USD 250 thousand.

Branch Network/Segmentation

Aiming to become one of the major financial services providers in the region, DenizBank continued to expand its branch network in line with the strategy of delivering closer and more active services to customers, particularly in the Retail Banking, SME Banking and Agricultural Banking segments.

The Retail Banking Group has boosted customer loyalty thanks to the high level of satisfaction it delivers with its innovative and dynamic structure.

RETAIL BANKING GROUP

The Retail Banking Group runs operations within Retail Banking Sales Management and Marketing, in coordination and creating synergy with the other business lines of the Bank.

The main activities of the Group include:

- › Developing products and services designed for specific customer segments, monitoring the market, generating impact analyses of changes in the competitive environment, and employing analytical tools to create appropriate offers based on customer data,
- › Improving technological and operational processes related to retail banking,
- › Monitoring, evaluating, and conducting strategic planning to develop the business line,
- › Offering banking products and services through the branches and digital channels (internet, mobile),
- › Working in coordination with other business lines to gain new customers via agreements concerning salary payments, school tuition and condo fees,
- › Increasing DenizBank's market share via new branches and ATMs while offering innovative solutions through new branch and ATM concepts to meet changing customer needs,
- › Developing new loan, deposit and other banking products through an innovative, customer-focused perspective and closely monitoring product performance to increase their market share.

The Retail Banking Group's high service quality was critical in encouraging customers to choose DenizBank, and it closed the 2016 with a number of achievements. The Group introduced new services as firsts in the sector in Turkey and reinforced customer loyalty with innovative and dynamic services.

A standout with its customer-focused approach and superior service quality in Pensioner Banking, DenizBank continued to intermediate in the first pension payments* of new retirees, pursuant to an agreement signed with the Social Security Institution (SGK) in 2015.

* In the provinces of Istanbul, Izmir, Bursa and Kocaeli, all payments are made via DenizBank; in other provinces, the first salary payments are made via DenizBank in districts with the Bank's branches.

Under the Branch Sales Force Mobilization Project, a key component of DenizBank's innovative approach and customer-focused strategy, branch sales personnel provided on-site services to customers via tablet PCs that integrate all banking applications.

In line with its policy of offering specialized services according to customer needs, DenizBank performed customer management programs under the "Affluent Banking," "Mass Banking" and "Pensioner Banking" segments within the "Life Cycle Banking" approach, based on the relationship between the life cycle and the financial needs of customers.

Affluent Banking

Privileged Services Designed to Touch the Lives of Customers

Affluent Banking focuses on accurately identifying the expectations and needs of each customer, and devising tailor-made products and services.

The Affluent Banking program features such exclusive services as customized personal consultancy at branches, priority in banking transactions, special prices in deposit/investment products and loans, cash deposits from home or office with private security guards.

Privileged services presented such as Affluent Saving Products as well as rapid and effective information services help them make the right investments.

"The Affluent Hotline Service Model"—established in 2015 to provide Affluent Banking services via phone to those customers of branches without Personal Consultants—was extended to more branch locations in 2016 as its customer base continued to expand. Affluent customers receive exclusive services complete with specially designed products, services and financial information via their own personal customer representatives.

Affluent Banking values the highly trained human resources of Turkey, closely monitors daily changes in the needs of specific professions such as lawyers, doctors, dentists, financial consultants, public notaries and pilots, and offers them customized financial solutions. Under an agreement with the Turkey Bar Association, DenizBank offered favorable products and services to lawyers and continued new lawyer customers and intensified relationships with existing ones.

In 2016, DenizBank Affluent Banking conducted marketing activities at the general meetings of 63 bar associations across Turkey, including those of Istanbul, Ankara and Izmir. Thanks to these efforts, DenizBank increased the number of its partner bar associations to 50.

In order for the Bank to ensure collective achievement, new agreements have been signed with Diyarbakır, Edirne, Ordu, Çorum, Niğde, Kastamonu, Fethiye, Amasya Chambers of Financial Consultants and members affiliated to professional groups. In order to promote Affluent Banking products and services we have participated in the general assemblies of 36 Chambers of Independent Auditors and Financial Consultants in Turkey.

DenizBank establishes brand partnerships to deliver special experiences at a discount for its high-net-worth customers. The Bank conducts seasonal campaigns in cooperation with car rental and airline companies, offering discounts of up to 30%.

In addition, the Bank joined forces with Maker Children (Maker Çocuk) to offer training to 50 youth between the ages of 7 and 14, to help them become productive individuals. Aiming to fulfill its social responsibilities, Retail Banking plans to continue such youth education programs to help children directly experience new learning methods, by organizing and holding Maker Children Days.

Mass Banking

As part of its Mass Banking activities, DenizBank effectively analyzed customer data to formulate targeted offers for customers in centrally managed promotional campaigns. The Bank used CRM data to revise current CRM models and create new models. As a result, DenizBank's CRM modeling, which helps customer representatives achieved their sales targets, has come to boast a wider array of sales opportunities.

In order to manage high-volume customer categories effectively, the Bank has closely analyzed historical and current customer data. The sub-segments thus created have been used in various campaigns.

Additionally, customer experience is measured through various methods and customer feedback obtained from these studies is employed to enhance service quality:

- › The Bank's relationships with its customer base is monitored regularly via the "Mystery Client" and "Net Recommendation Score" initiatives,
- › The neuromarketing method is used to measure customer interest and perception levels and to identify the most effective marketing channels in the branches.

Pensioner Banking continues to provide exclusive banking services for thousands of pension customers.

Pensioner Banking

Delivering privileged banking services to pension customers, DenizBank Pensioner Banking continued to launch innovations that make a difference in the sector. In 2016, the Bank offered special advantages to meet the needs and expectations of pensioners with products and services designed around the concept, "Pensioners are Happy at Deniz!" Pension customers, who enjoy discounted interest rates on general purpose, car and home loans, as well as priority standing in branch transactions, also benefit from special fees and commissions in many banking services. In addition, pensioner customers can take advantage of many promotional discount campaigns thanks to the Bank's cooperation agreements with various brands. Pensioners who receive their pensions from DenizBank are also offered a free medical consultation service for one year.

Pensioner Bonus, the first Turkish credit card unique to pensioners, allows customers to conduct free-of-charge shopping by earning bonus points, enjoy discounts at contracted merchants, or receive discounts on their invoices during seasonal promotional campaigns. In addition, customers can benefit from valuable services such as utility breakdown assistance, locksmith and glass repair.

As in previous years, Pensioner Banking personnel met with thousands of retired customers in 2016 at a wide range of social events, including a health seminar, concert, picnic, a breakfast and cinema screening – in effect becoming a part of their everyday lives. Additionally, the Department kept pensioners up-to-date with useful information, such as regular bulletins on healthy living.

The Bank conducted qualitative and quantitative studies to better understand the needs of pensioners and to provide them with better solutions.

Focused on thinking more and more innovatively to make customers' lives easier, DenizBank continues to develop products tailored to meet customer needs.

Retail Banking Products

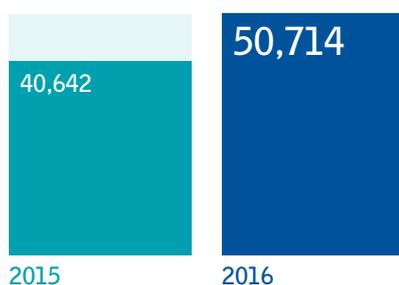
Deposits and Savings Products

DenizBank Deposits and Savings Products offer an extensive array of deposit and savings options to meet various retail customer needs such as savings or cash flow. These products are designed in consideration of customers' risk perception and expectations, and to channel their savings towards investment. In line with this approach, DenizBank's Retail Banking segment continued to expand its total deposits in 2016, posting an increase of 25% over the prior year.

DenizBank launched two new deposit products during the year. In April, the Bank rolled out the Dowry Account, which offers a state contribution of up to 20% for the first marriage before the age of 27. In August, it launched the Housing Account, which provides a state contribution of up to 20% for the first home purchase by individuals who have no homes registered in their name. Also in 2016, new projects designed to improve branch and customer flows were given priority by the Bank.

Promotional campaigns specially designed for specific customer segments continued throughout 2016. For example, DenizBank successfully carried out the Expat Campaign, which offers advantages to Turkish citizens living abroad, between May and September, the period when this target group visits Turkey most frequently. The Pensioner Campaign aimed at retired customers is ongoing. Additionally, the Bank continued to conduct systems development work to provide advantageous time deposits interest rate via the channel Digital Deniz, which allows customers to open an account without having to visit a physical branch.

Retail Customer Deposits (TL million)



Consumer Loans

DenizBank is one of the key players of the banking sector with its innovative, accessible and competitive loan products, and has expanded its consumer loan volume by 5% to TL 13.4 billion in 2016.

General Purpose Loans

In 2016, DenizBank's general purpose loan portfolio expanded 11% to reach a market share of 4.7%, even as the overall market grew by only 7%.

2016 was a period when DenizBank developed products and processes designed to meet customer needs and expectations, which are increasingly shaped by the ever-changing retail environment. The Bank also continued to offer private credit limits for current customers as part of pre-approved credit promotional campaigns, and particularly improved loan processes in line with the customer experience.

DenizBank uses cutting-edge technology to develop new channels. Tele-marketing and Direct Sales teams continue to extend loans through tablet computers. In 2016, the Bank also started to allocate pre-approved loans via Internet Banking and Mobile Banking to customers who have limits approved via SMS or the web.

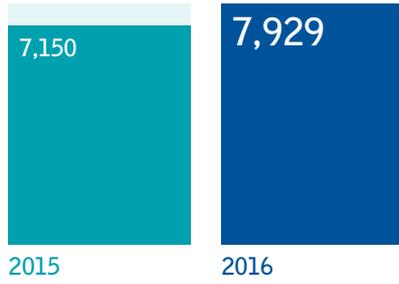
With tablet loans sold through direct sales representatives, DenizBank creates synergy with its business partners by accepting loan applications via non-branch channels and extending these sums without the customer having to visit a branch. The Bank also enables customers to file face to face loan applications via tablet PCs through direct sales. As such, a new channel was added to DenizBank digital channels with tablet loans.

Meanwhile, existing customers were allowed to restructure their loans over a 72-month maturity period, in order to give customers the opportunity to create a budget for new loans.

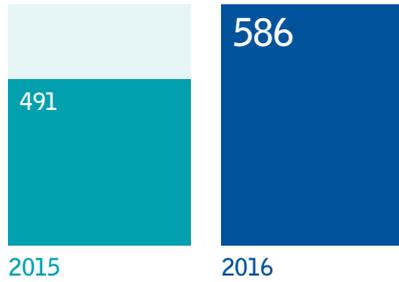
DenizBank has cooperated with PTT, a large, well-established entity in Turkey, since April 2013. As part of this cooperation, customers who receive their pension from PTT can easily apply for DenizBank loans at any PTT branch, without having to visit a bank.

Furthermore, the overdraft account product named "Kurtaran Account," which meets customers' urgent demands for cash, is available to customers round-the-clock via all the Bank's alternative distribution channels. Customers who would like to access the overdraft account in the form of installments can opt for installment payments of up to 12 months with the Overdraft Account with Installments and Instant Money Account product.

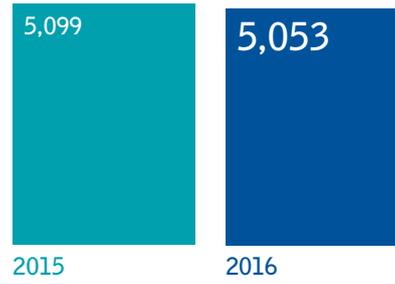
General Purpose Loans (TL million)



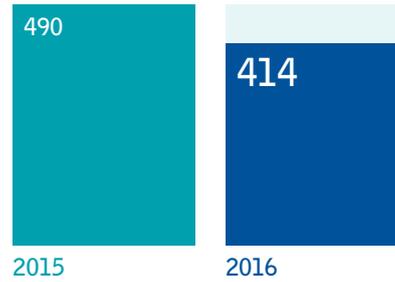
Overdraft Loans (TL million)



Housing Loans (TL million)



Car Loans (TL million)

*Housing and Car Loans*

In 2016, DenizBank's housing loan volume reached TL 5.1 billion with a market share of 3.1%. DenizBank introduced yet another innovation in Turkey by opening its first Mortgage Service Center in Esenyurt and the Bank's first Urban Transformation Center in Merter, where special teams focused on home and urban renewal loans provide services to customers.

DenizBank continued to collaborate with Turkey's leading real estate agencies in 2016, initiating collaborations with 450 new agencies across the country. In addition, by participating in 19 new select and high-profile housing development projects across Turkey during the year, DenizBank offered customers loans under attractive terms through its superior quality and service approach.

Always focused on thinking more innovatively to make life more enjoyable for customers and to offer them tailor-made products to meet their needs, DenizBank launched the "Common Mortgage" scheme in 2016. This new offering enables multiple customers to jointly finance their home purchases. In addition, the 100% Mortgage finances the entirety of a new home purchase through the mortgage on an existing home.

DenizBank is steadily advancing towards its goal of becoming "Turkey's Leading Bank in Urban Transformation Projects." Although it was the second bank to sign an agreement with the Ministry of Environment and Urbanization, DenizBank was the first Turkish banking institution to actually extend an Urban Transformation Loan and to complete the urban transformation project. As of year-end 2016, DenizBank has extended more than TL 400 million in Urban Transformation Loans. The Bank provides

the following advantages to make urban transformation a trouble-free process for customers:

- › No obligation to repay the principal during the construction phase,
- › Round-the-clock free urban transformation related consultancy via the Bank's website and Call Center,
- › Specialized support in high risk building identification reports.

Enjoying active and extensive cooperation with Turkey's leading automobile brands and an ever expanding car dealer network, DenizBank's car loans market share reached 6.2% in 2016.

Branch and ATM Planning

As part of optimization efforts in 2016, DenizBank merged 25 of its branches. The Bank then used the banking licenses of these branch locations to open new branches in 27 cities with high potential for agricultural banking. As such, the Bank reached its solid market position in 2016, with 694 branches and a 6.4% branch market share. Including the Bank's 43 overseas foreign subsidiary branch locations, the Bank operates a total of 737 branches.

DenizBank's ATM network, including those allocated to the Bank under the PTT partnership, which was comprised of 4,355 ATMs at year-end 2015, grew to 4,756 in 2016.

In line with its overall strategy, the Bank developed innovative branch and ATM concepts for different customer segments, boosted its disabled-friendly banking efforts, transforming its branches and ATMs accordingly. In addition, DenizBank further improved customer satisfaction in 2016, such as opening time deposit accounts at the ATM or withdrawing money via SMS.

Bancassurance

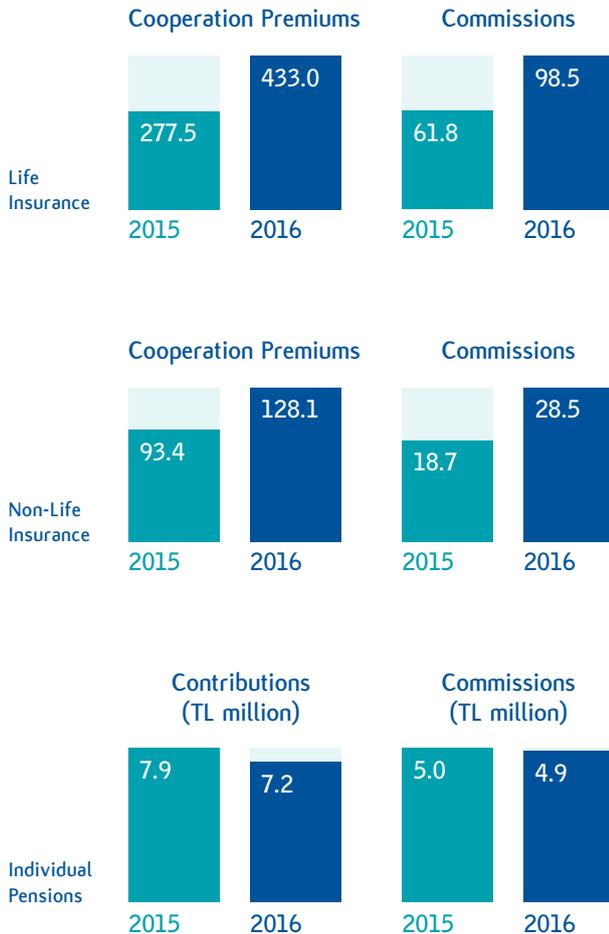
Insurance and Individual Pension Products

As part of its insurance operations, DenizBank provides life insurance, non-life insurance and individual pension products to customers. The Bank's wide product range offers all insurance and individual pension products and services including fire, agriculture, accident, engineering, liability, unemployment personal accident, and life insurance plans, as well as pension plans.

Individual pension products are on offer in the form of automatic participation system products, individual products, corporate products, and various plan options tailored for specific customer segments.

DenizBank continues its cooperation with Axa Sigorta in non-life insurance activities and with MetLife in life insurance and individual pension products.

DenizBank Bancassurance Performance (TL million)



Through various collaborations, DenizBank continues to deliver services that facilitate the daily operations of SMEs and help them reduce costs.

SME BANKING GROUP*

The SME Banking Group operations below are carried in synergy, and in coordination with the other business lines of the Bank:

- › SME Banking,
- › Merchant Relations and Commercial Cards Management,
- › Gold Banking,
- › Cash Management.

The SME Banking Group's the main operations are following activities:

- › Developing products and services designed to meet SMEs' needs, devising sector and product-specific packages, and creating timely and multidimensional sales opportunities,
- › Managing merchant relations, setting targets aligned with the Bank's policies and strategies, and coordinating the sales of merchant firms,
- › Developing new POS products and support of branches in promoting and marketing these products,
- › Marketing and selling of gold and silver loans and deposits, and other products related to precious metals, as well as carrying out activities to acquire new customers,
- › Managing and improving products pertaining to the Bank's Cash Management system, as well as ensuring compliance with all relevant legal and in-house regulations,
- › Organizing the flow of internal-external funds to strengthen the Bank's liquidity structure.

SME Banking

2016 was a rather productive year for SME Banking with added momentum from new products and services. In light of macroeconomic developments, the Bank's expert personnel at the Head Office, regions and branches continued to provide life enhancing solutions to customers and boost service quality.

Sector-wide, total cash loans to SMEs grew 8.5%, while DenizBank SME Banking recorded an increase of 22%, outperforming the sector average.

DenizBank's SME customer base expanded to 1.4 million, with an added boost from new products and marketing related activities.

^(*) SME Banking refers to the SME definition based on the Bank's internal limits (p. 15).

The Bank's total number of SME Cards issued rose to 344 thousand, with the product maintaining its weighting in the overall SME Banking strategy. The SME Card allows shopkeepers to meet their daily financial needs with ease while also providing fast and practical solutions to SME customers with a wide range of options. These include postponed repayment and additional installments, as well as instant loans for fuel oil, food, electronics, accommodation and other expenses via promotional campaigns specific to the segment.

DenizBank refreshed its communications to appeal to small and medium retailers around the concept of "New Shopkeepers' Streets and Casts." The aim was to offer these customers a comprehensive range of banking transactions and financial services. With a series of loan promotions directed especially at SMEs, the Bank extended TL 3.1 billion in loans to around 83 thousand micro enterprises.

Committed to facilitating SME access to finance and streamlining their documentation and procedures, DenizBank launched the Swift Loan, for which customers may apply via SMS, online, AçıkDeniz Internet Banking, the SME Deniz Facebook page and ATMs. With this innovative loan, SMEs have the opportunity to choose from among one or more of the product options—SME Card, Installment Commercial Loans, Commercial Kurtaran Account, DBS and Vehicle Recognition System products—in cash requirements of up to TL 80 thousand. As such, SMEs that apply for loans receive the result of their application within at most five minutes, and can easily obtain the products from DenizBank branches. In 2016, the Bank received over 350 thousand Swift Loan applications.

Shopkeepers and SMEs can save up to TL 5,000 per year by selecting the best tariff suited to their needs among a wide range of SME tariffs, which feature daily banking transactions that vary according to the type and frequency of transaction. Thanks to banking packages tailored to their sector's specialized needs, they can also benefit from sector-specific advantages, convenient credit options, and from banking transaction tariffs.

DenizBank also offers special products and services for different sectors. For example, the Bank provides pharmacists additional contributions to their Private Pension Payments, cost-free banking transactions, as well as credit facilities at favorable rates, under the agreement reached with the Association of Turkish Pharmacists.

DenizBank provides women entrepreneurs the financial support that they need in establishing and expanding their businesses. The fastest and easiest solutions at special interest rates are offered to meet their loan requirements. Woman entrepreneurs are also presented with the Women Entrepreneur Tariff, which consists of the transactions they need most to save on banking transactions, as well as time deposits at special interest rates for their savings in TL, USD, EUR or gold.

SMEs "Breathe" at Deniz!

The Bank offered SMEs additional support and co-financing loan packages to help them benefit more actively from KOSGEB support. Furthermore, the Bank runs the KOSGEB 2016 Emergency Support Loan Program to help those SMEs affected by strikes, fires, social protests, or terrorism to restore their operations.

Under the agreement executed between the Bank, KOSGEB and KGF (Credit Guarantee Fund), DenizBank provides Loan Interest Support to assist those manufacturing sector enterprises listed in the KOSGEB database in their purchases of new domestic machinery and equipment.

Additionally, DenizBank actively provides SMEs with support from KGF, which offers collaterals to those SME customers who experience difficulties in accessing finance due to lack of guarantees. As a result, the Bank assists in the development of SMEs, which are the driving engine of the nation's economy. The Bank provides round-the-clock service to customers via the KGF Support Hotline for applications and detailed information.

In December, the Bank signed an agreement with TOBB (Turkish Union of Chambers and Exchanges) and KGF (Credit Guarantee Fund) for the Breathing Loan for SMEs. Under this agreement, DenizBank offers 12-month loans of up to TL 150,000 at an annual interest rate of 9.90% (0.83% on a monthly basis) to SMEs which are member of chambers and exchanges under the umbrella of TOBB.

As a result of collaborations with firms that lead their respective sectors, the Bank provides small and medium enterprise customers with exclusive services to render their day-to-day operations easier, alleviating issues arising from their commercial operations.

Thanks to other various collaborations, SMEs that are customers of DenizBank receive discounted services from firms in industries such as shipping, dry cleaning, electricity, catering and security services.

In 2016, the Bank continued to serve SME customers via all distribution means available. The waiting period for incoming calls to the SME Call Center (KOBİ ÜMİT) was only 22 seconds, and 95% of all calls were responded to. More than 16 thousands customers took out loans as a result of outgoing calls from the telemarketing channel.

Merchant Relations and Commercial Cards Management

2016 saw the upgrading of Cash Register POS devices efforts continue, with ongoing work on the extension and enhancement of Cash Register POS applications. DenizBank has 75 thousand Cash Register POS clients, and aims to expand its market share as Cash Register POS replacement is set to continue.

As a result of the partnership reached with Union Pay, DenizBank POS devices and Cash Register POS devices began to accept Union Pay credit cards.

All of DenizBank's POS and Cash Register POS devices have also started to accept TROY (Turkey's Payment Method) Credit Cards, which is based on a system unique to Turkey.

Through agreements and sponsorships with contracted merchants, DenizBank reinforced its partnerships and expanded its brand recognition and also continued to provide new discounts and exclusive services to credit card customers.

POS	Number of POS	Market Share (%)
2016	200,756	6.8
2015	200,020	6.2

POS	Shopping Turnover (TL million)	Market Share (%)
2016	23,214	4.0
2015	21,145	4.0

Gold Banking

Turkey's Gold Bank

The gold sector, which creates vast added value for Turkey, is not simply a niche market for DenizBank. In fact, the Bank intensified its focus in this area, leapfrogging its peers by establishing the Gold Banking department in 2011. DenizBank's objective is to provide a full suite of banking instruments ranging from loans to deposits so as to fully meet the demands of the gold sector.

DenizAltın Days has encouraged households to invest their 'under-the-mattress' savings into the national economy. This scheme has turned more than approximately five tons of physical gold savings into deposits. The Gold Accumulating Account and Saver Account each offer savers the opportunity to grow their investments. With the launch of the DenizGold product, customers can withdraw their gold, deposited physically or virtually to their account, in gold coupons of 1, 2, 5, 10, 20, 50 or 100 grams.

The goal of DenizBank Gold Banking is to channel investors' gold assets in jewelry to clients as financial support under attractive terms, and thus contribute to the national economy.

DenizBank's total gold loan support has climbed to some five tons with a 16.9% market share. This was achieved through innovative means such as special loan assessment processes for precious metals, as well as ground-breaking product innovations including Equal-Installment Gold Loan, Gold Loan with Early Closure Option and Gold Support Loan to Manufacturers.

Cash Management

The core strategy of the Cash Management Group is to fully employ its IT resources in order to offer payment and collection methods best suited to meet customer needs, thus delivering faster, higher quality and more efficient services. In 2016, the Cash Management Group carried out infrastructure related changes designed to enrich the current product range. In addition, the Group initiated the "Customs Duty Payment via SMS" project, which allows the payment of customs duties round-the-clock. Furthermore, the Cash Management Group enabled its customers to gain access to a system that allows them to issue automatic payment orders for their taxes payable to the Ministry of Finance via branches or online banking.

Electronic Collection Services

In electronic collection services, the Bank contracted 48 new companies in the Direct Debit System (DDS) and corporate collection projects in 2016. As of year's end, the number of parent companies to have signed up to DDS and Card Payment System projects had grown 16% to 455, with a total collection volume of TL 4.8 billion.

DenizBank adopts a holistic approach to customers and suppliers, viewing the supply chain as a single whole. Therefore, the Bank provides solutions appealing to the entire supply chain. In 2016, the DenizBank introduced new features to its Supplier Finance and Discounted DBS products. In line with its goal of intermediating all the cash flow of its customers, the Bank plans to deepen its customer relationships within the context of these products in 2017.

Electronic Payment Services

During 2016, the Bank intermediated approximately 5.3 million payment transactions through the Bulk Payment System, and increased the electronic payment transaction volume by 40% to TL 110 billion.

The Bank's Foreign Currency Bulk Payment System, launched to facilitate DenizBank customer domestic and overseas bulk foreign currency transfers, recorded a 35% rise in the number of transactions in 2016.

Collections from Institutions and Municipalities

In 2015, DenizBank executed agreements with 15 new utility payments and continued to expand the number of delivery channels through which it serves customers. Additionally, the Bank established strategic partnerships by providing specialized IT solutions to municipalities, and increased the number of municipalities who receive its collection services to 81.

DenizBank continues to provide support for the advancement of Turkish agriculture, helping to build a sustainable future for our nation.

AGRICULTURAL BANKING GROUP

The Agricultural Banking Group ensures that DenizBank's Agricultural Banking activities are run in coordination and synergy with the Bank's other business lines.

To reach out to its target groups such as farmers, agricultural businesses and investors interested in the agriculture sector, the Group undertakes the following activities:

- › Meeting the financing needs of producers and agricultural enterprises and developing financial products to this end,
- › Researching and designing new funding products in agricultural banking.

DenizBank conducts its operations with a view toward supporting Turkish agriculture, boosting agricultural productivity, carrying out "a smile on every farmer's face" and contributing to a brighter future for our nation.

With the belief that agriculture holds the key to Turkey's future, DenizBank conducts operations in the agricultural sector in line with its social responsibility mission. DenizBank is the first private Turkish bank to differentiate its Head Office organizational, region and branch network structure to create a true agricultural banking enterprise. The Bank has carried out all of its agricultural efforts along the slogan, "A smile on every farmer's face" and has touched the lives of about half of all the farmers in Turkey.

Specialized Services

In line with its commitment to agriculture and the land, DenizBank acquired Tarıřbank in 2002 and launched its Agricultural Banking operations; the Bank is proud to stand by Turkish farmers. Today, the Bank delivers the highest quality, fastest and state-of-the-art agricultural solutions to producers, via 311 branches located across Turkey's 81 provinces, and with a field team composed largely of agricultural engineers.

DenizBank supports small producers who have difficulties in accessing finance as well as large producers and investors involved in modern agriculture on a larger scale.

In 2016, DenizBank allocated loans worth TL 7.4 billion to reach a total loan volume of TL 8.1 billion. With more than 1 million customers, DenizBank is the leader of agricultural loan allocations among private banks boasting a market share of 37%.

Producer Card

Enjoying a leading position in the provision of financing to the agricultural sector, DenizBank establishes a Producer-Merchant-Bank relationship, offering solutions that provide the maximum benefit to all parties. Leading the agricultural commercial card market with 529 thousand Producer Cards issued and various innovative services on offer, DenizBank has customized the Producer Card to meet the requirements of the sector. Facilitating access to finance for micro producers and offering zero interest rate and maturity advantage at contracted merchants, the Bank provides significant cost advantages for producers in their agricultural input purchases.

Producer Card-holding producers can purchase all their agricultural inputs—such as fertilizer, animal feed, seeds, saplings and pesticides—from 14 thousand contracted merchants across the country with six-month grace periods. As part of the Bank's collaboration with Petrol Ofisi dating back to 2006, producers can purchase fuel oil with a five-month repayment period free of interest from contracted Petrol Ofisi dealers. Under the collaboration between DenizBank and Toros Tarım launched in 2016, all Toros Tarım dealers can now benefit from Producer Card advantages under special terms.

With the Producer Card Installment Loan product rolled out in early 2015, producers can obtain installment loans from DenizBank branches, via 24/7 DenizBank ATMs or over the phone at maturity periods of up to three years, and with annual payments following harvest time. Additionally, Producer Card-holders can withdraw cash advances from DenizBank branch and 24/7 ATMs to meet their short term cash needs.

Producers have the opportunity to pay the premiums on their Private Pension Insurance, Farmer Health Insurance and Farmer Individual Accident Insurance once a year, at harvest time. The Producer Card also helps farmers pay their monthly bills by giving them the option of repayment at harvest. As such, producers can make their monthly utility bill payments within a certain limit, including electricity, water and natural gas, at harvest time once a year, at more convenient interest rates. In addition, DenizBank gives producers the chance to pay their Bağ-Kur premiums with automatic payment orders via the Producer Card. As a result, producers can pay their premiums at harvest time and enjoy timely, uninterrupted access to all the rights the social security institution provides.

Producer customers can use the Producer Card to make purchases of equipment in the member establishments where the Bank has an agreement with the advantage of taking up to three years to pay in full and making payment once a year. Additionally, producers can postpone payment of their Turkcell phone bills within a certain limit until harvest time, interest-free.

DenizBank places great importance on agricultural chambers, unions and cooperatives to protect micro-scale farming, and to achieve higher productivity. Thanks to the Bank's partnerships with leading unions and cooperatives such as Çukobirlik, Tarıř and Pankobirlik, irrigation cooperatives, as well as breeding animal and cattle cooperatives, their members are able to purchase agricultural inputs at attractive prices. In addition, the Producer Card gives producers the opportunity to postpone payment of their power bills due to agricultural irrigation until harvest time.

Producers can apply for the Producer Card at DenizBank branches, POS machines at contracted merchants, ATMs or with a simple SMS from their mobile phones in an easy, fast and hassle-free manner.

Other Products and Advantages

DenizBank provides support to all types of agricultural and animal production and investment—from animal husbandry to land acquisition, fisheries to green housing.

In agricultural loans, DenizBank offers customers the option of making a repayment once a year, at harvest time, in line with its payment plans suited to farmers' cash and income flows. The Bank has developed numerous products to meet the specific requirements of the sector, such as Animal Husbandry, Greenhousing, Fruit Growing, Fisher, Tractor, Equipment, Land Purchase, Wedding Ceremony, Repair & Modernization, Plow & Drill, Best Agricultural Practice and Project Investment loans. These innovative solutions help farmers finance their operational costs and all agricultural investments.

DenizBank, acting in accordance with Ministry of Agriculture and Animal Husbandry regulations preventing the division of agricultural land through inheritance arrangements, offers My Orchard, My Field loans. These special loan products are designed to protect the unity of land parcels, prevent the division of agricultural tracts and promote sustainable development. The loan provides up to 100% financing for the transfer of inheritable lands and agricultural tracts generating sufficient revenue, at maturity periods of up to 15 years. As such, farmers can continue agricultural activity on their parents' land and are not forced to abandon their village. To ensure the sustainability of agricultural production, farmers who earn the right to receive grants from the "Young Farmer Grant Support Program" are provided with financing featuring maturity periods of up to seven years and affordable interest rates.

DenizBank brings banking services to the farmer's doorstep...

After the "Green Drop" branches, a ground-breaking model designed to become closer to producers, DenizBank expended efforts in 2016 to ensure that producers can access banking services without even leaving their homes. Employing technology to deliver more rapid and practical banking services to producers, DenizBank continues to introduce such innovations in every field of agricultural banking. In addition to alternative channels such as telemarketing, ATM and digital banking, the Bank's field personnel visit farmers in their villages, fields and homes to bring the branch to their doorstep in case the farmer customers are not able to easily access the Bank.

In another innovative solution for the agricultural sector, DenizBank launched in May 2016 the Facebook page "From the Sea to Land," designed especially for producer users on the social media site. The dedicated page now boasts over 50 thousand followers, enhancing farmers' financial literacy and providing agricultural advisory. The Facebook page provides advice to help farmers boost productivity, information on weather conditions, news on grants and other support, and price information during harvest times.

With DenizBank's Farmer Card, producers receive TMO payments early on...

With the Farmer Card, specially customized by DenizBank, farmer customers can withdraw money round-the-clock from ATMs, and shop from contracted merchants without having to carry cash. The Bank also intermediates in Turkish Grain Board (TMO) product payments to farmers, ranking first among all private banks in this category. Thanks to DenizBank's Farmer Card, producers receive TMO payments early on. With the

"Instant Farmer Card" launched this year to make a difference in TMO product payments, producers—even those who are not members of DenizBank—can receive their card while waiting in the queue at TMO agencies, and then receive product payments 20 days earlier.

DenizBank provides support for development of Licensed Warehousing activities. Our Bank is involved in intermediating for payment of crop proceeds by opening investment accounts and also giving credits in return for Electronic Crop Receipts as collateral. Thanks to licensed warehousing system, producers do not have to sell their crop at the time of harvest; instead, they can store it in licensed warehouses at favorable rates. The system enables to store crops in a healthy environment while eliminating price disadvantages previously faced by producers.

Agricultural consultancy services by DenizBank

DenizBank is committed to help increase the scale of agricultural enterprises, a key issue in Turkish agriculture. To this end, the Bank extends loans to producers to assist in covering agricultural investments and enterprise costs; additionally, it provides services to facilitate the establishment of new processing plants, to affect capacity increases in and modernization of existing facilities, and to make equipment purchases easier.

Tarım Plus is another service that fuels sector growth, by offering turnkey project, information transfer and advisory services to large-scale producers, agricultural entrepreneurs and industrials.

Agricultural investment projects are supported by the Bank with convenient maturity and repayment terms so that investors can finance their projects in cattle breeding, animal husbandry for meat production, dairy farming, sheep and goat breeding, greenhousing, and fruit growing with special DenizBank advantages. The Bank also offers financing facilities under the scope of grant projects such as the Rural Development Investment Support Program (KKYDP) and the EU's Instrument for Pre-Accession Assistance in Rural Development (IPARD). DenizBank's specialized project team helps entrepreneurs to complete applications for these programs.

Social responsibility efforts continue

DenizBank operates in the agricultural sector not simply as a lender but also as a comprehensive agricultural banking solutions provider that adds value to the everyday lives of producers in many ways.

In an effort to expand the availability of agricultural publications across Turkey and ensure that farmers have direct access to information, the Bank joined forces with the Ministry of Food, Agriculture and Livestock to carry out Turkey's most extensive training campaign. Some 500 thousand agricultural books were delivered to producers in 5 thousand villages with the intermediation of agricultural engineers who served as consultants. Meanwhile, by sponsoring the national photography competition "8. Agriculture and People" held by the Ministry of Food, Agriculture and Livestock, DenizBank intends to raise agricultural awareness across the country. In addition, high-achieving children of farmers who lack financial means are granted full tuition scholarships in collaboration with Turkish Education Association.

In 2016, DenizBank provided support to the "Adding Value to Agriculture" competition held by the Ministry of Food, Agriculture and Animal Husbandry; intermediated in recognizing Ministry and Tar-Gel (Agricultural Know-How Enhancement Project) employees who make significant contributions to the agricultural sector with innovative initiatives that make a difference; and helped promote these projects which set examples for the sector.

As in prior years, DenizBank officers participated in local harvest celebrations and agricultural festivals across Turkey in 2016, continued to stand by producers no matter what and put smiles on their faces.

DenizBank continues to support projects that strengthen Turkey's future.

WHOLESALE BANKING GROUP

The Wholesale Banking Group ensures that the following operations are carried out in such a way as to create synergy and coordination with the Bank's other business lines:

- › Corporate Banking Group,
- › Commercial Banking and Public Finance Group,
- › Project Finance Group.

The core operations of the Group include enhancing relations and creating partnerships with overseas subsidiaries and branches, and expanding the overseas subsidiary and branch network in line with the Bank's overall strategy. Furthermore, DenizLeasing and DenizFactoring report to the Board Member in charge of the Group.

Corporate Banking Group

The Corporate Banking Group ensures that:

- › Operations are carried out in such a way as to create synergy and coordination with the Bank's other business lines.

The Group carries out the following core activities geared towards its target group, comprising corporate and commercial firms:

- › Development and marketing of Corporate Banking products,
- › Organization of sales of products and services by branches in line with set targets,
- › Organization of the workflow between related departments and coordination of their relationships.

Corporate Banking

Corporate Banking provides the right financial solutions for its customers' needs through innovative project finance and cash management products, as well as traditional corporate banking products, and creates chains of value that integrate all business lines of the DFSG.

Relationships with customers start through loan instruments, thereafter becoming permanent as a result of customer satisfaction. These strategic alliances in turn create new business opportunities for the DFSG. The Bank offers customers the opportunity to slash operational costs through its advanced technological infrastructure and cash management products, while receiving the maximum return from the economic cycle.

Portal Approach

The Corporate Banking Group's marketing approach rests on the following pillars: The capacity to create high-quality assets, adapt rapidly to economic change, generate synergy with other business lines and subsidiaries, and employ well experienced personnel who embody DenizBank's "collective wisdom" approach.

The Corporate Banking Group has over 70 products in areas such as loans, deposits, securities, cash management, project finance, leasing, factoring, insurance, foreign trade, and investment banking. Corporate Banking increased its average cross sales ratio to 4.0.

DenizBank Corporate Banking Group contributed to the investment and privatization processes through its know-how in project finance and financial strength, thus reinforcing its position in the market. The Corporate Banking Department is keen to continue activities focused on cash management and the portal approach in 2017.

Commercial Banking and Public Finance Group

The Commercial Banking and Public Finance Group ensures that the following operations are carried out in such a way as to create synergy and coordination with other business lines of the Bank:

- › Commercial Banking,
- › Public Finance.

Targeting a customer base consisting of commercial enterprises, local government and affiliated agencies, as well as state economic enterprises and subsidiaries, the Group carries out the following core operations:

- › Development of products and services for commercial companies and public agencies,
- › Execution, monitoring, budgeting and reporting of marketing activities in line with targets and strategies,
- › Development of marketing, sales and campaign models to win new customers and promote growth,
- › Coordination of the Bank's marketing activities in commercial and public finance branches.

Commercial Banking

Differentiated Services with a Wide Range of Products

The Commercial Banking Group, which has turnover criteria between TL 40 and 200 million, provides tailor-made and proactive solutions to meet all the financial needs of its customers. Through its financial supermarket approach, the Group offers customers from different sectors a wide range of products and services such as project financing, cash management, insurance, leasing, factoring, foreign trade, treasury and investment products, as well as different types of loans. Also, the Group aims to create synergy with other business lines and subsidiaries under its "collective wisdom" strategy.

The Commercial Banking Group boasts close to 300 experienced sales team members that operates in total 33 branches.

In 2016, the Group continues to make DenizBank the main bank of its over 14 thousand customers.

Public Finance

Specialized and Highly-experienced Staff

Defining public finance as a business line, DenizBank broke new ground in Turkish banking history and targeted specializing in public finance as one of its strategic working fields. The Public Finance Department was established to service a target group that comprises local government, its subsidiaries and economic enterprises, as well as state economic enterprises, their establishments and subsidiaries.

The Public Finance Department has provided low-cost and long-term financing to more than 300 projects to date.

The Public Finance Department provides the full range of banking services to local governments with its specialized and highly-experienced staff at its Head Office, regional offices, and branches.

With its specially developed cash management systems, DenizBank makes effective use of its branch network and alternative distribution channels to maximize operational efficiency and productivity in its tax collection processes. Today, the Bank intermediates in the tax, water bill, and similar type collections for over 100 municipalities.

The service provided to Public Finance customers is not limited to banking products. The Bank delivers news and information to customers via the BelediyeDeniz.com web site, which is specially designed for municipalities and public sector employees.

Project Finance

The Project Finance Department's core business includes providing structured finance for:

- › Projects in target sectors,
- › Industrial investments, and
- › Privatization transactions.

The Project Finance Department focuses on those large-scale investments that play a key role in developing the economy, and thus necessitate medium and long-term financing. The Department provides funds to such top priority sectors as telecoms, energy, infrastructure (e.g. ports, airports and motorways), Public-Private Partnerships (PPP), healthcare and education that form the backbone of economic and social development. It also conducts long-term transactions including industrial investment, privatization and acquisition finance, as well as so-called "club-loans" featuring multiple banks.

DenizBank has secured some USD 20 billion in long term financing for the over 300 public sector projects it has funded over the last decade.

In the last ten years, Turkey's total installed power generation capacity has increased by 37,507 MW to 78,072 MW. During the same period, DenizBank financed 57 power generation projects and intermediated in commissioning 6,400 MW in installed capacity. Including electricity distribution natural gas distribution and wholesale projects, DenizBank has provided USD 4 billion in long term financing to the energy sector.

DenizBank, also active in Turkey's infrastructure investments, has specialized in airport financing. The Bank provided EUR 500 million to İstanbul's Third Airport project, EUR 154 million for TAV Bodrum Airport, and varying amounts to İzmir Adnan Menderes Airport, İstanbul Atatürk Airport, Antalya Airport and Alanya Gazipaşa Airport—totaling EUR 800 million. DenizBank became the private bank allocating the highest loan limit to the Third Airport project, and singlehandedly assumed the financing of the TAV Bodrum project.

Looking at 2017, the Project Finance Department plans to reinforce its pioneering position in large-scale infrastructure projects, while further bolstering growth in such core sectors as energy, infrastructure, transportation, healthcare and education.

By bolstering its pioneering position in large infrastructure projects, DenizBank aims to continue contributing to the flourishing of Turkey's economy.

Upon the completion of its credit card segmentation study, DenizBank has fully implemented its strategy of “delivering the right card product to the right customer.”

PAYMENT SYSTEMS AND NON-BRANCH CHANNELS GROUP

The Payment Systems and the Non-Branch Channels Group make up the following functions within the coordination and synergy with other business lines at DenizBank:

- › Credit and Bank Cards Product Management,
- › Credit Cards Portfolio Management,
- › Planning and Analysis,
- › Call Center,
- › Telemarketing and Customer Retention, and Mobile Sales.

Credit Cards

DenizBank continued to expand its extensive credit card product portfolio appealing to different segments and preferences in 2016.

The most important development of the year was the completion of the credit card segmentation study, after which the Bonus Gold and Bonus Platinum products came to join the Bank's Bonus Classic. As such, DenizBank has completed the final stage of its “delivering the right card product to the right customer” initiative.

As of year-end, the Bank's total credit card unit market share rose from 5.6% to 6.1%. Credit card turnover increased from TL 29 billion in 2015 with a 17% rise to TL 34 billion in 2016; meanwhile, DenizBank's turnover market share went up from 5.5% to 6.0% in 2016.

The number of credit cards issued rose by 3% sector-wide, while DenizBank's portfolio expanded by 9% during the year.

Bonus and Co-Branded Cards

In order to offer credit card products which will play a role in the life cycles of customers and to help meet their daily needs, DenizBank continued to undersign successful Co-Branded Projects with brands from various sectors, in addition to its privileged Bonus offerings with services that continued to make a difference in customers' lives in 2016.

Tailoring the Bank's card products for individual customers from the application stage through to exclusive promotional offers in order to provide the right product to the right customer, DenizBank offers a vast array of alternatives to its customer base. The Bank's card portfolio includes city cards, miles credit cards, supermarket cards and cards without annual fee. A key example was the “DenizKızı (Mermaid)” initiative, which was designed to become more involved in women's daily lives.

Segment Cards

With its specially designed products for customers in different segments and stages of their life cycles—including Deniz Private, Affluent Bonus, Pensioner Bonus and D-şarj Bonus—DenizBank continued to provide services suited to the needs and lifestyles of its diversified customer base in 2016.

E-magazines with content especially created for DenizPrivate and Affluent Bonus cardholders, namely DenizPrivate Life and Affluent Magazine, were sent to customers every quarter.

DenizPrivate and Affluent Bonus cardholders who seek to make a pleasant start to their trips are offered complimentary lounge access at the domestic and international terminals of İzmir Adnan Menderes Airport and Bodrum Airport.

Placing a special focus on pension customers, DenizBank designed its customized product Emekli Bonus to appeal to this key segment. This offering provides up to a 20% discount on utility bills, such as electricity, phone, water and natural gas, an assistance service that makes their lives easier, and up to a 20% discount with various contracted merchants across the country.

Adding innovation, interactivity and dynamism to the lives of university students aged 18-30, D-Şarj Bonus has boosted new customer acquisition efforts, expanding its portfolio by 44% over 2015.

In addition to these robust product features suited to the lifestyles of credit card holders, DenizBank has long-running brand partnerships with prestigious companies that consumers prefer, including Big Chefs, Sway, Namlı, LegoLand, Rebul, among others.

Football Fan Cards

DenizBank is the official card supplier of the five of the major Turkish football teams, which have won the national championship, in addition to clubs across Anatolia. The Bank is also the official card supplier of Manchester United, the only international team with a credit card in Turkey. In total, the Bank has card agreements with 18 football teams. The portfolio grows rapidly with 20 different products, totaling 206,000 Football Fan Cards.

The Football Fan Card portfolio is expected to generate turnover of TL 1.6 billion as of year-end 2016. Thanks to this shopping volume created by football fans, the Bank has made contributions exceeding TL 20 million to the sports clubs it collaborates with since 2008. Additionally, despite 34% growth in portfolio volume, costs were slashed by 38% due to revisions in the terms of contract.

DenizBank's Football-Themed Loyalty Programs, operated in line with the vision of "Triple Win-Win-Win," was deemed worthy of Visa Vizyonist 2015's "Most Successful Brand" award.

The Bank plans to render its current Football Fan Card partnerships more profitable, and continue providing more benefits to the clubs and customers with its innovative service approach.

At the Gamechangers of 2015 awards ceremony organized by MasterCard, DenizBank received the "Largest Unit Growth in Debit Card Portfolio" award in 2016.

Debit Cards / PTT Cards

In 2016, the Bank devised the Supplementary Card for both current and prospective Paracard holders. DenizBank branches, the Call Center and AçıkDeniz all receive applications for these cards.

As a result of these many efforts, at the Gamechangers of 2015 awards event organized by MasterCard, DenizBank received the "Largest Unit Growth in Debit Card Portfolio" award in April 2016.

During the year, DenizBank's total debit cards issued rose from 11.5 million to 11.9 million, with a market share of 10.2%. As such, ATM and POS turnover increased by, respectively, 23% and 36% to TL 32.6 billion and TL 2.1 billion as of year-end 2016.

Call Center

The Call Center provides customers with top quality, non-stop services 24/7. All processes and the individual performance system are designed to maximize customers' experience in customer communications.

The Bank's Interactive Voice Response (IVR) System utilizes user-friendly, functional and advanced technology. It is able to recognize customers by their voice, mobile phone number, or the data they enter; then they are diverted to menus best suited to meet their needs. Approximately 51% of customers complete their transactions via the user friendly IVR system without needing the help of a customer representative.

Customer representatives can easily access customer data over the advanced dashboard within the centralized authorization system, and offer rapid and perfectly customized solutions to customers demanding their services. The user-friendly dashboard helps customer representatives maximize operational productivity, and creates immense advantage in a team's job training and initiation process.

In addition to the conventional channels of access, customers can reach DenizBank Call Center via telephone, AçıkDeniz Internet Banking, Mobil Deniz and fastPay, in line with changing technological needs and emerging trends. Furthermore, DenizBank Call Center is the only Turkish banking call center that customers can access via Skype.

DenizBank Call Center's customer representatives provide the optimal service and solution to their customers through easy-to-use dashboards.

Providing services in Turkish, English and Russian, DenizBank Call Center employs specific communication strategies for different customer segments. For example, it implements specialized service models such as KOBİ Ümit and Deniz Özel that serve only special customer groups. Another important link in the DenizBank communications chain is the POS Hotline which responds to contracted merchant questions and provides immediate solutions to 86% of all incoming cases over the phone.

The Call Center's organizational structure is designed to provide the internal communication and continuous development of this large team. The organization is managed by teams of 17 customer representatives and team leaders responsible for the performance and development of each team.

The Call Center's revenue-oriented business culture is focused on optimizing the customer experience and maximizing productivity. Systems were established at the Center to monitor its overall performance and issue warnings whenever problems arise. The General Service Performance of the Call Center (percentage of answered call, speed of answer, overage call quality score) is measured by monthly scorecard and the results are reflected in Call Center employees' performance system. Studies on incoming call projections and shift organizations and efficient performance monitoring allowed the Center to reach its numerical and quality targets. In 2016, the response period was 30 seconds for 13.7 million incoming calls, with 92% of all calls answered.

The Call Center screening used to serve inbound customers is capable of presenting the best offer and next best offer, determined according to the needs of the customer through analytical CRM models. The call blending infrastructure allows the Center to maximize productivity and enables respondent personnel to function as a Tele-marketing team. In 2016, the Call Center's top priorities included systems and technological enhancements, productivity improvements in sales automation, customer service representative staff increases, and deeper integration of sales activities with the business culture. In 2016, the Call Center, which is a standout with its superior service and sales-focus, sold more than 1.4 million products to customers.

Following its technological and organizational restructuring, DenizBank Call Center has not only become a strong service channel, but also one of the Bank's most effective sales channels. In recognition of its achievements, the Call Center was repeatedly designated as the "Best Marketing Program," "Best Customer Relations Team" and "Most Innovative Customer Service" on global awards platforms.

Telemarketing and Customer Retention

DenizBank's telephone sales channel, which manages all sales processes that start and end telephonically, has two main functions, namely:

- › Customer cross sales, activation and intensification via outgoing calls, and
- › Customer retention and reacquisition through incoming and outgoing calls.

Always focused on delivering superior efficiency and high quality sales, the channel managed over 250 sales campaigns per month to meet the targets of the Retail Banking, Credit Cards, SME and Agriculture Banking business lines, closing yet another very successful year. Thanks to the sales efforts carried out in 2016, the channel reached the sales targets for all business lines, reporting a total of 1.5 million products sold and generating sales of TL 1.2 billion.

Some 95% of the channel's activities consist of outgoing calls, which are performed via a robust automated call system infrastructure. The internal and external call centers establish over 1 million customer contacts monthly. Aside from cross sales activities which are mainly realized through outgoing calls, the channel also successfully manages the recycling of retail, commercial and agricultural credit cards, and their transport by courier.

Due to both legislative and operational developments related to distant sales in the recent period, the channel's transaction diversity has grown. As such, the Tele-marketing and Customer Retention Department will continue to play a strategic role in helping all business lines attain their sales targets in the coming year.

Mobile Sales

The Mobile Sales Group is a dedicated sales team focused on the marketing of payment systems, retail, SME and digital banking products in line with segment-specific targets. The Group also lends support to the Bank's many business line as well as to general sales initiatives.

The Group's three departments include: Mobile Sales, Business Partnerships Mobile Sales and Project Mobile Sales.

The Mobile Sales Group's primary goal is to acquire new customers through multiple sales efforts, while also making the best use of technology to conduct highly efficient sales transactions.

The mobile team visits individuals who have yet to become acquainted with DenizBank in their workplaces to respond to their needs with the widest product range possible, immediately meeting the financing needs of customers as part of Business Partnership projects. In addition to acquiring new customers, the team contributes to customer activation and profitability by offering new products to current customers encountered in the field. Furthermore, it supports the bulk customer acquisition projects organized by the regions.

Sales representatives use the Mobile Sales app installed on their tablet devices. This application enables the marketing of credit cards, consumer loans, SME cards, overdraft accounts, cash advance with installment repayment, automatic utility bill payment, motor vehicle tax payment, supplementary cards as well as insurance products. Thanks to upgrades effected in 2016, the Mobile Sales team became capable of collecting applications for SME cards, credit cards integrated with overdraft accounts, automatic utility bill payment orders via credit card, motor vehicle tax payment, and supplementary cards with their tablet devices. In 2017, the Bank aims to add new products to tablet apps and ensure that each staff member in contact with a customer can operate like a Mobile Branch.

Mobile Sales sold over 1 million products in 2016. As a result of this strong performance, Mobile Sales accounted for 50% of the Bank's total SME card sales through all channels for the SME Banking, 31% of all credit card sales for the Payment Systems unit, and 18% of all retail loan sales for the Retail Banking department.

Mobile Sales that use the technological infrastructure in the best way accomplish the goal of multi-product sales, creating high efficiency in the field.

The core strategy of the Treasury Department is to boost the transaction volume of financial products.

TREASURY AND FINANCIAL INSTITUTIONS GROUP

The Treasury and Financial Institutions Group undertakes the following activities in such a way so as to create synergy and coordination with other business lines of DenizBank:

- › Treasury,
- › Treasury Sales,
- › Financial Institutions.

The core activities of the Group include:

- › Treasury: managing short-term liquidity, pricing treasury products, implementing the treasury-related aspects of asset-liability decisions, and performing profit-oriented trading activities,
- › Financial Institutions: establishing, enhancing and maintaining DFSG's correspondent bank relations; carrying out talks to intermediate the Bank customers' foreign trade transactions jointly with correspondent banks; securing bilateral loans from correspondent banks,
- › Management of Nostro – Vostro account relations: conducting talks with overseas banks and other financial institutions concerning medium and long term borrowing activities, structuring and monitoring relevant transactions, and coordinating these with the relevant Bank departments corresponding with foreign banks and other financial institutions as regards medium and long-term borrowing activities, structuring and monitoring transactions, as well as coordinating these with other Bank units.

Treasury

In addition to managing the Bank's short-term liquidity in foreign and local currency, the Treasury Department performs treasury product pricing, implements those decisions of the Assets and Liabilities Committee related to the Treasury, and carries out profitable trading activities. The Treasury Department makes active use of risk measurement techniques in order to balance risks, and bases its activities on the principle of attaining sustainable profit, rather than short-term gain. Moreover, the Treasury Department carries out its activities in line with the targets set by the Assets and Liabilities Committee and implements the decisions made at the weekly Committee meetings.

The Treasury Department monitors the terms and costs of items on and off the Bank's balance sheet that will be exposed to risk, monitors economic developments in terms of risk and ensures that improvements are performed in line with the Bank's risk management strategy.

The Treasury Department consists of four sub-units: Treasury Marketing and Pricing, Money Markets, Fixed-Income Securities, and Derivative Transactions. The Department engages in money market transactions, foreign and local currency borrowings and placements, and ensures the effective management of the Bank's short-term funds by means of such instruments as FX swaps, repos and reverse repos. The Department carries out the pricing of all treasury and financial market products such as spot and forward exchange in international markets, all kinds of fixed-income securities, commodities, and derivative products. The Department is also in charge of profit-oriented trading activities within defined limits.

Treasury Sales

With the main function of coordinating between the branches and the Treasury Group, the Treasury Sales Department establishes direct contact with the customer base via the branch channel, while also providing active sales and pricing service for capital market products. The core strategy of the Treasury Department is to boost the transaction volume of financial products. Treasury Sales offers its customers treasury products for balance sheet management and to mitigate possible financial risks. The Department also plays a role in determining the sales strategies and targets of treasury products (foreign exchange, options, and securities). Treasury Sales devises new and sophisticated treasury products and offers these for sale, while ensuring that the branches market these products in line with the overall targets. The Department strives to establish long term, sustainable relationships with customers as well as branch personnel.

The Department visits potential customers in person in order to expand the customer base and increase transaction volume.

The Treasury Sales Department's other duties include informing customers about all treasury products, keeping track of customer positions, in addition to providing them with fast, high quality services.

Playing an active role in the issuance of DFSG bonds and bills—which have a nominal volume of TL 1.9 billion and a market share of 5.5%—the Treasury Sales Department is key in ensuring the coordination between departments and the management of corporate investor relations.

DenizBank became one of the most important and active players in the sector in 2016, based on the significant share it captures from Turkey's total foreign trade volume.

Financial Institutions

Correspondent Relations and Foreign Trade Departments, maintaining correspondent bank relations in 122 countries and with over 1,700 banks, DenizBank continued to expand its Foreign Trade Finance solutions portfolio in 2016. As a result, the Bank became one of the most important and active players in the sector during the year, based on the significant share it captures from Turkey's total foreign trade volume.

2016 was marked by political and economic uncertainty in Turkey as elsewhere across the world, which took its toll on Turkey's foreign trade growth. Although Turkish foreign trade volume dropped by around 5%, DenizBank preserved its extensive base in foreign trade transactions and continued to offer effective financing solutions. As a result, the Bank captured a market share of 5% in exports, 4% in imports, and 4.5% in foreign trade as a whole.

DenizBank reported an 8% market share in import letters of credit in 2016 by offering diversified financing alternatives and options to importers, once again confirming its market position as a leading foreign trade finance bank. In addition, DenizBank added to its already long list of collaborations with various export loan insurance agencies from America to Asia, Europe to the Middle East. The Bank continues to be a major solution partner by meeting domestic companies' long term financing needs thanks to the agreements it has reached with Chinese banks and the China Export and Credit Insurance Corporation.

In 2016, DenizBank continued to expand its correspondent bank network into new markets where Turkey increases its market share. In doing so, the Bank supported its exporter customers which want to enhance their export performance and hedge themselves against country risk in the new markets they enter. DenizBank implements unique, innovative projects with its solution-centered customer approach. The solutions provided by the Bank include, for instance, providing exporter customers with convenient financing in the form of CBRT loans, international loans as well as the ability to trade in 146 different currencies. Always providing support to meet the international guarantee requirements of construction companies operating across the world, DenizBank provides those customers active in Central and West Africa the assistance and know-how that they need.

SME-friendly DenizBank has continued to stand beside SMEs this year, as always, by providing appropriate financing solutions via Product and Service Packages customized for SMEs, which account for a significant share in Turkey's foreign trade. In addition, it supported foreign trade with its SME Foreign Trade Hotline, set up especially for small and medium enterprise customers.

DenizBank's Correspondent Relations and Foreign Trade Departments plan to expand their foreign trade solutions portfolio, while providing critical support to customers in 2017.

The Credit Analysis Department's main function is to carry out credit analyses of correspondent banks whose risk will be assumed by the Bank in line with its requirements, initiate the credit allocation process and follow it up until completion. The Credit Analysis Department works in coordination with the Credit Allocation Department.

The Structured Finance Department's responsibility is maintaining relationships with foreign banks and other financial institutions to meet the medium- and long-term borrowing needs of DenizBank Financial Services Group, managing the financing process, monitoring and structuring transactions, as well as establishing coordination with the Bank's other business lines.

DenizBank continued to provide loans for the agricultural sector, SMEs and the public sector secured from the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), International Finance Corporation (IFC), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Japanese Bank for International Cooperation (JBIC), The European Fund for Southeast Europe S.A. SICAV-SIF (EFSE), Agence Française de Développement (AFD).

In 2017, DenizBank plans to continue cooperating with international investment and development banks to secure such loans, thereby increasing its market share and supporting the real economy with low-cost and long-term funds.

PRIVATE BANKING GROUP

Information on the activities of the Group is included in the section on Deniz Private and Investment Group, which brings together DenizBank Private Banking, DenizInvest, DenizPortfolio and Deniz REIT, with the aim of combining DFSG customer access to all financial products under a single roof.

DenizBank continued to expand its correspondent bank network into new markets, offering its full support to exporter customers in 2016.

DenizBank garnered its third “The World’s Most Innovative Bank” award from BAI.

DIGITAL GENERATION BANKING GROUP

The Digital Generation Banking Group undertakes the following activities in such a way so as to create synergy and coordination with other business lines of DenizBank:

- › Main Distribution Channels,
- › Digital Sales, Marketing and New Generation Banking,
- › Innovation, Digital Payment Systems, Cloud Banking Platforms, Home Banking, Digital Field Sales and Brand Partnership.

The Group’s core activities are as follows:

- › Delivering banking products and services via the current channels, increasing the sales capacity of these channels and monitoring and measuring the transactions undertaken,
- › Monitoring technological developments which concern the channels and adapting innovative projects and new products to the channels,
- › Developing new business model solutions based on digital media for all subsidiaries and business lines, analyzing user behavior to develop new applications, and helping the Bank gain new customers and enhance customer loyalty,
- › Expanding the number of individuals who benefit from products and services in digital media, as well as shifting products and services from more to less costly channels.

The Digital Generation Banking Group was established on March 1, 2012 in order to rapidly adapt to banking needs coming from the changing motivations and preferences of the new generation, which spends much of its time in the digital world.

The Digital Generation Banking Group is in charge of managing, disseminating and developing alternative distribution channels, as well as managing and implementing new digital media, social media channels and special projects in alternative channels.

Main Distribution Channels

Internet Banking

Internet Banking continued to serve customers with advanced functionality before and after login. The Bank carried out innovations to acquire new customers and to enrich the customer experience in frequently used screens; furthermore, in yet another first in Turkey, it offered password-free access to the “e-Government Portal” both via AçıkDeniz and e-Government, thus becoming a pioneer once again in the banking sector.

In 2016, the Bank launched the “Practical Menu,” which optimizes the user experience in Internet Banking while combining business practices with artificial intelligence. This innovation played a key role in the Bank winning the coveted BAI Global Innovator Award.

During the year, the Bank completed studies related to legal regulations affecting investment and loan transactions, which led to major changes in Internet Banking.

The Bank started to allocate general purpose loans via Internet Banking, applications for which were received in previous years. With this development, the Bank’s operational workload has been drastically reduced by enabling customers to take out their loans instantly without having to visit a branch.

Mobile Banking

In 2016, the Main Distribution Channels and Mobile Banking continued its successful operations from the prior year by enhancing its applications with features to allow mobile banking users to perform their transactions with increased ease and security. The instant allocation of MobilDeniz General Purpose Loan has boosted customer satisfaction and reduced the Bank’s operational workload, as is the case in Internet Banking.

The MobilDeniz app, a pioneering innovation, was enhanced with the money withdrawal feature based on iBeacon technology, enabling users to withdraw cash without their cards and even without touching the ATM. This money withdrawal feature, run as a pilot project in 2016, will be extended throughout 2017.

Another important feature that has taken the MobilDeniz user experience to the next level is the option to dial the call center directly while using the application. This is not a standard call, since the customer representative is immediately informed of what transaction the customer is engaged in on the screen. As a result, the customer does not go through the standard call center procedure, and instead reaches the right person immediately. This feature reinforces customer satisfaction and differentiates MobilDeniz from other banking applications.

In 2016, with a view to ensuring that users can perform transactions quickly without having to install applications, the Bank continued to improve the menu map and design of its mobile banking app. In 2017, users will be greeted with a brand new welcome page and offered a next generation user experience.

ATM Project Management

2016 also saw projects developed for the ATM channel in order to further improve user experience and customer satisfaction, bolster non-interest revenues and increase the Bank's innovative brand recognition.

In a boost to customer satisfaction, customers became able to access ATMs via SMS even without their bank cards. Besides, the money withdrawal feature without touching the ATM was offered to customers via an innovative technique Beacon.

Numerous infrastructure systems related improvements and developments to ATMs allow the Bank to intervene more rapidly in case of ATM problems, and enhanced ATM operational management tools ensure increased efficiency. In accordance with BRSA legislation pertaining to ATMs and the Banks' Association resolutions in this context, DenizBank designed special menus for the cards of other banks.

The Bank integrated its systems with the national payment system TROY as well as UnionPay, to ensure that DenizBank ATMs accept the associated cards. The Bank also improved ATM visuals, promoted new products and made security notifications; as a result, security risks were minimized, risk costs were reduced and customer satisfaction increased.

As part of its social responsibility efforts, the Bank plans to modernize its ATMs to better serve visually impaired customers in 2017. At the same time, the Bank aims to upgrade the ATM interface which will improve user experience at the machines, speeding up and facilitating customer transactions.

Digital Sales, Marketing and New Generation Banking

Digital Marketing

The Digital Marketing team is responsible for the sales and marketing of the Bank's products and services via the online and mobile channels. The team encourages customers to make more use of the DenizBank's digital channels, and constantly monitors and analyzes the related usage statistics. Digital Marketing differentiates the products to ensure a strong competitive edge and help them reach a larger customer base. While doing so, the team focuses on boosting the Bank's profitability and cutting costs.

The Digital Marketing team is divided into two units: Product Sales and Channel Penetration. Product Sales focuses on marketing products such as loans, credit cards, deposits, insurance policies and commissions via digital channels. To ensure that all products and services offered by the Bank are also available for sale through digital channels, the team works in coordination with the project teams in charge. The group also measures the profit generated by the products promoted through various communications campaigns.

In 2016, Digital Marketing made significant contributions to the mobilization initiated throughout the Bank to expand time deposits. Medium and small-scale individual time deposits opened through digital channels came to account for 20% of the Bank's total deposits.

Channel Penetration, meanwhile, runs the marketing activities of digital channels (MobilDeniz, Internet Banking, Deniz Shell). The aim is to transfer customers from conventional banking channels to digital channels, and to ensure their active use of the latter.

The Department also monitors the periodic reports on target-oriented marketing activities, and offers other DenizBank business lines solutions related to their use of the channel.

Internet Banking expanded its market share from 4.96% at year-end 2015 to 4.98% at year-end 2016. The number of active users rose by 79% year-on-year. In 2016, the MobilDeniz app user base went up by 77% with the number of active users increasing 74% for the year.

Web Platforms and Social Media

The Group's primary responsibilities include updating the content of DenizBank's corporate web site and other web sites through the coordination of the business lines and third parties, establishing the necessary functions for the sales and marketing of banking products and services in line with interactive marketing strategies, providing support for the implementation of planned projects, and issuing reports after their implementation.

www.denizbank.com

In 2016, denizbank.com continued its broadcast with its completely refreshed interface and its menu structure that facilitates user access to the services. This year, the monthly number of visitors to the web site exceeded 3 million. The web site has become a more effective tool thanks to a reorganization of the business flows, and the personalization of the page according to each users' behavior patterns while on the site. denizbank.com is now also available in Russian.

As a result of web site upgrades which enhance the user experience, the number of credit card applications went up by 73% over the prior year. The mobile app was also upgraded in 2016 in terms of mobile site design and user experience.

Social Media

In 2016, DenizBank social media accounts continued to be managed with a special focus on brand recognition, reputation management, marketing and customer satisfaction.

Via the @DenizKredi account, which is positioned as a sales channel, customers can apply for loans under more convenient terms; meanwhile, the DenizBank Facebook page continues to accept loan and credit card applications with special rates available only on Facebook.

@DenizDinliyor responds to the inquiries of social media users within one hour, immediately turns negative situations into positive experiences, thereby strengthening the Bank's positive brand image.

The DenizBank LinkedIn page figures among the top three of the banking sector.

In order to enhance interaction on this channel, the Bank organized various campaigns and competitions, especially during special themed days and weeks.

New Generation Banking

The New Generation Banking Department is charged with DenizBank's activities in the areas of:

- › New Generation Projects, and
- › New Generation Marketing.

In 2016, the Bank launched Yihu, a brand new, fun application which appeals especially to the new generation, complete with a wide range of transactions and functionality. Whether a customer of DenizBank or not, anyone who downloads the app to their phone can chat, and make money transfers via Facebook or Twitter. Since Yihu slashes the interest rate whenever users share posts, they can apply for loans at zero interest rates. In addition, Yihu users can shoot a simple video and make their dreams come true, earn points for each transaction or step they perform, and then purchase discount coupons, tickets or partake in entertaining activities with these points. DenizBank's young customers easily meet their basic banking needs thanks to the simple language used in the app.

Non-banking features make the app's use a pleasure for everyone, whether they are DenizBank customers or not and thus facilitate the new customer acquisition.

Besides introducing new functionality, the Bank actively embarked upon marketing activities geared toward new generation projects in 2016. Today, it is not sufficient to merely deliver users the correct content on marketing channels. It is also necessary to activate potential customers with the right content at the locations where their needs arise. For this reason, iBeacon and Geofence mechanisms were upgraded to contact customers instantly; at the moment they are in a specific location or perform a specific transaction. In addition to visual and audio marketing activities, and organic advertising efforts the Bank has embraced the new generation marketing philosophy of being at the right place at the right time. With this approach, the Bank has employed fastPay to accompany present and potential customers at every phase of their life cycle, while boosting its brand recognition and active user base.

Innovation Committee, Digital Payment Systems, Cloud and Direct Banking, Field Sales and Brand Partnerships

The Digital Payment Systems—set up in 2014 to develop projects related to new generation payment systems such as fastPay, Turkey's first mobile wallet—realized infrastructure upgrades to facilitate the use of the fastPay function and ensure its expansion in 2016. Furthermore, the Bank executed design improvements to enhance the usability of the fastPay mobile app and web site, lending them a more contemporary look and feel.

In order to encourage more customers to use fastPay, DenizBank credit cards were enhanced with a cash advance feature in 2016. A "Regular Payment" function was added for the payments defined via fastPay. As such, users can perform their periodic payments with ease. They can also pay their utility bills and purchase lottery tickets in a hassle-free manner. Aiming to boost customer satisfaction and expand the contracted merchant portfolio, the Bank

carried out work to enable the payment of condominium maintenance fees via fastPay. As part of the integration of other payment systems with fastPay mobile wallet, the Bank entered into collaboration with the Qapel platform. Without compromising security standards, the "single password" infrastructure was integrated into the app to accelerate log-ins and various other projects were implemented to enhance app security.

As a result of user experience testing, design work was completed to render the fastPay mobile app interface more user-friendly, more functional and esthetically pleasing.

As part of fastPay marketing activities and brand partnership strategies, DenizBank rolled out the fastPay BJK app, to reach fans of Beşiktaş football club. The fastPay mobile payment system's web site fastpay.com.tr was launched complete with information on the app's functionality, promotional campaigns and contracted merchants. Furthermore, contracted merchants can now log-in with their user name and password, keep track of payment transactions, perform returns and cancellations.

The "Captain Mobile" app was developed for the participants of the DenizBank Captains Meeting.

For the Digital Deniz initiative, the Bank developed the Save As You Share Deposit product and launched it on the web site. Thanks to this product, users who share the product campaign on their Facebook and Twitter accounts can enjoy advantageous interest rates. As such, the Bank can promote its products over social media without requiring an additional advertising budget, simply by offering customers lower rates. In order to expand the Digital Deniz product range and acquire more customers with the welcome interest rate, the existing Deniz Account product was added to the web site under the name Digital Deniz Account.

During the year, the Bank made upgrades to the Deniz Shell mobile app, which launched in 2015, aiming to boost user satisfaction. Business cards can now be uploaded to the app and shared with other users with a single click. Users can also choose a template to easily create their own business card, navigate with the addresses on business cards or conduct searches among the cards.

In 2016, improvements were made on the "Kumsal (Beach)" platform, designed by the Cloud Banking unit specially for SMEs, to make it more user friendly and more popular.

Early in the year, DenizBank made design upgrades to enhance user friendliness, and these efforts were shaped in line with customer feedback. The first coupon on fastPay was defined by an SME employing the Beach; as a result, improvements were made to fastPay coupon use. SMEs can create fastPay campaigns and coupons on the Beach, keep track of these, and manage their businesses via the platform.

In order to make the Beach platform more popular, the Bank started to sell Intertech's registered electronic mail product to Kumsal (Beach) users with a six-month grace period.

Innovation Committee and Management

Third quarter 2015 saw the creation of the Innovation Committee, comprised of a Committee President who oversees DenizBank's innovation processes, senior executive comprising over 50 members representing all business lines and the Committee Secretary General. The Committee's vision is to make DenizBank the leading innovative enterprise in Turkey and worldwide, not only in finance but all sectors. Its mission is to interpret innovation in a way that touches upon both internal and external customers to ensure that all DenizBank units actively engage in and think of innovation. As such, the Innovation Committee strives to expand the culture of innovation among all Bank employees, and transform DenizBank into a veritable factory of innovation.

The follow-up of all business lines and the coordination of the Innovation Committee are carried out by the Innovation Management Department, which reports to Digital Generation Banking. In order to enhance current innovative products and identify new problems, the Committee and the Innovation Management team join forces, design DenizBank's all upcoming product processes, and take the necessary action to implement these. Innovation Committee is also responsible for the management of "Fikrim Var (I Have an Idea)," which collects the innovative ideas of DenizBank employees on an online and mobile platforms. The Committee strives to encourage all employees to innovate, by playing an active role in the process from the entry of ideas submitted to Fikrim Var up to the implementation of these ideas. At the same time, work continues apace on a new innovative, in-house initiative to promote innovative thinking, in order to manage this platform entirely through the mobile application by early 2017. All creative and innovative ideas are meticulously analyzed by the Committee management and Innovation Management team, coordination with concerned departments is established and the innovation process is thus triggered.

Working in parallel with the Innovation Committee, the Innovation Management Department not only follows up on in-house innovation processes, but also keeps track of all innovative products and technologies from Turkey and worldwide, and explores how these can be utilized at DenizBank. The Innovation Committee also conducts meetings and agreements with fintech start-ups and third parties that provide high quality services which can generate value for DenizBank, contributing to the formation of an open innovation ecosystem around DenizBank.

Also, in order to sustain DenizBank's international innovation achievements, which are appreciated across the world, applications are made to international awards which increase the global recognition of innovative products and services. Furthermore, in order to expand DenizBank's successes and unique experiences in this area, efforts are made to prepare and publish domestic and overseas publications on technology, digitalization and innovation.

Our Awards

2016 was yet another year when DenizBank bolstered its reputation as an innovation leader. DenizBank placed the "BAI 2016: the World's Most Innovative Bank" award it won in October 2016 alongside the "World's Most Innovative Bank" awards it received in 2014 from BAI and in 2015 from EFMA.

DenizBank also repeated last year's success at EFMA Accenture's Global Innovator competition, by winning a Bronze Award in the special category, in recognition of the 15 innovative products and services it developed in 2016. This award has once again confirmed that DenizBank is an innovation leader not only in Turkey but globally.

In addition to these prestigious awards from BAI and EFMA, the Bank's Mobilization of Branch Salesforce project placed first in the "Most Innovative Cost Saving Initiative" category at the Eye On Innovation Awards held by the world-renowned research and consultancy firm Gartner in November, ahead of all global banks including its Turkish peers. Furthermore, in the category of "Most Innovative Digital Business Model," the Bank's fastPay-Qapel fintech business partnership took second place among all global banks.

In April 2016, at the Global Finance Names the Innovators 2016 competition organized by the prominent financial awards authority Global Finance, DenizBank placed first in the Organizational Innovation branch of the "Transaction Services" category with its Mobilization of Sales Force project. With this key win, the Bank once again showcased its innovative vision in digital transformation to the entire world.

Also in April, DenizBank's groundbreaking innovative solutions garnered the "Model Bank" award at the Digital Banking Transformation competition held by the world-renowned company Celent, which is part of Oliver Wyman Group. The Bank made this achievement with its work on the Internet of things (IoT), once again demonstrating its innovative approach and digital transformation leadership on a global scale.

In March, at the Stevie Awards for Sales & Customer Service hosted by a selection committee of 189 professionals from across the world, and drawing 2,100 participants from 36 countries, DenizBank SME Banking received a Gold Stevie in the "Marketing Solutions" category for its Fast Loan to Shopkeepers service.

The Innovation Committee works to foster a culture of innovation among all employees and turn DenizBank into a veritable factory of innovation.

DenizBank focused on “Operational Excellence” to improve the “Customer Experience” quality, which it sees as the key differentiating element in the products and services on offer.

OPERATIONS GROUP

The Information Technology and Support Operations Group, IT Security and Digital-Card Payment Operations Group, the Branch and Central Operations Group, and Intertech report to the Chief Operating Officer (COO).

INFORMATION TECHNOLOGIES AND SUPPORT OPERATIONS GROUP

The Information Technology and Support Operations Group undertakes the following activities in such a way so as to create synergy and coordination with other business lines of DenizBank:

- › Organization,
- › Service Quality,
- › Customer Relationship Management (CRM).

The core business activities of the Group include the following:

- › Supporting the operations of the Bank and its subsidiaries by improving process efficiency and managing organizational changes, both of which are achieved through development and implementation of process improvement methodologies,
- › Increasing service quality and standardizing services offered through all channels as well as enforcing and managing business development, process improvement, branch support and data quality,
- › Determining strategies to provide the products and services that suit customer needs by segmenting customers in DenizBank’s business lines, and updating and managing the analytical and operational CRM platform in line with these strategies,
- › Developing and implementing the methodology, process and other IT projects of credit, allocation and risk units and managing of similar integrations with Sberbank.

The Information Technology (IT) and Support Operations Group focuses on “Operational Excellence” in the awareness that in today’s increasingly competitive world, “Customer Experience” is key to making a real difference, in addition to the actual products or services on offer.

In line with an approach that strives for continuous improvement and places the customer at the heart of the business, all processes are designed on the basis of five principles:

- › Simplicity
- › Consistency
- › Service through Multiple Channels
- › Empathy
- › Automation

In order to enhance service quality on an ongoing basis, the Bank uses customer feedback, customer surveys, operational measurements and benchmark results to improve the processes with the most advanced BPM techniques and tools.

Organization

The Department focuses on establishing the optimal organizational structure for DenizBank which strives to offer top quality service to customers, and providing the informational tools that maximize in-house cooperation and sharing.

The internal web site DenizPortal, which maximizes information sharing between all Bank employees, consolidates all in-house information and puts these to the service of the entire workforce.

The Portal provides employees access to:

- › All necessary product information via the DenizBank Product Tree platform,
- › All procedures and business flows, as well as related documents,
- › Department and job definitions via the Job Definitions platform.

Thanks to the Process Performance Trends Reports, each department can visualize how quickly it receives services at which stage of which process, and can thus compare this timing with the regional and bank-wide average. By means of control panels that enable the monitoring of productivity, managers can access productivity trends in the operation, sales and control functions. Statistical methods can be employed to keep track of process performance in an ongoing manner.

In order to better manage costs and make cost management awareness an integral part of the corporate culture, the Bank has switched to the Activity-based Cost Structure.

To boost branch productivity with a customer-focused approach, strategic projects are implemented within the set deadlines.

The Activity-based Cost Structure helps to:

- › Identify the cost incurred by the Bank for customer transactions and processes.
- › Visualize the net customer profit by taking into account transaction costs.
- › See how transaction costs vary between channels, identifying which channel is more and which is less costly.
- › Set more rational prices by knowing transaction costs beforehand.

As part of DenizBank's enterprise resource planning (ERP) efforts, the studies on the calculation of staffing patterns for Branch Operations, Portfolio Management and Central Operations Departments continued.

In order to lay the basis for both staffing pattern calculations and activity-based costing work, the Bank continued to measure processes and identified the standard durations and cost centers of transactions managed via processes. The interface of the Numerator, which manages the queues in branches, was upgraded so that customers can take their tickets from a single monitor in a quick and practical manner.

Taking into account the importance of customer agreements and documents in the relationship with the customer, the Bank continued to coordinate the management and follow-up of all customer agreements and documents from a single point within the Organization Department, in order to optimize each respective relationship and to manage Bank risks accurately.

Service Quality

To uphold DenizBank's strategic targets, the Service Quality Department focuses on improving processes and developing competitive, efficient and productive business methods to make progress toward operational excellence. Accordingly, its main targets are as follows:

- › Achieve simplicity and productivity in processes,
- › Maximize automation,
- › Convert all service points (in branches or non-branch channels) into sales-focused platforms without operations,
- › Ensure standardization, and
- › Maximize internal and external customer satisfaction.

As part of development and improvement efforts, process analysis modeling is applied, as the projects are put into practice, the departments strive to ensure that processes are defined and interconnected and that responsibilities and roles are clearly identified. In parallel with the continuous follow-up and improvement efforts, experiences yielded by each project are reflected upon in other projects and processes with a view to establishing a learning organization.

Meanwhile, the requirements of all business lines are being elaborated in line with operational excellence targets. To ensure that the developed systematic solutions meet the requirements, an active role is played at all stages of the project, and projects put in practice are monitored to make sure that they deliver the targeted benefits.

To boost branch productivity with a customer-focused approach and to minimize and control risk, the improvement needs of branches are identified, turned into projects and resolved; strategic projects concerning the branches are implemented within the set deadlines.

In order to implement the projects, training, notification and coordination related activities are carried out. The purpose of these activities is to spread and reinforce the innovations that will make DenizBank more competitive and customer-oriented. To this end, the necessary methodology for extending and systematically implementing these training programs is outlined.

Efforts are expended to implement developments and improvements across the entire organization at the same standards. To this end, branch visits are performed, and the questions, opinions and requests from branch personnel are duly assessed.

In order to offer customers the most efficient services, all questions and problems coming from branches on applications, procedures and business methods—excepting certain technical issues—are resolved as soon as possible. The Department communicates with concerned departments to settle all malfunctioning business practices.

Thanks to effective online CRM applications, the requirements of customers were determined at the moment of transaction and they were instantly provided with personalized product offerings.

CRM-Customer Relationship Management

In today's world, where competitors provide similar products and services, companies can create the highest added value possible solely by offering the best experience and delivering superior products or services. For this reason, focusing on customers' experiences and improving these experiences has become as important as the functions and benefits of services that have become almost a standardized commodity.

Data and customer communication management related activities were geared up in line with the goal of delivering DenizBank's personalized financial services at the right time, through the right channel, at high quality and as quickly as possible. The customer communication and marketing applications have allowed the Bank to offer personalized and proactive solutions based on customer preferences, at every point of contact. Resource management strategies that maximize efficiency have laid the groundwork for various departments to operate at top productivity levels. The roadmaps for specific customer groups, which serve to deepen the relationship on the basis of the customer's life cycle, were automated thus bringing resource efficiency to the highest maximum level.

In line with the strategy of offering accessible services that make the lives of customers easier, DenizBank customers were instantly delivered e-mail and SMS messages related to over 70 banking actions such as money deposits and withdrawals, investment accounts, credit card transactions and cheque transactions, in accordance with individual customer preferences.

Using online CRM applications, the Bank continued to make instant, personalized offers to customers by identifying their needs during various banking transactions. The integration of the application with trend models has allowed the Bank to present on-the-spot proposals based on analytical data at points of contact.

With customer service and transaction packages designed in line with customer behavior in transactions and channels, DenizBank took further steps to become customers' bank of choice, and posted significant growth in cross-sales and profitability from customers using these packages.

As part of the "Branch Sales Teams Mobilization Project" implemented in 2016, sales managers were allocated tablet PCs and started to market products not only within but also outside branches. The tablet allows the visualization of current and potential customers on the map and ensures that the time outside the branch is spent in the most efficient manner. It also provides CRM data to help formulate the right offer for the right customer.

As one of the largest field team work initiatives in the world, the Mobile Transformation of Branch Sales Teams project was granted the most successful organizational innovation award by Global Finance, and the award for the year's most cost-effective innovation by Gartner, in recognition of the mobile work culture that it has created.

In order to comprehend and improve the DenizBank experience of customers in different segments, a three-monthly customer satisfaction survey was initiated during the year. Based on the customer opinions and thoughts revealed by the survey, the Bank identified areas of improvement and implemented experience-enhancing measures.

Customer complaints and suggestions remained a key focal point in 2016. In order to meet customer demands at the very first moment and channel of contact, DenizBank analyzes all customer experiences in detail and introduces new processes wherever the need arises.

The central service management model, which helps provide top-notch services in line with customer expectations at the same standard in all the distribution channels, enables customers to enjoy the same high quality experience at every point of contact with the Bank.

Emphasis was placed on innovative channels created in line with the channel habits of new generations of Bank customers. The latest technologies were deployed to communicate with and serve customers in social networks. To enhance the experience in these channels, customer interactions with the Bank were analyzed and the information collected was used to further improve customer experience at DenizBank.

In all card payment transactions offered to customers, DenizBank aims to be the best service provider in the sector.

IT SECURITY AND DIGITAL-CARD PAYMENT OPERATIONS GROUP

The IT Security and Digital-Card Payment Operations Group is responsible for running DenizBank's coordination and synergy with the other business lines:

- › IT Security, and
- › Digital-Card Payment Operations.

Card payment systems, very well-developed in Turkey, certainly affect customers' choice of bank with the ease of use and the comfort they bring to their lives. As such, card payments form a critical service that creates a competitive difference. Cognizant of the fact that card payment systems are a key component of its competitive edge, DenizBank aims to be the best service provider in the sector in terms of all card payment transactions offered to customers.

In order to provide customers the best experience while striving to achieve operational excellence, DenizBank has become the bank that delivers credit and debit cards in the fastest and most accurate manner in the sector. DenizBank is the Turkish bank with the highest level of completeness and accuracy in terms of customer address structure. Cards are sent to customers with a 90% successful delivery rate, reflecting the Bank's operational accuracy.

The Bank maintains a close watch on technology, and offers customers innovative products which break new ground in the domestic sector and worldwide. By adding anonymous prepaid and preauthorized prepaid cards to its existing credit/debit cards portfolio, DenizBank has succeeded in providing banking services to an even larger customer base. DenizBank's card services reach out to a vast population in Turkey by means of cards specially designed for transportation use, sports events and campus projects. Payment automation systems set up at Marmara and TED Universities offer students and academics secure payment and safe access at these locations.

Likewise, prosecutors, attorneys and judges working in Istanbul and Anatolian Courthouses were offered indoor card payment options.

DenizBank has almost doubled its number of POS devices, with more than 200 thousand deployed over the past two years; according to statistics of the Interbank Card Center of Turkey, the Bank ranked fifth in the sector. DenizBank offers the fastest online/offline provision by switching to ISO 8583 new messaging software. And thanks to POS services enabling customers to receive 24/7 support, DenizBank has achieved the service quality level required to become their preferred bank.

The Bank participated in the design and manufacture of the New Generation Payment Registration Devices (ÖKC) demanded by the Ministry of Finance. It became the first bank in the world to launch these devices at contracted merchants. The Bank now enjoys an 8% market share in this segment and ÖKC numbers more than 77 thousand.

Projects devised for the current POS models were also integrated with payment recording device terminals. In 2016, the Producer Card Project was integrated with Vera Payment Recording Devices. Payment recording devices were also enhanced to integrate with the multi-bank operation system. This process has a positive impact on customer satisfaction.

The project to complete fastPay – a mobile app launched for the first time in Turkey by DenizBank – by generating invoices, was finalized and around 63 thousand New Generation Payment Registration Device (ÖKC) terminals started to provide this service. Furthermore, around 50 thousand terminals over Vera ÖKC can now accept one-touch payments. Users can rapidly define the fastPay payment process over ÖKC, by simply touching one button.

The Multi Currency project, which enables credit card payments with multiple currencies, will encourage foreign tourists to make more frequent use of ÖKC POS terminals in Turkey. Once again, a project of this type was implemented for the first time in Turkey by DenizBank.

The working model of POS operation processes was changed to the "per call" model, and around TL 1.2 million was saved per annum.

The ATM Cash Flow Management application was enhanced to minimize the funding cost of money transfers to ATMs, and render their operation more efficient.

At the Bank's ATMs, supply and breakdown monitoring was automated. Individuals and institutions in charge of ATMs are now notified via online and mobile platforms and steps are taken to reach the expected customer service level. The Recycle support, which allows the money deposited in ATMs to be used in withdrawals, has allowed ATMs to run for longer periods without being supplied and costs were cut as a result. During the year, the Bank launched innovative projects at its ATMs, including card-free money withdrawal, login via SMS, money withdrawal by voice, and i-Beacon.

Over the last two years, the number of DenizBank ATMs has grown to 4,756. To alleviate the workload of branch tellers, advanced Express Gişe Kiosks were developed to offer money deposit, withdrawal services and function as alternative distribution channels in retail chains. The number of Express Gişe Kiosks has approached 400. ATMs have become a channel based on the CRM infrastructure that not only provides services but also sells products; as such, they propose products and services to customers.

The Chargeback project and the Visa-MC foreign barter accounting automation project have minimized the operations-related loss of time and labor and operational failure risk. Reports have started to be stored in a digital format.

Actions in response to payment system fraud, increasingly widespread across the world, were analyzed, with proactive and reactive measures adopted according to customer lifestyles. As a result, DenizBank customers, who carry out transactions in all channels via the Bank's systems, were provided with the most secure payments services in Turkey. Loan and credit card applications were merged under Fraud Risk management, and a more secure structure was established.

In the area of customer information and security, the Bank took measures against financial losses of customers in line with recent trends and total loss was lowered despite a rise in the number of attacks.

BRANCH AND CENTRAL OPERATIONS GROUP

The Branch and Central Operations Group undertakes the following activities in such a way as to create synergy and coordination with the other business lines of DenizBank:

- › Branch Operations and Foreign Trade Center Operations,
- › Central Operations,
- › Treasury, Payment Systems and Private Banking Operations,
- › Investment Banking, Custody and Fund Services Operations.

The Branch and Central Operations Group ensures that the banking products previously or currently purchased by DenizBank customers and their after-sales aspects are in accordance with national, international and in-house regulations.

DenizBank is transforming its branches from “Service Points” to “Service and Sales Offices.”

Branch Operations and Foreign Trade Center Operations

- › Regional Operations and New Applications Department Managers continue to extend new applications to the entire field, inform and train field employees, and provide sales coaching to operations staff.
- › In order to better coordinate and monitor operational sales and operational functioning, Regional Operations was restructured, and the Regional Operation Sales Representative Office was created. Field visits and sales monitoring activities are carried out under this unit.
- › At the tellers, aside from the swift, secure service provided to customers, the Bank increased the number of products on offer up to 25 during the year, with a view toward providing “high quality sales with a smile.”
- › In line with the target of transforming branches from “Service Points” into “Service and Sales Offices,” a new task group—“Teller Sales Officer”—was created within the teller group to perform both sales and pricing functions and carry out teller transactions. As of 2016, a total of 470 staff members in 309 branches are classified under this category.
- › To support specialization in foreign trade and enrollment in certification programs, the total number of employees to obtain CDCS on the international ICC test taken after intra-departmental training programs was brought up to 22.
- › In order to render business processes efficient and productive, the Swift messages processed via the Foreign Trade module are now sent STP (without user intervention).
- › In line with the Bank's paperless office strategy, the Export module was redesigned. The first e-file infrastructure was created and implemented with this project.
- › As part of the Workforce Optimization Project, all Branch Operation and Head Office teams were given “Level 1” shared platform certification training and high volume transactions started being processed on the branches' shared platforms. This resulted in significant resource savings and productivity increases related to transaction durations and man hours.
- › In departments and branches reporting to the Branch and Central Operations Group, efforts continued to set up efficient monitoring mechanisms, monitor and develop operational processes, reduce operational risk and raise productivity.

With the shared platform management project initiated in operations, different operation departments that used to perform a single task were transformed into a single “Operation Department” that performs all tasks.

Central Operations

In 2016, the Department focused on:

- › Boosting operational efficiency, rendering it sustainable, standardizing the business processes, reducing transaction time, and lowering costs.
 - › Responding to inquiries, investigations and garnishee orders from official institutions, submitting data and documents to the banking system.
 - › Executing domestic and overseas wire transfers, foreign trade transactions, domestic and overseas letters of guarantee.
 - › Bookkeeping for checks and promissory notes, clearing transactions between banks, and transitioning to the visualized check clearing system.
 - › Expanding the Bulk Payment System which continued during the year; payment transactions performed through the Bulk Payment System increased by 9%, totaling 5.3 million in 2016.
 - › Upgrading the Bulk Salary Payment system so that Bank customers were able to conduct Bulk Salary Payments over AçıkDeniz Internet Banking in 2016.
 - › Making operational the Avcılar Archive Building and the Scanning Centers in seven regions, Head Office Scanning Center in 2016. The new center started to process Retail Loan documentation.
 - › All operational transactions such as reconciliation and approval of branches in the “Green Drop” category, which mainly focus on the agricultural segment, were carried out by Central Operations.
 - › Management of customer transaction orders, checks of authorization and signature, and customer confirmation actions started to be carried out by Central Operations in order to increase operational efficiency and lower costs in branches.
 - › The Central Operations team, which offers banking services via non-branch channels, has continued to provide Central Data Entry, document and information entry and controls concerning SME Card, from 09:00-22:00, seven days a week, including official and religious holidays.
- › The Risk Center, established to centralize DenizBank reporting, correspondence and coordination with legal authorities, stepped up its efforts.
 - › With the initiation of a shared platform management project for operations, different operation departments formerly focused on a single task became a single Operations Department that performs all tasks. Competencies, modus operandi, transaction priorities, SLA management, performance management, and operation promotion criteria were updated, and transition was made to an objective, transparent and clear-cut task management model based on statistical data. A system was set up to ensure that branches take tasks from the central operations pool in peak days and hours.
 - › It became possible to make bulk payments in tax and Social Security Institution transactions, issue payment orders before the payment deadline, and make automatic payment on the last day of payment. Following the initiation of bulk payments, the number of automatic payment orders rose by 5%.
 - › In parallel to improvements in Insurance Demand Entry monitors, all manual operations in the loan application process were automated, leading to savings of up to 90% in paper print-outs.
 - › Improvements were made to all monitoring/update/reporting procedures related to insurance activities and it became possible to perform all these activities over dashboards.
 - › In special cash and non-cash loans such as KGF Loans, KOSGEB Loans, Retail Restructuring Loans, Eximbank Loans, CBT’s Pre-Shipment and Post-Shipment Rediscount Loans, the Bank performs the control, system entry and follow-up stages from the application stage right up to reimbursement.
 - › As of December 2016, a special non-performing loans support hotline was launched to assist branch employees.

Treasury, Payment Systems and Private Banking Operations

Treasury, Payment Systems and Private Banking Operations implemented the following improvements in 2016 to comply with applicable legislation, boost operational productivity and minimize operational risk:

- › The Commodity Derivatives module completed in 2016 has not only yielded operational efficiency but also minimized risk, ensuring that the Bank can deliver the referenced products to customers in a more efficient manner.
- › As part of the project launched by the Central Bank of the Republic of Turkey to enhance efficiency of Cash Management Services, the Bank ensured integration between Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., which provides Cash in Transit and Handling services for the Bank, and its EFT system. The result was establishment of a fully automated, end-to-end structure. This structure makes automatic reconciliation of the cash transactions between the Central Bank and DenizBank via EFT messages. In addition, the new structure enabled cost savings and greater efficiency.
- › The Cash Flow Management Module in use was upgraded to enable online balance control of the bank's accounts in the correspondent banks. The upgrade has allowed us for more efficient use of nostro accounts. In addition, specific provision demands are handled by the system. The improvement decreased exceptions handling time considerably, thus yielding operational efficiency.
- › With the improvement in our Cash Management Module, reconciliation between the invoice amount and the number of the Cash in Transit and Cash Processing services taken from Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. has been provided by the system.
- › The outgoing EFTs sent back by the counterparty bank is now automatically credited to the related customer accounts.

The software project covering all securities was completed and put into service in July 2016.

Investment Banking, Custody and Fund Services Operations

Investment Banking

To maintain DenizBank's competitive edge in securities operations, in addition to the standard services offered in the market, DenizBank's exclusive securities projects are developed and automated in the securities system.

The Investment Banking Operation Department carries out the following transactions:

- › Trading in liquid and short term investment funds via branches and alternative distribution channels, 24/7,
- › Automatic trading for the "Captain Account" application of the Liquid Fund's Short-term bond fund,
- › Automatic terminating of Liquid Funds and short-term bond fund during cash withdrawal from ATMs,
- › Performing automatic fund sales in line with the criteria of the "DepositFund" project,
- › Conducting public offering of Umbrella Funds, termination of these funds according to certain criteria, and repayment on maturity date,
- › Issuing DenizBank Asset-Backed Securities, related Central Registry Agency transactions and customer transactions,
- › Issuing DenizBank Bonds, related Central Registry Agency transactions, distribution, trade, repayment of principal and coupons.

Since the beginning of 2013, DenizBank has enjoyed market-maker status in the government debt securities (DİBS) market with the approval of the Undersecretariat of Treasury. The Bank's transactions on the Stock Exchange and the OTC market have expanded in terms of number and volume. Due to this market-maker status, the Bank also participates in Open Market Transactions (API) tenders and direct trading tenders. An automatic tender notification infrastructure has been established to communicate with the Central Bank of Turkey regarding weekly DİBS tenders.

The Inter-Securities Module introduced with the Investment Funds Project in 2014 was implemented across all branches, channels, the Head Office and DenizPortfolio simultaneously.

The software project covering all securities was completed and put into service in July 2016.

DenizBank started to offer customer-based custody service to DenizBank AG customers.

Custody Services

In line with Capital Markets Board communiqués, DenizBank's Custody Services Department provides custody services to:

- › customers served by portfolio management companies, and individual customers;
- › investment funds and investment trusts (collective investment companies).

The main products that fall under custody services include:

- › Stocks,
- › Fixed Income Securities,
- › Eurobonds,
- › Investment Fund Participation Certificates,
- › Domestic and foreign currency deposits,
- › Foreign currency exchange transactions,
- › OTC derivative transactions and Futures and Options Market (VIOP).

In 2016, the existing Individual Portfolio Custody Contracts were upgraded in accordance with the latest Capital Markets Board communiqué.

Furthermore, the Bank started to offer customer-based custody service to DenizBank AG customers.

Fund Services

Fund Services provides such services as price calculation, accounting, notification and funds reporting to investment funds set up and managed by Deniz Portföy A.Ş., or other portfolio management companies.

The Department serves a total of 24 investment funds, of which 21 are in-house. The follow-up of fund services is carried out over the program ATP/Yatfon. Changes and improvements required by applicable laws, rules and regulations are communicated to the software company and completed in a joint effort.

Two funds are being established, foreign currency funds, which were recently introduced to the market in line with Capital Markets Board communiqués. Work is ongoing to upgrade the fund system to handle foreign currency funds.

DenizBank AG was deemed worthy of the “High Customer Satisfaction” award by the Austrian Financial Marketing Association in recognition of its customer-oriented quality service approach, for the second year in a row.

FOREIGN SUBSIDIARIES

DenizBank AG (Austria) – JSC DenizBank Moscow (Russian Federation) – EuroDeniz International Banking Unit Ltd. (TRNC)

DenizBank AG (Austria)

Established in 1996 by the former Esbank in Vienna, Esbank AG was acquired by DenizBank A.S. in 2002, and renamed DenizBank AG in 2003.

DenizBank AG operates with an extensive range of deposit and loan products in Retail and Commercial Banking. The Bank serves corporate, commercial, SME and retail customers by focusing on products such as investment loans and project and foreign trade finance based on market needs and identified opportunities. Headquartered in Austria, DenizBank AG has a network of 43 branches; 27 in Austria, and 16 branches in Germany as of year-end 2016. DenizBank AG closely follows global development trends, and is the third biggest bank in Austria in terms of direct banking customer portfolio.

DenizBank AG also provides retail banking services to many Turkish citizens living abroad. Synergy between DenizBank AG and DenizBank is attained by pooling resources such as the extensive branch network, the increasing number of money transfer points, and easy access to services. These resources bring about a positive customer experience that reflects well on both companies, and thereby expands their respective customer bases.

As of year-end 2016, the total assets of the bank amounted to EUR 10.2 billion while total shareholders' equity was EUR 1,176 million.

In the coming period, DenizBank plans to expand its branch network and the scope of its Internet banking services in the Eurozone.

JSC DenizBank Moscow (Russian Federation)

DenizBank acquired Iktisat Bank Moscow in 2003 and changed the name to CJSC DenizBank Moscow. This company name was changed to JSC DenizBank Moscow on December 3, 2014. The bank offers a full array of banking services to corporate and commercial customers from its head office in Moscow.

The opportunities for economic partnership between Turkey and Russia generate new investments, primarily in foreign trade and tourism; as such, the number of Turkish entrepreneurs investing in Russia is on the rise. By establishing close relationships with these entrepreneurs, JSC DenizBank can identify the needs of these businesses accurately and bring all financial services offered by DFSG to its customers, while responding quickly to requests by way of DenizBank's financial power.

DenizBank customers perform their foreign trade transactions in Russian rubles with the support of the subsidiary. Moreover, customers can perform many other banking transactions like money transfers, account openings, external guarantees, foreign exchange transactions, Russian ruble purchasing, as well as forwards and arbitrage.

As of year-end 2016, the total assets and shareholders' equity of the bank amounted to USD 245 million and USD 67 million, respectively.

EuroDeniz International Banking Unit Ltd. (TRNC)

Acquired by DenizBank from the Savings Deposit Insurance Fund of Turkey in 2002, the bank was renamed EuroDeniz International Banking Unit (IBU) Limited in February 2009. The bank is licensed to undertake all commercial banking operations, and offers various deposit and loan products to the corporate and commercial customer segments.

As of year-end 2016, the bank's total assets stood at USD 169.4 million and its shareholders' equity amounted to USD 6.9 million.

INFORMATION TECHNOLOGY (IT) SERVICES

Intertech offers innovative and effective solutions to 43 companies in 10 countries.

INTERTECH

Established to provide much needed IT services to the financial sector, Intertech continues to report to the DenizBank COO, under the umbrella of the DenizBank Financial Services Group (DFSG). Intertech designs innovative and efficient solutions for 43 institutions in 10 countries, in particular the finance sector, its field of expertise, with superior service quality.

Intertech provides cutting edge IT solutions-recognized by multiple international awards-for DenizBank to achieve its targets of “Operational Excellence” and “Unique Customer Experience.”

Having received numerous awards since its inception, Intertech was recently deemed worthy of the first prize in the “Innovation in Internal Process Improvement” category of the Bank Administration Institute awards, widely considered the “Oscars” of the global financial sector, for its inter-Dashboard application. The application, which maximizes customer satisfaction with its “Strong Cash-Desk Module,” had already received an award in the “Best Use of IT in Retail Banking” category at the Banking Technology Awards 2014; in 2015, its success was confirmed at the highest level with the BAI award. DenizBank, which uses the inter-Vision platform, was named “Global Innovator” by BAI and EFMA in 2014, 2015, and 2016—three years in a row.

Following the inter-Vision project that it carried out for the leading Azeri bank, Azerbaijan Industrial Bank (ASB), Intertech added two more institutions and new country markets to its list of references: Banka Kombetare Tregtare (BKT), which operates in Albania and Kosovo, and Bank Audi S.A.L., which is active in Lebanon.

After Austria, Bahrain, Germany, TRNC, Saudi Arabia, Turkey, Albania, Kosovo and Lebanon, Intertech’s latest integrated finance platform “inter-Vision” has extended its services to Azerbaijan, thus bringing up the number of national markets it serves to 10 and its references to 43 as of 2016.

In 2016, the inter-Vision platform quickly adapted to consumer finance in a project implemented at Turkcell Tüketici Finansman A.Ş. The company also launched mobile banking and call center applications at Banka Kombetare Tregtare, which operates in Albania and Kosovo; an inter-factoring app at Yapı Kredi Faktoring; an inter-Vision integrated banking platform at Ziraat Bank International A.G. Germany; an inter-Vision integrated banking platform at the Cyprus-based Albank; and an omni-channel solution at Lebanon’s Bank Audi.

Choosing to participate in the most prominent fairs and activities of the sector, Intertech took part in the retail banking summit organized by EFMA in Beirut on July 26 and the innovation summit held on October 24-25 in Barcelona. At these events, Intertech introduced its innovative banking products and forward-looking approach to the senior financial executives of Lebanon and Europe.

In October 2016, an agreement was executed with HSBC Turkey for the transformation of its existing banking platform into an inter-Vision integrated banking platform. Work on this project has commenced with completion scheduled for year-end 2017. In terms of scale and content, the agreement represents a first for HSBC Group. In 2016, the Ziraat Bank – Bahrain and the Bank of China – Turkey projects also continued; the former became operational in December 2016, with the latter scheduled for completion in February 2017.

The next generation banking platform, inter-Vision Integrated Banking Platform, was developed in line with DFSG’s IT strategy. It is a web-based banking application built entirely on service oriented architecture to assure scalable solutions through the quick application and unique combination of the best IT infrastructure in its field. The inter-Vision Integrated Banking Platform links DenizBank’s corporate marketing strategy with banking processes in a manner that places customer process management at the center, thus allowing DenizBank to execute its activities in line with customer needs and expectations. Information retrieved from consolidated and central data feeds marketing applications to provide dynamic access to decision support models and turns its operational employees into a fully equipped sales force.

DenizBank has achieved the following results via the inter-Vision Integrated Banking Platform:

- › *Customer Relationship Management for a Customer-Oriented Perspective:* Customers are offered high-quality products and services aligned with their preferences and financials.
- › *Business Process Management for Operational Productivity:* The platform was provided to design, automate, implement and optimize customer-oriented business processes, achieve low training costs and inject agility across all levels of the organization.
- › *Financial Solutions for Agility:* Intertech’s fields of expertise are not limited to basic banking operations, but also include financial topics that appeal to all institutions. As such, the relevant companies in DFSG not only utilize Intertech’s solutions in basic banking, but also in factoring and leasing.

- › *Business Intelligence Solutions for Efficient Decision Support:* This platform has strengthened the management of financial data storage and created an integrated decision support structure.
- › *Alternative Distribution Channels Management for Banking, Anytime and Anywhere:* The platform has provided uninterrupted 24/7 financial services through all distribution channels and has developed IT solutions and infrastructure in line with business growth.

In addition, Intertech develops innovative and mobile applications such as fastPay, Sıramatik, My DenizBank, MobilDeniz, Direct Sales Tablet Apps and Facebook and Twitter Banking, which users can check their accounts, assets and credit card receipts with ease or make money transfers to any recipient anytime on social media platforms. These applications work on platforms such as Windows 8 RT, Windows 8 Pro and Windows Phone 8 and are a first of their kind in Turkey and in the international arena.

Intertech designs a continuous, robust and flexible IT development infrastructure for DFSG. The company has also established the Disaster Recovery Center in Ankara, outside operational areas, with a view to providing continuous services in cases of emergencies and disasters. Twice a year, Intertech controls the operations expected to be delivered by the Disaster Recovery Center to ensure the continuation of banking services.

As the expansion of online services across the world brings about a parallel increase in IT security threats, Intertech has expanded its IT security team. As such, Intertech provides the following security measures:

- › Development of security policies and procedures,
- › Training of code security and techniques for secure code development,
- › Training of security awareness,
- › Audit for IT security,
- › Application security audits,
- › Network weakness analyses and penetration tests,
- › Installation of public key infrastructures,
- › Encryption and electronic signature applications,
- › IT security risk analyses.

Intertech implements processes based on the global ITIL and COBIT standards to continuously improve and sustain the quality of IT services provided to DFSG, and to keep its services in line with defined Service Level Agreement (SLA)s.

With the belief that service quality can be guaranteed only with a quality life cycle, Intertech continuously improves and sustains its service quality by including the quality life cycle into all process within its projects, developed through the total quality management approach.

DenizBank uses eco-friendly cooling systems and high-efficiency UPS systems.

In its DenizBank/Intertech IT infrastructure (storing units, servers and network equipment, cooling systems), DenizBank prefers green hardware which uses energy efficiently. In the evaluation of the bid offers, costs and sensitivity for the environment are important criteria. When calculating the total cost of ownership, energy costs are also included in the calculation.

Energy consumption figures of DenizBank's systems are monitored and the Bank's IT infrastructure was virtualized by 70%. Green cooling systems and high efficiency UPS systems are utilized. In order to control the Data Center's energy consumption, air-conditioning is made at the optimum temperature the systems can tolerate. The right space for energy optimization is where there are too many devices. For this purpose, all PCs and monitors are managed remotely by Microsoft SCCM; when they are not in use, standby mode is activated and thus energy savings are achieved.

Ekspres IT and Trade

EkspresSecurities joined DenizBank Financial Services Group at the end of 2002 and focuses on offering equity investment services for foreign institutional investors.

In the final quarter of 2013, it was decided that EkspresInvest and DenizInvest would merge under the trade name of the latter and the merger was finalized by year's end.

In July 2015, a Securities Trading Brokerage Authorization Certificate sales agreement was signed and finished by June 2016; the conveyancing procedure is ongoing.

Upon a resolution adopted at the Ordinary General Assembly in August 2016, the company's primary business line was changed to IT services and its commercial name modified to Ekspres Bilgi İşlem ve Ticaret A.Ş. (Ekspres IT and Trade).

PRIVATE BANKING AND INVESTMENT OPERATIONS

Deniz Private and Investment Group are structured to enable customer access to all financial products under a single roof.

DENİZ PRIVATE AND INVESTMENT GROUP

DenizBank Private Banking and Investment Group—established to merge the forces of DenizInvest, DenizPortfolio and Deniz REIT—is structured to enable customer access to all financial products under a single roof. Customers can manage their deposits at DenizBank Private and Investment Centers, access mutual investment instruments, including securities, investment funds, and derivatives, and conduct their transactions.

Although most companies focus on providing specific products, DenizBank places its main emphasis on customers and their satisfaction. The Bank's business model has been designed to maximize customer trust as well as profit. Pursuant to this approach, customers are divided into three segments: Private, Affluent+ and Mass.

Investment instruments are offered to customers at every service point in line with the financial supermarket approach, and the Bank has determined the service and product model best suited for each customer segment. DenizBank Private and Investment Centers serve Affluent+ and Private segment customers, while Mass segment customers are served via all DenizBank branches in addition to alternative distribution channels, such as Internet banking and phone banking.

DenizBank Private Banking

Delivering personalized and multi-faceted services and solutions, the Private Banking Group boasts the widest private banking network in Turkey. It operates a total of 21 Private Banking service points: eight in Istanbul and 13 locations elsewhere across the country, in Ankara, İzmir, Antalya, Bursa, Adana, Kayseri, Samsun, Denizli, Bodrum, Diyarbakır, Eskişehir and Çorlu. The Bank established the first private banking service points in Kayseri, Samsun, Denizli, Bodrum, Diyarbakır, Eskişehir and Çorlu, staying one step ahead of the competition.

The Private Banking Group closed fiscal year 2016 with total assets worth TL 25 billion. DenizBank's trajectory of success received a boost when the Bank joined the Sberbank family in 2012, and was further enhanced upon the acquisition of Citibank Turkey's Retail Banking Division in 2013. Operating in harmony and collaboration with the other business lines to constitute a single gateway for customers, the Group's 80 portfolio managers deliver all DenizBank Financial Services Group product and services with their many advantages and privileges.

In addition to Hillside Leisure Group, DenizBank has signed new sponsorship agreements with Big Chefs Group and Su Group in order to offer its Private Banking customers various advantages at restaurants managed by these entities that serve upmarket clientele.

Deniz Private, DenizBank's most prestigious credit card designed for the upper segment, offers privileges to Private Banking customers in both Turkey and abroad. As one of the most exclusive private cards, Deniz Private offers 10% discount at overseas hotels and restaurants, 30% cashback on domestic breakfasts and weekend cinema and theater tickets in Turkey, free-of-charge or discounted airport lounge use, 50% discount at airport car parking and valet parking services in large cities, and a free-of-charge tourist visa consultancy service once a year.

Since its launch in May 2012, the Deniz Private card has become a groundbreaking and attention grabbing product thanks to the innovative services it provides.

In the realm of events, DenizBank Private Banking aims to offer its customers exclusive experiences where they will feel special. The Group is committed to getting to know its customers well and strives to maximize customer satisfaction through exclusive activities. In 2016, the Group reached over 2,000 Private Banking customers via special screenings, gourmet and gusto tasting events, concerts, auctions and festival invitations.

In 2017, the Private Banking Group aims to expand its asset size and service offering, while providing personalized solutions with a dedicated workforce to meet customer needs and expectations. The Group also plans to continue standing by its customers with special activities, and other non-banking services.

DenizInvest

In accordance with the Capital Markets Board's communiqué on investment firms, 49 DenizInvest branches have been established. Nineteen of these branches are "Deniz Private" status with an expanding capital market product range that can deliver personalized services in all products.

The remaining 30 branches are the status of "VIP Investment Branch," delivering services in organized markets and investment funds.

Thanks to this restructuring, DenizInvest has transitioned from a product focus to a customer focus approach, becoming an investment bank that provides a full range of capital markets products.

Firsts and Achievements

- › In 2007, DenizInvest undersigned a groundbreaking achievement by offering institutional investors direct electronic access to the Istanbul Stock Exchange and the company continued to expand in this area.
- › In 2006, the Group became the first institution in Turkey to offer brokerage services for international derivatives exchanges in accordance with its authorization certification received from the Capital Markets Board.
- › As part of the Investor Protection and Rewards Program, designed and implemented for the first time in Turkey, the incentive mechanisms Repurchase Guarantee and Bonus Shares were offered to the public. In 2012, the Daily Purchasing Order Guarantee and Financial Performance Guarantee mechanisms followed, and were designed to support IPO markets.
- › In IPOs carried out in Turkey since 2004, DenizInvest has captured 16.7% of the total domestic IPO demand and has become the leader of the sector with a market share of 17.4% according to the number of domestic investors.
- › The company underwrote as consortium leader 15 key IPOs above USD 1 billion, including real estate investment trusts, football companies, among others.
- › DenizInvest also played a leading role in the expanding market of private sector borrowing instruments, and underwrote bond issues of many companies from the financial services sector and the real economy—including Fenerbahçe Futbol A.Ş., Bimeks, Zorlu Faktoring, Umur Basım, Ereğli Tekstil, Başer Faktoring, Final Varlık, Derimod and Metal Yapı Konut—from 2012 until 2016.
- › DenizInvest provides advisory and intermediation services for all capital markets instruments of Turkey's four major sports clubs.
- › DenizInvest commenced margin trading operations after receiving the relevant license from the Capital Markets Board in 2012, with total margin trading volume of over USD 200 billion as of year-end 2016.
- › As part of the collaboration initiated with İzmir Commercial Exchange in 2013, DenizInvest has become the first and only institution to intermediate in the electronic spot trading of agricultural products.
- › In parallel with the increasing use of technology and digital channels in the sector, DenizBank continued to invest in these areas; the Bank now boasts 11 electronic delivery channels with 60% of all orders communicated digitally.
- › The process of integration with Sberbank CIB Research Department, which started in 2014, was completed in 2015. As a result, all the reports of the Research Department started being issued under the brands of both Sberbank CIB and DenizInvest.

DenizPortfolio Management

In May 2003, EgePortfoy Yonetimi A.Ş. (Ege Portfolio Management) was acquired from the Savings Deposit Insurance Fund of Turkey and renamed Deniz Portföy Yönetimi A.Ş. (Deniz Portfolio Management) in June 2003. DenizPortfolio is committed to delivering top quality

services in response to changing market conditions.

DenizPortfolio manages 21 DenizBank investment funds and 11 pension investment funds, providing investors both high performance and consistent returns. Boasting a well-experienced team of professionals, DenizPortfolio plays a key role in capital markets with world-class services that include domestic and foreign investment funds, pension funds and portfolio management.

In 2014, DenizPortfolio focused on the sales and management of funds investing in private sector bills and bonds, and came to enjoy a prominent standing in the sector with its successful performance, bringing its market share in investment funds up to 4%. The total volume of investment funds and pension funds under management has approached TL 3 billion as of year-end 2016. The company plans to offer new products to the public, in due consideration of the investment preferences of its customers, while capturing more market share by focusing on individual/corporate portfolio management in 2017.

Deniz Real Estate Investment Trust

The company joined the DenizBank Financial Services Group under the trade name of DenizYatırım Ortaklığı A.Ş. (DenizInvestment Trust) as a subsidiary of DenizInvest Menkul Kıymetler A.Ş. (DenizInvest Securities) at the end of 2001. At its Ordinary General Assembly on December 20, 2013, the company transformed itself into a real estate investment trust and changed its trade name to Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. (Deniz REIT). After the transition, in order to create its real estate investment trust portfolio, Deniz REIT acquired the DFSG company Pupa in its entirety on December 31, 2013, and on June 11, 2014, created its real estate portfolio by merging with Pupa.

DenizREIT's core business consists of investing in real estate, real estate-based capital market instruments, real estate projects, real estate-based rights and capital markets instruments, so as to create and enhance a real estate portfolio.

Deniz REIT's real estate portfolio consists of 29,865 m² of leasable area and 158 independent sections.

In the REIT sector, there are 31 companies listed on the bourse, six of which -including DenizREIT- were established by banks. As of year-end 2016, DenizREIT's real estate portfolio stands at TL 165 million and its total assets at TL 198 million.

Powered by the corporate and financial resources of DFSG, Deniz REIT continues its operations along its mission: "Carrying out activities to increase the value of the property featured in its real estate portfolio, bring about regular lease income, consistent growth and profitability, and create original real estate and construction projects, especially in the Istanbul region, by making a difference with business partners meticulously chosen to meet the requirements of each project and by upholding ethical principles."

LEASING, FACTORING AND ASSET MANAGEMENT* SERVICES

DENIZLEASING
DENIZFACTORING
DESTEK ASSET*

DenizLeasing

DenizLeasing provides financial and operational leasing services to Corporate, Commercial, Agricultural and SME customers in the Turkish economy, which is in need of modern financing methods due to its rapid development. Established in 1997 with a customer-oriented approach and a strategy to launch new products in response to customer needs, DenizLeasing is committed to becoming the leading provider in the field. The company maintains its pioneering position in financial leasing by providing the right financing method for the right investment, establishing customer relationships based on trust, and meticulously evaluating the financial requirements of customer projects.

With its active sales policy; personalized financial solutions developed for the renewable energy, healthcare, real estate, business and construction machinery sectors; and the fleet leasing services launched under the DenizFleet brand, DenizLeasing has deepened its relationships with existing customers while acquiring new ones. As a result, in addition to its mission of adding value to the synergy of DenizBank Financial Services Group, the company also maintains its position as an innovative company.

Keeping the organization's internal dynamics fresh with a specialized staff, continuous improvement and ongoing restructuring, DenizLeasing strives to offer added value to its solution partners and the sector as a whole. DenizLeasing manages its sales operations with 18 branches across the country. In addition to this management approach that covers the entire country, DenizLeasing diversifies customer experience with regional differentiation. To its solution partners from different sectors, DenizLeasing provides various long- and medium-term payment schemes for financing of all manner of investment goods in foreign currency or TL, according to the respective sector's cash flow qualities. The company also makes active use of DenizBank's distribution network.

DenizLeasing initiated operational leasing activities, the first in Turkey among leasing companies, upon the coming into effect in 2012 of Law No. 6361 on Leasing, Factoring and Financing Companies, and has since set up its new brand DenizFleet which stands out as a pioneering enterprise in the sector.

Capitalizing on the synergy created with DFSG's 737 branch network and 15 thousand-strong workforce, DenizFleet provides "boutique" services to every customer and strives to deliver unconditional and sustainable customer satisfaction.

Near the Top in Leasing Receivables

DenizLeasing continued to provide services for investment financing in line with its strategy of productivity and profitability, and reinforced its place among sector leaders in terms of assets and shareholders' equity. As of 2016 year-end, DenizLeasing maintained its place near the top of the sector with TL 2,744 million in leasing receivables.

In 2016, DenizLeasing plans to maintain its position among the pioneering companies of the sector, with a consistent and prudent growth strategy. The company will enhance its differentiation by offering the advantages of operational leasing to customers in need of leased car fleets, further improve performance in the SME segment by providing special financing facilities, boost market share by offering a specialized service approach to commercial and corporate enterprises on the basis of each specific customer and project. As a result, DenizLeasing will continue advancing toward its goal of becoming a company that leads and shapes the sector with innovative practices.

* On 29 December 2016, all of the shares were sold to legal and real persons other than DFSG.

DenizFactoring

Set up in 1998 under the umbrella of DenizBank Financial Services Group (DFSG) to offer customers guarantee, collection and financing services, DenizFactoring is a pioneer in the field with products that include Express Factoring, Collection Management System, Supplier Finance Application, Public Sector Factoring and Export Factoring.

A full member of the Turkish Union of Financial Corporations (Union of Financial Leasing, Factoring and Finance Companies) and Factors Chain International (FCI), DenizFactoring has 19 branches across Turkey. DenizFactoring delivers its products and services to customers via a highly qualified, 93-strong team at the Head Office and via the DFSG network, in a rapid and accessible fashion. DenizBank branches employees support DenizFactoring within the legislative framework established. Becoming one of the first three companies by guaranteeing sustainable and profitable growth, the company strives to expand DenizBank's product range with factoring products and to contribute significantly to DenizBank Financial Services Group's success.

Some 82% of DenizFactoring's transaction volume originates from domestic factoring transactions while 18% is derived from international.

At the FCI 2016 awards, in the "Year's Export Factoring" category, DenizFactoring placed fourth among 400 companies that are FCI members from across the world with a service score of 97.78%.

DestekAsset*

Deniz Varlık Yönetim A.Ş. was established in May 2013 and started operations in December 2013, following approval by the Banking Regulation and Supervision Agency. The company was renamed DestekVarlık Yönetim A.Ş. (Destek Asset Management) which was entered into the Trade Registry on April 9, 2014. The company's core functions are as follows:

- › Acquiring, purchasing, collecting, liquidating or restructuring the receivables and other assets of banks, Security Deposit Insurance Fund, other financial institutions and credit insurance companies,
- › Operating, leasing or investing in real estate and other properties, rights and assets with a view to collecting receivables,
- › Providing additional funding to debtors with a view to collecting the receivables,
- › Providing consultancy or brokerage services as regards the restructuring or sale to third parties of the receivables and other assets of banks, Security Deposit Insurance Fund, other financial institutions and credit insurance companies.

On July 15, 2016, a Share Purchase Agreement was signed between the parties as regards the sales of all DestekVarlık shares to the Lider Faktoring and Merkez Faktoring companies and their shareholders. Following the approvals of the Banking Regulation and Supervision Authority, the sale price was paid in cash and the share transfer was completed on December 29, 2016.

* On 29 December 2016, all of the shares were sold to legal and real persons other than DFSG.

CULTURAL SERVICES

DenizKültür represents the Group's corporate and social mission through educational, cultural, arts and sporting events.

DenizKültür

Established in 2004 to organize and support scientific research, arts, literature and other cultural activities, DenizKültür represents the Group's corporate and social mission through educational, cultural, arts and sporting events.

DenizKültür's activities include the following:

- › Publishing books on science, arts and literature,
- › Producing audio and visual cultural materials,
- › Staging arts events,
- › Organizing collection/exhibition projects geared towards the plastic arts and handcrafts,
- › Organizing campaigns in line with the Bank's social mission, as well as other cultural activities to emerge from new ideas.

Arts Productions and Publications in 2016

Two Coasts and One Sea - 3

Published by DenizKültür, the volume "Two Coasts and One Sea – 3" focuses on the historical relationship between Turkey and Russia, touching upon bloody wars as well as strong friendships, and the stories of Nazım Hikmet in Moscow, Məxim Gorky in İstanbul and Prinkipo Island, White Russians at Rejans Restaurant, Shostakovich's memoirs in Turkey, and countless other lives.

The book has been penned by Mehmet Perinçek, Perihan Yücel and Olga Hergül.

A Centuries-Old Turkish Palace in Vienna

Published for Vienna AG and written by art historian İlkey Canan Okkalı, the publication has been issued on the centenary of the Turkish Embassy Palace in Vienna.

The book is a palace biography, focusing on the building's construction history, architectural significance, and the stories of the antique and historical objects housed within.

Noir Week Festival

During the festival organized by DenizBank and Pera Palace Hotel Jumeirah, top Turkish and international crime writers came together in İstanbul for four days.

The festival included talks by prominent authors, book signing days, and theater shows.

BOARD OF DIRECTORS

Name/ Surname	Title	Executive/ Non- executive/ Independent Member	Education	Professional Experience (years)	DenizBank Titles Held in the Last Five Years	Other Non-DFSG Titles Currently Held	% of Shares Held
Herman Gref	Chairman of the Board of Directors	Non-executive	Ph.D.	25	Chairman of the Board of Directors	Member of Sberbank Board of Directors, CEO, Chairman of the Executive Board of Sberbank	-
Deniz Ülke Arıboğan	Member of the Board of Directors, Corporate Governance and Nomination Committee Member	Independent Member	Ph.D.	30	Member of the Board of Directors, Vice Chairman of the Board of Directors, Corporate Governance and Nomination Committee Member	Chairman of the Advisory Committee of Istanbul Bilgi University, Faculty member at Istanbul University, Faculty of Political Sciences, Senior Fellow at University of Oxford Centre for the Resolution of Intractable Conflict (CRIC)	-
Hakan Ateş	Member of the Board of Directors, President and CEO, Credit Committee Member	Executive	Bachelor's Degree	35	Member of the Board of Directors, President and CEO, Credit Committee Member	Member of TED University's Board of Trustees, Member of TED Ankara College Association Board of Directors, Member of THK University's Board of Trustees, Member of MetLife's Board of Directors, Member of TED İstanbul College Foundation's Board of Trustees, Vice Chairman of the Board of Turkish Tourism Investors Association	0.000002
Nihat Sevinç	Vice Chairman of the Board of Directors, Audit Committee Member, Remuneration Committee Member	Independent Member	Bachelor's Degree	30	Vice Chairman of the Board of Directors, Member of the Board of Directors, Audit Committee Member, Remuneration Committee Member	-	-
Wouter Van Roste	Member of the Board of Directors, Audit Committee Member	Non-executive	Bachelor's Degree	27	Member of the Board of Directors, Audit Committee Member	-	-
Derya Kumru	Member of the Board of Directors, Credit Committee Member	Executive	Master's Degree	24	Member of the Board of Directors, Credit Committee Member	-	-
Alexander Vedyakhin	Member of the Board of Directors, Credit Committee Associate Member	Non-executive	Ph.D.	17	Member of the Board of Directors, Credit Committee Member	Chief Risk Officer (CRO) of Sberbank of Russia, Board Member at Sberbank PJSC (Ukraine), Supervisory Board Member of BPS Sberbank (Belarus)	-
Vadim Kulik ⁽¹⁾	Member of the Board of Directors	Non-executive	Master's Degree	18	Member of the Board of Directors	Sberbank Deputy Chairman of the Executive Board, Chairman of the Board of Directors at United Credit Bureau	-
Timur Kozintsev	Member of the Board of Director's, Credit Committee Member	Executive	Ph.D.	17	Member of the Board of Directors, Corporate Governance and Nomination Committee Member, Credit Committee Associate Member and Credit Committee Member	Sberbank Managing Director	-
Svetlana Sagaydak ⁽²⁾	Member of the Board of Directors, Credit Committee Associate Member, Corporate Governance and Nomination Committee Member, Remuneration Committee Member	Non-executive	Ph.D.	17	Member of the Board of Directors, Credit Committee Associate Member, Corporate Governance and Nomination Committee Member, Remuneration Committee Member	Sberbank Deputy Chairman of the Executive Board and Head of the International Operations, Deputy Chairman of the Board at Sberbank PJSC (Ukraine), Deputy Chairman of the Supervisory Board at BPS Sberbank (Belarus)	-
Igor Kondrashov	Member of the Board of Directors	Non-executive	Master's Degree	24	Member of the Board of Directors	Director of Sberbank Legal Department	-
Alexander Morozov	Member of the Board of Directors	Non-executive	Master's Degree	24	Member of the Board of Directors	Sberbank Deputy Chairman of the Executive Board, Group CFO, Board Member at Sberbank PJSC, Board Member at Sberbank BPS	-
Pavel Barchugov	Member of the Board of Directors, Audit Committee Member	Non-executive	Bachelor's Degree	21	Member of the Board of Directors, Audit Committee Member	Sberbank Financial Planning and Control Director, Supervisory Board Member at BPS Sberbank (Belarus)	-

⁽¹⁾Resigned from his duties at Sberbank of Russia as from 15.02.2017.⁽²⁾Resigned from her duties at Sberbank of Russia and its subsidiaries as from 01.03.2017.



HERMAN GREF
CHAIRMAN OF THE BOARD OF DIRECTORS

Born in 1964, Mr. Gref received an undergraduate degree in Jurisprudence from Omsk State University, Faculty of Law. Subsequently, he obtained a postgraduate degree from Leningrad State University, Faculty of Law. He went on to complete his Ph.D. studies in Economics at the National Academy of Economics, an institution of higher learning established by the government of the Russian Federation. Starting his professional career in 1992 as First Rank Legal Advisor at the Administration of Petrodvorets, St. Petersburg, Mr. Gref served on the City Property Committee of St. Petersburg Mayor's Office from 1994 to 1997 as First Deputy Chairman and Vice Chairman of the Committee. Between 1997 and 1998, he held the posts of Chairman and Vice Chairman on the City Property Committee of St. Petersburg Mayor's Office. After holding the position of First Deputy Minister of the Ministry of State Property of Russia from 1998 until 2000, Mr. Gref served as the Minister for Economic Development and Trade of Russia from 2000 to 2007. Mr. Gref has been a Member of the Supervisory Board and Chairman of the Executive Board & CEO at Sberbank since November 2007; Chairman of Sberbank JSC (Ukraine) Board of Directors since March 2008; and Chairman of DenizBank A.Ş. Board of Directors since September 2012.



HAKAN ATEŞ
MEMBER OF THE BOARD OF DIRECTORS
PRESIDENT AND CEO

Born in 1959, Mr. Ateş graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration after completing his studies at TED Ankara College. He started his banking career in 1981 as an Internal Auditor at İşbank. After serving at various Interbank units from 1986 to 1993, he worked as Branch Manager at the Elmadağ, Şişli, Bakırköy, İzmir and Central Branches. He established Interbank's Cash Management System and was promoted in 1993 as Executive Vice President in charge of Central Operations. Mr. Ateş worked as Executive Vice President in charge of Financial Affairs and Operations at Bank Ekspres between the years of 1994 and 1996 and led the bank's restructuring project with Bank of America. He established Garanti Bank Moscow in Russia and worked as CEO for one year starting from June 1996. He has continued his duties as President & CEO at DenizBank, where he started in June 1997 as the Founder President. During his management tenure, DenizBank shares were offered to public in October 2004 and were 5.5 times oversubscribed. His management also ran the process of selling Zorlu Holding owned DenizBank shares to Dexia S.A. in May 2006 for USD 3.25 billion, 4.7 times its book value - a record in Turkey - as well as the sales process of 99.85% of DenizBank shares owned by Dexia Group to Sberbank six years later in June 2012 for USD 3.6 billion, 1.33 times its book value. Also serving as the Chairman of the Board of Directors at DenizBank subsidiaries Deniz Yatırım Securities, Intertech A.Ş., DenizBank Moscow and DenizBank AG, Hakan Ateş was granted the "Those Who Add Value to Turkey" award presented by Bahçeşehir University in 2015. Hakan Ateş is married with two children. He speaks fluent English.



DENİZ ÜLKE ARIBOĞAN
MEMBER OF THE BOARD OF DIRECTORS

Born in 1965, Ms. Arıboğan graduated from TED Ankara College Foundation High School. She received an undergraduate degree in International Relations from Ankara University, Faculty of Political Sciences. Subsequently, she received an M.A. and Ph.D. from Istanbul University, Institute of Social Sciences in International Relations. In 1995, Ms. Arıboğan attended the International Security School at the University of St. Andrews in Scotland. Her academic career started at Istanbul University, and continued at Istanbul Bilgi University and Bahçeşehir University. Between 2007 and 2010, she served as the Rector of Bahçeşehir University. From 2010 to 2014, Professor Deniz Ülke Arıboğan served as a member of the Board of Trustees at Istanbul Bilgi University, prior to working as a faculty member at Istanbul University, Faculty of Political Sciences from March 2014, as Chairman of the Advisory Committee at Istanbul Bilgi University from February 2015 and as senior fellow at the University of Oxford CRIC (Centre for the Resolution of Intractable Conflict). Ms. Arıboğan has served as an Independent Board Member at DenizBank A.Ş. since December 2012. As of December 2015, she was appointed as an Independent Board Member serving until March 2018.



NİHAT SEVİNÇ
VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Born in 1952, Mr. Sevinç graduated from Istanbul University, Faculty of Literature, English Language and Literature. Starting his professional career at Interbank in 1986, he held several different positions in the Branches, Central Operations and Capital Market Departments until 1994. Mr. Sevinç served as Department Head in the Branch Operations, Internal Control and Legislation Departments at Bank Ekspress headquarters until 1996. He worked as Deputy General Manager at GarantiBank Moscow between 1996 and 1997. He joined DenizBank in 1997, served as Executive Vice President of Operations until 2002 and as Executive Vice President of Foreign Subsidiaries from 2002 to 2007. Mr. Sevinç has served as an Independent Board Member at DenizBank A.Ş. since December 2012. As of December 2015, he was appointed as an Independent Board Member and Vice Chairman of the Board of Directors serving until March 2018.



WOUTER VAN ROSTE
MEMBER OF THE BOARD OF DIRECTORS

Born in 1965, Mr. Van Roste graduated from Limburg University (Belgium), Marketing Department. Starting his professional career at Bacob Bank Belgium in 1989 in the Corporate Sales Department, he held several positions at Paribas Bank Belgium and Artesia BC as Head of the Corporate Sales, Structured Products, and FX Derivatives Departments before joining Dexia in 2002. Mr. Van Roste worked at Dexia as Deputy Head of Financial Engineering and Derivative Products in the Treasury and Financial Markets Group and served in the Public and Project Finance Group, Structured Finance and Export Finance Department from 2003 to 2005. He held the position of Executive Director at Dexia Holding between 2005 and 2007, Executive Vice President in charge of Public and Project Finance Group at DenizBank A.Ş. in 2007, and Executive Vice President in charge of Public Project Finance and the Corporate Banking Group at DenizBank A.Ş. from 2007 to 2009. Wouter Van Roste has served as a Member of the Board of Directors at DenizBank A.Ş. since June 2009.



DERYA KUMRU
MEMBER OF THE BOARD OF DIRECTORS

Born in 1964, Mr. Kumru graduated from Ankara University, Faculty of Political Sciences and obtained an M.A. degree from Istanbul University, Institute of Social Sciences. From 1987 to 1999, he held several positions at Esbank T.A.Ş. and was appointed Executive Vice President in 1998. Mr. Kumru joined DenizBank Financial Services Group in 1999. After serving as Executive Vice President in charge of DenizBank A.Ş. Corporate Marketing Group, General Manager of DenizLeasing and DenizFactoring, he was appointed General Manager of DenizBank Moscow in 2004. Between 2009 and 2011, he served as Executive Vice President in charge of Corporate, Commercial Banking, Public Project Finance and the Foreign Subsidiaries Group at DenizBank A.Ş. From 2011 to 2012, he assumed the position of Executive Vice President in charge of the Wholesale Banking Group at DenizBank A.Ş. Derya Kumru has served as a Member of the Board of Directors at DenizBank A.Ş. since December 2012.



ALEXANDER VEDYAKHIN
MEMBER OF THE BOARD OF DIRECTORS

Born in 1977, Mr. Vedyakhin graduated from Volgograd State Technical University, Department of Global Economy. He obtained a Ph.D. in Economics from Volgograd State University and an MBA in Banking from the National Academy of Economics established by the government of the Russian Federation. From 2011 to 2012, he completed a program arranged for Sberbank executives at London Business School. Starting his banking career as a Specialist at Sberbank in 1999, Mr. Vedyakhin was appointed Head of the Retail Banking Unit in 2001 and, subsequently, Head of the Operational Department at Sberbank Volgograd. Continuing his career at Sberbank as Head of the Credit Department between 2004 and 2006, Mr. Vedyakhin also served as Deputy Chairman of the Management Board at Sberbank Volgograd. From 2008 to 2012, he held the position of First Deputy Chairman of the Board of Directors at Sberbank PJSC (Ukraine). Mr. Vedyakhin was appointed as a Member of the Board of Directors and Credit Risk Officer at DenizBank A.Ş. in November 2012. In addition, Mr. Vedyakhin has served as Board Member at Sberbank PJSC (Ukraine) and Supervisory Board Member at BPS Sberbank (Belarus) since April 2015. In August 2015, Mr. Vedyakhin was appointed as Head of Risk Management of Sberbank Group with the title of Senior Vice President and became Non-Executive Board Member at DenizBank A.Ş. In December 2016, he was appointed as Chief Risk Officer (CRO) of Sberbank of Russia. Mr. Vedyakhin has continued to serve as Non-Executive Board Member at DenizBank A.Ş. since August 2015.



VADIM KULIK⁽¹⁾
MEMBER OF THE BOARD OF DIRECTORS

Born in 1972, Mr. Kulik obtained undergraduate and Master's degrees from Mendeleev Institute of Chemical Technology in the field of Chemical Technology. From 1998 to 2004, he worked at AKB Probusinessbank as Head of the Risk Analysis Department, Vice-President of Credit Risk and Banking Technologies and Head of the Division for Commercial Risk Analysis. Serving as Senior Vice President (Head of the Risk Department) at VTB CJSC until 2008, Mr. Kulik joined Sberbank as Head of the Retail Risk Department in 2008. Holding the post of Head of the Risk Department at Sberbank between 2009 and 2013, Mr. Kulik has served as Deputy Chairman of the Executive Board at Sberbank since January 2013. In addition, Mr. Kulik has held the position of Chairman of the Board of Directors at United Credit Bureau since March 2010. Vadim Kulik has served as a Board Member at DenizBank A.Ş. since September 2012.

⁽¹⁾Resigned from his duties at Sberbank of Russia as from 15.02.2017.



TIMUR KOZINTSEV
MEMBER OF THE BOARD OF DIRECTORS

Born in 1972, Mr. Kozintsev received B.A., M.A. and Ph.D. degrees in Economics from Moscow State University. He worked at Bayerische Hypo Vereinsbank as Deputy Head Representative from 1996 to 2000, at Unicredit Bank as Head of the Corporate Customers Department between 2000 and 2007, and at Unicredit Security as Debt Capital Markets Director from 2007 to 2008. Subsequently, he served as Investment Banking Director at IFD Kapital between 2008 and 2012. Mr. Kozintsev has worked at Sberbank as Senior Managing Director since April 2013. He was appointed as a Member of the Board of Directors at DenizBank A.Ş. in July 2013. Mr. Kozintsev has held the position of Board Member in charge of Credit Risk at DenizBank A.Ş. since August 2015 and Supervisory Board Member at DenizBank AG since November 2016.



SVETLANA SAGAYDAK⁽²⁾
MEMBER OF THE BOARD OF DIRECTORS

Born in 1968, Ms. Sagaydak received her Bachelor's degrees in Political Economy and in Law from M.V. Lomonosov Moscow State University. She completed her Master's studies in Political Economy at the Russian Presidential Academy of National Economy and Public Administration and Kingston University; she received her Ph.D. in Economics from Moscow State Construction University. Ms. Sagaydak worked at the Agency of Credit Organizations Restructuring from 1999 to 2004 and at the Deposit Insurance Agency from 2004 to 2006 as the Deputy Head of the Asset Management Department. Subsequently, she served as the Deputy Chairman of the Board at the Russian Bank of Development from 2006 to 2008. She joined Sberbank in 2008 and has served as Deputy Chairman of the Executive Board. In addition, Ms. Sagaydak has served as Deputy Chairman of the Board at Sberbank PJSC (Ukraine) and Deputy Chairman of the Supervisory Board at BPS Sberbank (Belarus) since April 2016. Ms. Sagaydak has been a member of DenizBank A.Ş. Board of Directors since April 2016 and Supervisory Board Member at DenizBank AG since November 2016.

⁽²⁾Resigned from her duties at Sberbank of Russia and its subsidiaries as from 01.03.2017.



IGOR KONDRASHOV
MEMBER OF THE BOARD OF DIRECTORS

Born in 1973, Mr. Kondrashov graduated from Moscow State University, Faculty of Law. Starting his professional career as an Attorney with the law firm YUST in 1992, he worked there for nine years. Having held the position of Director of the Legal Department at Sberbank of Russia since 2011, Mr. Kondrashov has served as Executive Vice President at Sberbank since 2014. Igor Kondrashov has been a Member of the Board of Directors at DenizBank A.Ş. since December 2012.



ALEXANDER MOROZOV
MEMBER OF THE BOARD OF DIRECTORS

Born in 1969, Mr. Morozov graduated from Lomonosov Moscow State University, Department of Economics. Subsequently, he completed an M.A. in Advanced Management Program Executive Education at Harvard Business School. Mr. Morozov commenced his professional career as Deputy Head of the Currency Operations Department at Commercial Bank Rodina in 1992. Between 1994 and 2007, he served as Head of Treasury and General Manager at International Moscow Bank (UniCredit Bank since 2007). From 2007 to 2008, he held the posts of Executive Vice President and CFO at Renaissance Capital Bank. Mr. Morozov joined Sberbank in 2008 as Head of Financial Affairs and became Senior Vice President in charge of Financial Affairs in 2009. Since 2013, Mr. Morozov has served as Deputy Chairman of the Executive Board at Sberbank; in addition, he is a Board Member at Sberbank PJSC and Sberbank BPS, which are Sberbank subsidiaries. Alexander Morozov has been a Member of the Board of Directors at DenizBank A.Ş. since December 2012.



PAVEL BARCHUGOV
MEMBER OF THE BOARD OF DIRECTORS

Born in 1973, Mr. Barchugov studied Finance at Plekhanov University of Economics in the Russian Federation. From 1995 to 1997, he worked as the Finance Unit Head at Austria Aktiengesellschaft Bank, Moscow Branch; between 1997 and 2008, he was the Executive Director at CJSC UniCredit Bank. From 2008 until 2010, Mr. Barchugov worked at JSC Swedbank as Finance Director. Subsequently, he served as Executive Vice President at Group Renaissance Insurance LLC between 2010 and 2013. Mr. Barchugov joined Sberbank in 2013 where he is currently the International Business Financial Planning and Control Director. In addition, Mr. Barchugov has served as Supervisory Board Member at BPS Sberbank (Belarus) since March 2014. Mr. Barchugov has been a member of the Board of Directors of DenizBank A.Ş since May 2016.

RESIDENT BOARD MEMBERS



Left to right: Timur Kozintsev, Derya Kumru, Hakan Ateş, Wouter Van Roste.

EXECUTIVE BOARD

HAKAN ATEŞ

President, CEO and Member of the Board of Directors

Mr. Ateş was born in Ankara in 1959 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1981 as an Internal Auditor at İşbank. He continues to serve as Board Member, President and CEO at DenizBank, since joining the Bank in June 1997 as the Founder and CEO.

WOUTER VAN ROSTE

Member of the Board of Directors

Mr. Van Roste was born in 1965 and graduated from Limburg University (Belgium), Marketing Department; he is currently pursuing his MBA. He began his banking career in 1989 and joined DenizBank in 2007.

TIMUR KOZINTSEV

Member of the Board of Directors

Mr. Kozintsev was born in 1972 and obtained B.A., M.A. and Ph.D. degrees in Economics from Moscow State University. He began his banking career in 1996 and joined DenizBank in 2013.

DERYA KUMRU

Member of the Board of Directors

Mr. Kumru was born in 1964 and graduated from Ankara University, with a degree in Political Science; he also holds an M.A. in Public Administration from Istanbul University. He began his banking career in 1987 and joined DenizBank in 1999.

BORA BÖCÜGÖZ

Treasury and Financial Institutions Group, Executive Vice President

Mr. Böcügöz was born in 1967 and graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1989 and joined DenizBank in 2002.

MURAT KULAKSIZ

SME Banking Group, Executive Vice President

Mr. Kulaksız was born in 1972 and graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1996 and joined DenizBank in 2003.

SUAVİ DEMİRCİOĞLU

Financial Affairs Group, Executive Vice President

Mr. Demircioğlu was born in 1970 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He began his banking career in 1990 and joined DenizBank in 2005.

MUSTAFA ÖZEL

Branch and Central Operations Group, Executive Vice President

Mr. Özel was born in 1966 and graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He began his banking career in 1988 and joined DenizBank in 1997.

İBRAHİM ŞEN

Credits Follow-up and Risk Monitoring Group, Executive Vice President

Mr. Şen was born in 1967 and graduated from Middle East Technical University, Department of Industrial Engineering. He began his banking career in 1993 and joined DenizBank Financial Services Group in 2007.

MEHMET AYDOĞDU

Commercial Banking and Public Finance Group, Executive Vice President

Mr. Aydoğdu was born in 1968 and graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences. He began his banking career in 1996 and joined DenizBank Financial Services Group in 2002.

TANJU KAYA

Administrative Services and Investment Group, Executive Vice President

Mr. Kaya was born in 1964 and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He began his banking career in 1986 and joined DenizBank in 1997.

DİLEK DUMAN

Information Technology and Support Operations Group, Executive Vice President

Ms. Duman was born in 1967 and graduated from Boğaziçi University, Department of Computer Engineering. She began her professional career in 1989 and joined DenizBank Financial Services Group in 1997. Since 2008, Ms. Duman has served as Executive Vice President of the Information Technology and Support Operations Group.

MURAT ÇELİK

Digital Generation Banking Group, Executive Vice President

Mr. Çelik was born in 1968 and graduated from Boğaziçi University, Department of Computer Engineering. He began his professional career in 1995 and joined DenizBank Financial Services Group in 2004.

SELİM EFE TEOMAN

Corporate and Commercial Credits Group, Executive Vice President

Mr. Teoman was born in 1970 and graduated from Hacettepe University, Faculty of Economic and Administrative Sciences, Department of Economics. He began his banking career in 1994 and joined DenizBank in 2003.

AYŞENUR HIÇKIRAN

Payment Systems and Non-Branch Channel Group, Executive Vice President

Ms. Hıçkiran was born in 1969 and graduated from Ege University, Faculty of Letters, Department of English Language and Literature. She began her banking career in 1996 and joined DenizBank in 2013.

YAVUZ ELKİN

Human Resources and Deniz Academy, Executive Vice President

Mr. Elkin was born in 1971 and graduated from Marmara University, Department of Business Administration in English. He started his banking career in 1993 and joined DenizBank in 2004.

BURAK KOÇAK

Agricultural Banking Group, Executive Vice President

Mr. Koçak was born in 1970 and graduated from Dokuz Eylül University, Department of Econometrics. He started his professional career in 1996 and joined DenizBank in 2006.

OĞUZHAN ÖZARK

Retail Banking Sales Group, Executive Vice President

Mr. Özark was born in 1976 and graduated from Istanbul Technical University, Department of Mathematical Engineering. He began his banking career in 1997 and joined DenizBank in 2004.

CEMİL CEM ÖNENÇ

Private Banking and Investment Sales-Performance Management Group, Executive Vice President

Mr. Önenç was born in 1971 and graduated from Yıldız Technical University, Department of Mechanical Engineering. He holds an MBA from New York's Pace University and a Ph.D. in Banking from Marmara University. He began his professional career in 1997 at DenizBank.

ÖNDER ÖZCAN

Management Reporting and Budget Planning Group, Executive Vice President

Mr. Özcan was born in 1971 and graduated from Middle East Technical University, Department of Business Administration. He began his banking career in 1998 and joined DenizBank in 2004.

RUSLAN ABİL

Group Reporting and ALM Group, Executive Vice President

Mr. Abil was born in 1975 and graduated from Middle East Technical University, Department of International Relations. He began his professional career in 1997 and joined DenizBank in 2013.

EXECUTIVE BOARD MEMBERS



SBERBANK



Standing (left to right): Murat Kulaksız, Hüseyin Melih Akosman, Hayri Cansever, Sinan Yılmaz, Oğuzhan Özark, Selim Efe Teoman, Önder Özcan, Kahraman Günaydın, Ruslan Abil, Hakan Turan Pala, Edip Kürşad Başer, Verda Beril Yüzer Oğuz, İbrahim Şen, Cem Öneç, Murat Çıtak, Alper Tunça Emecan, Fatih Arabacıoğlu, Mustafa Özel, Burak Koçak, Yavuz Elkin, Ömer Uyar, Ramazan Işık.

Seated (left to right): Mehmet Aydoğdu, Mehmet Çitil, Mustafa Saruhan Özel, Ali Murat Dizdar, Bora Böcügöz, Dilek Duman, Derya Kumru, Wouter Van Roste, Hakan Ateş, Timur Kozintsev, Tanju Kaya, Suavi Demircioğlu, Ayşenur Hıçkırın, Murat Çelik, Cem Demirağ.

DenizBank



HAKAN TURAN PALA

*Corporate and Commercial Credits Analysis Group,
Executive Vice President*

Mr. Pala was born in 1967 and graduated from Middle East Technical University, Department of Business Administration. He began his banking career in 1994 and joined DenizBank in 2004.

EDİP KÜRŞAD BAŞER

*Credit Policies and Retail, SME, Agricultural Banking Credits
Allocation Group, Executive Vice President*

Mr. Başer was born in 1967 and graduated from Middle East Technical University, Department of Electrical-Electronics Engineering. He began his banking career in 1990 and joined DenizBank in 2004.

VERDA BERİL YÜZER OĞUZ

Financial Institutions Group, Executive Vice President

Ms. Oğuz was born in 1975 and graduated from Marmara University, Department of International Relations. She began her banking career in 1997 and joined DenizBank in 2010.

MURAT ÇITAK

*IT Security and Digital – Card Payment Operations Group,
Executive Vice President*

Mr. Çitak was born in 1969 and graduated from Middle East Technical University, Department of Computer Engineering. He began his career in 1992 and joined DenizBank in 1998.

MUSTAFA SARUHAN ÖZEL

*Economic Research, Strategy and Program Management Office Group,
Executive Vice President*

Mr. Özel was born in 1967 and graduated from Boğaziçi University, Department of Business Administration. He later obtained an M.A. in Finance and a Ph.D. in Economics from Virginia Tech. Mr. Özel began his professional career in 1996 and joined DenizBank in 1997.

RAMAZAN IŞIK

Internal Audit Group, Head of Internal Audit

Mr. Işık was born in 1977 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Economics. He began his career in 1999 and joined DenizBank in 2013.

ALİ MURAT DİZDAR

Legal Affairs Group, Chief Legal Advisor

Mr. Dizdar was born in 1960 and graduated from Istanbul University, Department of Law; he holds an M.A. in Private Law from the same institution. He began his career in 1982 and joined DenizBank in 2002.

CEM DEMİRAĞ

*Internal Control Center and Compliance Group, Head of Internal
Control and Compliance*

Mr. Demirağ was born in 1968 and graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Public Administration. He began his professional career in 1991 and joined DenizBank in 2010.

SİNAN YILMAZ

Risk Management Group, Head of Risk Management

Mr. Yılmaz was born in 1974 and graduated from Istanbul Technical University, Department of Management Engineering. He began his banking career in 1998 at DenizBank.

KAHRAMAN GÜNAYDIN

DenizLeasing, General Manager

Mr. Günaydin was born in 1966 and graduated from Middle East Technical University, Department of Geological Engineering; he also holds an MBA from Bilkent University. He began his professional career in 1990 and joined DenizBank in 2002. Mr. Günaydin has worked as General Manager at DenizLeasing since February 2011.

ALPER TUNGA EMECAN

DenizFaktoring, General Manager

Mr. Emecan was born in 1971 and graduated from Istanbul University, Faculty of Economics and Administrative Sciences, Department of International Relations. He began his professional career in 1994 and joined DenizBank in 1998. Mr. Emecan has served as General Manager at DenizFactoring since 2015.

HÜSEYİN MELİH AKOSMAN

DenizInvest Securities, General Manager and Board Member

Mr. Akosman was born in 1971 and graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration; he also holds an MBA from the same university. He began his professional career in 1991 and joined DenizBank Financial Services Group in 2004.

ÖMER UYAR

Intertech, General Manager

Mr. Uyar was born in 1977 and graduated from Istanbul Technical University, Department of Electrical and Electronic-Computer Engineering. He began his professional career in 1996 and joined DenizBank Financial Services Group in 2000. Mr. Uyar has served as General Manager at Intertech since 2012.

AHMET MESUT ERSOY

DenizBank AG, General Manager

Mr. Ersoy was born in 1973 and graduated from Istanbul University, Faculty of Business Administration; he also received an MBA from Bahrain University. He began his banking career in 1995 and joined DenizBank Financial Services Group in 2002. Mr. Ersoy has served as General Manager at DenizBank AG since 2011.

FATİH ARABACIOĞLU

DenizPortfolio Management, General Manager

Mr. Arabacıoğlu was born in 1966 and graduated from Ankara University, Faculty of Political Sciences. Subsequently, he received an M.A. in International Banking and Finance from Heriot-Watt University in Edinburgh, Scotland. He began his professional career in 1988 and joined DenizInvest Securities in 1999. Mr. Arabacıoğlu has served as General Manager at DenizPortfolio Management since 2004.

OĞUZ YALÇIN

JSC DenizBank Moscow, General Manager

Mr. Yalçın was born in 1975 and graduated from Boğaziçi University, Faculty of Economic and Administrative Sciences, Department of Political Sciences and International Relations. He began his banking career in 1998 and joined DenizBank in 2002. Mr. Yalçın has served as General Manager at JSC DenizBank Moscow since 2013.

HAYRİ CANSEVER⁽¹⁾

*Secretariat General and Sberbank Coordination Group,
Executive Vice President*

Mr. Cansever was born in 1974 and graduated from Istanbul Technical University, Department of Mechanical Engineering; he also holds an M.A. in Banking and Finance from Yeditepe University. He began his banking career in 1998 at DenizBank Financial Services Group. Mr. Cansever has served as Executive Vice President of Secretariat General and Sberbank Coordination Group since January 2017.

MEHMET ÇİTİL

Deniz Real Estate Investment Trust, General Manager

Mr. Çitil was born in 1966 and graduated from Istanbul Technical University, Department of Architecture; he also holds an MBA from Istanbul University, Faculty of Economics and Administrative Sciences. He began his banking career in 1988 and joined DenizBank in 1997. Mr. Çitil has served as General Manager at Deniz Real Estate Investment Trust since 2013.

⁽¹⁾ Serving as General Manager at DestekAsset Management since 2015, Hayri Cansever resigned from his duty due to the sale of all shares of the company to legal and real persons other than DFSG on 29 December 2016 and was appointed as Executive Vice President of Secretariat General and Sberbank Coordination Group as of January 2017.

EXECUTIVE MANAGEMENT

Title	Name/Surname	Duty	Education	Professional Experience (Years)	
CEO	Hakan Ateş	CEO	Bachelor's Degree	35	
	Mehmet Aydoğdu	Corporate Banking, Commercial Banking and Public Finance Group – EVP	Bachelor's Degree	19	
	Bora Böcügöz	Treasury and Financial Institutions Group – EVP	Bachelor's Degree	27	
	Suavi Demircioğlu	Financial Affairs Group – EVP, CFO	Bachelor's Degree	26	
	Dilek Duman	Information Technology and Support Operations Group – EVP, COO	Bachelor's Degree	27	
	Murat Çelik	Digital Generation Banking Group – EVP	Bachelor's Degree	24	
	Tanju Kaya	Administrative Services and Investment Group – EVP	Bachelor's Degree	30	
	Mustafa Özel	Branch and Central Operations Group – EVP	Bachelor's Degree	28	
	Saruhan Özel	Economic Research, Strategy and Program Management Office Group – EVP	Ph.D.	20	
	Murat Kulaksız	SME Banking Group – EVP	Master's Degree	20	
	İbrahim Şen	Credit Following and Risk Monitoring Group – EVP	Bachelor's Degree	23	
	Selim Efe Teoman	Corporate and Commercial Credits Group – EVP	Bachelor's Degree	22	
	Ayşenur Hıçkırın	Payment Systems and Non-Branch Channel Group – EVP	Bachelor's Degree	20	
	Executive Vice Presidents	Ruslan Abil	Group Reporting and Asset Liability Management Group – EVP	Bachelor's Degree	19
		Önder Özcan	Managerial Reporting and Budget Planning Group – EVP	Bachelor's Degree	18
	Yavuz Elkin	Human Resources and Deniz Academy Group – EVP	Bachelor's Degree	23	
	Burak Koçak	Agricultural Group – EVP	Bachelor's Degree	20	
	Oğuzhan Özark	Retail Banking Sales Management Group – EVP	Bachelor's Degree	19	
	Cemil Cem Öneç	Private Banking and Investment Sales-Performance Management Group – EVP	Ph.D.	19	
	Hakan Turan Pala	Corporate and Commercial Credits Analysis Group – EVP	Bachelor's Degree	22	
	Edip Kürşad Başer	Credit Policies and Retail-SME, Agricultural Banking Credits Allocation Group – EVP	Bachelor's Degree	26	
	Verda Beril Yüzer Oğuz	Financial Institutions Group – EVP	Bachelor's Degree	19	
	Murat Çıtak	IT Security and Digital – Card Payment Operations Group – EVP	Bachelor's Degree	18	
	Ali Murat Dizdar	Chief Legal Advisor	Master's Degree	25	
Secretary General	Hayri Cansever*	Secretariat General and Sberbank Coordination Group - EVP	Master's Degree	18	
Internal Systems	Ramazan Işık	Head of Internal Audit	Master's Degree	17	
	Cem Demirağ	Head of Internal Control Unit and Compliance	Bachelor's Degree	25	
	Sinan Yılmaz	Head of Risk Management	Bachelor's Degree	19	

* As of 10.01.2017, appointed in lieu of Kürşad Taçalan.

COMMITTEES

Committee	Name/Surname	Title	Education	Professional Experience (Years)
Audit Committee	Nihat Sevinç	Member	Bachelor's Degree	30
	Wouter G.M. Van Roste	Member	Bachelor's Degree	27
	Pavel Barchugov	Member	Bachelor's Degree	21
Corporate Governance and Nomination Committee	Deniz Ülke Arıboğan	Member	Ph.D.	30
	Svetlana Sagaydak	Member	Ph.D.	17
	Yeliz Koraşlı Özdemir	Member	Master's Degree	16
	Tanju Kaya	Member	Bachelor's Degree	30
Remuneration Committee	Svetlana Sagaydak	Member	Ph.D.	17
	Nihat Sevinç	Member	Bachelor's Degree	30
Credit Committee	Hakan Ateş	Member	Bachelor's Degree	35
	Derya Kumru	Member	Master's Degree	24
	Timur Kozintsev	Member	Ph.D.	17
	Alexander Vedyakhin	Associate Member	Ph.D.	17
	Svetlana Sagaydak	Associate Member	Ph.D.	17

Committee Meetings

Committee members fully and regularly attended all meetings held during the reporting period.

Other Committees*

Management Board
 Executive Committee
 Assets and Liabilities Committee
 Executive Credit Risk Committee
 Disciplinary Committee
 Compliance Committee
 Operational and Information Risk Committee
 Rating Committee

* Details appear in the Corporate Governance Principles Compliance Report - Item 5.3.

SUMMARY REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY

Dear Shareholders,

DenizBank has achieved successful financial and operational results by growing its balance sheet higher than the sector average in 2016.

Despite the recessionary tendencies in the global economy, continuing to move forward, DenizBank recorded consolidated net profit of TL 1,401 million and non-consolidated net profit of TL 1,409 million in 2016. Despite the increased funding costs sector-wide, DenizBank's consolidated net interest income rose 26% while unconsolidated net interest income went up 28% over the prior year. In the same period, the Bank's net fees, commissions and banking services revenues increased 16% on a consolidated basis and 14% on a unconsolidated basis, higher than sector averages over 2015. DenizBank's consolidated and unconsolidated total operating revenue went up 28% and 35%, respectively.

DenizBank, the fifth largest Turkish private bank by consolidated asset size, continued its operations along the vision of contributing to Turkey's economic and social development in 2016. The Bank expanded its assets, loans, deposits and shareholder equity with growth above the sector average.

As of year-end 2016, DenizBank reported consolidated and unconsolidated assets of TL 135,554 million and TL 103,159 million, up 20% and 22%, respectively, compared to the prior year. Raising its paid-in capital by TL 1.5 billion, TL 750 million in cash, DenizBank's consolidated shareholders' equity, including subordinated loans, grew 22% to TL 16,074 million, while the Bank's consolidated capital adequacy ratio stood at 14.17%. Unconsolidated shareholders' equity, including subordinated loans, rose to TL 16,045 million, with an unconsolidated capital adequacy ratio of 17.52%.

During the year, extending new financing facilities to numerous sectors, mainly energy, construction, infrastructure, tourism, healthcare, municipalities, sports clubs and education, DenizBank succeeded in expanding its consolidated loan portfolio by 22% over 2015 to TL 95,023 million. The Bank also maintained its market leading position in turning deposits into loans, with a loan/deposit ratio of 104.9%. Meanwhile, on an unconsolidated basis, DenizBank's loan volume increased 20% to TL 61,820 million.

In line with the Bank's core principles of providing unconditional and sustainable customer satisfaction, at year-end 2016 DenizBank operated a branch network with 737 locations, employed a workforce numbering 14,832 and served almost 10.3 million customers, up 13% over the prior year. Additionally, the Bank's consolidated customer deposits soared 27% to TL 90,621 million, well above the sector average. Meanwhile, on an unconsolidated basis, customer deposits grew 32% to TL 59,525 million.

As a reflection of these positive financial results, DenizBank compensated DFSG personnel with performance based premium payment of an average 2.62 monthly salaries. Significantly contributing to the national economy not only through financial activities but also via educational, cultural, artistic and sports related initiatives, DenizBank continued to support the İstanbul State Symphony Orchestra, and Orchestra Academic Başkent Concerts. In 2015, the Bank teamed up with the Turkish Cinema and Audiovisual Culture Foundation (TÜRSAK) to launch the "First Script Contest," becoming the event's name sponsor. In the field of education, DenizBank contributed to the İMECE project organized by the Social Services Foundation (TOVAK) under the auspices of the Ministry of National Education to renovate primary schools in need.

Keeping a close watch on the global banking sector's innovation-based development, DenizBank continued to make a difference with its innovative products and services in 2016. Designated "The Most Innovative Bank of the Year" at the BAI Banking Innovation Awards and "Bank of the Year in Turkey" at The Banker Awards in 2014, as well as winning the coveted "Global Innovator" title in 2015 from European Financial Management Association (EFMA), DenizBank once again garnered the "World's Most Innovative Bank" at the BAI Banking Innovation Awards and has collected three major awards in the global arena in the last three years.

We would like to take this opportunity to extend our gratitude to our customers, shareholders, business partners and employees for their unwavering support during the operating year 2016, and to our esteemed shareholders and stakeholders for gracing our General Assembly with their presence.

Board of Directors

DONATIONS MADE IN 2016

INSTITUTION NAME	Amount (TL)
TÜRK EĞİTİM DERNEĞİ- TED	614,500
TOPLUM GÖNÜLLÜLERİ VAKFI	350,000
İSTANBUL MODERN SANAT VAKFI	140,000
TÜRKİYE KIZILAY DERNEĞİ	60,000
TÜRK EĞİTİM VAKFI	2,980
TEMA	2,303
OTHER	50
TOTAL	1,169,833

RELATED PARTY TRANSACTIONS

Please see Notes to the Independently Audited Financial Statements, Section Five-VII.

HUMAN RESOURCES

All together we create a bank our children would like to work in.

In line with the strategies and goals of the Bank and in cooperation with all organizational units, the Human Resources Department provides guidance to employees, DenizBank Financial Service Group's most important asset. The Department strives to create a pleasant and productive working environment while significantly contributing to employee development.

DenizBank's almost 15 thousand employees offered services through a total of 737 domestic and international branches in 2016. As a result of meticulous workforce planning, DenizBank is one the banks with the lowest number of employees per branch.

In order to promote the DenizBank employer brand via social media, accounts named "Career at Deniz" were managed on Instagram, LinkedIn, Facebook, Twitter and YouTube, with increases in follower numbers.

In 15 universities, the Bank participated in activities to inform undergraduates on career and development opportunities at DenizBank. Over 400 students passed the evaluations for the Pearls of Deniz internship, and completed their internship with success at the branches or Head Office. This year, the most successful ones among the senior year students who participated in the Pearls of Deniz summer internship, were included in the six-month Pearls of Deniz Plus internship. Among the latter, the successful candidates were recruited for various positions across the Bank.

The Bank also put into practice the very first Online Internship program for university students. During the three-month Online Internship program dubbed "Over Seas", undergraduates had an experience complete with simulations, digital cases, e-learning and banking games. some 152 students participated in the program, at the end of which the top scorer was given the chance to participate in a one week internship at DenizBank AG Vienna.

General talent exams for inexperienced candidates and interviews with experienced candidates from outside Istanbul continued to be conducted online in 2016. As part of a project carried out in cooperation with İŞKUR, 44 different courses have been completed since 2013 and 755 trainees have been recruited by various departments. DenizBank has been the main sponsor of the Job and Recruitment Fair held in Istanbul this year under its partnership with İŞKUR.

Corporate MBA and Executive MBA Programs continued at Bahçeşehir University and Sabancı University, which has graduated 30 Bank employees to date.

A new application, “At Sea,” has been launched by the Bank to communicate continuously with employees and to get to know them better, through various prize questions and surprises. With the application “At Sea,” employees can easily access the latest news and special campaigns. The “Pulse” feature within the application sends instant surveys to employees, and rapid action plans are prepared according to these results. In addition, the “HR Whats App” hotline was put into practice in 2016 with the aim of responding to employees’ questions more quickly.

As a learning organization, DenizBank allows three generations to teach each other and learn from each other’s differences. In this context, a reverse mentoring program called “Bilakis (On the Contrary),” which allows different generations to learn from each other, has been put in place. With this program, 39 young employees born in 1990 and later mentored senior executives for six months on the expectations of younger generations, especially as regards social media, and current issues.

Career Opportunities

DenizBank Financial Services Group is committed to offering equal opportunities to its employees, cultivating the future’s managers from within its ranks, and giving preference to current staff members when filling vacancies. As of 2016, the promotion periods within a year were dropped from four to two. In 2016, a total of 1,400 individuals advanced to a higher job level, while 101 Bank employees were appointed to managerial positions, amounting to 78.9% of all management promotions for the year.

Reward System

The Performance Development Program (PDP), which aims to improve employee performance and qualifications, is implemented twice a year. The objective is to increase the frequency of feedback provided to the employee and to offer guidance throughout the process.

The Group offers competitive salaries and fringe benefits in line with current market conditions. Manager and employee salaries are determined according to ethical values, internal balance, strategic goals and levels of responsibility.

All indemnity payments which function as incentives to reward the performance of managers are assessed with due consideration of the past performances of employees, and their contribution to the long term performance of the Bank.

As part of managers’ bonus payments GM Premiums and the PUPA Premium system, performance based premium payment of average 2.62 monthly salary were made to DFSG personnel in 2016.

DenizBank, as a learning organization, has launched the reverse mentoring program “Bilakis,” which allows different generations to learn from each other.

TRAINING

Deniz Academy structures the individual and professional development of all DFSG employees in a planned way.

Deniz Academy views the cultivation of managers from within its own ranks as one of its leading missions and a strong pillar of the Bank's corporate culture.

Deniz Academy

Deniz Academy structures the individual and professional development of all DFSG employees in a planned way. The training needs of all employees are analyzed in line with the importance of training in career improvement. Deniz Academy prepares training maps for field employees according to their level, and structures their development throughout their career with compulsory and elective courses, thus allowing them to enjoy a faster moving and more satisfying career path. Head Office employees are offered boutique courses following the annual training needs analyses and six-monthly curriculum of elective courses.

Deniz Academy sees the training of managers as a mission guiding the corporate culture, and develops training projects spread over a period of time by utilizing different teaching methods to make learning by practice more stimulating. Deniz Academy has the capacity to provide training to 1,500 people simultaneously, and organizes seminars, hobby workshops and many other activities in addition to employee training, while also playing host to many of DFSG's events.

In 2016, via Deniz Academy, DFSG increased and improved its investment in human resources - its most important asset. Throughout the year, Deniz Academy reached every employee and became one of the top institutions in the sector by organizing an average of 8.6 days of training per employee.

The Development Center continued to identify the strengths and any improvable areas in the role of vice presidents during the year. Vice presidents who attended this program furthered their personal development by participation in the Vice President Development Program. The program, which consists of nine days divided into three modules, branches out into two separate sub-programs designed for Head Office employees and branch personnel. Deniz Academy has a 13-day leadership programs called the "New Captains Club" designed for those employees who have been recently promoted to the positions of branch manager and department head.

In addition to these programs, managers are offered select courses on technical and personal development and leadership throughout the year. Furthermore, managers come together with experts in corporate entrepreneurship, positive leadership and psychology in morning and evening sessions.

In addition to classroom training programs, DenizBank added virtual instruction to its alternative learning portfolio, including e-learning, mobile learning and Deniz TV. Deniz Academy has thus implemented a multifaceted training model and provides an average of 20 hours of training per employee. In 2016, some 1,500 different materials were offered for use by all employees include personal development, professional, technical and management training programs, as well as book summaries and various digital library options. In 2016, all participants became able to access seminar notes at anytime, anywhere with the Deniz Academy mobile app. The Academy continued to administer e-learning programs and launched the applied monitor simulation program. Facebook and Twitter accounts are used to inform employees about developments in the Bank, and seminars, projects and activities at the Academy.

SUPPORT SERVICES

SUPPORT SERVICES PROVIDERS	BUSINESS LINE
TNS PİYASA ARAŞTIRMA DANIŞMANLIK VE TİCARET A.Ş.	RESEARCH SERVICE
IRON MOUNTAIN ARŞİVLEME HİZMETLERİ A.Ş.	ARCHIVE
ACTİVE BİLGİSAYAR HİZ. VE TİC. LTD ŞTİ.	IT SYSTEMS
INTERTECH BİLGİ İŞLEM VE PAZARLAMA TİCARET A.Ş.	IT SYSTEMS
V.R.P VERİ RAPORLAMA PROGRAMLAMA BİLİŞİM YAZILIM VE DANIŞMANLIK HİZMETLERİ TİC. A.Ş.	IT SYSTEMS
ATP TİCARİ BİLGİSAYAR AĞI VE ELEKTRİK GÜÇ KAYNAKLARI ÜRETİM PAZ. VE TİC. A.Ş.	IT SYSTEMS
ETCBASE YAZILIM VE BİLİŞİM TEKNOLOJİ A.Ş.	IT SYSTEMS
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ A.Ş.	IT SYSTEMS
VERIFONE ELEKTRONİK DANIŞMANLIK VE LTD. ŞTİ.	IT SYSTEMS
BİLİN YAZILIM VE BİLİŞİM DANIŞMANLIĞI LTD. ŞTİ.	IT SYSTEMS
SUPERONLINE İLETİŞİM HİZMETLERİ A.Ş.	IT SYSTEMS
INGENİCO ÖDEME SİSTEM ÇÖZÜMLERİ A.Ş.	IT SYSTEMS
ELEKTRONİK BİLGİ GÜVENLİĞİ A.Ş.	IT SYSTEMS
TMOB BİLİŞİM YAZILIM TEKNOLOJİ SİSTEMLERİ A.Ş.	IT SYSTEMS
ODC İŞ ÇÖZÜMLERİ A.Ş.	IT SYSTEMS
KARBİL YAZILIM VE BİLİŞİM TEKN. TİC. A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
MT BİLGİ TEKNOLOJİLERİ VE DIŞ TİC. A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
HUGİN YAZILIM TEKNOLOJİ A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
R2 SERVİS ELEKTRİK ELEKTRONİK VE BİLGİSAYAR TEKNOLOJİ SAN. VE TİC.A.Ş.	IT SYSTEMS / OPERATIONAL SERVICES
GLOBAL BİLGİ PAZARLAMA DANIŞMA VE ÇAĞRI SERVİSİ HİZMETLERİ A.Ş.	CALL CENTER
METLIFE EMEKLİLİK VE HAYAT A.Ş. İLE WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER
TURKISH EXPRESS ASSISTANCE YARDIM VE DESTEK HİZ. A.Ş. - TURKISH EXPRESS SİGORTA ARACILIK HİZMETLERİ A.Ş.	CALL CENTER
AXA SİGORTA A.Ş. İLE WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	CALL CENTER
CPP SİGORTA ARACILIK HİZMETLERİ A.Ş.	CALL CENTER
TEMPO ÇAĞRI MERKEZİ VE İŞ SÜREÇLERİ DIŞ KAYNAK HİZM. TİC. A.Ş.	CALL CENTER / MARKETING
WIN BİLGİ İLETİŞİM HİZMETLERİ A.Ş.	CALL CENTER / MARKETING
COLLECTÜRK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	CALL CENTER / COLLECTION MANAGEMENT
BANTAŞ NAKİT VE KIYMETLİ MAL TAŞIMA VE GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	SECURITY
BRİNK'S GÜVENLİK HİZMETLERİ A.Ş.	SECURITY
MTM HOLOGRAFİ GÜVENLİKLİ BASIM VE BİLİŞİM TEKNOLOJİLERİ SAN. TİC. A.Ş.	OPERATIONAL SERVICES
KURYE-NET MOTORLU KURYEÇİLİK VE DAĞITIM HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
E-KART ELEKTRONİK KART SİSTEMLERİ SAN. VE TİC. A.Ş.	OPERATIONAL SERVICES
PLASTİK KART AKILLI KART İLETİŞİM SİS. SAN. TİC. A.Ş.	OPERATIONAL SERVICES
AUSTRIA CARD TURKEY KART OPERASYONLARI A.Ş.	OPERATIONAL SERVICES
ETİSAN PROJE BİLGİ VE YAZILIM TEKNOLOJİLERİ SAN. TİC.A. Ş.	OPERATIONAL SERVICES
İSTANBUL ALTIN RAFİNERİSİ A.Ş.	OPERATIONAL SERVICES
BBS DANIŞMANLIK GAYRİMENKUL VE EĞİTİM A.Ş.	OPERATIONAL SERVICES
FU GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
TAGAR TAPU GARANTİ HİZMETLERİ A.Ş.	OPERATIONAL SERVICES
AVİ GAYRİMENKUL YATIRIM DEĞERLEME VE DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
İPOTEKA GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	OPERATIONAL SERVICES
SİSTEM KURYE HİZ. TAŞ. TEKSTİL DERİ TİC. LTD.ŞTİ.	OPERATIONAL SERVICES
HAYAT TEKNOLOJİ BİLGİSAYAR SİS. KART BASIM HİZ. SAN. VE TİC. LTD. ŞTİ.	OPERATIONAL SERVICES
MAPİKART TANITIM HİZMETLERİ VE DIŞ TİC. LTD. ŞTİ.	OPERATIONAL SERVICES
KONFİDES BİLGİ TEKNOLOJİLERİ TİC. A.Ş.	OPERATIONAL SERVICES

SUPPORT SERVICES PROVIDERS	BUSINESS LINE
CANKURT İŞ SAĞLIĞI VE GÜVENLİĞİ HİZMETLERİ ORTAK SAĞLIK GÜVENLİK TİCARET LTD ŞTİ.	OPERATIONAL SERVICES
DHL WORLDWIDE EXPRESS TAŞIMACILIK VE TİC. A.Ş.	OPERATIONAL SERVICES
UZ GAYRİMENKUL A.Ş.	OPERATIONAL SERVICES
ZETA İNSAN KAYNAKLARI VE KURUMSAL ÇÖZÜMLER LTD. ŞTİ.	OPERATIONAL SERVICES / MARKETING
ETTS ELEKTRONİK TİC. TAH. SİS. SAN. VE TİC. LTD. ŞTİ.	MARKETING
POSTA VE TELGRAF TEŞKİLATI A.Ş.	MARKETING
FENERBAHÇE SPOR OKULLARI LTD. ŞTİ.	MARKETING
ALTEK BİLGİ TEKNOLOJİLERİ DANIŞMANLIK VE DIŞ TİCARET A.Ş.	MARKETING
OĞUZKAAN EĞİTİM HİZMETLERİ VE TİC. A.Ş.	MARKETING
VİZYON KOLEJİ YAY. EĞT. HİZ. A.Ş.	MARKETING
HAS ÖZEL EĞİTİM GIDA TURİZM YAYINCILIK SAN. TİC. LTD. ŞTİ.	MARKETING
AVRUPA EĞİTİM HİZ. VE TİC. A.Ş.	MARKETING
AVRUPA KOLEJİ EĞİTİM KURUMLARI VE TİC. A.Ş.	MARKETING
SUR EĞİTİM TESİSLERİ VE TİC. A.Ş.	MARKETING
KLON ÖDEME KURULUŞU A.Ş.	MARKETING
ĐİRENÇ DEMİR VE İNŞAAT MALZEMELERİ TİC. SAN. A.Ş.	MARKETING

DENİZBANK CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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PART I: CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Prior to its IPO, DenizBank voluntarily conducted studies for compliance with the Capital Markets Board's (CMB) Corporate Governance Principles in line with international principles and sectorial practices; the "Corporate Governance Report" was published upon approval by the Board of Directors at its meeting dated September 16, 2004. DenizBank views Corporate Governance Principles as a dynamic field open to further improvement, and works to enhance its operations in this spirit.

DenizBank operates with a management approach built on the principles of transparency, equality, responsibility and accountability, and exercises maximum care to comply with the principles outlined in the annex to BRSA's Regulation on Corporate Governance Principles (Regulation) and expends maximum effort to comply with CMB's Corporate Governance Communiqué (Communiqué) no. II-17.1, Corporate Governance Principles as regards the management of relations with shareholders, as well as the determination of the duties, authorities and responsibilities of the Board of Directors and the management tiers that report to the Board. Differences between CMB Corporate Governance Principles and the Bank are outlined under the relevant sections of this report.

PART II: SHAREHOLDERS

2.1 Investor Relations Department

Established in 2004 with the aim of taking necessary measures to comply with the existing legislation, the Articles of Association, and other in-house regulations regarding the protection and exercising of shareholders' rights, and the right to obtain and review information in particular, the Department has been carrying out its activities with name of Investor Relations and Financial Communication Department within the structure of Financial Affairs Group, under the supervision of Financial Affairs Group-EVP, CFO. The tasks of Investor Relations Department within the 5th Clause of the 11th Article of the Communiqué are carried out in coordination with the Investor Relations and Financial Communication, Secretariat General and Sberbank Coordination, Corporate Compliance, Group Reporting and ALM Management and Treasury and Financial Institutions departments. Names and contact info regarding the staff members of the Department are given below. Due to the fact that the portion of shares in public float is 0.15%, the number of inquiries made by investors within the period was limited, and thus all inquiries were answered verbally or in writing.

Yeliz Koraşlı Özdemir-Department Head-Corporate Governance Rating Licenses

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Due to the fact that most of the tasks specified in the 11th Article of the Communiqué are carried out by our Bank's Investor Relations and Financial Communication Department the Department Manager Yeliz Koraşlı Özdemir was appointed as the "Director of Investor Relations Department" upon the Board of Directors decision dated June 20, 2014. Furthermore, within the scope of the 1st Clause of the 11th Article of the Communiqué she was appointed as a member to the Corporate Governance and Nomination Committee.

Activities during the Period

- › Material event disclosures,
- › Preparation of the annual reports, interim activity reports sections of financial reports, and press releases on financial data,
- › Updating relevant information on the Bank's website,
- › Examination of sector data and preparation of market share reports,
- › Examination and comparative analysis of reports by other banks,
- › Responding to questions received by email and telephone,
- › Organization of Ordinary/Extraordinary General Assembly Meeting,
- › Communicating with credit rating agencies, reviewing and evaluating reports,
- › Providing assistance to the documentation made within the scope of bonds/bills issuance, making necessary announcements and disclosures,
- › Coordinating the practices developed in the Bank within the scope of Corporate Governance Practices The report regarding the activities carried out within the scope of the Communiqué was prepared in coordination for 2016 and was submitted to the Board of Directors on March 2017.

2.2 Exercise of Shareholders' Right to Information

The Investor Relations and Financial Communication Department treats all shareholders equally. All shareholder and other stakeholders' inquiries were first assessed to determine whether or not they concerned trade secrets, and then answered accordingly either in written form, or else verbally. Queries made to the Investor Relations and Financial Communication Department concerned the following topics:

- › The Bank's financial statements,
- › Activities in business lines,
- › General Assembly Meetings,
- › Main shareholder,
- › Bonds/bills issued,
- › Project finance.

DenizBank exercises maximum care to release information that may impact the exercising of shareholders' rights and the decisions of investors, in the most rapid and effective manner. Disclosures are considered within the scope of the CMB's Communiqué and Guide on Principles Regarding Public Disclosure of Material Events, announced via the Public Disclosure Platform and also published on the Bank's website as in both Turkish and English. The Bank's website is itself used actively to provide shareholders, investors and other stakeholders' easy access to information. The information published on our website is explained in detail under "Part III/3.1 Company Website and Contents."

Request for the Appointment of a Special Auditor

Shareholders' right to request the appointment of a special auditor is stipulated as an individual right in Article 14 of the Articles of Association, as per the Turkish Commercial Code, Article 438 and onwards. During the period, no request from shareholders, that have such a right according to internal and legal regulations, for the appointment of a special auditor was received.

2.3 General Assembly Meetings

Invitation to and Information about the General Assembly

DenizBank issues the invitation to the Annual General Assembly at least 3 (three) weeks before the meeting date, as stated in Articles 10 of the Articles of Association. The announcement/invitation on/to the General Assembly is published in the Trade Registry Gazette, on the Central Registry Agency's (MKK) Electronic General Meeting System (e-GEM), Public Disclosure Platform (PDP) as well as on the DenizBank website. Furthermore, the agenda items, proxy forms, Annual Report, Articles of Association, financial statements and their footnotes, old and new versions of the Articles of Association in case of any amendments, information stated on principles on Board Members and candidate Members in case the agenda items include the dismissal, replacement or election of Board Members, any requests from the shareholders to add items to the agenda, and Information Document including all other documents regarding the agenda and other documentation are submitted for shareholder scrutiny at the Bank's Head Office and on the Bank website as of the date of the announcement. Documents regarding the agenda items are also published via MKK's portals including the e-GEM. Proxy voters do not have to be shareholders. It is no longer necessary to place voting shares under participator's blockage in the General Assembly Meeting. Shareholders can now participate in the meeting via the e-GEM, until 00:00 hours the day before the meeting. All shareholders whose names are included on the Shareholders List obtained from the e-GEM prior to the meeting can participate in person.

Although not stipulated in the Articles of Association, DenizBank's Board of Directors can decide to open General Assembly meetings to the wider public, including stakeholders and the press, although the latter do not have the right to take the floor. The meeting minutes of the General Assembly and the Attendance List are published on the e-GEM, Public Disclosure Platform (PDP) and the Bank's website. In 2016, DenizBank held an Ordinary General Assembly Meeting.

Date: 31.03.2016

General Assembly: 2015-Ordinary

Participants: Shareholders, Representatives of Legal Authorities, Stakeholders

Participation Rate: 99.85%

Form of Invitation: Trade Registry Gazette, Hürses newspaper, and announcement on the e-GEM, PDP and the Bank website.

Shareholders' Right to Add Items to the Agenda and Ask Questions

As indicated in Article 10 of the Articles of Association, minority shareholders may add items to the agenda and request the Board of Directors to call an Extraordinary General Assembly via justifiable written requests.

At the Ordinary General Meeting held on 31 March 2016, one of our shareholders proposed new items for the agenda. These proposals were reviewed by the Bank's Board of Directors and decided not to be added on the agenda. The reasons why the proposals not to be added on the agenda announced to the public via the Information Document by publishing on Public Disclosure Platform and the corporate website of the Bank.

As per Article 15 of the Articles of Association, all shareholders have the right to express their opinions and ask questions during General Assemblies. Questions directed at the Board of Directors shall be answered immediately and verbally, if possible. Otherwise, these will be answered in written form within 15 (fifteen) days of the General Assembly. In line with recent amendments to the Communiqué, questions posed during General Assembly meetings and their answers are published in 30 (thirty) days on the Bank's website.

At the Ordinary General Meeting held on 31 March 2016, one of our shareholders proposed new items for the agenda and asked questions. Proposals were not be added to the agenda due to the decision resulted by voting. Some of the questions were answered by the Chairman of the council during the meeting. Other questions were not replied during the meeting due to no relation with the agenda. The questions were answered in 15 days in written according to the Articles of Association and the answers were published on the corporate website of the Bank.

The Bank makes donations and gives aid in line with the Donation Policy and relevant procedures defined by the Social Responsibility Policy. The sum of donations made during the period and the benefactors of these donations are listed in the Annual Report and presented to the shareholders at the General Assembly as a separate agenda item with the policy changes if existed.

2.4 Voting Rights and Minority Rights

DenizBank shares do not have any preferential rights. As per Article 14 of the Articles of Association, each share carries one vote. Obstructions to the exercising of voting rights are avoided. Shareholders can be represented at the General Assembly by other shareholders, or an external proxy.

The Bank does not have any cross-shareholding relationships with any company. As stipulated by the Article 29 of the Capital Market Law No. 6362, minority rights shall be exercised by shareholders representing at least one-twentieth of the paid-in capital as per Article 411 of the Turkish Commercial Code, and this condition is met by Article 10 of the Articles of Association.

2.5 Dividend Rights

The Bank's dividend distribution policy is outlined in Article 32 of the Articles of Association and published on the website. Prior to being presented by the Board of Directors to the General Assembly, the dividend distribution proposal is announced as a material event disclosure to shareholders and published on the Bank's website and e-GEM. The dividend distribution policy and the dividend distribution proposal for the relevant year are published in the Annual Report. There are no privileges concerning the distribution of dividends. Pursuant to the decision of the General Assembly held in March, no dividend is being paid for the year 2015.

2.6 Transfer of Shares

There is no provision in the Bank's Articles of Association restricting the transfer of shares. According to Article 8 of the Articles of Association, the transfer of shares is allowed in accordance with Turkish Commercial Code, Banking Law no.5411, Capital Market Law and the Articles of Association.

PART III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Contents

In accordance with the public disclosure and transparency principles of the Corporate Governance Principles, DenizBank has created an effective website which is updated periodically to provide timely, accurate, complete, comprehensible, easy to analyze, low-cost and accessible information. The Bank's web address is www.denizbank.com. The website, available in Turkish and English, contains all the information stipulated in CMB's Corporate Governance Principles.

The following information is available on the website:

- › Trade Registry and share information, shareholding and management structure,
- › The latest version of the Bank's Articles of Association, information about the changes,
- › Material event disclosures,
- › Press releases,
- › Annual reports and interim activity reports, financial reports,
- › Documents concerning securities issued,
- › General Assembly forms,
- › Information on the internal control system and risk management,
- › Curricula Vitae of the Board of Directors and the Executive Management team,
- › Policies,
- › Corporate Governance Principles Compliance Report,
- › List of social responsibility activities.

3.2 Annual Report

The Annual Report is published in sufficient detail to provide complete and accurate information about the Bank's operations, and in accordance with BRSA and CMB regulations. The Annual Report features all topics listed in the relevant regulations. Following its release on the Public Disclosure Platform, it is also published on the Bank's website.

PART IV: STAKEHOLDERS

4.1 Informing Stakeholders

The rights earned through legislation and the reciprocal contracts of DenizBank's stakeholders (employees, clients, correspondent banks, entities participating in syndication loans, public agencies, borrowers, lenders, credit rating agencies, suppliers, the social environment, and other interest groups the Bank is in contact with) are protected by DenizBank. If these rights are violated, the injured party is compensated. Relationships with all stakeholders are maintained with respect to the Code of Ethics. Employee rights have been determined through the Bank's approach, and through its human resources policy, remuneration policy, employee, disciplinary, and other regulations. Stakeholders are provided with information related to the Bank within the framework of the disclosure policy and other in-house regulations. Stakeholders are regularly informed through General Assembly minutes; material event disclosures; press releases; internal bulletins; in-house announcements; "Team Spirit" magazine; emails to clients; announcements via SMS, the call center, web platforms and social media channels; annual reports; financial reports; and all notifications made via the Bank website.

In addition, information is provided via meetings organized upon request and in written statements. Easy access to up-to-date information is facilitated by posting all the aforementioned information on the Bank's website.

Several mechanisms have been set up by which stakeholders can share complaints and suggestions regarding the Bank's activities and transactions with the management. While employees can use the suggestion system to share their wishes, requests, suggestions and complaints with the executive management, other stakeholders can share their requests and complaints with the Bank's management via the customer satisfaction system.

4.2 Stakeholder Participation in Management

To ensure optimum satisfaction while preserving the balance between customers, employees, shareholders and other stakeholders, the Bank strives to improve its product and service quality, and to fulfill the expectations of domestic and foreign customers. To this end, DenizBank acts in accordance with the "collective wisdom" concept and gears its systems towards continuous improvement.

Stakeholders can participate in the Bank's management by attending various committee meetings and the General Assembly, as well as by using the suggestion system and by exercising their right (as stated in Article 20 of the Articles of Association) to demand from the Chairman in writing the placing of an item on the agenda of the General Assembly meeting. Furthermore, as per Article 11 of the Articles of Association, minority shareholders may request in written form that the Board of Directors add an item to the agenda of the General Assembly through justifiable written requests prior to the creation of said agenda. Moreover, shareholders may request the Board of Directors to call for an Extraordinary General Assembly through justifiable written requests and create the agenda for discussion. Below is a list of systems that facilitate employee, customer and shareholder participation in management. The output of these systems is presented to

the Executive Management after being analyzed by related departments.

Employees

- › Committees
- › Suggestion System

Customers

- › Customer Satisfaction System
- › Suggestion System

Shareholders

- › General Assembly
- › Board of Directors
- › Management Meetings

4.3 Human Resources Policy

General human resources policies designed for the Bank and its subsidiaries to perform their functions in the most effective fashion are based on the principles summarized below. These principles are posted as related procedures and processes on the Bank's website and intranet portal "DenizPortal" and are accessible by all members of staff.

Respect for Individuals: Recognizing that the first criterion for success is respect for the individual, and providing all employees, without discrimination, with the harmonious professional environment and physical means necessary for them to fully utilize and improve their abilities and skills.

Transparency in Management: Facilitating new ideas within the framework of mutual trust, understanding and communication; and problem solving through collective wisdom. Establishing and developing user-friendly technological systems that give employees the opportunity to communicate their demands, suggestions and opinions by further informing them on the applications that concern them.

Opportunity for Training and Development: Keeping in mind that the Bank's most valuable investment is the development of employees using every available training tool, as well as managing their careers in accordance with their accomplishments and competencies, and aiming to select the managers and directors of the future from among Bank employees.

Fair and Reliable Remuneration Management: Implementing a compensation management system that provides fair and reliable salaries and benefits that encourage and reward success and excellence in line with market and prevailing conditions.

Practices and attitudes related to matters such as hiring criteria, salaries, training and health, in accordance with the general approach adopted within the framework of the human resources policy, are documented through guidelines, procedures and policies, all of which are available to employees.

Announcements that are of interest to Bank employees are communicated over the intranet (DenizPortal), mobil application "denizde" and by email. A Suggestion System was developed through which the employees can transmit all of their suggestions and opinions. Suggestions submitted

through “I Have an Idea” on DenizPortal are evaluated and pre-assessed by the Organization Department. Suggestions deemed viable after the pre-assessment by the relevant group/ department are submitted to the Suggestions Committee.

Evaluation and rewarding of relevant suggestions are carried out by the Suggestions Committee. The recording and follow-up of the suggestions chosen for implementation are coordinated by the Organization Department. Furthermore, all employee concerns and problems regarding working practices are evaluated by their supervisors and brought to the attention of the Executive Management, where necessary. There have been no complaints from employees regarding discrimination in the workplace.

We believe that development is the most important factor of our human resource policy, and we support the personal development and career path of every DenizBank Financial Services Group employee with a policy of equal opportunity. All related programs are carried out at Deniz Academy, with training needs analyzed. Modern training tools and methods like e-Deniz Academy, Deniz TV, mobile training and social media are used in training projects.

The Bank’s employee remuneration policy was designed to establish the principles governing payroll and social benefits. The Remuneration Committee was established to audit and monitor pay policies and practices on behalf of the Board of Directors. Salaries, factors significant in determining increase rates, the performance based pay system and criteria used in assessments have been identified within the scope of the policy. The policy has been made available to employees via the website and intranet portal.

4.4 Code of Ethics and Social Responsibility

DenizBank carries out its activities within the framework of the Banking Code of Ethics it has adapted and published on its corporate website. Taking and implementing management decisions necessary for compliance with “Ethical Principles Policy” published by The Banks Association of Turkey, constitute the basis of the activities. Furthermore, the Bank published the “DenizBank Compliance and Integrity Policy” in order to establish respect for laws and regulations, ensure trust among customers, employees and shareholders, and prevent misconduct and fraud.

In addition to contributing to the national economy through its financial activities, DenizBank supports projects designed to raise public awareness, mainly in the fields of education, culture and the arts and sports, in line with its social responsibility approach. DenizBank Financial Services Group’s Corporate Social Responsibility has also been published on the website.

As part of its social responsibility activities, the Bank makes donations, supports projects, organizes cultural events and publishes works via DenizKültür.

The list of activities conducted to this end is presented on the Bank’s website.

PART V: BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

The Annual Report includes the names and short biographies of the Bank’s executive, non-executive and independent Board Members. The formation, duties, and responsibilities of the Bank’s Board of Directors, as well as its meeting format, are described in detail in Articles 16, 17, 18, 19, and 20 of the Articles of Association. The Board of Directors consists of 13 members, four independent members of which three are also the Members of the Audit Committee (as per Articles 4.3.6 of the CMB’s Corporate Governance Principles, two are independent members), 10 are non-executive and three are executive members. In line with Article 17 of the Articles of Association, the duties of Chairman and CEO are performed by different individuals. The term of office for all members of the Board of Directors is defined within the scope of Article 18 of the Articles of Association as three years. A member whose term of office expires can be re-elected. There are no quantitative limits as to the Board Members’ taking office in the Bank’s subsidiaries. In order to ensure efficient management, in principle, Board Members are asked not to take up more than three duties beyond the Bank’s subsidiaries. A “Statement of Independence” has been received from the independent members pursuant to Articles 4.3.6 of the CMB’s Corporate Governance Principles to fulfill the criteria of independence.

Investigating the independence of the independent Board Members and identifying any conflicts of interests are among the duties and responsibilities of the Corporate Governance and Nomination Committee. Within the framework of the principles in force during the period of activity, there were no circumstances which could compromise the independence of the Board Members. In line with the revision of Communiqué criteria, the statements from independent Board Members were renewed in 2015 according to CMB principles.

Two of the Bank’s 13 Board members are female. According to the objective set by CMB’s Corporate Governance Principles, Article 4.3.9, at least 25% of the members need to be female, which corresponds to four women in DenizBank’s case. Women account for 36% of the Bank’s managers; the Bank is keen on attaining this objective concerning the Board of Directors.

5.2 Operating Principles of the Board of Directors

Principles and quorum for Board of Directors meetings have been established in Article 20 of the Articles of Association. Although the Articles of Association state that the Board of Directors should meet at least four times per year, the Board meets as frequently as required to fulfill its duties effectively. The Board of Directors is convened by the Chairman of the Board or by the Vice Chairman if the Chairman is not present. The agenda of the Board of Directors meetings consists of items arising from the duties and responsibilities of Board Members as stipulated in Article 19 of the Articles of Association, as well as members’ requests, matters discussed at the weekly Executive Committee meetings and Committee resolutions. In line with shareholder rights, minority and majority shareholders and stakeholders may demand that a certain subject be addressed at the Board of Directors meeting

through a written request to the Chairman, and have it added to the agenda.

In the year 2016, the Board of Directors made 132 decisions.

It is essential that Board Members attend the meetings in person, although attendance is also permitted via any means of remote conferencing. Each Board Member has one vote, all votes are equal and no member or Chairman has the privileged or weighted power to vote or veto.

Board Members cannot vote at a meeting on a related party transaction concerning themselves.

Corporate Governance Principles are applied on related party transactions.

The Chairman of the Board does his utmost to enable the participation of non-executive members at the meetings. The Chairman is responsible for ensuring that Board meeting invitations and discussions are conducted in accordance with procedures, and that decisions are recorded in the meeting minutes.

During the Board of Directors meetings, members who cast dissenting votes are required to sign the minutes along with a statement explaining the reason for their votes. Minutes of the meetings and documents related to the meetings are duly included into the resolution book, archived and kept under the supervision of the Chairman. The manner in which the Board of Directors meetings are held is determined by in-house regulations. Information and documents related to the items on the agenda of the Board of Directors meetings are presented to Board Members for scrutiny by the Board Secretariat prior to the meeting in order to establish equal information flow. The compliance of the Bank's meeting minutes with legislation is ensured by the Board Secretariat, and a report is presented to authorized parties upon request. The duties of the Board Secretariat have been passed onto the Secretary General upon resolution of the Board of Directors. Decisions of the Board of Directors that are significant to stakeholders are made public via material event disclosures.

5.3 Number, Structure and Independence of Board Committees

The Board of Directors shall form the committees, by virtue of law and/or at its discretion, in order to execute its duties and responsibilities professionally, effectively, efficiently, and being informed in the best possible way. The Committees (excepting the Credit Committee) are composed of at least two committee members. The Audit Committee and the Corporate Governance and Nomination Committee were established in 2004 within the scope of CMB Corporate Governance Principles. In addition, in 2011, the Board of Directors established the Remuneration Committee to monitor and inspect remuneration practices on behalf of the Board of Directors in accordance with the "Regulation on the Banks' Corporate Governance Principles" of the Banking Regulation and Supervision Agency. The duties and operating principles of committees are posted on the Bank's website. Information about the committees reporting to the Board of Directors and on the executive committees providing information flow to the management is presented below.

Committees Reporting to the Board of Directors

Corporate Governance and Nomination Committee

The Committee determine application of the corporate governance principles and detect the reasons and negative consequences of failure to apply them comprehensively, as well as suggest the measures for improvement; form a transparent system of selection, determination, evaluation, and traineeship of the candidates for top management; and investigate the matters of independence and conflicts of interests. The Committee is composed of four members. Due to the fact that most of the tasks specified in the 11th Article of the Communiqué are carried out by our Bank's Investor Relations and Financial Communication Department; the Department Manager was appointed as the "Director of Investor Relations Department" and as a member to the Corporate Governance and Nomination Committee upon the Board of Directors decision dated June 20, 2014.

The qualifications of committee members are presented in the "Management" section of the report.

The Corporate Governance and Nomination Committee convene at least three times a year. It also convenes whenever else required in the performance of its duties. The procedures related to the structure, duties, authorities and responsibilities of the Corporate Governance and Nomination Committee have been determined, and its main activities are posted on the Bank's website. In 2016, Corporate Governance and Nomination Committee made 13 decisions to recommend candidates to the Board of Directors as regards the appointment of executives. The nominated executives were appointed in line with the recommendations presented to the Board of Directors. The Committee has reviewed its operating principles during the meetings and made an effort to improve these through suggestions to the Board.

Audit Committee

The Audit Committee is in charge of the supervision of the Bank's accounting system, public disclosure of the financial information, independent auditing, the operation and efficiency of internal control, internal audit and risk management systems. The Committee consists of three members. The qualifications of committee members are presented in the "Management" section of the report.

The Audit Committee convenes at least once every three months - at least four times a year. In addition, the Committee meets with the independent auditors of the Bank, separate from the executive units, at least four times a year to discuss issues regarding internal control, financial statements, internal audit and other important items that need to be discussed. The procedures regarding the structure, duties, authorities and responsibilities of the Audit Committee have been defined and its main activities are posted on the Bank's website. The Audit Committee's activities during the year 2016 can be found in the section entitled "Assessments of the Audit Committee" in the Annual Report.

Remuneration Committee

A Remuneration Committee was established on December 7, 2011, to monitor and inspect remuneration practices on behalf of the Board of Directors in accordance with the Regulation on the Banks' Corporate Governance Principles issued by the Banking Regulation and Supervision Agency.

The Committee evaluates remuneration policies and practices within the framework of risk management and reports its recommendations annually to the Board of Directors. The qualifications of the members of the Committee are presented in the section of “Management” of the report.

Credit Committee

The Credit Committee is authorised to decide on credits and loans, which are under consideration to be granted to the individuals or corporations in accordance with the Banking Law, the regulations of the BRSA, and the internal rules of the Bank. The Committee convenes every week, assesses these proposals or applications, and approves, or rejects those within its limits of authority. The Committee submits those proposals or applications beyond its authority to the Board of Directors. The Committee consists of three full and two alternate members. The qualifications of the members of the Committee presented in the “Management” section of the report.

Other Committees

Management Board

The DFSG Management Board is a committee operating under the authority of the CEO with powers delegated by the Board of Directors. The Management Board meets once a week under the chairmanship of the CEO. Secretariat General and Sberbank Coordination Group EVP is a natural member of the Management Board without voting rights. The Management Board was established to prepare and provide information to the Board of Directors, and to evaluate, conclude and exchange ideas regarding certain strategic decisions. Upon accepting recommendations regarding subjects within the authorization limits of the CEO, the CEO along with the EVP of the relevant unit, or the GM of the relevant subsidiary proceeds to enact the change. Recommendations related to subjects within the authorization limits of the Board of Directors are presented to the Board of Directors by the CEO, and the decisions made are executed under the responsibility of the Board of Directors.

Committee Members

Hakan Ateş (CEO), Wouter Van Roste (Board Member in charge of Internal Systems), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Derya Kumru (Board Member), Ali Murat Dizdar (Chief Legal Advisor), Ayşenur Hıçkırın (Payment Systems and Non-Branch Channel Group EVP), Borâ Böcügöz (Treasury and Financial Institutions Group EVP), Dilek Duman (Information Technology and Support Operations Group EVP), Murat Çelik (Digital Generation Banking Group EVP), Mustafa Saruhan Özel (Economic Research, Strategy and Program Management Office Group EVP), Suavi Demircioğlu (Financial Affairs Group EVP), Tanju Kaya (Administrative Services and Investment Group EVP), Hayri Cansever (Secretariat General and Sberbank Coordination Group EVP)

Executive Committee

DFSG Executive Committee is a consultation body that operates within the framework of the responsibilities delegated to the CEO by the Board of Directors. The Executive Committee, in principle, meets at least once a month under the chairmanship of the CEO. The Executive Committee aims to make timely and reliable decisions in accordance with the “collective wisdom” principle.

Committee Members

Hakan Ateş (CEO), Wouter Van Roste (Board Member in charge of Internal Systems), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Derya Kumru (Board Member), Bank’s EVPs, Ahmet Mesut Ersoy (DenizBank AG GM), Oğuz Yalçın (DenizBank Moscow GM), Kahraman Günaydın (DenizLeasing GM), Alper Tunga Emecan (DenizFaktoring GM), Fatih Arabacıoğlu (DenizPortfolio Management GM), Hüseyin Melih Akosman (DenizInvest Securities GM and Board Member), Mehmet Çitil (Deniz Real Estate Investment Trust GM)

Assets and Liabilities Committee

The Assets and Liabilities Committee meets every week under the chairmanship of the CEO and with the participation of the Bank’s Chief Economist and the managers of groups which conduct activities that can impact the balance sheet. The meeting agenda consists of the balance sheet of the Bank, activities of the business lines, general economic data and evaluation of current political and economic developments, along with the determination of the weekly assets and liabilities strategy.

Committee Members

Hakan Ateş (CEO), Saruhan Özel (Economic Research, Strategy and Program Management Office Group EVP), EVPs and SVPs involved in activities affecting balance sheet

Executive Credit Risk Committee

It is responsible for reviewing the market and economic conditions and evaluating the issues that might cause negative effect on the credit portfolio of the Bank and subsidiaries, monitoring the economic developments that might lead to deterioration of the credit worthiness of customers and changes in other conditions, monitoring our Bank’s legal follow up collections, evaluating the credit provision budget and convenes on a quarterly basis.

Committee Members

Hakan Ateş (CEO), Timur Kozintsev (Board Member in charge of Credit Risk- CRO), Wouter Van Roste (Board Member in charge of Internal Systems), Derya Kumru (Board Member), Suavi Demircioğlu (Financial Affairs Group EVP), Ali Murat Dizdar (Chief Legal Advisor), İbrahim Şen (Credits Follow-up and Risk Monitoring Group EVP), Selim Efe Teoman (Corporate and Commercial Credits Group EVP), Hakan Turan Pala (Corporate and Commercial Credits Analysis Group EVP), Edip Kürşad Başer (Credit Policies and Retail, SME, Agricultural Banking Credit Allocation Group EVP)

Disciplinary Committee

The Disciplinary Committee identifies operations and behavior punishable under the Bank’s regulations and disciplinary code, as well as the perpetrators, their degrees of fault, and the potential damages. The meetings are chaired by the EVP in charge of Administration Services and Investment Group. The Disciplinary Committee meets at least six times a year and whenever required, depending on the meeting call and creates its own agenda.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Tanju Kaya (Administrative Services and Investment Group EVP), Ramazan Işık (Head of Internal Audit), Cem Demirağ (Head of Internal Control and Compliance), Ali Murat Dizdar (Chief Legal Advisor), Mustafa Özel (Branches and Central Operations Group EVP)

Yavuz Elkin (Human Resources and Deniz Academy Group EVP), Internal Audit SVP, EVP or Company GM to whom the head office/subsidiary employee reports to HR recruitment, career and remuneration management SVP

Compliance Committee

Compliance Committee gives advice related with the Bank's in-house compliance regulations. Committee convenes 4 times a year under the chairmanship of the Board Member responsible for the internal systems.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Cem Demirağ (Head of Internal Control and Compliance), Tanju Kaya (Administrative Services and Investment Group EVP), Mustafa Özel (Branches and Central Operations Group EVP), Ali Murat Dizdar (Chief Legal Advisor), Ramazan Işık (Head of Internal Audit), Yavuz Elkin (Human Resources and Deniz Academy Group EVP)

Operational and Information Risk Committee

To discuss operational losses arising from inadequate and erroneous IT processes and corresponding actions. The committee convenes at least six times per year under the chairmanship of Board Member in charge of Internal Systems.

Committee Members

Wouter Van Roste (Board Member in charge of Internal Systems), Dilek Duman (Information Technology and Support Operations Group EVP), Ömer Uyar (Intertech GM), Ramazan Işık (Head of Internal Audit), Cem Demirağ (Head of Internal Control and Compliance), Murat ÇITAK (IT Security and Digital-Card. Payment Operations Group EVP), Intertech Infrastructure and Systems Management Assistant GM, Intertech PMO, Test, Document and Quality Management Assistant GM, Head office control units SVP, IT Audit SVP, IT Audit Department Head, Control Assessment and IT Control Department Head, Operational Risk Manager, Intertech IT Governance and KEP Management Architectural Consultant

Rating Committee

The Committee convenes every three months under the chairmanship of the Board Member in charge of Credits: To give final decision about ratings of companies that are carried to the Committee, To follow up the functioning of rating processes.

Committee Members

Timur Kozintsev (Board Member in charge of Credit Risk-CRO), Selim Efe Teoman (Corporate and Commercial Credits Group EVP), Derya Kumru (Board Member), Sinan Yılmaz (Head of Risk Management Center), Credit policies and risk monitoring SVP, Corporate and Commercial Allocation SVPs, Risk Reporting and Credit Risk Control and Risk modelling validation

5.4 Risk Management and Internal Control Mechanism

The Board of Directors has established the risk management and internal control systems designed to minimize the risks that could affect shareholders and stakeholders; and the Annual Report includes detailed information on the functioning, management, authority, responsibilities and efficiency of the system. The Bank's Internal Control mechanism is managed by the Internal Control Center and Compliance Department, and by the Internal Audit Department. The Board of Directors monitors the efficiency of risk management and internal control systems via quarterly analyses and reports prepared by the Audit Committee. The Annual Report's section on the assessment of the Audit Committee provides further information on this issue.

5.5 The Company's Strategic Objectives

The Board of Directors administers and represents the Company by making strategic decisions that prioritize the long term interests of the Company, through a rational and prudent risk management approach designed to strike the optimum balance between the Bank's risk, growth and returns. To this end, the Board of Directors sets the Bank's strategic objectives, identifies the human and financial resources it will necessitate, monitors the planning of the organization and operations geared towards this goal, and audits the management's performance in line with defined targets. During the implementation of the strategy, the Board oversees the compliance of the Bank's operations with legislation, the Articles of Association, in-house regulations and policies.

The Company's Strategic Objectives have been approved by the Board of Directors. The strategic objectives and the actual degree of completion of the business plans and budgets designed to meet these objectives are periodically monitored and reported through a robust infrastructural system.

5.6 Remuneration

DenizBank publishes on the corporate website its Remuneration Policy, approved by the Board of Directors and established to set the principles of payroll and social benefits. Principles regarding the performance-based evaluation and remuneration of members of the Board of Directors, executive managers, the second-level managers of DenizBank, and second-level managers of subsidiaries are defined in the Remuneration Policy. Members of the Management Board (Executive Members of the Board of Directors and Vice Presidents) receive bonuses based on performance. The Chairman, Vice Chairman, and Board Members are paid an attendance fee determined by the General Assembly. Board members residing in Turkey were paid a gross monthly sum of TL 10,000 As part of managers' bonus payments GM Premiums and the PUPA Premium system, performance based premium payment of approximately 2.62 monthly salaries were made to DFSG personnel in 2016.

INTERNAL AUDIT, INTERNAL CONTROL, COMPLIANCE AND RISK MANAGEMENT SYSTEMS

DenizBank, the activities, duties, and responsibilities of the internal audit, internal control, compliance and risk management functions have separated. The Internal Audit Department, Internal Control Center and Compliance Department, and Risk Management Group perform these respective activities under the supervision of a member of the Board of Directors, who is also a member of the Audit Committee, pursuant to internationally accepted audit standards, domestic laws, rules and regulations, as well as the needs of the Bank and the Group.

Internal Control Center and Compliance Department

Reporting directly to the Board of Directors and Audit Committee, the Internal Control Center and Compliance Department is charged with making sure that the Group's activities are carried out efficiently and productively in compliance with national laws and in-house regulations; reducing operational and other risks; and ensuring the reliability and integration of accounting, financial reporting and IT systems.

The internal control and compliance efforts consist of control and reporting related activities performed independently at specified intervals by internal control and compliance employees at the Head Office and/or at branches, in order to assess the compliance, adequacy and efficiency of the Bank's operations.

The units are also responsible for ensuring coordination with domestic and foreign subsidiaries regarding internal control and compliance and routine report flow.

The Internal Control Center and Compliance Department has two SVPs who report to the Head of the Department, and a 92 strong workforce dispersed across 10 units as of end-2016, pursuant to national laws, rules, regulations, communiqués, as well as in-house bylaws. Once every three months, the Audit Committee is informed about the activities, agenda and organization of the Internal Control Center and Compliance Department.

Internal Control Activities

The Financial and Official Control Department carries out the analysis and control of activities that have an impact on the Bank's balance-sheet and profits/losses, within the scope of legal regulations, accounting, transaction and customer. Additionally, the Department controls the reports prepared by various departments to be sent to public agencies such as the Banking Regulation and Supervision Agency, the Central Bank of Turkey and the Savings Deposit Insurance Fund. The Branches Internal Control Department produces six-monthly control plans and carries out control efforts across the branches. Via both branch visits and from the center, the Branches Internal Control Department controls the compliance of transactions with applicable laws, procedures and in-house regulations, searches for any deficiencies in the internal control function, shares its findings with the relevant branches and business lines, and follows up future developments. The Basic Controls and Support Department organizes the processes of reporting and coordination inside the Internal Control Center and Compliance Department, and executes the performance of administrative and organizational duties, the management of the Bank's support services processes and the assistance of the Consumer Affairs Coordinating Officer. The controls of subsidiaries are executed by the Basic Controls and Support Department and the Branches Internal Control Department II. The Central Controls Department carries out regular centralized controls in line with certain scenarios.

The Fund Management Internal Control Department is charged with controlling transactions conducted by Fund Management and relevant operational departments, in financial and operational terms.

The Control Assessment and IT Control Department carries out information technology controls over IT activities that support the Bank's operations, communication channels, IT systems, and IT security policies. The Department also oversees the harmony between IT security policies, standards and guides in line with the COBIT framework. Finally, the Loans and Credit Cards Control Department performs periodic controls to ensure that the loan and credit card payment transactions undertaken by the Bank are in compliance with applicable laws, rules, regulations and the Bank's internal procedures.

Compliance Activities

In 2016, the Compliance Group fulfilled its duties via the following departments:

- › Corporate Compliance Department, and
- › Anti-Money Laundering Department.

The Corporate Compliance Department is responsible for setting basic compliance rules; overseeing the coordination of compliance risk management; ensuring compliance with the Group standards and local rules and regulations; organizing compliance-related information flow and reporting procedures among the subsidiaries.

Within the scope of Law No. 5549 on the Prevention of the Laundering Proceeds of Crime and Law No. 6415 and related regulations on the Prevention of the Financing of Terrorism, the Anti-Money Laundering Department's duties include formulating and updating the Bank's policies and procedures; evaluating the Bank's risks and taking the necessary measures; providing continuous information to the senior management; monitoring and controlling risk-bearing customer transactions; giving opinion on or approval for transactions concerning risk-bearing customers, sectors and countries; controlling correspondent banks; identifying and monitoring suspicious transactions; reporting suspicious transactions to the public authorities; and organizing classroom, e-learning and Deniz TV seminars among Bank personnel on the Prevention of Laundering Proceeds of Crime and Financing of Terrorism.

Internal Audit Department

The auditors of the Internal Audit Department inspect the level of compliance of the Bank's operations with legal requirements, the Articles of Association, in-house regulations and banking principles. The promotion of auditors is based on examination results and job performance. Recruited after a very rigorous selection process followed by an intensive training program, internal auditors conduct their work in an impartial, independent and meticulous fashion, in line with their professional code of ethics. Additionally, the Internal Audit Department also actively informs and trains Bank personnel. In 2016, the Internal Audit Department staff administered 499 hours of training to 1,818 employees. As of year-end 2016, Internal Audit Department operates with 115 staff members. The Internal Audit Department performs its functions under the following five organizational categories:

1- Audits of Head Office Processes and Subsidiaries

The Department audits the processes of Head Office units, and the processes and activities of domestic and foreign subsidiaries in accordance with applicable laws, rules and regulations. Additionally, the Department monitors its findings in line with an action plan, and analyzes relevant processes. Thirty-nine such audits were performed in 2016.

2- Branch Audits

The Department conducts risk assessments of the branches, prepares annual branch audit plans, audits branch activities, and shares the findings with relevant branches and Head Office departments. In 2016, 430 branches and eight regional offices were audited in accordance with the audit plan.

3- Investigations and Inquiries

The Department makes investigations and inquiries in accordance with Internal Audit regulations, prospectus, the Bank's internal rules and legal requirements; prepares reports; and monitors the cases. Additionally, the Department provides training for employees in the early detection and prevention of misconduct. In 2016, 791 Bank employees received 121 hours of training in this area.

4- Audit of Information Systems Processes

The Department conducts audits to ensure that DFSG's IT systems processes are structured to support the Bank's policies, and are managed in compliance with applicable laws and regulations. In 2016, the Department conducted 15 audits of this type.

5- Audit Management Office

The Department's activities include making necessary plans and arrangements regarding all of DFSG's internal audit activities; contributing to the identification of the best audit tools and methods; generating relevant reports; preparing operational procedures; and updating existing procedures under the supervision of the Head of Internal Audit.

Risk Management Group

The Risk Management Group carries out comprehensive risk management efforts which play a critical role in the formulation of DenizBank's operational strategies. The Group is responsible for creating, auditing and reporting necessary policies and procedures to identify, measure, analyze and monitor risks, which are primarily real or potential risks including the risk/return ratio of cash flows. These policies and procedures follow the principles set by the Bank's executive management and the Risk Management Group and are approved by the Board of Directors.

Depending on the type of process involved, the Risk Management Group works in collaboration with the Audit Committee, Assets and Liabilities Committee, Credit Committee, Risk Committee, as well as the Internal Control Center and Compliance Department, and the Internal Audit Department regarding both policies and practices.

- › The Risk Management Group periodically reports risk analyses to the Audit Committee and the Assets and Liabilities Committee to provide guidance in setting and monitoring risk limits and developing risk management strategies.
- › Credit risk management is performed through a holistic approach that incorporates modeling, validation, analysis, evaluation and monitoring processes. Credit risk-related processes are managed with the participation of the Corporate and Commercial Loans Group, Credit Policies, and Retail, SME, Agricultural Loan Allocation Group, Credit Follow-Up and Risk Monitoring Group, Risk Management, Credit Committee, and Executive Credit Risk Committee.
- › While each business unit is responsible for managing its own operational risk, the Risk Management Group sets policies and monitors and reports activities in coordination with the Internal Control Center and Compliance Department, and the Internal Audit Department. Assessments are performed by the Risk Committee and the Audit Committee.

Risk management policies consist of risk identification measurement and management processes. DenizBank conducts its banking activities by strictly adhering to risk management policies that aim to analyze risks and manage them within acceptable limits. Adopting this approach as a core operating principle throughout the organization, the Bank also develops systems that comply with Basel Banking Supervision Committee regulations, and other guiding international risk management principles.

Risk Management policies are based on the following types of risk:

- › Market Risk,
- › Basel II/Credit Risk,
- › Liquidity Risk,
- › Operational Risk, and
- › Structural Interest Rate Risk.

Market Risk

The Bank conducts activities in the money and capital markets in accordance with its risk policies and limits. DenizBank measures market risk using the internationally accepted Value at Risk (VaR) method, which is known for its dynamic structure that adapts easily to changing market conditions. VaR quantifies the loss of value that the portfolio of the Bank and its financial subsidiaries might sustain at a given time and confidence interval as a result of fluctuations in risk factors. VaR analyses are supported by scenario analyses and stress tests. This method allows for adaptation to changing market conditions when the risk level is determined. The reliability of the model used in calculating VaR is periodically tested through back testing.

The Bank has formulated risk policies and has established risk based limits with regards to its money and capital market trading activities.

Basel II/Credit Risk

In line with BRSA's regulations on Basel II, the Risk Management Group oversees the calculation of legal credit risk weighted assets in Pillar I in coordination with the Financial Affairs Group. With regard to Pillar II, the Bank calculates the annual general stress test in accordance with its plans and scenarios; meanwhile, the Internal Capital Assessment Process Report is prepared by Bank management in coordination with other departments. In order to ensure compliance with Basel II credit risk internal assessment methods, the Group participates in the development of the necessary credit risk models and coordinates efforts to integrate these with the data systems infrastructure. The Group is also charged with the validation, control and reporting of the credit levels yielded by the current internal credit assessment models.

Liquidity Risk

Liquidity adequacy is monitored within the limits defined by the Board of Directors to ensure that the Bank has sufficient liquidity and reserves under any condition. The adequacy of existing liquidity and reserve opportunities are tested against worst-case scenarios. While analyzing liquidity adequacy, any negative developments that may arise as a result of a change in market conditions or customer behavior are taken into account. The measures to be taken and procedure to be followed under stress conditions in order to preserve liquidity were put down in writing.

Operational Risk

All events that bear operational risk for the Bank and its subsidiaries are recorded in a manner that captures the causes and impacts of the events, collections and measures taken to prevent their repeat occurrence. Events that are frequent or significant are discussed by the Internal Control Center, the Internal Audit Department and the relevant department, with corrective/preventive measures put into practice. Potential operational risk is assessed by means of Risk and Control Self-Assessment. The adequacy of current measures is reviewed during this study and new measures are implemented when deemed necessary. Additionally, the coordination of the Business Continuity Program is kept up to date and testing of same is undertaken to ensure its effectiveness.

Structural Interest Rate Risk

DenizBank monitors the structural interest rate risk exposure due to the Bank's balance sheet structure by using advanced models, and controls assumed risks through the limits defined by Board of Directors. The Bank conducts interest sensitivity analyses to measure the impact of the Bank's maturity mismatch on net present value and income. The structural interest rate risk exposure due to the Bank's balance sheet structure is monitored by using advanced models, and assumed risks are controlled through defined limits.

ASSESSMENTS OF THE AUDIT COMMITTEE

Reporting to the Board of Directors, the Bank's Audit Committee functions in accordance with Banking Law No. 5411 and the Bank's regulation on Internal Systems and Internal Capital Adequacy Evaluation Process. The Audit Committee meets periodically on behalf of the Board of Directors and sets the Bank's audit policies.

The Audit Committee is responsible for taking all the steps necessary to oversee the audit and public disclosure of the Bank's accounting system and financial data, as well as the functioning and effectiveness of its internal audit, internal control, compliance, and risk management systems.

The Audit Committee receives quarterly reports from the control units (i.e. internal audit, internal control and compliance, risk management) in order to evaluate the adequacy of the methods for the identification, control and monitoring of risks that the Bank is exposed to, and to report its findings to the Board of Directors. Furthermore, the Audit Committee submits its opinions and recommendations on significant matters to the Board of Directors.

In line with the four meetings it held in 2016 and the activities it conducted as part of its responsibilities, the Audit Committee took the following actions:

The Audit Committee audited the Bank's financial statements and notes for year-end 2015 and the first, second and third quarters of 2016 for compliance with the Bank's accounting principles and international accounting standards, as well as to confirm the accuracy of the information used. The results were reported to the Board of Directors along with the Audit Committee's own assessments. The Committee reviewed the Internal Audit Plan for 2016 and submitted it to the Board of Directors for approval. The Committee also assessed and approved the quarterly reports of the Internal Audit, Internal Control and Compliance, and Risk Management units.

In addition, the Committee inspected the performance and objectivity of the independent external auditors and monitored their work at all stages.

The Committee also performed a risk assessment related to the support services to be received by the Bank, and submitted its assessments and the risk management program in a report to the Board of Directors, complete with a list of these service providers.

The 2016 activities of the groups that report to the Audit Committee were as follow below.

Internal Audit Department

Reporting directly to the Board of Directors, the Internal Audit Department is charged with ensuring that internal audit activities are in line with applicable laws, rules and regulations and the Bank's strategies, policies, principles and targets. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems, and makes a risk assessment of the operations of the Bank and its subsidiaries. Efforts to efficiently manage operational risk account for a large portion of the audit activity. In 2016, the Internal Audit Department also successfully audited the financial and IT systems of the Bank's entire domestic and overseas business lines and subsidiaries, both from the Head Office and on-site.

Operating with a 115 strong workforce, DenizBank's Internal Audit Department fulfills its responsibilities in an impartial and independent manner, and reports its findings to the Audit Committee. Aiming to establish a proactive audit structure, the Internal Audit Department runs its audit operations largely based on the results of risk assessments. The Department completed all activities listed in the 2016 Annual Audit Plan as scheduled. In addition to such pre-planned audit activities, in 2016 the Department also carried out investigations and inquiries, participated in various projects and provided a range of consultancy services requested by the Bank's executive management, when deemed necessary.

Internal Control Center and Compliance Department

Reporting directly to the Audit Committee, the Internal Control Center and Compliance Department carried out its 2016 activities with a staff of 92 employees. The Internal Control Center and the Board of Compliance performed central and on-site controls of the branches, Head Office units and subsidiaries through the Bank's own internal control and reporting software. Subsequently, the Center shared the findings of these controls with the relevant business lines and managers, and monitored the actions taken. Classroom and web-based training seminars (including examination) were held for all employees of the Bank and its subsidiaries on the prevention of money laundering and the financing of terrorism, ethical principles, fight against corruption, prevention of conflicts of interest, the reinforcement of the compliance culture and IT security.

Via the Bank's internal tracking software, the Department performed controls pertaining to the laundering proceeds of crime and financing of terrorism, monitored relevant national and international legislation, and took measures necessary for compliance.

In line with relevant BRSA regulations, the Department monitored, updated and tested processes related to the Management Declaration.

There was work on the examination of projects by the Bank and its affiliates as project stakeholder, and opinions and approvals were provided on scope documents as regards new products and processes.

Risk Management Group

The Risk Management Group is responsible for creating and measuring risks and defining and implementing risk policies and procedures, as well as analyzing, monitoring, reporting, investigating, confirming and auditing risks, in line with the principles set jointly by the Bank's executive management and the Risk Management Group, and approved by the Board of Directors.

The Risk Management Group had 19 employees as of December 31, 2016.

The Risk Management Group's Market and Interest Rate Risk Department measures market risk, interest risk and liquidity risk continually upgrades the analyses and methods utilized, oversees compliance with risk tolerance as defined by the Board of Directors, and reports to the relevant units, executive management and the Audit Committee.

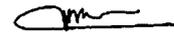
While analyzing the possible effects of market fluctuations on the Bank's balance sheet and income statement, and setting in-house risk policies, the Risk Management Group takes into account legal limitations and regulations, best practices, and the Bank's own requirements. Each year, the Board of Directors reviews the risk limits determined for the risk types in question.

The Credit Risk Control and Risk Models Validation Department coordinates the Bank's Basel II compliance processes and generates the internal risk reports. Basel II compliance efforts include the development and maintaining the legal reporting data structure and reporting processes within the scope of Pillar I and stress testing and preparation of ICAAP report within the scope of Pillar II. The Department also undertakes the process of validation and control of internal rating based models.

Operational risk events are regularly recorded by the Operational Risk Management Department. Relatively high impact events are defined and related measures are followed. The Operational Risk Department coordinates the business continuity plan developed against any business interruption risk of the Bank. Business Continuity Plans are regularly updated, tested and preventive measures are taken. Certain regulations and policies are developed at DenizBank in accordance with Sberbank Group standards: operational risk policy, internal regulation on data loss recovery, scenario analysis and self-assessment regulations. The Bank's Business Continuity Program is coordinated to cover potentially significant operational risks.



NİHAT SEVİNÇ
*Board Member and
Audit Committee
Member*



WOUTER VAN ROSTE
*Board Member and
Audit Committee
Member*



PAVEL BARCHUGOV
*Board Member and
Audit Committee
Member*

INDEPENDENT AUDITOR REPORT ON THE ANNUAL REPORT



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(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)

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

To the Board of Directors of DenizBank A.Ş.

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

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

Responsibility of the Bank's Board of Directors

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

Independent Auditor's responsibility

Our responsibility is to express an opinion based on the independent audit we performed on the Bank's annual report, in accordance with the Article 397 of TCC and "Communique on Independent Audit of Banks" published in the Official Gazette no.29314 dated 2 April 2015 on whether the financial information provided in this annual report is presented fairly and consistent with the Bank's consolidated and unconsolidated financial statements there on which auditor's report dated February 23, 2017 has been issued.

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

Opinion

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

Report on other responsibilities arising from regulatory requirements

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

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

Fatma Ebru Yücel, SMMM
Partner

İstanbul, March 1, 2017

FIVE-YEAR SUMMARY FINANCIAL HIGHLIGHTS

Summary Consolidated Financial Highlights (TL million)					
Balance Sheet	2016	2015	2014	2013	2012
Securities ⁽¹⁾	12,760	13,381	11,664	7,601	8,656
Net Loans ⁽²⁾	95,023	77,705	64,564	56,466	38,801
Banks	18,588	15,634	12,853	10,132	5,932
Total Assets	135,554	112,886	94,403	79,668	56,495
Customer Deposits ⁽³⁾	90,621	71,204	61,831	49,702	34,985
Time	71,742	56,949	50,462	39,091	27,950
Demand	18,880	14,255	11,369	10,611	7,035
Borrowings ⁽⁴⁾	11,259	11,257	7,889	10,018	6,019
Securities Issued ⁽⁴⁾	3,491	3,086	3,393	2,587	1,753
Sub-ordinated Loans	5,484	4,846	3,923	2,354	888
Shareholders' Equity	10,590	8,294	7,161	6,088	5,665
Paid-in Capital	3,316	1,816	716	716	716
Non-cash Loans	28,782	24,444	20,452	18,416	12,381

Income Statements	2016	2015	2014	2013	2012
Interest Income	10,120	8,387	7,080	5,454	4,806
Interest Expense	-4,985	-4,311	-3,453	-2,443	-2,337
Net Interest Income after Provisions	3,299	2,715	2,675	1,983	1,742
Non-interest Income	1,865	1,439	1,276	1,612	952
Non-interest Expense	-3,339	-3,013	-2,736	-2,327	-1,739
Net Profit/Loss From Discontinued Operations	1	1	0	0	0
Net Income	1,401	859	939	1,011	720

Other Highlights	2016	2015	2014	2013	2012
Number of Branches ⁽⁵⁾	737	735	758	713	624
Number of Employees	14,832	14,853	14,979	14,413	11,618
Number of ATMs	4,756	4,355	3,989	3,749	3,180
Number of POS Terminals	200,756	200,020	191,148	185,980	122,567
Number of Credit Cards	3,572,969	3,284,266	3,098,579	2,717,839	2,191,590

All financial figures presented in this table are extracts from the audited consolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents," dated 1 November 2006, which is published in the Official Gazette No. 26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

⁽¹⁾ 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.

⁽²⁾ Includes factoring and leasing receivables.

⁽³⁾ Excludes bank deposits.

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

⁽⁵⁾ Includes subsidiaries' branches.

Summary Unconsolidated Financial Highlights (TL million)					
Balance Sheet	2016	2015	2014	2013	2012
Securities ⁽¹⁾	11,561	11,790	9,822	6,135	7,392
Net Loans	61,820	51,349	43,096	38,637	28,191
Banks	18,579	15,630	12,848	10,127	6,837
Total Assets	103,159	84,221	70,931	60,555	44,198
Customer Deposits ⁽²⁾	59,525	45,117	41,552	34,328	25,807
Time	47,716	36,751	34,188	26,939	20,816
Demand	11,809	8,366	7,364	7,389	4,991
Borrowings	10,751	10,699	7,508	9,123	5,398
Securities Issued	1,153	1,259	1,622	1,371	772
Sub-ordinated Loans	5,484	4,846	3,923	2,354	888
Shareholders' Equity	10,562	8,269	7,139	6,043	5,030
Paid-in Capital	3,316	1,816	716	716	716
Non-cash Loans	28,522	24,275	20,422	18,326	12,106

Income Statements	2016	2015	2014	2013	2012
Interest Income	8,338	6,805	5,744	4,515	4,095
Interest Expense	-4,285	-3,651	-2,838	-2,007	-1,953
Net Interest Income after Provisions	2,308	1,936	2,019	1,540	1,476
Non-interest Income	1,640	1,122	1,072	1,092	1,131
Non-interest Expense	-3,000	-2,715	-2,509	-2,069	-1,614
Net Profit/Loss From Discontinued Operations	0	0	0	34	0
Net Income	1,409	763	989	790	813

Other Highlights	2016	2015	2014	2013	2012
Number of Branches	694	692	716	689	610
Number of Employees	12,938	12,923	13,187	12,822	10,280
Number of ATMs	4,756	4,355	3,989	3,749	3,180
Number of POS Terminals	200,756	200,020	191,148	185,980	122,567
Number of Credit Cards	3,572,969	3,284,266	3,098,579	2,717,839	2,191,590

All financial figures presented in this table are extracts from the audited unconsolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents," dated 1 November 2006, which is published in the Official Gazette No. 26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

⁽¹⁾ 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.

⁽²⁾ Excludes bank deposits.

ASSESSMENT OF FINANCIAL POSITION

Shareholders' Equity and Capital Adequacy (TL million)						
	Consolidated			Unconsolidated		
	2016	2015	2014	2016	2015	2014
Capital Adequacy Ratio (%)	14.17	12.93	12.87	17.52	16.07	14.09
Shareholders' Equity	10,590	8,294	7,161	10,562	8,269	7,139
Return on Average Equity (%)	14.8	11.1	14.2	15.0	9.9	15.0
Non-performing Loans/ Total Cash Loans Ratio (%)	3.7	4.0	3.0	5.1	5.0	3.8
Free Capital ⁽¹⁾	8,115	6,164	5,397	3,196	2,587	2,623
Free Capital Ratio (%) ⁽²⁾	5.99	5.46	5.72	3.10	3.07	3.70

⁽¹⁾ 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.

⁽²⁾ Free Capital Ratio = Free Capital / Total Assets.

Asset Quality						
	Consolidated			Unconsolidated		
	2016	2015	2014	2016	2015	2014
Non-performing Loans/ Total Cash Loans Ratio (%)	3.7	4.0	3.0	5.1	5.0	3.8
Non-performing Loans Provision Ratio (%)	113.8	103.1	112.4	110.1	109.9	120.0
Loan Loss Provisions/ Total Cash Loans Ratio (%)	4.3	4.1	3.4	5.7	5.5	4.6
Cost of Risk (%)	2.5	1.4	1.1	3.4	1.9	1.5

CAPITAL MARKET INSTRUMENTS ISSUED BY DENİZBANK

Funding	Amount – TL	Maturity	Issue Date	Maturity Date
Bill	181,000,000	84 days	January 15, 2016	April 08, 2016
Bill	23,000,000	189 days	January 15, 2016	July 22, 2016
Bill	55,000,000	91 days	January 29, 2016	April 29, 2016
Bill	50,000,000	112 days	February 24, 2016	June 15, 2016
Bill	125,000,000	84 days	March 11, 2016	June 03, 2016
Bill	3,000,000	168 days	March 11, 2016	August 26, 2016
Bill	175,000,000	98 days	March 25, 2016	July 01, 2016
Bill	200,000,000	112 days	April 08, 2016	July 29, 2016
Bill	15,000,000	107 days	April 13, 2016	July 29, 2016
Bill	63,000,000	105 days	April 29, 2016	Aug 12, 2016
Bill	10,000,000	175 days	April 29, 2016	Oct 21, 2016
Bill	60,000,000	98 days	May 20, 2016	Aug 26, 2016
Bill	25,000,000	168 days	May 20, 2016	Nov 04, 2016
Bill	85,000,000	84 days	Jun 03, 2016	Aug 26, 2016
Bill	55,000,000	175 days	Jun 03, 2016	Nov 25, 2016
Bill	50,000,000	93 days	Jun 15, 2016	Sep 16, 2016
Bill	150,000,000	112 days	July 01, 2016	Oct 21, 2016
Bill	26,000,000	161 days	July 01, 2016	Dec 09, 2016
Bill	175,000,000	98 days	July 29, 2016	Nov 04, 2016
Bill	25,000,000	175 days	July 29, 2016	Jan 20, 2017
Bill	75,000,000	119 days	Aug 12, 2016	Dec 09, 2016
Bill	85,000,000	98 days	Aug 19, 2016	Nov 25, 2016
Bill	65,000,000	175 days	Aug 19, 2016	Feb 10, 2017
Bill	129,000,000	91 days	Oct 21, 2016	Jan 20, 2017
Bill	71,000,000	182 days	Oct 21, 2016	April 21, 2017
Bill	130,000,000	98 days	Nov 04, 2016	Feb 2, 2017
Bill	110,000,000	168 days	Nov 04, 2016	April 21, 2017
TOTAL – Bills	2,216,000,000			

DENİZBANK RATINGS BY INTERNATIONAL RATING AGENCIES

Moody's*

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

*As of 26.09.2016.

Fitch Ratings**

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

**As of 05.08.2016.



INDEPENDENT AUDITOR'S REPORT,
UNCONSOLIDATED FINANCIAL STATEMENTS
AND NOTES FOR THE YEAR
ENDED 31 DECEMBER 2016





I. INDEPENDENT AUDITOR'S REPORT

II. PUBLICLY DISCLOSED UNCONSOLIDATED FINANCIAL REPORT



Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
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Ticaret Sicil No : 479920-427502

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

Independent Auditor Report

To the Board of Directors of Denizbank A.Ş.

Report on the Unconsolidated Financial Statements

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

Responsibility of the Bank's Board of Directors for the financial statements

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

Independent Auditor's responsibility

Our responsibility is to express an opinion on the unconsolidated financial statements based on our audit. We conducted our audit in accordance with communique "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion the accompanying unconsolidated financial statements presents fairly, in all material respects, the financial position of Denizbank A.Ş. as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Financial Reporting Legislation.

Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

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

Additional paragraph for convenience translation to English:

As explained in detail in Note I.c of Section Three, accounting principles and standards set out by regulations in conformity with BRSAs Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Fatma Ebru Yücel, SMMM
Partner

Istanbul, Turkey

23 February 2017

DENİZBANK A.Ş.
UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2016

Address of the Bank's Headquarters
Büyükdere Caddesi No:141
34394 -ESENTEPE/İSTANBUL

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
yatirimciliskileri@denizbank.com

The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- DISCLOSURES ON ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, 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 unconsolidated financial statements are presented in Thousands of Turkish Lira.

23 February 2017



HAKAN ELVERDİ
Senior Vice President
International and Regulatory
Financial Reporting



SUAVİ DEMİRCİOĞLU
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



NİHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:
Name/Title: İmge İhtiyar / Department Head, International Reporting Department
Tel No: 0 212 348 5997
Fax No: 0 212 336 6186

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DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016

(Currency: Thousands of TL - Turkish Lira)

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

SECTION ONE

GENERAL INFORMATION

I. The 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 İstanbul ("BIST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 31 December 2016.

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 the Bank shares representing 99,85% of the Bank's capital. The transaction covers the 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 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 Bank directly or indirectly, and if exists, changes on these issues and the Group that the Bank belongs to

Current Period

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

Prior Period

Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	1.813.422.610	99,85
Publicly traded	2.677.304	0,15
Others shareholders	86	--
Total	1.816.100.000	100,00

Paid capital of the 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
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AS OF 31 DECEMBER 2016
(Currency: Thousands of TL - Turkish Lira)

*Convenience Translation of
Unconsolidated 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 Bank they possess and their areas of responsibility

Name	Title	Shares owned (%)
President of the Board of Directors		
Herman Gref	Chairman	--
Board of Directors		
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	--
Svetlana Sagaydak	Member	--
Vadim Kulik	Member	--
Derya Kumru	Member	--
Igor Kondrashov	Member	--
Alexander Morozov	Member	--
Pavel Barchugov	Member	--
Audit Committee		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Pavel Barchugov	Member	--
Executive Vice Presidents		
Bora Böcüoğuz	Treasury, Financial Institutions	--
Suavi Demircioğlu	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services Group and Investment	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu	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 Hıçkırın	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	--
Ruslan Abil	Group Reporting and Asset/Liability Management	--
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 Öneç	Private Banking and Investment Sales-Performance Management	--
Sinan Yılmaz	Risk Management Group Leader	--
Hakan Turan Pala	Corporate and Commercial Loans Analysis	--
Edip Kürşad Başer ^(*)	Loans Policies - Individual - SME and Agriculture Banking Credit Allocation Group	--
Murat Çıtak	IT Security and Digital-Card Payment Operations	--
Verda Beril Yüzer Oğuz	Corporate Loans Policies	--

^(*) Fatma Ayperı Karahan, Deputy General Manager responsible for Individual - SME and Agriculture Banking Credit Allocation Group at the Bank, has retired. Title of Edip Kürşad Başer has been changed as "Deputy General Manager responsible for Loans Policies-Individual - SME and Agriculture Banking Credit Allocation Group" with Board of Directors Decision dated 5 October 2016.

Hayri Cansever, who were General Manager of Destek Varlık Yönetim A.Ş., one of our former Group Companies, has been assigned as Secretary General and Deputy General Manager responsible for Sberbank Coordination Group following the resignation of Kürşad Taçalan, who were Secretary General at the Bank.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016
(Currency: Thousands of TL - Turkish Lira)

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

IV. Explanations regarding the real person and corporate qualified shareholders at the 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 Bank's capital having both direct and indirect qualified shares.

As of 31 December 2016 the capital structure of Sberbank is as follows:

Shareholders	Share Percentages
Central Bank of Russia	50,00 %
Publicly traded	50,00 %
Total	100,00 %

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 Bank

The Bank is a private sector deposit bank which provides banking services to its customers through 693 domestic and 1 foreign branch as of 31 December 2016.

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

None.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016

(Currency: Thousands of TL - Turkish Lira)

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

SECTION TWO

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- VI. Unconsolidated Statements of Cash Flows
- VII. Unconsolidated Profit Distribution Tables

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (BALANCE SHEETS)
AS OF 31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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

ASSETS	Footnotes	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.a)	2.281.715	12.479.223	14.760.938	1.195.116	9.564.027	10.759.143
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.b)	1.043.122	482.825	1.525.947	893.753	222.827	1.116.580
2.1 Financial Assets Held For Trading		1.043.122	482.825	1.525.947	893.753	222.827	1.116.580
2.1.1 Public Sector Debt Securities		84.720	3.697	88.417	14.144	8.481	22.625
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Positive Value of Trading Purpose Derivatives		948.815	479.128	1.427.943	879.090	213.782	1.092.872
2.1.4 Other Securities		9.587	-	9.587	519	564	1.083
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		-	-	-	-	-	-
III. BANKS	(5.1.c)	16.278	2.950.687	2.966.965	21.592	2.198.964	2.220.556
IV. DUE FROM MONEY MARKETS		3.001.396	-	3.001.396	1.200.353	-	1.200.353
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	-	-	-	-	-
4.3 Reverse Repurchase Agreements		3.001.396	-	3.001.396	1.200.353	-	1.200.353
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.d)	5.421.996	1.139.562	6.561.558	7.201.943	1.322.536	8.524.479
5.1 Share Certificates		3.930	37.779	41.709	3.929	108.955	112.884
5.2 Public Sector Debt Securities		5.418.066	885.253	6.303.319	7.198.014	1.213.581	8.411.595
5.3 Other Securities		-	216.530	216.530	-	-	-
VI. LOANS AND RECEIVABLES	(5.1.e)	49.038.709	12.781.675	61.820.384	42.535.661	8.813.163	51.348.824
6.1 Loans and Receivables		48.094.511	12.781.675	60.876.186	41.806.994	8.813.163	50.620.157
6.1.1 Loans Utilized to the Bank's Risk Group		95.449	118.443	213.892	82.606	7.879	90.485
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		47.999.062	12.663.232	60.662.294	41.724.388	8.805.284	50.529.672
6.2 Loans under Follow-Up		3.292.211	-	3.292.211	2.682.048	-	2.682.048
6.3 Specific Provisions (-)		2.348.013	-	2.348.013	1.953.381	-	1.953.381
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENT HELD TO MATURITY (Net)	(5.1.f)	3.339.895	1.561.104	4.900.999	2.875.209	366.569	3.241.778
8.1 Public Sector Debt Securities		3.339.895	1.561.104	4.900.999	2.875.209	366.569	3.241.778
8.2 Other Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.g)	8.654	-	8.654	8.654	-	8.654
9.1 Associates accounted for Under Equity Method		-	-	-	-	-	-
9.2 Unconsolidated Associates		8.654	-	8.654	8.654	-	8.654
9.2.1 Financial Associates		15	-	15	15	-	15
9.2.2 Non-Financial Associates		8.639	-	8.639	8.639	-	8.639
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.h)	786.042	4.506.890	5.292.932	703.280	3.236.451	3.939.731
10.1 Unconsolidated Financial Subsidiaries		769.617	4.506.890	5.276.507	697.631	3.236.451	3.934.082
10.2 Unconsolidated Non-Financial Subsidiaries		16.425	-	16.425	5.649	-	5.649
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.i)	2.800	-	2.800	2.800	-	2.800
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
XII. LEASE RECEIVABLES (Net)	(5.1.j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING PURPOSE DERIVATIVES	(5.1.k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.l)	430.281	4	430.285	401.022	6	401.028
XV. INTANGIBLE ASSETS (Net)	(5.1.m)	188.762	-	188.762	171.178	-	171.178
15.1 Goodwill		869	-	869	869	-	869
15.2 Others		187.893	-	187.893	170.309	-	170.309
XVI. INVESTMENT PROPERTIES (Net)	(5.1.n)	-	-	-	-	-	-
XVII. TAX ASSETS	(5.1.o)	150.194	-	150.194	85.376	-	85.376
17.1 Current Tax Assets		67.090	-	67.090	-	-	-
17.2 Deferred Tax Assets		83.104	-	83.104	85.376	-	85.376
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.p)	-	-	-	-	-	-
18.1 Held For Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.q)	1.048.686	498.327	1.547.013	905.801	294.386	1.200.187
TOTAL ASSETS		66.758.530	36.400.297	103.158.827	58.201.738	26.018.929	84.220.667

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

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF FINANCIAL
POSITION (BALANCE SHEETS)
AS OF 31 DECEMBER 2016 AND 2015
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Originally Issued in Turkish,
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LIABILITIES AND EQUITY	Footnotes	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.II.a)	35.124.709	28.066.219	63.190.928	26.095.476	20.492.101	46.587.577
1.1 Deposits of the Bank's Risk Group		278.399	2.951.661	3.230.060	227.627	771.369	998.996
1.2 Others		34.846.310	25.114.558	59.960.868	25.867.849	19.720.732	45.588.581
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.b)	553.627	387.561	941.188	331.910	245.317	577.227
III. FUNDS BORROWED	(5.II.c)	844.231	9.906.366	10.750.597	195.122	10.503.948	10.699.070
IV. DUE TO MONEY MARKETS		5.397.576	-	5.397.576	7.184.158	-	7.184.158
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	-	-	720.000	-	720.000
4.3 Repurchase Agreements		5.397.576	-	5.397.576	6.464.158	-	6.464.158
V. SECURITIES ISSUED (Net)	(5.II.d)	1.152.633	-	1.152.633	1.259.198	-	1.259.198
5.1 Bills		737.553	-	737.553	609.746	-	609.746
5.2 Asset Backed Securities		415.080	-	415.080	556.311	-	556.311
5.3 Bonds		-	-	-	93.141	-	93.141
VI. FUNDS		-	-	-	-	-	-
6.1 Borrowers Funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS		1.390.447	460.976	1.851.423	1.139.066	503.695	1.642.761
VIII. OTHER EXTERNAL RESOURCES	(5.II.e)	1.057.281	887.790	1.945.071	973.956	799.509	1.773.465
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.II.f)	18.493	-	18.493	26.301	933	27.234
10.1 Financial Lease Payables		20.923	-	20.923	31.455	943	32.398
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses (-)		2.430	-	2.430	5.154	10	5.164
XI. HEDGING PURPOSE DERIVATIVES	(5.II.g)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XII. PROVISIONS	(5.II.h)	1.682.263	12.010	1.694.273	1.190.643	15.761	1.206.404
12.1 General Provisions		1.277.781	-	1.277.781	984.209	-	984.209
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		105.342	-	105.342	93.352	-	93.352
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		299.140	12.010	311.150	113.082	15.761	128.843
XIII. TAX LIABILITIES	(5.II.i)	171.472	-	171.472	148.289	-	148.289
13.1 Current Tax Liability		171.472	-	171.472	148.289	-	148.289
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
14.1 Held For Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(5.II.k)	-	5.483.501	5.483.501	-	4.845.965	4.845.965
XVI. SHAREHOLDERS' EQUITY	(5.II.l)	10.671.309	(109.637)	10.561.672	8.227.920	41.399	8.269.319
16.1 Paid-In Capital		3.316.100	-	3.316.100	1.816.100	-	1.816.100
16.2 Supplementary Capital		(934.554)	(109.637)	(1.044.191)	(504.529)	41.399	(463.130)
16.2.1 Share Premium		15	-	15	39	-	39
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve		(445.696)	(109.637)	(555.333)	(521.167)	41.379	(479.788)
16.2.4 Revaluation Fund on Tangible Assets	(5.II.l)	38.273	-	38.273	113.097	-	113.097
16.2.5 Revaluation Fund on Intangible Assets		-	-	-	-	-	-
16.2.6 Revaluation Fund on Investment Properties		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		81	-	81	81	-	81
16.2.8 Hedging Funds (Effective Portion)		(542.082)	-	(542.082)	(118.144)	20	(118.124)
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Supplementary Capital		14.855	-	14.855	21.565	-	21.565
16.3 Profit Reserves		5.323.790	-	5.323.790	4.597.012	-	4.597.012
16.3.1 Legal Reserves		181.352	-	181.352	143.220	-	143.220
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		4.356.547	-	4.356.547	4.278.319	-	4.278.319
16.3.4 Other Profit Reserves		785.891	-	785.891	175.473	-	175.473
16.4 Profit or Loss		2.965.973	-	2.965.973	2.319.337	-	2.319.337
16.4.1 Prior Periods' Profits / Losses		1.556.692	-	1.556.692	1.556.692	-	1.556.692
16.4.2 Current Period Profit / Loss		1.409.281	-	1.409.281	762.645	-	762.645
16.5 Minority Shares	(5.II.l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		58.064.041	45.094.786	103.158.827	46.772.039	37.448.628	84.220.667

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

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF
OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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

Footnotes	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)						
I. GUARANTEES (5.III.a)	56.951.168	81.317.679	138.268.847	51.023.522	87.767.568	138.791.090
1.1. Letters of Guarantee	10.087.461	18.434.569	28.522.030	8.859.591	15.415.284	24.274.875
1.1.1. Guarantees Subject to State Tender Law	10.075.754	11.560.516	21.636.270	8.837.234	11.190.945	20.028.179
1.1.2. Guarantees Given for Foreign Trade Operations	79.021	90.776	169.797	79.021	105.903	184.924
1.1.3. Other Letters of Guarantee	9.996.733	11.469.740	21.466.473	8.758.213	11.085.042	19.843.255
1.2. Bank Acceptances	5.498	251.332	256.830	12.074	182.245	194.319
1.2.1. Import Letter of Acceptance	5.498	251.332	256.830	12.074	182.245	194.319
1.2.2. Other Bank Acceptances	-	-	-	-	-	-
1.3. Letters of Credit	42	2.312.534	2.312.576	7.687	2.276.362	2.284.049
1.3.1. Documentary Letters of Credit	42	1.625.364	1.625.406	7.687	1.579.788	1.587.475
1.3.2. Other Letters of Credit	-	687.170	687.170	-	696.574	696.574
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	6.167	4.310.187	4.316.354	2.596	1.765.732	1.768.328
1.9. Other Sureties	-	-	-	-	-	-
II. COMMITMENTS (5.III.a)	28.323.856	4.655.442	32.979.298	23.958.658	4.174.485	28.133.143
2.1. Irrevocable Commitments	25.004.358	4.655.442	29.659.800	19.804.754	4.174.485	23.979.239
2.1.1. Asset Purchase and Sale Commitments	405.787	2.967.707	3.373.494	304.215	2.857.731	3.161.946
2.1.2. Deposit Purchase and Sales Commitments	-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4. Loan Granting Commitments	9.475.667	-	9.475.667	7.071.136	-	7.071.136
2.1.5. Securities Issuance Brokerage Commitments	-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments	2.111.130	-	2.111.130	1.920.552	-	1.920.552
2.1.8. Tax and Fund Obligations from Export Commitments	2.415	-	2.415	997	-	997
2.1.9. Commitments for Credit Card Limits	12.764.645	-	12.764.645	10.209.119	-	10.209.119
2.1.10. Banking Services	1.416	-	1.416	800	-	800
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	243.298	1.687.735	1.931.033	297.935	1.316.754	1.614.689
2.2. Revocable Commitments	3.319.498	-	3.319.498	4.153.904	-	4.153.904
2.2.1. Revocable Loan Granting Commitments	3.318.939	-	3.318.939	4.153.345	-	4.153.345
2.2.2. Other Revocable Commitments	559	-	559	559	-	559
III. DERIVATIVE FINANCIAL INSTRUMENTS (5.III.b)	18.539.851	58.227.668	76.767.519	18.205.273	68.177.799	86.383.072
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	18.539.851	58.227.668	76.767.519	18.205.273	68.177.799	86.383.072
3.2.1. Forward Foreign Currency Purchases/Sales	1.713.300	5.529.056	7.242.356	1.063.645	4.550.606	5.614.251
3.2.1.1. Forward Foreign Currency Purchases	879.079	2.740.754	3.619.833	531.612	2.266.319	2.797.931
3.2.1.2. Forward Foreign Currency Sales	834.221	2.788.302	3.622.523	532.033	2.284.287	2.816.320
3.2.2. Currency and Interest Rate Swaps	13.002.971	45.306.219	58.309.190	13.062.843	57.339.597	70.402.440
3.2.2.1. Currency Swaps-Purchases	2.927.550	13.589.466	16.517.016	2.166.231	15.516.442	17.682.673
3.2.2.2. Currency Swaps-Sales	8.455.421	6.053.631	14.509.052	10.496.612	5.307.844	15.804.456
3.2.2.3. Interest Rate Swaps-Purchases	810.000	12.831.561	200.000	18.257.656	18.257.656	18.457.655
3.2.2.4. Interest Rate Swaps-Sales	810.000	12.831.561	13.641.561	200.000	18.257.655	18.457.655
3.2.3. Currency, Interest Rate and Security Options	3.823.580	5.299.658	9.123.238	4.078.785	4.936.906	9.015.691
3.2.3.1. Currency Options-Purchases	1.947.257	2.529.225	4.476.482	2.217.151	2.313.493	4.530.644
3.2.3.2. Currency Options-Sales	1.876.323	2.643.805	4.520.128	1.861.634	2.623.413	4.485.047
3.2.3.3. Interest Rate Options-Purchases	-	63.314	63.314	-	-	-
3.2.3.4. Interest Rate Options-Sales	-	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	-	2.092.735	2.092.735	-	1.350.690	1.350.690
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	399.449.855	93.781.365	493.231.220	310.629.813	73.531.339	384.161.152
IV. ITEMS HELD IN CUSTODY	90.113.164	1.945.577	92.058.741	58.856.434	1.731.253	60.587.687
4.1. Customers' Securities and Portfolios Held	-	-	-	-	-	-
4.2. Securities Held in Custody	89.040.303	1.006.875	90.047.178	57.996.909	895.914	58.892.823
4.3. Checks Received for Collection	254.257	600.368	854.625	65.421	613.202	678.623
4.4. Commercial Notes Received for Collection	818.604	254.541	1.073.145	794.104	199.607	993.711
4.5. Other Assets Received for Collection	-	-	-	-	-	-
4.6. Assets Received for Public Offering	-	-	-	-	-	-
4.7. Other Items under Custody	-	83.793	83.793	-	22.530	22.530
4.8. Custodians	-	-	-	-	-	-
V. PLEDGED ITEMS	308.952.187	91.001.085	399.953.272	251.359.529	70.922.003	322.281.532
5.1. Securities	3.071.806	616	3.072.422	3.064.091	80.391	3.144.482
5.2. Guarantee Notes	215.141.042	38.740.795	253.881.837	172.074.747	29.774.174	201.848.921
5.3. Commodities	13.702.267	3.683.797	17.386.064	12.329.713	2.880.210	15.209.923
5.4. Warrants	-	-	-	-	-	-
5.5. Immovables	68.699.488	33.499.122	102.198.610	57.338.417	28.010.177	85.348.594
5.6. Other Pledged Items	8.337.584	15.055.000	23.392.584	6.552.561	10.177.051	16.729.612
5.7. Pledged Items-Depository	-	21.755	21.755	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES	384.504	834.703	1.219.207	413.850	878.083	1.291.933
TOTAL OFF BALANCE SHEET ITEMS (A+B)	456.401.023	175.099.044	631.500.067	361.653.335	161.298.907	522.952.242

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

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF
OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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

INCOME AND EXPENSE ITEMS		Footnotes	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I.	INTEREST INCOME	(5.IV.a)	8.337.792	6.804.782
1.1	Interest from Loans		7.213.918	5.791.174
1.2	Interest from Reserve Deposits		56.689	24.288
1.3	Interest from Banks		8.059	10.701
1.4	Interest from Money Market Transactions		10.377	1.048
1.5	Interest from Securities Portfolio		986.062	923.128
1.5.1	Trading Securities		3.810	8.181
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3	Available for Sale Securities		662.607	616.852
1.5.4	Held to Maturity Securities		319.645	298.095
1.6	Interest from Financial Leases		-	-
1.7	Other Interest Income		62.687	54.443
II.	INTEREST EXPENSE	(5.IV.b)	4.285.033	3.650.766
2.1	Interest on Deposits		3.212.722	2.692.377
2.2	Interest on Funds Borrowed		578.286	475.829
2.3	Interest on Money Market Transactions		346.122	315.665
2.4	Interest on Securities Issued		111.063	139.479
2.5	Other Interest Expense		36.840	27.416
III.	NET INTEREST INCOME (I - II)		4.052.759	3.154.016
IV.	NET FEES AND COMMISSION INCOME /EXPENSE		1.188.964	1.040.295
4.1	Fees and Commissions Received		1.589.481	1.385.834
4.1.1	Non-Cash Loans		174.386	138.906
4.1.2	Other	(5.IV.l)	1.415.095	1.246.928
4.2	Fees and Commissions Paid		400.517	345.539
4.2.1	Non-Cash Loans		757	782
4.2.2	Other	(5.IV.l)	399.760	344.757
V.	DIVIDEND INCOME	(5.IV.c)	58	1.567
VI.	TRADING INCOME/LOSS (Net)	(5.IV.d)	(515.969)	(738.075)
6.1	Profit / Loss on Securities Trading		(6.061)	21.008
6.2	Profit / Loss on Derivative Financial Transactions		302.541	1.089.708
6.3	Foreign Exchange Gains / Losses		(812.449)	(1.848.791)
VII.	OTHER OPERATING INCOME	(5.IV.e)	566.302	472.829
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		5.292.114	3.930.632
IX.	PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.744.767	1.217.576
X.	OTHER OPERATING EXPENSES (-)	(5.IV.g)	2.599.065	2.368.986
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		948.282	344.070
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		699.372	527.605
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.h)	1.647.654	871.675
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	(238.373)	(109.030)
16.1	Current Tax		(98.535)	-
16.2	Deferred Tax		(139.838)	(109.030)
XVII.	NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV XVI)	(5.IV.j)	1.409.281	762.645
XVIII.	PROFIT FROM DISCONTINUED OPERATIONS		-	-
18.1	Assets Held for Sale		-	-
18.2	Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other		-	-
XX.	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-	-
21.1	Current Tax		-	-
21.2	Deferred Tax		-	-
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.409.281	762.645
23.1	Group's Profit / Loss		1.409.281	762.645
23.2	Minority Shares		-	-
	Earnings / Losses per Share (Per thousand share)		0,50	0,38

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

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF
INCOME AND EXPENSES UNDER SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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

STATEMENT OF INCOME AND EXPENSES UNDER SHAREHOLDERS' EQUITY	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I. ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	(90.439)	(432.257)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	30.371	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	610.418	266.744
V. PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	2.949	6.340
VI. PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	(533.388)	(143.445)
VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(8.388)	1.296
IX. DEFERRED TAXES OF VALUATION DIFFERENCES	121.534	118.802
X. NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	133.057	(182.520)
XI. CURRENT PERIOD PROFIT/LOSS	1.409.281	762.645
1.1 Net Change in Fair Value of Securities (Transfer to Profit & Loss)	74.680	29.714
1.2 Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(2.752)	(5.551)
1.3 Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
1.4 Other	1.337.353	738.482
XII. TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.542.338	580.125

DENİZBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015

(Currency: Thousands of TL - Turkish Lira)

Convenience Translation of
Unconsolidated Financial Report
Originally Issued in Turkish,
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	CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Inflation Adjustments to Paid-in Capital (%)	Share Premium	Share Cancellation	Share 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./	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
I.	Business at the beginning of Period	716.100	189,164	98.411	-	-	143.220	-	3.783,96	21.550 (921,96)	566.191	14.133	(143,027)	306,054	81	(8.919)	-	5.682,554	-	5.682,554
II.	Changes in accordance with TAS 8	-	-	-	-	-	-	-	-	-	422,527	1.120,032	6,238	-	-	-	-	1.456,601	-	1.456,601
2.1	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	(92,196)	422,527	1.120,032	6,238	-	-	-	-	1.456,601	-	1.456,601
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	(70,646)	988,718	1.134,165	(138,789)	306,054	81	(8.919)	-	7.139,155	-	7.139,155
III.	New Balance (Initial)	716.100	189,164	98.411	-	-	143.220	-	3.783,96	(70,646)	988,718	1.134,165	(138,789)	306,054	81	(8.919)	-	7.139,155	-	7.139,155
IV.	Increases / Decrease Related to Mergers	-	-	-	-	-	-	-	-	-	-	-	(285,713)	-	-	-	-	(285,713)	-	(285,713)
V.	Valuation Differences of Securities	-	-	-	-	-	-	-	-	-	-	-	(109,205)	-	-	-	-	(109,205)	-	(109,205)
VI.	Hedging Transactions (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	5,551	-	-	-	-	5,551	-	5,551
6.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	(114,756)	-	-	-	-	(114,756)	-	(114,756)
6.2	Hedging of a Net Investment in Foreign Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Fund of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Fund of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes in Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	10,750	-	-	-	-	-	-	-	10,750	-	10,750
XI.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes Related to Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Changes Related to Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Effects of Changes in Equities of Associates	-	-	-	-	-	-	-	-	256,599	-	-	(56,286)	-	-	-	-	200,223	-	200,223
XV.	The Effect of Capital Increase	1.100.000	(189,164)	(98.411)	-	-	-	-	-	-	-	-	-	-	-	-	-	550.000	-	550.000
14.1	Cash	550.000	(189,164)	(98.411)	-	-	-	-	-	-	-	-	-	-	-	-	-	550.000	-	550.000
14.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	(262,425)	-	-	-	-	-	-
XV.	Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39	-	39
XVI.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Other	-	-	-	-	-	-	-	-	1.425	-	-	-	-	-	-	-	1.425	-	1.425
XX.	Current Period Net Profit / Loss	-	-	-	-	-	-	-	-	-	762,645	422,527	-	69,468	-	-	-	762,645	-	762,645
XX.	Profit Distribution	-	-	-	-	-	-	-	496,723	-	(988,718)	422,527	-	-	-	-	-	-	-	-
20.1	Dividends Distributed	-	-	-	-	-	-	-	496,723	-	(988,718)	422,527	-	-	-	-	-	-	-	-
20.2	Transfer to Reserves	-	-	-	-	-	-	-	496,723	-	(988,718)	422,527	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the End of Period (Initial...XVIII+XIX+XX)	1.816.100	-	99	-	143.220	-	-	4.278.919	197.038	762.645	1.556.692	(479.788)	113.097	81	(118.120)	-	8.269.919	-	8.269.919
I.	Business at the beginning of Period	1.816.100	-	99	-	143.220	-	-	4.278.919	197.038	762.645	1.556.692	(479.788)	113.097	81	(118.120)	-	8.269.919	-	8.269.919
II.	Changes in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation Differences of Securities	-	-	-	-	-	-	-	-	-	-	-	(123,832)	-	-	-	-	(123,832)	-	(123,832)
IV.	Hedging Transactions (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	(423,958)	-	-	-	-	(423,958)	-	(423,958)
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	2,752	-	-	-	-	2,752	-	2,752
4.2	Hedging of a Net Investment in Foreign Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(426,710)	-	-	-	-	(426,710)	-	(426,710)
V.	Revaluation Fund of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	28,852	-	-	-	28,852	-	28,852
VI.	Revaluation Fund of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	610,418	-	-	-	-	-	-	-	610,418	-	610,418
VIII.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes Related to Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Effects of Changes in Equities of Associates	-	-	(99)	-	-	-	-	(686,864)	-	-	-	48,267	(113,097)	-	-	-	48,267	-	48,267
XIII.	The Effect of Capital Increase	1.500.000	-	(99)	-	-	-	-	(686,864)	-	-	-	-	(113,097)	-	-	-	750.000	-	750.000
12.1	Cash	750.000	-	(99)	-	-	-	-	(686,864)	-	-	-	-	(113,097)	-	-	-	750.000	-	750.000
12.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	-	15
XV.	Share Cancellation Profits	-	-	-	-	-	-	-	-	(6,710)	-	-	-	-	-	-	-	(6,710)	-	(6,710)
XVI.	Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Current Period Net Profit / Loss	-	-	-	-	-	-	-	-	-	1.409,281	-	-	9,421	-	-	-	1.409,281	-	1.409,281
XVIII.	Profit Distribution	-	-	-	-	-	-	-	715,092	-	(762,645)	-	-	-	-	-	-	-	-	-
18.1	Dividends Distributed	-	-	-	-	-	-	-	715,092	-	(762,645)	-	-	-	-	-	-	-	-	-
18.2	Transfer to Reserves	-	-	-	-	-	-	-	715,092	-	(762,645)	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	9,421	-	-	-	9,421	-	9,421
	Balances at the End of Period (Initial...XVIII+XIX+XX)	3.316.100	-	15	-	143.220	-	-	4.356.547	800.746	1.409.281	1.556.692	(555.333)	38.273	81	(542.082)	-	10.561.672	-	10.561.672

(*) The amount stated in the column "Paid-in Capital Inflation Adjustment Difference" and the amount stated in the column "Other Reserves" amounting to TL (4.802) relating to the "actuarial loss/profit" calculated as per TAS 19 "Employee Benefits" and its proportion at an amount of TL 19.657 related to "equity method" as a result of amendments in TAS 27 "Individual Financial Tables." Communicate are stated under "Other Capital Reserves" in financial statements.

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

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED
31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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

	Footnotes	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit before Changes in Operating Assets and Liabilities (+)		653.785	1.177.967
1.1.1 Interest Received (+)		7.682.394	6.611.727
1.1.2 Interest Paid (-)		4.170.230	3.643.612
1.1.3 Dividend Received (+)		58	57.397
1.1.4 Fees And Commissions Received (+)		1.568.990	1.351.645
1.1.5 Other Income (+)		334.380	866.173
1.1.6 Collections from Previously Written-Off Loans and Other Receivables (+)		791.761	666.340
1.1.7 Payments to Personnel and Service Suppliers (-)		1.137.617	1.085.254
1.1.8 Taxes Paid (-)		308.542	114.645
1.1.9 Other (+/-)	(5.VI.c)	(4.107.409)	(3.531.804)
1.2 Changes in Operating Assets and Liabilities		2.772.013	2.821.174
1.2.1 Net (Increase) Decrease in Trading Securities (+/-)		(64.670)	80.786
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV (+/-)		-	-
1.2.3 Net (Increase) Decrease in Banks (+/-)		30.887	58.544
1.2.4 Net (Increase) Decrease in Loans (+/-)		(10.327.529)	(8.760.930)
1.2.5 Net (Increase) Decrease in Other Assets (+/-)		(2.033.627)	92.415
1.2.6 Net Increase (Decrease) in Bank Deposits (+/-)		2.195.225	(76.743)
1.2.7 Net Increase (Decrease) in Other Deposits (+/-)		14.338.622	3.559.781
1.2.8 Net Increase (Decrease) in Funds Borrowed (+/-)		36.517	2.942.110
1.2.9 Net Increase (Decrease) in Due Payables (+/-)		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities (+/-)	(5.VI.c)	(1.403.412)	4.925.211
I. Net Cash (Used in)/Provided from Banking Operations (+/-)		3.425.798	3.999.141
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / (Used in) Investing Activities (+/-)		989.444	(2.456.497)
2.1 Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)		-	256.426
2.2 Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)		-	-
2.3 Fixed Assets Purchases (-)		185.264	126.394
2.4 Fixed Assets Sales (+)		53.739	117.081
2.5 Cash Paid for Purchase of Investments Available for Sale (-)		1.967.276	4.364.516
2.6 Cash Obtained From Sale of Investments Available for Sale (+)		3.088.245	2.170.307
2.7 Cash Paid for Purchase of Investment Securities (-)		-	-
2.8 Cash Obtained from Sale of Investment Securities (+)		-	-
2.9 Other (+/-)	(5.VI.c)	-	3.451
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / (Used in) Financing Activities (+/-)		318.693	415.710
3.1 Cash Obtained from Funds Borrowed and Securities Issued (+)		5.692.112	6.800.115
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued (-)		6.111.668	6.911.525
3.3 Capital Increase (+)		750.000	550.000
3.4 Dividends Paid (-)		-	-
3.5 Payments for Finance Leases (-)		11.751	22.880
3.6 Other (+/-)	(5.VI.c)	-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-)	(5.VI.c)	858.680	491.429
V. Net Increase / (Decrease) in Cash and Cash Equivalents		5.592.615	2.449.783
VI. Cash and Cash Equivalents at the Beginning of Period (+)	(5.VI.a)	6.391.133	3.941.350
VII. Cash and Cash Equivalents at the End of Period	(5.VI.a)	11.983.748	6.391.133

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

DENİZBANK ANONİM ŞİRKETİ
UNCONSOLIDATED PROFIT DISTRIBUTION TABLES
FOR THE PERIODS ENDED
31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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	CURRENT PERIOD ⁽³⁾ (01/01-31/12/2016)	PRIOR PERIOD ⁽³⁾ (01/01-31/12/2015)
I. DISTRIBUTION OF CURRENT YEAR INCOME ⁽¹⁾		
1.1 CURRENT YEAR INCOME	1.647.654	871.675
1.2 TAXES AND DUTIES PAYABLE (-)	(238.373)	(109.030)
1.2.1 Corporate Tax (Income tax)	(98.535)	--
1.2.2 Income withholding tax	--	--
1.2.3 Other taxes and duties ⁽²⁾	(139.838)	(109.030)
A. NET INCOME FOR THE YEAR (1.1-1.2)	1.409.281	762.645
1.3 PRIOR YEARS LOSSES (-)	--	--
1.4 FIRST LEGAL RESERVES (-)	--	38.132
1.5 OTHER STATUTORY RESERVES (-)	--	9.421
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	1.409.281	715.092
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	--	--
1.6.1 To owners of ordinary shares	--	--
1.6.2 To owners of preferred shares	--	--
1.6.3 To owners of preferred shares (preemptive rights)	--	--
1.6.4 To profit sharing bonds	--	--
1.6.5 To holders of profit and loss sharing certificates	--	--
1.7 DIVIDENDS TO PERSONNEL (-)	--	--
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	--	--
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	--	--
1.9.1 To owners of ordinary shares	--	--
1.9.2 To owners of preferred shares	--	--
1.9.3 To owners of preferred shares (preemptive rights)	--	--
1.9.4 To profit sharing bonds	--	--
1.9.5 To holders of profit and loss sharing certificates	--	--
1.10 SECOND LEGAL RESERVES (-)	--	--
1.11 STATUTORY RESERVES (-)	--	--
1.12 GENERAL RESERVES	--	715.092
1.13 OTHER RESERVES	--	--
1.14 SPECIAL FUNDS	--	--
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	--	--
2.2 SECOND LEGAL RESERVES (-)	--	--
2.3 DIVIDENDS TO SHAREHOLDERS (-)	--	--
2.3.1 To owners of ordinary shares	--	--
2.3.2 To owners of preferred shares	--	--
2.3.3 To owners of preferred shares (preemptive rights)	--	--
2.3.4 To profit sharing bonds	--	--
2.3.5 To holders of profit and loss sharing certificates	--	--
2.4 DIVIDENDS TO PERSONNEL (-)	--	--
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	--	--
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	0,005	0,004
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,5	0,4
3.3 TO OWNERS OF PRIVILEGED SHARES	--	--
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	--	--
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	--	--
4.2 TO OWNERS OF ORDINARY SHARES (%)	--	--
4.3 TO OWNERS OF PRIVILEGED SHARES	--	--
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	--	--

⁽¹⁾ Distribution of dividend has not been decided yet since the General Assembly meeting of the Bank has not been held as of the date on which the financial statements are published.

⁽²⁾ BRSA scrutinize that income amounts related to deferred tax assets cannot be considered as cash or internal source and therefore cannot be included in distribution of net period profit. The Bank has a deferred tax expense of TL 139.838 as of 31 December 2016 (31 December 2015: TL 109.030 deferred tax expenses).

⁽³⁾ It includes impacts of TAS 27 standard.

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SECTION THREE
ACCOUNTING POLICIES

I. Basis of presentation

a. Preparation of the 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

The unconsolidated 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 unconsolidated 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", "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and as well as the communiqués that introduce amendments and additions to those Communiqués. 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 unconsolidated financial statements and explanations and footnotes relating to these statements have been denoted in Thousand Turkish Liras unless otherwise stated.

Unconsolidated 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 unconsolidated 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 unconsolidated 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 except the change in accounting policy as described under "Accounting policies and valuation principles used "in the preparation of the financial statements" below and they are consistent with accounting policies implemented in annual unconsolidated financial statements prepared for the year ending on 31 December 2015.

These accounting policies and valuation principles are explained in Notes II to XXIV below. The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the Bank's accounting policies, financial position and performance. TAS and TFRS amendments which are published but not entered into force as of signature date of financial statements do not have significant impact on accounting policies, financial position and performance of the Bank, except for TFRS 9: Financial Instruments, which shall enter into force as of January 1, 2018 the Bank has begun studies for compliance to TFRS 9 Financial Instruments Standard.

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

Communique on "TAS 27 Separate Financial Statements" standard, which is in force in order to be applied for accounting periods after 31 December 2012 via Public Oversight Accounting and Auditing Standards Authority (POA) website and published in Official Gazette dated 28 October 2011 and numbered 28098, has entered into force with "Communique on amending the Communique on TAS 27 Separate Financial Statements" (Communique) published in Official Gazette dated 9 April 2015 and numbered 29321 to be applied for accounting periods after 1 January 2016.

Entities have the opportunity to recognize their investments in associates, subsidiaries and joint ventures with equity method in their separate financial statements in line with the amendment while it is stated for entities preparing separate financial statements before the amendment in communique to recognize their investments in associates, subsidiaries and joint ventures in accordance with cost value or TAS 39 Financial Instruments standard.

The Bank recognized its subsidiaries, in which it has direct or indirect shares, according to equity method in accordance with the Communique having a permission to be applied earlier while preparing its non-consolidated financial tables with the 2nd quarter of 2015 in conjunction with the approval letter of Banking Regulation and Supervision Authority (BRSA) dated 20 July 2015 and realized the implementation retrospectively in the framework of TAS 8 Accounting Policies, amendments and errors in Accounting Estimates Standard.

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), Destek Varlık Yönetim A.Ş. (Destek Varlık Yönetim) and CR Erdberg Eins GmbH & Co KG (CR Erdberg), in which the Bank has direct or indirect shares, are associates which are recognized according to equity method in separate financial statements and included in scope of full consolidation in financial statements in accordance with the Communique.

It is decided to change type and title of Ekspres Menkul Değerler A.Ş. (Ekspres Menkul Değerler) in Extraordinary General Assembly Meeting dated August 5, 2016 and the decision is registered by İstanbul Trade Registry Directorate on August 10, 2016 and title of Ekspres Menkul Değerler is changed as Ekspres Bilgi İşlem ve Ticaret Anonim Şirketi ("Ekspres Bilgi İşlem") and it is extracted from consolidated subsidiaries scope in the framework of BRSA regulations due to its non-financial partnership status

Destek Varlık Yönetim A.Ş., one of the subsidiaries of the Bank recognized through equity method, is disposed through sales in current period.

On the other hand, Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ("Intertech") and Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Deniz Kültür"), which are associates of the Bank, and Deniz Kartlı Ödeme Sistemleri A.Ş and Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş., which are associates of Intertech, and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ("Bantaş"), which is jointly controlled entity of Bank, and Deniz Immobilen Service GmbH ("Deniz Immobilen"), which is an associate of Denizbank AG are not included in consolidation and are recognized with cost value according to TAS 27 since they are non-financial associates.

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The Bank has adjusted comparative statement of changes in equity as of 31 December 2014 with respect to amendment in TAS 27 Separate Financial Statements Standard in accordance with TAS 8 Turkish Accounting Standard on Amendments and Errors in Accounting Policies and Accounting Estimates. Impact of adjustment entries on statements are summarized below:

31 December 2014	Issued	Adjustments	Revised
Total Assets	69.474.016	1.456.601	70.930.617
Subsidiaries (Net)	1.554.707	1.456.601	3.011.308
Total Liabilities	69.474.016	1.456.601	70.930.617
Equity	5.682.554	1.456.601	7.139.155
Capital Reserves	440.247	26.380	466.627
Profit Reserves	3.945.883	(112.338)	3.833.545
Profit or Loss	580.324	1.542.559	2.122.883
-Prior Period Profit/Loss	14.133	1.120.032	1.134.165
-Current Period Profit/Loss	566.191	422.527	988.718
Dividend Income	50.112	(48.647)	1.465
Profit/Loss from Associates Subjected to Equity Method	--	549.574	549.574
Profit on Sale of Associates, Subsidiaries and Joint Ventures	78.400	(78.400)	--

c. Additional paragraph for convenience translation:

The effects of differences between accounting principles and standards set out by BRSA Accounting and Reporting Regulation the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying 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 A.Ş.'s ("The Bank") 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.

The Bank 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 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.

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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

The Bank 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 Bank and the resulting exchange differences are recorded as foreign exchange gains and losses. The Bank’s foreign currency exchange rates are as follows.

	31 December 2016	31 December 2015
US Dollar	3,5192 TL	2,9181 TL
Euro	3,7099 TL	3,1838 TL

Foreign exchange gains and losses included in the income statement

Net foreign exchange loss included in the income statement amounts to TL 812.449 as of 31 December 2016 (1 January - 31 December 2015: TL 1.848.791 net foreign exchange loss).

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

TL 36.673 (31 December 2015: TL 31.817), consisting of conversion of Bahrain Branch’s financial statements into TL in accordance with TAS 21, and TL 749.218, (31 December 2015: TL 143.656) sourcing from recognizing Denizbank AG, JSC Denizbank and Eurodeniz, which are foreign currency associates of the Bank, with equity method, are recorded under “other reserves” account.

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.006 million and US Dollar 6,7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder’s equity.

III. Explanations on investments in associates, subsidiaries, joint ventures

Associates, jointly controlled entities and non-financial associates, included in non-consolidated financial tables, are recognized according to cost value in accordance with the “TAS 27 Separate Financial Statements”.

Subsidiaries, which are treated in an active market, are reflected to financial statements with their fair values through taking their recorded prices in the aforementioned market. Subsidiaries and joint controlled entities, which are not treated in an active market, are monitored over their acquisition costs and shown in financial statements with their cost values after deducting impairment charges, if available.

Financial associates are recognized in accordance with equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Joint Ventures with respect to amendment in TAS 27 Communique on Separate Financial Statements in non-consolidated financial statements. Associates, which were recognized with cost value in non-consolidated financial statements beforehand, are recognized in accordance with the equity method as of 1 January 2013 with the 2nd quarter of 2015.

Equity method is the accounting treatment which prescribes to increase or decrease the book value of share included in associate as quota per participant from change amount occurring in period in the shareholder’s equity of the participated partnership and to deduct/set off dividends received from participated associate from the amended value of the associate.

IV. Explanations on forward transactions, options and derivative instruments

The Bank’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.

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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

The Bank does not have any securities designated as "financial assets at fair value through profit or loss".

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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 unconsolidated 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.

Real coupon of Consumer Price Index ("CPI") that is linked government bonds under available-for-sale and held-to maturity portfolios remains fixed until maturity. At the same time intended to effect of change in Consumer Price Index, valuation is carried out with using reference indexes at relating issue of security and preparation date of financial statements.

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 unconsolidated 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.

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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 Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. Explanations on 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 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 probable 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.

As 31 December 2016, The Bank does not have non-current assets held for sale and a discontinued operation (31 December 2015: None).

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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 unconsolidated 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 seperated 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 “IFRS 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 Bank’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.

	Estimated Economic Life (Year)	Depreciation Rate
Movables		
- 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
Real estates	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.

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XIV. Explanations on investment properties

None.

XV. Explanations on leasing activities

The maximum period of the lease contracts is mostly 4 years. 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.

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

The Bank does not have finance lease transactions as "lessor".

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 the Bank 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 Bank's attorneys, there are 8.816 lawsuits against The Bank with total risks amounting to TL 204.486, US Dollar 705.695 and Euro 1.579.799 as of 31 December 2016. There are also 14.153 follow-up cases amounting to TL 584.553 and US Dollar 10.000 in total that are filed by The Bank and are at courts. The Bank booked a provision amounting to TL 19.125 for the continuing lawsuits (31 December 2015: TL 18.120).

XVII. Explanations on obligations for employee benefits

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

The 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 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.

The Bank, 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.

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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.

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", The Bank 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.

The Bank's deferred tax assets and liabilities have been offset in the unconsolidated financial statements. As a result of offsetting, deferred tax assets of TL 83.104 (31 December 2015: TL 85.376) 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 provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

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.

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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 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 Bank, if required, borrows funds from domestic and foreign institutions. The Bank can also borrows funds in the forms of syndication loans and securitization loans from foreign institutions.

XX. Explanations on issuance of share certificates

Transactions related to issuance of share certificates are explained in Note II-I-8 of Section Five. No dividends have been declared subsequent to the balance sheet date.

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, The Bank does not have any government grants.

XXIII. Explanations on segment reporting

Segment reporting is presented in Note XII of Section Four.

XXIV. Explanations on other matters

None.

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SECTION FOUR
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 15.425.649 while its capital adequacy standard ratio is 17,52% as of 31 December 2016. Calculations of 31 December 2015 have been made in the framework of repealed regulations and equity amount is TL 12.204.766 while the capital adequacy standard ratio is 16,07%.

a. Components of unconsolidated shareholders' equity

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014
Common Equity Tier 1 capital		
Directly issued qualifying common share capital plus related stock surplus	3.316.100	
Share premium	15	
Legal reserves	4.537.899	
Projected gains to shareholders' equity of the accounting standards in Turkey	904.300	
Profit	2.965.973	
Net current period profit	1.409.281	
Prior period profit	1.556.692	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	81	
Common Equity Tier 1 capital before regulatory adjustments	11.724.368	
Common Equity Tier 1 capital: regulatory adjustments		
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	1.162.080	
Development cost of operating lease	89.732	
Goodwill (net of related tax liability)	522	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	112.735	187.893
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	--	
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% threshold)	--	
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	--	
Total regulatory adjustments to Common equity Tier 1	1.365.069	
Common Equity Tier 1 capital (CET1)	10.359.299	
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	--	
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	--	
Additional Tier 1 capital before regulatory adjustments	--	
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	--	
Reciprocal cross-holdings in Additional Tier 1 instruments	--	
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 (amount above 10% threshold)	--	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--	
National specific regulatory adjustments	--	
The process of transition will continue to reduce from Tier 1 Capital		
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	75.505	

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Net deferred tax asset (liability) which is not deducted from Common Equity Tier 1 capital for the purposes of the sub paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)	--
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	--
Total regulatory adjustments to Additional Tier 1 capital	75.505
Additional Tier 1 capital (AT1)	(75.505)
Tier 1 capital (T1 = CET1 + AT1)	10.283.794
Tier 2 capital: instruments and provisions	
Directly issued qualifying Tier 2 instruments plus related stock surplus	4.262.567
Directly issued qualifying Tier 2 instruments plus related stock surplus Provisions	140.768 1.016.387
Tier 2 capital before regulatory adjustments	5.278.954
Tier 2 capital: regulatory adjustments	
Reciprocal cross-holdings in Tier 2 instruments	--
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 (amount above the 10% threshold) (-)	--
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--
National specific regulatory adjustments (-)	--
Reciprocal cross-holdings in Tier 2 instruments	115.081
Total regulatory adjustments to Tier 2 capital	115.081
Tier 2 capital (T2)	5.163.873
Total capital (TC = T1 + T2)	15.447.667
Total risk weighted assets	
Loans extended being non compliant with articles 50 and 51 of the Law	--
Portion of the sum of the banks' real estate net book value, which is in excess of thirty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	9.826
National specific regulatory adjustments	12.192
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%	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--
Shareholders' Equity	
Total shareholders' equity	15.425.649
Total risk weighted items	88.069.544
CAPITAL ADEQUACY RATIOS	
Core Capital Adequacy Ratio (%)	11,76
Tier 1 Capital Adequacy Ratio (%)	11,68
Capital Adequacy Standard Ratio (%)	17,52
BUFFERS	
Institution specific buffer requirement	0,669
Capital conservation buffer requirement (%)	0,625
Bank specific countercyclical buffer requirement (%)	0,044
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	0,048
Amounts below the thresholds for deduction (before risk weighting)	
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)	--
Applicable caps on the inclusion of provisions in Tier 2	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1.277.781
Cap on inclusion of provisions in Tier 2 under standardised approach	1.016.387
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	--
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	--
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	--
Upper limit for Additional Tier II Capital subjected to temporary Article 4	683.202
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--

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	Prior Period 31 December 2015 ⁽¹⁾
CORE CAPITAL	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.816.100
Share premium	39
Share cancellation profits	--
Reserves	4.421.539
Gains recognized in equity as per TAS	370.614
Profit	2.319.337
Current Period Profit	762.645
Prior Period Profit	1.556.692
Provisions for Possible Risks	11.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	81
Core Capital Before Deductions	8.938.710
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	655.023
Leasehold improvements (-)	95.983
Goodwill or other intangible assets and deferred tax liability related to these items (-)	68.471
Net deferred tax asset/liability (-)	27.886
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	--
Direct and indirect investments of the Bank in its own Core Capital (-)	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Core Capital of the Bank (-)	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Core Capital of the Bank (-)	--
Portion of mortgage servicing rights exceeding 10% of the Core Capital (-)	--
Portion of deferred tax assets based on temporary differences exceeding 10% of the Core Capital (-)	--
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	--
Excess amount arising from the net long positions of investments in core capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	--
Excess amount arising from mortgage servicing rights (-)	--
Excess amount arising from deferred tax assets based on temporary differences (-)	--
Other items to be defined by the BRSA (-)	--
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	--
Total Deductions From Core Capital	847.363
Total Common Equity	8.091.347
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	--
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	--
Debt instruments and premiums deemed suitable by the BRSA (issued before 1.1.2014)	--
Third parties' share in the Tier I Capital	--
Additional Tier I Capital before Deductions	--
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Other items to be defined by the BRSA (-)	--
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II is not available (-)	--
Total Deductions From Additional Tier I Capital	--
Total Additional Tier I Capital	--
Deductions from Tier I Capital	144.535
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	102.707
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	41.828
Total Tier I Capital	7.946.812
TIER II CAPITAL	
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	1.679.282
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)	2.089.360
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	--
General Loan Loss Provisions	877.326
Tier II Capital Before Deductions	4.645.968
Deductions From Tier II Capital	
Direct and indirect investments of the Bank in its own Tier II Capital (-)	--
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Portion of the total of net long positions of investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Other items to be defined by the BRSA (-)	345.613
Total Deductions from Tier II Capital	345.613
Total Tier II Capital	4.300.355
CAPITAL BEFORE DEDUCTIONS	
Loans granted contrary to the 50th and 51th Article of the Law (-)	--
Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date (-)	1.092

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Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)	7.879
Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	--
Other items to be defined by the BRSA (-)	33.430
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	--
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	--
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	--
TOTAL CAPITAL	12.204.766
Amounts below the Excess Limits as per the Deduction Principles	--
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	--
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	--
Amounts arising from mortgage servicing rights	--
Amounts arising from deferred tax assets based on temporary differences	128.624

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

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

Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SBERBANK OF RUSSIA		SBERBANK OF RUSSIA		SBERBANK OF RUSSIA		SBERBANK OF RUSSIA		DEXIA CREDIT LOCAL PARIS		DEXIA CREDIT LOCAL PARIS	
	Subordinated Loans	"Regulations on Banks' Equity" dated 5 September 2013.	Not Deducted Eligible Loan	Deducted Eligible Loan	Subordinated Loans	"Regulations on Banks' Equity" dated 1 November 2006.	Deducted Eligible Loan	Subordinated Loans	"Regulations on Banks' Equity" dated 1 November 2006.	Deducted Eligible Loan	Subordinated Loans	"Regulations on Banks' Equity" dated 1 November 2006.
Subject to 10% deduction as of 1/1/2015	427	427	528	528	1056	1056	140	140	457	457	0	
Eligible at sub/Group/Grandtotal	3470102	3470102	30.09.2014	30.09.2014	3470102	3470102	28.06.2013	27.09.2007	3470102	3470102	28.06.2007	
Accounting classification	30.09.2014	30.09.2014	Dated	Dated	28.06.2013	27.09.2007	Dated	Dated	28.06.2007	28.06.2007	Dated	
Original date of issuance	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	
Repayment or dated	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Original maturity date	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 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 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 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.	
Issuer call subject to prior supervisory approval	None	None	None	None	None	None	None	None	None	None	None	
Optional call date, contingent call dates and redemption amount	None	None	None	None	None	None	None	None	None	None	None	
Subsequent call dates, if applicable	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Dividend payments	First five year 6.2%, after 1st +5.64	First five year 7.93%, after 1st +6.12	7.5%	7.49%	7.49%	7.49%	Libor + 2.90%	Libor + 2.10%	Libor + 2.10%	Libor + 2.10%	Libor + 2.10%	
Fixed rate coupon	None	None	None	None	None	None	None	None	None	None	None	
Conversion rate and any related index	None	None	None	None	None	None	None	None	None	None	None	
Existence of a dividend stopper	None	None	None	None	None	None	None	None	None	None	None	
Full discretion, partially discretionary or mandatory	None	None	None	None	None	None	None	None	None	None	None	
Existence of extra up or other incentive to redeem	None	None	None	None	None	None	None	None	None	None	None	
Noncumulative or cumulative	None	None	None	None	None	None	None	None	None	None	None	
Convertible or non-convertible	None	None	None	None	None	None	None	None	None	None	None	
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.	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.	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	
If convertible, fully or partially convertible, conversion rate	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	Convertible fully.	
If convertible, mandatory or optional conversion	None	None	None	None	None	None	None	None	None	None	None	
If convertible, specific instrument type convertible into	None	None	None	None	None	None	None	None	None	None	None	
If convertible, specific issuer of instrument it converts into	None	None	None	None	None	None	None	None	None	None	None	
Write-down feature	None	None	None	None	None	None	None	None	None	None	None	
If write-down, full or partial	None	None	None	None	None	None	None	None	None	None	None	
If write-down, permanent or temporary	None	None	None	None	None	None	None	None	None	None	None	
If temporary write-down, description of write-up mechanism	None	None	None	None	None	None	None	None	None	None	None	
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.	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.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim before share certificates and primary subordinated debts and after all other debts.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim before share certificates and primary subordinated debts and after all other debts.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim before share certificates and primary subordinated debts and after all other debts.	In the event of the litigation of the Bank, gives the owner the authority to collect the claim before share certificates and primary subordinated debts and after all other debts.	In the event of the litigation of the Bank, 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	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	Posessed for Article 8.	
According to article 7 and 8 of Banks' shareholder equity law that are not possessed	None	None	None	None	None	None	None	None	None	None	None	
												Article 8/2 (o)

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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 credit risk and risk management

a. Information on risk concentrations by debtors or group of debtors or geographical regions and sectors, basis for risk limits and the frequency of risk appraisals

Credit risk is the risk that the counterparties of the Bank may be unable to meet in full or part their commitments arising from contracts and cause to incur losses.

Credit risk limits of the customers are determined based on the customers' financial strength and the credit requirement, within the credit authorization limits of the branches, the credit evaluation group, the regional directorates, the executive vice presidents responsible from loans, the general manager, the credit committee and the Board of Directors; on condition that they are in compliance with the related regulations.

Credit risk limits are determined for debtors or group of debtors. Credit risk limits of the debtors, group of debtors and sectors are monitored on a weekly basis.

Information on determination and distribution of risk limits for daily transactions, monitoring of risk concentrations related to off-balance sheet items per customer and dealer basis

Risk limits and allocations relating to daily transactions are monitored on a daily basis. Off-balance sheet risk concentrations are monitored by on-site and off-site investigations.

Information on periodical analysis of creditworthiness of loans and other receivables per legislation, inspection of account vouchers taken against new loans, if not inspected, the reasons for it, credit limit renewals, collaterals against loans and other receivables

The Group targets a healthy loan portfolio and in order to meet its target there are process instructions, follow-up and control procedures, close monitoring procedures and risk classifications for loans in accordance with the banking legislation.

In order to prevent the loans becoming non-performing either due to cyclical changes or structural problems, the potential problematic customers are determined through the analysis of early warning signals, and the probable performance problems are aimed to be resolved at an early stage.

It is preferred to obtain highly liquid collaterals such as bank guarantees, real estate and ship mortgages, pledges on securities, bills of exchange and sureties of the persons and companies.

Descriptions of past due and impaired loans as per the accounting practices

Loans which were transferred to second group loans based on the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside" and whose principal and interest payments were not realized at the relevant due dates are regarded as past due loans by the Bank. Loans whose principal and interest payments were late for more than 90 days and the loans whose debtors have suffered deterioration in their creditworthiness as per the Bank's evaluations are regarded as impaired loans.

Methods and approaches regarding valuation adjustments and provisions

Based on the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside" the Bank calculates general provision for past due loans and specific provision for impaired loans.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types

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Corporate and commercial credit risks are evaluated according to the Bank's internal assessment ("rating") system; which complies with the Basel II model; and classified according to their probability of default. Ratings of corporate and commercial loans portfolio is presented below:

Rating/Scoring Grades	Current Period	Prior Period
Above Average	%49	%48
Average	%37	%40
Below Average	%11	%9
Unrated	%3	%3

The Bank applies a different assessment method ("scoring") for consumer and SME credit risks. Ratings compatible with Basel II model is presented below:

Rating/Scoring Grades	Current Period	Prior Period
Above Average	%33	%35
Average	%33	%33
Below Average	%34	%32

Risk Classification	Current Period (*)	Average (**)
1 Conditional and unconditional receivables from central governments and Central Banks	24.479.544	22.571.655
2 Conditional and unconditional receivables from regional or local governments	490.682	599.819
3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	--	1
4 Conditional and unconditional receivables from multilateral development banks	--	--
5 Conditional and unconditional receivables from international organizations	--	--
6 Conditional and unconditional receivables from banks and brokerage houses	5.863.312	3.941.564
7 Conditional and unconditional receivables from corporate	33.850.795	32.970.460
8 Conditional and unconditional receivables from retail portfolios	34.127.937	27.554.783
9 Conditional and unconditional receivables secured by mortgages	5.068.023	4.778.779
10 Conditional and unconditional receivables secured by mortgages	7.428.560	6.298.227
11 Past due receivables	1.019.509	820.098
12 Receivables defined in high risk category by BRSA	--	789.084
13 Securities collateralized by mortgages	--	--
14 Short-term receivables from banks, brokerage houses and corporate	--	--
15 Investments similar to collective investment funds	2.255	1.995
16 Other receivables	3.627.025	7.621.347
17 Equity security investments	5.308.316	442.360
18 Total	121.265.958	108.390.172

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.

(**) Arithmetical average of the amounts in quarterly reports prepared after the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank dated 28 June 2012.

b. Information on the control limits of the Bank for forward transactions, options and similar contracts, management of credit risk for these instruments together with the potential risks arising from market conditions

The Bank has control limits defined for the positions arising from forward transactions, options and similar contracts. Credit risk for these instruments is managed together with those arising from market conditions.

c. Information on whether the Bank decreases the risk by liquidating its forward transactions, options and similar contracts in case of facing a significant credit risk or not

Forward transactions can be realized at maturity. However, if it is required, reverse positions of the current positions are purchased to decrease the risk.

d. Information on whether the indemnified non-cash loans are evaluated as having the same risk weight as non-performing loans or not

Indemnified non-cash loans are treated as having the same risk weight as non-performing loans.

Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not

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Loans that are renewed and rescheduled are included in a new rating group as determined by the risk management system, other than the follow-up plan defined in the banking regulations.

Long term commitments are accepted as having more risk than short term commitments which results in a diversification of risk and are monitored periodically.

e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities

There is no significant credit risk since the Bank's foreign operations and credit transactions are conducted in OECD and EU member countries in considering their economic climate.

Evaluation of the Bank's competitive credit risk as being an active participant in the international banking transactions market

Being an active participant in the international banking transactions market, the Bank does not have significant credit risk as compared to other financial institutions.

f. The Bank's**1. The share of the top 100 and 200 cash loan customers in the total cash loans portfolio**

The share of the top 100 and 200 cash loan customers comprises 20% and 24% of the total cash loans portfolio (31 December 2015: 18%, 22%).

2. The share of the top 100 and 200 non-cash loan customers in the total loan non-cash loans portfolio

The share of the top 100 and 200 non-cash loan customers comprises 46% and 58% of the total non-cash loans portfolio (31 December 2015: 47%, 59%).

3. The share of the total cash and non-cash loan balance of the top 100 and 200 loan customers in the total assets and off-balance sheet items

The share of the total cash and non-cash loans from its top 100 and 200 loan customers comprise 15% and 20% of the total assets and off-balance sheet items (31 December 2015: 16%, 20%).

g. The Bank's general loan provision for its loans

As at 31 December 2016, The Bank's general loan provision amounts to TL 1.277.781 (31 December 2015: TL 984.209).

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h. Profile of significant exposures in major regions

Current Period	Risk Classifications ^(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Domestic	25.103.011	481.317	--	--	--	807.587	15.523.791	30.614.664	4.769.121	6.609.639	934.963	--	--	--	1.187	3.624.329	3.930	88.473.539
European Union Countries	--	--	--	--	--	2.465.777	287.186	60.413	37.472	1.182	23.034	--	--	--	--	2.641	--	2.877.705
OECD Countries	--	--	--	--	--	20.076	25	4.510	2.774	--	13	--	--	--	--	--	--	27.398
Off-Shore Banking Regions	--	--	--	--	--	124	37	3.264	2.230	466	--	--	--	--	--	--	--	6.121
USA, Canada	--	--	--	--	--	124.066	--	2.934	1.524	115	39	--	--	--	--	--	--	128.678
Other Countries	--	--	--	--	--	395.426	430.376	43.788	50.026	9.966	1.555	--	--	--	--	49	--	931.186
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5.304.386	5.304.386
Unallocated/Assets/Liabilities	179.023	8.671	--	--	--	2.048.295	16.105.027	2.446.107	163.591	781.709	56.822	--	--	--	1.068	--	--	21.790.313
Total	25.282.034	489.988	--	--	--	5.861.351	32.346.442	33.175.680	5.026.738	7.403.077	1.016.426	--	--	--	2.255	3.627.019	5.308.316	119.539.326

Prior Period	Risk Classifications ^(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Domestic	21.301.214	744.453	--	--	--	1.408.213	17.050.340	18.500.083	4.681.503	4.382.910	668.134	4.549.207	--	--	--	2.686.080	--	75.972.137
European Union Countries	--	--	--	--	--	700.819	363.304	48.967	38.120	4.196	3.131	4.246	--	--	--	--	--	1.162.783
OECD Countries	--	--	--	--	--	16.474	--	3.833	2.909	320	--	215	--	--	--	--	--	23.751
Off-Shore Banking Regions	--	--	--	--	--	1.154	13.917	671	3.655	30	--	119	--	--	--	--	--	19.546
USA, Canada	--	--	--	--	--	161.449	--	2.378	1.566	--	58	543	--	--	--	--	--	165.994
Other Countries	--	--	--	--	--	20.250	147.092	34.757	53.560	6.042	957	1.825	--	--	--	19	--	264.502
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3.951.185	3.951.185
Unallocated/Assets/Liabilities	288.959	4.413	1	--	--	2.515.511	13.970.825	4.282.778	77.146	325.723	--	1	--	--	571	142.822	--	21.608.750
Total	21.590.173	748.866	1	--	--	4.823.870	31.545.478	22.873.467	4.858.459	4.719.221	672.280	4.556.156	--	--	571	6.780.106	--	103.168.648

^(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- 1: Conditional and unconditional receivables from central governments and Central Banks
- 2: Conditional and unconditional receivables from regional or local governments
- 3: Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4: Conditional and unconditional receivables from multilateral development banks
- 5: Conditional and unconditional receivables from international organizations
- 6: Conditional and unconditional receivables from banks and brokerage houses
- 7: Conditional and unconditional receivables from corporates
- 8: Conditional and unconditional receivables from retail portfolios
- 9: Conditional and unconditional receivables secured by mortgages
- 10: Conditional and unconditional receivables secured by mortgages
- 11: Past due receivables
- 12: Receivables defined in high risk category by BRSA
- 13: Securities collateralized by mortgages
- 14: Short-term receivables from banks, brokerage houses and corporates
- 15: Investments similar to collective investment funds
- 16: Other receivables
- 17: Equity security transactions

^(**) OECD countries except for EU countries, USA and Canada

^(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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i. Risk Profile by Sectors or Counterparties

Current Period: 31 December 2016	Risk Classifications ^(*)																	Total			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		TL	YP	
Agricultural	22.268						406.313	7.430.999	136.235	886.171	56.644					1		8.780.391	158.240	8.938.631	
Farming and Cattle	21.699						402.581	7.418.211	135.944	884.881	56.415					1		8.771.142	148.590	8.919.732	
Forestry	43							3.000	241	779	74							3.369	768	4.137	
Fishing	526						3.732	9.788	50	511	155							5.880	8.882	14.762	
Manufacturing	263.208	3					12.071.432	1.628.861	219.599	911.990	139.440					13		4.607.009	10.627.537	15.234.546	
Mining	6.444	3					2.623.729	106.575	13.702	61.459	8.368							466.680	2.353.600	2.820.280	
Production	256.116						7.575.702	1.514.180	199.589	827.138	68.019					11		3.553.101	6.887.654	10.440.755	
Electric, Gas, Water	648						1.872.001	8.106	6.308	23.393	63.053					2		587.228	1.386.283	1.973.511	
Construction	65.070	2.721					5.906.836	969.454	353.924	861.374	79.705					10		4.664.653	3.574.441	8.239.094	
Services	13.463.923	7.133					5.861.351	9.707.935	803.599	3.718.805	372.886					2.793		18.443.084	26.954.453	45.397.537	
Wholesale and Retail Trade	357.064	1					3.659.853	4.688.411	493.607	1.253.057	263.736					132		8.203.064	2.512.797	10.715.861	
Hotel and Restaurant Services	21.422						1.242.695	222.091	111.468	1.644.098	26.799							1.381.798	1.886.775	3.268.573	
Transportation and telecommunication	58.988						2.866.239	920.299	131.709	373.819	61.152					3	2.800	2.320.143	2.094.866	4.415.009	
Financial institution	13.011.624	26					5.861.351	562.203	9.237	139.651	5.085					2.654	5.291.947	4.855.451	20.087.424	24.942.875	
Real estate and letting services	3.154	1.512					85.618	102.851	23.642	12.692	3.427					1		203.632	29.265	232.897	
Self-employment services																					
Education services	3.024	5.594					532.830	64.862	19.940	153.922	3.973							739.763	44.382	784.145	
Health and social services	8.647						758.497	106.754	13.996	141.566	8.714					3		739.233	298.944	1.038.177	
Other	11.467.565	480.131					4.253.926	16.982.001	3.513.381	1.024.737	367.751							34.912.196	6.817.322	41.729.518	
Total	25.282.034	489.988					32.346.442	33.175.680	5.026.738	7.403.077	1.016.426							71.407.333	48.131.993	119.539.326	

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- 1: Conditional and unconditional receivables from central governments and Central banks
- 2: Conditional and unconditional receivables from regional or local governments
- 3: Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4: Conditional and unconditional receivables from multilateral development banks
- 5: Conditional and unconditional receivables from international organizations
- 6: Conditional and unconditional receivables from banks and brokerage houses
- 7: Conditional and unconditional receivables from corporates
- 8: Conditional and unconditional receivables from retail portfolios
- 9: Conditional and unconditional receivables from retail portfolios
- 10: Conditional and unconditional receivables secured by mortgages
- 11: Past due receivables
- 12: Receivables defined in high risk category by BRSA
- 13: Securities collateralized by mortgages
- 14: Short-term receivables from banks, brokerage houses and corporates
- 15: Investments similar to collective investment funds
- 16: Other receivables
- 17: Equity security transactions

(*) includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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j. Analysis of maturity-bearing exposures according to remaining maturities

Current Period

Risk classifications	Undistributed (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1 Conditional and unconditional receivables from central governments and Central Banks	2.885.359	10.303.014	54.703	8.112	420.364	11.610.482
2 Conditional and unconditional receivables from regional or local governments	--	255	3.186	9.197	21.830	455.520
3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4 Conditional and unconditional receivables from multilateral development banks	--	--	--	--	--	--
5 Conditional and unconditional receivables from international organizations	--	--	--	--	--	--
6 Conditional and unconditional receivables from banks and brokerage houses	899.487	3.044.849	193.896	310.992	99.504	1.312.623
7 Conditional and unconditional receivables from corporate	62.590	5.128.420	2.061.169	2.217.023	4.172.125	18.705.115
8 Conditional and unconditional receivables from retail portfolios	1.777	6.534.317	1.440.821	2.203.315	5.524.371	17.471.079
9 Conditional and unconditional receivables secured by mortgages	--	201.376	142.722	200.275	277.489	4.204.876
10 Conditional and unconditional receivables secured by mortgages	--	530.598	456.847	422.216	586.906	5.406.510
11 Past due receivables	999.224	3.918	2	3	6	13.273
12 Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13 Securities collateralized by mortgages	--	--	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate	--	--	--	--	--	--
15 Investments similar to collective investment funds	--	2.089	--	--	166	--
16 Other receivables	3.627.019	--	--	--	--	--
17 Equity security investments	5.308.316	--	--	--	--	--
18 Total	13.783.772	25.748.836	4.353.346	5.371.133	11.102.761	59.179.478

(*) Drawing amounts are included.

Prior Period

Risk classifications	Undistributed (*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1 Conditional and unconditional receivables from central governments and Central Banks	1.449.612	8.551.230	207.563	249.004	417.712	10.715.052
2 Conditional and unconditional receivables from regional or local governments	--	186	1.715	2.167	39.557	705.241
3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	1
4 Conditional and unconditional receivables from multilateral development banks	--	--	--	--	--	--
5 Conditional and unconditional receivables from international organizations	--	--	--	--	--	--
6 Conditional and unconditional receivables from banks and brokerage houses	892.009	2.406.343	202.910	115.068	65.314	1.142.226
7 Conditional and unconditional receivables from corporate	112.929	4.628.554	2.392.646	3.029.139	6.025.788	15.356.422
8 Conditional and unconditional receivables from retail portfolios	87	6.295.669	953.867	1.717.795	5.388.456	8.517.593
9 Conditional and unconditional receivables secured by mortgages	--	132.762	97.014	122.164	156.586	4.349.933
10 Conditional and unconditional receivables secured by mortgages	--	324.111	175.836	303.755	400.705	3.514.814
11 Past due receivables	663.363	2.803	31	48	12	6.023
12 Receivables defined in high risk category by BRSA	65.202	167.006	--	--	--	4.323.948
13 Securities collateralized by mortgages	--	--	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate	--	--	--	--	--	--
15 Investments similar to collective investment funds	--	432	--	139	--	--
16 Other receivables	6.637.284	23.324	8.533	1.347	6.793	102.825
17 Equity security investments	--	--	--	--	--	--
18 Total	9.820.486	22.532.420	4.040.115	5.540.626	12.500.923	48.734.078

(*) Drawing amounts are included.

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k. Risk Classifications

The Bank has simplified its application through only considering credit grades of Fitch rating agency as of July 2016 through making a notification to Risk Centre on 1 July 2016 in order to limit variability generated by using multiple credit rating agencies (CRA) on legal rates.

The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

Current Period

Credit Quality Grade	Risk Rating Fitch	Risk Classifications			
		Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			Receivables with Remaining Maturities Less Than 3 Months	Receivables with Remaining Maturities More Than 3 Months	
1	AAA	%0	%20	%20	%20
	AA+				
	AA				
2	AA-	%20	%20	%50	%50
	A+				
	A				
3	A-	%50	%20	%50	%100
	BBB+				
	BBB				
4	BBB-	%100	%50	%100	%100
	BB+				
	BB				
5	BB-	%100	%50	%100	%150
	B+				
	B				
6	B-	%150	%150	%150	%150
	CCC				
	CC				
	C				
	D				

Prior Period

Credit Quality Grade	Risk Rating			Risk Classifications		
	Fitch	Moody's	S&P	Receivables from Banks and Brokerage Houses		Corporate Receivables
				Receivables from Central Governments or Central Banks	Receivables with Remaining Maturities Less Than 3 Months	
1	AAA	Aaa	AAA	%0	%20	%20
	AA+	Aa1	AA+			
	AA	Aa2	AA			
2	AA-	Aa3	AA-	%20	%20	%50
	A+	A1	A+			
	A	A2	A			
3	A-	A3	A-	%50	%20	%50
	BBB+	Baa1	BBB+			
	BBB	Baa2	BBB			
4	BBB-	Baa3	BBB-	%100	%50	%100
	BB+	Ba1	BB+			
	BB	Ba2	BB			
5	BB-	Ba3	BB-	%100	%50	%100
	B+	B1	B+			
	B	B2	B			
6	B-	B3	B-	%150	%150	%150
	CCC	Caa1	CCC+			
		Caa2	CCC			
	CC	Caa3	CCC-			
	C	Ca	CC			
		C	C			

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l. Exposures by risk weights

Current Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before Credit Risk Mtigation	12.192.857	--	3.303.775	--	17.584.405	39.971.681	47.948.103	182.033	--	83.104	--	1.572.871
Exposures after Credit Risk Mtigation	12.995.350	--	3.303.741	5.026.737	23.973.294	32.845.538	41.132.525	179.037	--	83.104	--	1.572.871

Prior Period

Risk Weight	%0	%10	%20	%50	%75	%100	%150	%200	%250	Equity Deduction
Exposures before Credit Risk Mtigation	21.330.309	--	3.017.252	3.637.106	26.960.726	43.711.321	1.829.605	2.765.162	17.167	1.379.912
Exposures after Credit Risk Mtigation	21.330.309	--	3.017.252	12.189.646	21.334.224	39.257.118	1.808.492	2.737.163	17.167	1.379.912

m. Information by major sectors and type of counterparties

Impaired Loans; are the loans either overdue for more than 90 days or loans regarded as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

Past Due Loans; are the loans those are overdue up to 90 days but not impaired. For such loans, "general provisions" are allocated as per the Provisioning Regulation.

Current Period: 31 December 2016

Important Sectors/Counterparties	Loans		Value Adjustments ^(*)	Provisions ^(**)
	Impaired	Past Due		
Agricultural	176.447	340.760	10.174	121.770
Farming and Cattle	173.778	338.771	10.109	119.306
Forestry	242	242	6	175
Fishing	2.427	1.747	59	2.289
Manufacturing	299.439	599.580	20.567	170.503
Mining	30.620	68.803	1.578	22.678
Production	186.677	499.988	18.288	127.285
Electric, Gas, Water	82.142	30.789	701	20.540
Constuction	197.016	233.309	7.232	136.937
Services	1.082.879	2.364.961	89.677	730.039
Wholesale and Retail Trade	721.972	634.089	18.493	473.365
Hotel and Restaurant Services	37.850	1.089.073	46.353	14.111
Transportation and telecommunication	208.386	359.467	12.212	148.123
Financial institution	9.353	174.919	7.991	4.362
Real estate and letting services	9.431	8.692	217	6.109
Self-employment services	--	--	--	--
Education services	19.645	3.610	89	15.784
Health and social services	76.242	95.111	4.322	68.185
Other	1.536.430	2.714.903	132.695	1.188.764
Total	3.292.211	6.253.513	260.345	2.348.013

^(*) Representing the general provision of past due loans.

^(**) Representing specific provision amounts.

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Prior Period: 31 December 2015

Important Sectors/Counterparties	Loans		Value Adjustments ^(*)	Provisions ^(**)
	Impaired	Past Due		
Agricultural	202.461	509.323	15.135	146.677
Farming and Cattle	201.990	507.985	15.084	146.460
Forestry	90	75	1	53
Fishing	381	1.263	50	164
Manufacturing	148.105	455.772	18.616	97.851
Mining	43.359	14.462	352	29.468
Production	99.957	353.321	14.288	66.588
Electric, Gas, Water	4.789	87.989	3.976	1.795
Constuction	142.906	93.612	2.393	106.098
Services	580.161	981.245	33.547	364.666
Wholesale and Retail Trade	396.187	317.426	8.643	234.601
Hotel and Restaurant Services	16.559	120.440	4.320	6.453
Transportation and telecommunication	52.892	410.418	15.708	42.076
Financial institution	14.977	6.859	141	10.508
Real estate and letting services	3.369	4.491	108	1.882
Self-employment services	--	--	--	--
Education services	2.595	24.632	677	1.487
Health and social services	93.582	96.979	3.950	67.659
Other	1.608.415	1.784.826	100.444	1.238.089
Total	2.682.048	3.824.778	170.135	1.953.381

^(*) Representing the general provision of past due loans.

^(**) Representing specific provision amounts.

Movements in valuation adjustments and provisions

Current Period: 31 December 2016	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ^(*)	Ending Balance
Specific Provisions	1.953.381	1.183.916	(236.382)	(552.902)	2.348.013
General Provisions	984.209	293.572	--	--	1.277.781

^(*) Representing sales from the past due loans portfolio.

Prior Period: 31 December 2015	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ^(*)	Ending Balance
Specific Provisions	1.171.475	958.000	(173.249)	(2.845)	1.953.381
General Provisions	820.581	163.288	--	--	984.209

^(*) Representing sales from the past due loans portfolio.

n. Risk involved in counter-cyclical capital buffer calculation:

Country of ultimate risk	Private sector credit exposures in banking book		Risk Weighted Equivalent trading book	Total
Turkey	66.359.794		8.399	66.368.193
Austria	4.371.443		--	4.371.443
Malta	302.051		--	302.051
Cyprus	298.203		--	298.203
Other	839.382		--	839.382

o. Distribution of credit risk according to the operational segments

Current Period: 31 December 2016	Commercial Loans ^(*)	Consumer Loans	Credit Cards	Total
Standard Loans	37.737.654	12.083.662	4.801.357	54.622.673
Closely Monitored Loans	4.777.672	1.190.519	285.322	6.253.513
Non-performing Loans	1.978.571	842.254	471.386	3.292.211
Specific Provisions(-)	1.306.918	648.231	392.864	2.348.013
Total	43.186.979	13.468.204	5.165.201	61.820.384

^(*) Commercial loans include commercial, corporate and SME loans.

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Prior Period: 31 December 2015	Commercial Loans ^(*)	Consumer Loans	Credit Cards	Total
Standard Loans	31.466.780	11.195.715	4.132.884	46.795.379
Closely Monitored Loans	2.528.745	1.093.319	202.714	3.824.778
Non-performing Loans	1.261.272	889.383	531.393	2.682.048
Specific Provisions(-)	859.994	662.996	430.391	1.953.381
Total	34.396.803	12.515.421	4.436.600	51.348.824

^(*) Commercial loans include commercial, corporate and SME loans.

The loans of The Bank amounting to TL 38.309.143 (31 December 2015: TL 33.204.407) are collateralized by cash, mortgage, cheques and notes obtained from customers.

III. Explanations related to the foreign currency exchange rate risk

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

Foreign currency exchange and parity risks are taken by the Bank 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 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

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.006 million and US Dollar 6,7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity.

c. Foreign exchange risk management strategy

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

d. The 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 3,5192
Euro purchase rate as at the balance sheet date	TL 3,7099

Date	US Dollar	Euro
27 December 2016	3,5135	3,6711
28 December 2016	3,5329	3,6901
29 December 2016	3,5318	3,6939
30 December 2016	3,5192	3,7099
31 December 2016	3,5192	3,7099

e. The basic arithmetical average of the 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 December 2016 are TL 3,0197 and TL 3,3389 respectively.

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f. Information on currency risk

Current Period	EUR	USD	Other FC ⁽⁴⁾	Total
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	3.527.408	7.016.511	1.935.304	12.479.223
Due from Banks and Other Financial Institutions	2.444.692	424.959	81.036	2.950.687
Financial Assets at Fair Value Through Profit or Loss ⁽¹⁾	185.418	61.583	--	247.001
Interbank Money Market Placements	--	--	--	--
Investment Securities Available-for-Sale	204.171	935.391	--	1.139.562
Loans ⁽²⁾	5.528.660	10.176.429	745.444	16.450.533
Investments in Subsidiaries and Associates	4.365.906	140.984	--	4.506.890
Investment Securities Held-to-Maturity	--	1.561.104	--	1.561.104
Hedging Purpose Financial Derivatives	--	--	--	--
Tangible Assets	--	4	--	4
Intangible Assets	--	--	--	--
Other Assets ⁽³⁾	232.144	81.069	179.820	493.033
Total Assets	16.488.399	20.398.034	2.941.604	39.828.037
Liabilities				
Bank Deposits	2.387.175	210.978	670.333	3.268.486
Foreign Currency Deposits	11.187.397	12.751.892	858.444	24.797.733
Interbank Money Markets	--	--	--	--
Funds Borrowed from Other Financial Institutions	3.785.407	11.597.616	6.844	15.389.867
Marketable Securities Issued	--	--	--	--
Miscellaneous Payables	223.486	236.293	1.197	460.976
Hedging Purpose Financial Derivatives	--	--	--	--
Other Liabilities ⁽⁵⁾	223.484	886.997	2.208	1.112.689
Total Liabilities	17.806.949	25.683.776	1.539.026	45.029.751
Net "On Balance Sheet Position"	(1.318.550)	(5.285.742)	1.402.578	(5.201.714)
Net "Off-Balance Sheet Position" ⁽⁶⁾	1.779.276	5.419.879	(1.401.528)	5.797.627
Financial Derivatives (Assets)	11.405.186	21.147.643	943.672	33.496.501
Financial Derivatives (Liabilities)	(9.625.910)	(15.727.764)	(2.345.200)	(27.698.874)
Net Position	460.726	134.137	1.050	595.913
Non-Cash Loans	6.928.290	11.115.471	390.808	18.434.569
Prior Period				
Total Assets	9.167.108	17.283.555	2.370.488	28.821.151
Total Liabilities	12.866.155	23.315.631	1.105.933	37.287.719
Net "On Balance Sheet Position"	(3.699.047)	(6.032.076)	1.264.555	(8.466.568)
Net "Off-Balance Sheet Position"	4.017.120	6.229.812	(1.257.962)	8.988.970
Financial Derivatives (Assets)	14.719.000	24.457.815	835.435	40.012.250
Financial Derivatives (Liabilities)	(10.701.880)	(18.228.003)	(2.093.397)	(31.023.280)
Net Position	318.073	197.736	6.593	522.402
Non-Cash Loans	4.765.432	10.435.291	214.561	15.415.284

^(*) : Prior period balances are rearranged retrospectively as a result of equity method implementation.

⁽¹⁾ : Foreign currency differences of derivative assets amounting to TL 235.824 are excluded.

⁽²⁾ : Foreign currency indexed loans amounting to TL 3.668.858 are included.

⁽³⁾ : Prepaid expenses amounting to TL 5.294 are excluded.

⁽⁴⁾ : There are gold amounts in total assets amounting to TL 1.177.272 and in total liabilities amounting to TL 2.728.172

⁽⁵⁾ : Not including the exchange rate difference of TL 174.672 pertaining to derivative financial loans and the FX equity of TL (109.637).

⁽⁶⁾ : 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".

g. Informations on currency risk exposure

The table below demonstrates prospective increase and decrease in equities and the statement of income as of 31 December 2016 and 2015 (excluding tax effect) on condition that 10 percent devaluation of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, to be constant.

	Current Period		Prior Period	
	Period Profit Loss	Equity	Period Profit Loss	Equity
USD Dollar	9.188	(1.375)	11.051	4.493
Euro	47.701	47.268	22.623	22.433
Total (Net)	56.889	45.893	33.674	26.926

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IV. Explanations related to the 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 Bank'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 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 Bank was exposed to during the current year and their expected effects on net income and shareholders' equity in the future periods

The Bank 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 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
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	3.690.408	--	--	--	--	11.070.530	14.760.938
Due from Banks and Other Fin. Inst.	2.517.135	--	130.405	--	--	319.425	2.966.965
Financial Assets at Fair Value							
Through Profit or Loss	455.140	202.715	270.278	379.738	208.489	9.587	1.525.947
Interbank Money Market							
Placements	3.001.396	--	--	--	--	--	3.001.396
Investment Securities Av.-for-Sale	155.210	572.961	1.177.057	1.845.210	2.769.411	41.709	6.561.558
Loans	11.460.439	4.571.198	9.121.418	24.635.474	11.087.657	944.198	61.820.384
Investment Securities Held-to-Mat.	1.612.284	290.784	329.400	443.349	2.225.182	--	4.900.999
Other Assets ^(*)	--	--	--	--	--	7.620.640	7.620.640
Total Assets	22.892.012	5.637.658	11.028.558	27.303.771	16.290.739	20.006.089	103.158.827
Liabilities							
Bank Deposits	2.425.918	795.851	365.707	--	--	78.813	3.666.289
Other Deposits	34.996.980	8.524.166	4.159.941	34.603	--	11.808.949	59.524.639
Interbank Money Market							
Placements	5.397.576	--	--	--	--	--	5.397.576
Miscellaneous Payables	--	--	--	--	--	1.851.423	1.851.423
Marketable Securities Issued	111.342	403.964	374.035	263.292	--	--	1.152.633
Funds Borrowed from Other Fin.							
Inst.	2.511.540	4.901.146	2.923.570	1.554.736	4.343.106	--	16.234.098
Other Liabilities ^(**)	131.045	67.201	92.070	479.037	190.328	14.372.488	15.332.169
Total Liabilities	45.574.401	14.692.328	7.915.323	2.331.668	4.533.434	28.111.673	103.158.827
On Balance Sheet Long Position	--	--	3.113.235	24.972.103	11.757.305	--	39.842.643
On Balance Sheet Short Position	(22.682.389)	(9.054.670)	--	--	--	(8.105.584)	(39.842.643)
Off-Balance Sheet Long Position	3.281.977	3.160.110	2.450.357	4.068.624	4.273.732	--	17.234.800
Off-Balance Sheet Short Position	(2.591.356)	(5.676.746)	(3.397.900)	(2.165.234)	(2.910.824)	--	(16.742.060)
Total Interest Sensitivity Gap	(21.991.768)	(11.571.306)	2.165.692	26.875.493	13.120.213	(8.105.584)	492.740

^(*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investments in Associates, Tax Assets, Investments in Subsidiaries, Joint Ventures, Assets to be sold and other assets with balances of TL 430.285, TL 188.762, TL 8.654, TL 150.194, TL 5.292.932, TL 2.800, TL 121.513 and TL 1.425.500 respectively.

^(**) Other liabilities/non-interest bearings include; Shareholders' Equity, Other External Resources, Provisions, Tax Liabilities with balances of TL 10.561.672, TL 1.945.071, TL 1.694.273, and TL 171.472 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
Assets						
Cash and Balances with the Central Bank of the Republic of Turkey	3.360.162	--	--	--	--	7.398.981
Due from Banks and Other Fin. Inst.	1.298.618	207.290	--	--	--	714.648
Financial Assets at Fair Value Through Profit or Loss	48.994	239.947	161.650	549.871	115.599	519
Interbank Money Market Placements	1.200.353	--	--	--	--	--
Investment Securities Av.-for-Sale	215.728	877.520	1.735.851	2.678.795	2.903.701	112.884
Loans	10.119.356	4.222.891	7.938.850	20.258.656	8.080.404	728.667
Investment Securities Held-to-Mat.	1.506.874	225.380	307.994	453.552	747.978	--
Other Assets (*)	--	--	--	--	--	5.808.954
Total Assets	17.750.085	5.773.028	10.144.345	23.940.874	11.847.682	14.764.653
Liabilities						
Bank Deposits	710.713	523.358	145.986	--	--	90.540
Other Deposits	26.079.808	8.516.931	2.142.628	11.564	--	8.366.049
Interbank Money Market Placements	7.184.158	--	--	--	--	--
Miscellaneous Payables	--	--	--	--	--	1.642.761
Marketable Securities Issued	241.632	337.501	249.792	430.273	--	--
Funds Borrowed from Other Fin. Inst.	2.099.659	4.892.557	4.715.487	165.864	3.671.468	--
Other Liabilities (**)	61.277	82.006	32.247	333.605	95.326	11.397.477
Total Liabilities	36.377.247	14.352.353	7.286.140	941.306	3.766.794	21.496.827
On Balance Sheet Long Position	--	--	2.858.205	22.999.568	8.080.888	--
On Balance Sheet Short Position	(18.627.162)	(8.579.325)	--	--	--	(6.732.174)
Off-Balance Sheet Long Position	2.161.735	7.312.989	6.862.938	3.587.715	2.778.546	--
Off-Balance Sheet Short Position	(797.619)	(8.445.792)	(3.821.445)	(6.666.571)	(2.120.986)	--
Total Interest Sensitivity Gap	(17.263.046)	(9.712.128)	5.899.698	19.920.712	8.738.448	(6.732.174)

(*) Other assets/non-interest bearings include; Tangible Assets, Intangible Assets, Investments in Associates, Deferred Tax Assets, Investments in Subsidiaries, Joint Ventures, Assets to be sold and other assets with balances of TL 401.028, TL 171.178, TL 8.654, TL 85.376, TL 3.939.731, TL 2.800, TL 81.860 and TL 1.118.327 respectively.

(**) Other liabilities/non-interest bearings include; Shareholders' Equity, Other External Resources, Provisions, Tax Liabilities with balances of TL 8.269.319, TL 1.773.465, TL 1.206.404, and TL 148.289 respectively.

d. Average interest rates applied to monetary financial instruments

Current Period: 31 December 2016	EUR %	USD %	JPY %	TL %
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,49	--	5,00
Due from Banks and Other Financial Institutions	0,06	0,63	--	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	2,92	4,46	--	9,06
Loans	5,17	5,90	5,39	16,40
Investment Securities Held-to-Maturity	--	4,68	--	9,52
Liabilities				
Bank Deposits	0,50	1,70	--	11,11
Other Deposits	1,66	2,82	0,30	10,74
Interbank Money Market Placements	--	--	--	8,47
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	--	--	--	9,89
Funds Borrowed from Other Financial Institutions	0,54	2,59	--	9,74
Prior Period: 31 December 2015				
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,31	--	5,47
Due from Banks and Other Financial Institutions	1,50	0,34	--	11,48
Financial Assets at Fair Value Through Profit or Loss	3,28	5,01	--	9,13
Interbank Money Market Placements	--	--	--	10,74
Investment Securities Available-for-Sale	2,92	4,17	--	8,56
Loans	5,05	5,35	5,29	15,34
Investment Securities Held-to-Maturity	--	4,04	--	9,35
Liabilities				
Bank Deposits	1,00	2,09	--	11,28
Other Deposits	1,67	1,98	0,17	11,92
Interbank Money Market Placements	--	--	--	8,83
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	--	--	--	10,24
Funds Borrowed from Other Financial Institutions	1,48	2,10	--	6,66

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e. Interest rate risk on banking book

Nature of interest rate risk resulted from banking book, major assumptions including also early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

Interest rate risk resulted from banking book is due to repricing maturity differences of assets and liabilities. Considering repricing maturities, average maturity of asset items is higher than the average maturity of liability items.

Interest risk is evaluated weekly considering size, developments at maturity structure and interest movements relating to asset and liability items. Interest risk exposed by the bank is managed centrally by the asset and liability committee and within the direction of decisions taken, the balance sheet interest sensitivity is aimed at minimum level and insured by interest based derivative contracts.

The effect of potential changes on interest rates to net present value is calculated within the scope of "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" and reported monthly.

Measurements performed with Standard Shock Method include all on and off balance sheet items in the "Banking Book" based on the classification as per the statutory accounting and reporting. Maturity assumption relating to demand deposits is overviewed yearly with analyses over at least five year data. By such analyses, the Bank gathers information on average duration of its demand deposits, and the amount and trend of deposit charge offs from different maturity brackets.

Economic value differences resulted from interest rate instabilities and prepared based on the Bank's non-consolidated financial statements according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Board of Directors of the Bank in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

The measurement process of interest rate risk resulting from the banking book is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data. Duration gaps, gaps by maturity brackets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out weekly. In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates.

In case of instruments with no maturities, the maturity is determined as per interest rate fixing periods and customer behaviors. Such results are supported by sensitivity and scenario analysis applied periodically for possible fluctuations in the markets.

The Bank's economic value differences arising from the interest rate fluctuations pursuant to the "Regulation on the Measurement and Assessment of Interest Rate Risk Arising from Banking Accounts According to the Standard Shock Method" in a manner separated by different currencies are demonstrated in the following table as of 31 December 2016.

Current Period: 31 December 2016 Type of Currency	Shocks Applied (+/- x basis points)	Gaings/Losses	Gaings/Equity -Losses/Equity
1 TL	(+) 500 bps	(2.092.692)	(%13,57)
2 TL	(-) 400 bps	2.052.408	%13,31
3 Euro	(+) 200 bps	(83.094)	(%0,54)
4 Euro	(-) 200 bps	136.536	%0,89
5 US Dollar	(+) 200 bps	(74.706)	(%0,48)
6 US Dollar	(-) 200 bps	106.189	%0,69
Total (of positive shocks)		(2.250.492)	(%14,59)
Total (of negative shocks)		2.295.133	%14,89

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Prior Period: 31 December 2015	Shocks Applied	Gainings/Losses	Gainings/Equity
Type of Currency	(+/- x basis points)		-Losses/Equity
1 TL	(+) 500 bps	(2.185.416)	(%17,90)
2 TL	(-) 400 bps	2.156.274	%17,67
3 Euro	(+) 200 bps	79.948	%0,66
4 Euro	(-) 200 bps	(74.098)	(%0,61)
5 US Dollar	(+) 200 bps	23.151	%0,19
6 US Dollar	(-) 200 bps	(18.178)	(%0,15)
Total (of positive shocks)		(2.082.317)	(%17,05)
Total (of negative shocks)		2.063.998	%16,91

V. Position risk of equity shares on banking book

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

The Bank does not have associate and subsidiary traded at BIST markets as of 31 December 2016 (31 December 2015: 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 2015: None).

VI. Explanations related to the 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.

The securities portfolio of the Bank carried in order to liquidity risk management is structured in a way to consist of 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.

Management of risk sourcing from funding presents the fundamental of liquidity management activities of the Bank. Main funding source of the 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 Bank's liabilities consist of TL, US Dollar, Euro and gold. The main foreign currency funding source of the 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 Bank are at a higher level than assets.

The Board of Directors approved "Risk Appetite Disclosure" on 30 March 2016 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 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 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.

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An "Emergency Liquidity Action Plan" is established in order to form a trustable and proactive tracking mechanism which can provide keeping sufficient liquidity reserve under all conditions and to make forecast regarding measures which can be taken against unexpected liquidity squeezes of the Bank. It is approved by the Board of Directors. Emergency Liquidity Action Plan includes target levels towards several liquidity indicators related to liquidity reserves and balance sheet structure besides duties and responsibilities related to liquidity management.

Liquidity coverage rates calculated in accordance with the Regulation on Calculation of Bank's Liquidity Coverage rate published in Official Gazette dated 21 March 2014 and numbered 28948 are as follows. Unconsolidated foreign currency rate calculated for the last three months is at the lowest level in the week of 11 November 136,82 and at the highest level in the week of 30 December 289,66 while the liquidity coverage rate is at the lowest level in the week of 2 December 93,98 and at the highest level in the week of 23 December 122,19.

a. Liquidity coverage ratio

	Total unweighted value ^(*)		Total weighted value ^(*)	
	TL+FC	FC	TL+FC	FC
Current Period				
HIGH QUALITY LIQUID ASSETS (HQLA)				
Total High Quality Liquid Assets			16.356.991	8.958.244
CASH OUTFLOWS				
Retail deposits and deposits from small business customers, of which	33.632.490	11.372.473	3.123.369	1.137.247
Stable deposits	4.797.613	--	239.881	--
Less stable deposits	28.834.877	11.372.473	2.883.488	1.137.247
Unsecured wholesale funding, of which	21.003.971	9.079.953	10.991.923	4.995.925
Operational deposits	4.932.393	2.269.416	1.233.098	567.354
Non-operational deposits	13.242.375	5.538.354	6.929.622	3.156.388
Unsecured debt	2.829.203	1.272.183	2.829.203	1.272.183
Secured wholesale funding			57.850	55.495
Additional requirements of which	4.883.559	6.700.421	2.216.773	4.313.308
Outflows related to derivative exposures and other collateral requirements	971.069	3.214.091	971.069	3.214.091
Outflows related to loss of funding on debt products	--	--	--	--
Credit and liquidity facilities	3.912.490	3.486.330	1.245.704	1.099.217
Other contractual funding obligations	3.929.139	929.917	1.475.065	929.917
Other contingent funding obligations	49.980.388	14.229.419	4.166.822	1.425.048
TOTAL CASH OUTFLOWS			22.031.802	12.856.940
CASH INFLOWS				
Secured lending	303.922	--	--	--
Inflows from fully performing exposures	7.536.059	4.009.737	5.645.237	3.741.423
Other cash inflows	382.256	5.109.177	382.256	5.109.177
TOTAL CASH INFLOWS	8.222.237	9.118.914	6.027.493	8.850.600
			Total adjusted value	
TOTAL HQLA			16.356.991	8.958.244
TOTAL NET CASH OUTFLOWS			16.004.309	4.006.340
LIQUIDITY COVERAGE RATIO (%)			102,7	209,8

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

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Prior Period	Total unweighted value (*)		Total weighted value(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 Total High Quality Liquid Assets			13.535.453	8.825.981
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which	28.092.537	10.943.680	2.600.766	1.051.147
3 Stable deposits	4.169.762	864.419	208.488	43.221
4 Less stable deposits	23.922.775	10.079.261	2.392.278	1.007.926
5 Unsecured wholesale funding, of which	18.221.392	9.478.063	9.238.816	4.908.944
6 Operational deposits	4.693.613	2.485.587	1.173.403	621.397
7 Non-operational deposits	11.032.394	5.997.364	5.570.028	3.292.435
8 Unsecured debt	2.495.385	995.112	2.495.385	995.112
9 Secured wholesale funding			--	--
10 Additional requirements of which	3.943.343	6.084.821	1.887.848	4.335.624
11 Outflows related to derivative exposures and other collateral requirements	924.915	3.531.166	924.915	3.531.166
12 Outflows related to loss of funding on debt products	--	--	--	--
13 Credit and liquidity facilities	3.018.428	2.553.655	962.933	804.458
14 Other contractual funding obligations	6.269.234	956.931	1.754.126	956.931
15 Other contingent funding obligations	41.886.583	14.220.790	3.382.768	1.467.098
16 TOTAL CASH OUTFLOWS			18.864.324	12.719.744
CASH INFLOWS				
17 Secured lending	--	--	--	--
18 Inflows from fully performing exposures	4.981.852	1.547.825	3.294.987	1.447.204
19 Other cash inflows	266.248	10.801.819	205.298	10.769.863
20 TOTAL CASH INFLOWS	5.248.100	12.349.644	3.500.285	12.217.067
			Total adjusted value	
21 TOTAL HQLA			13.535.453	8.825.981
22 TOTAL NET CASH OUTFLOWS			15.364.039	3.179.936
23 LIQUIDITY COVERAGE RATIO (%)			88,2	275,1

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

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

High quality liquid assets consist of cash assets, reserves kept in Central Bank of Republic of Turkey and unrestricted marketable securities. Cash outflows consist of deposits, bank borrowings, non-cash loans, derivatives and other liabilities without a certain maturity. Additionally, several bank borrowings are shown as cash outflow regardless of their maturity since they include contingent early payment condition. Cash inflows consist of credits having maturity less than 30 day and a certain payment due date and receivables from banks and derivative products.

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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 Yearl	5 Years and Over	Non-Interest Bearing ^(*)	Total
Assets								
Cash and Balances with the Central Bank of the Republic of Turkey	4.639.557	10.121.381	--	--	--	--	--	14.760.938
Due from Banks and Other Fin.Inst.	319.425	2.517.135	--	130.405	--	--	--	2.966.965
Financial Assets at Fair Value Through Profit or Loss	9.587	444.621	182.987	258.813	420.382	209.557	--	1.525.947
Interbank Money Market Placements	--	3.001.396	--	--	--	--	--	3.001.396
Investment Securities Av.-for-Sale	41.709	--	333	1.438	3.165.002	3.353.076	--	6.561.558
Loans	--	9.611.811	2.735.931	12.569.050	24.868.719	11.090.675	944.198	61.820.384
Investment Securities Held-to-Maturity	--	--	49.485	--	2.213.269	2.638.245	--	4.900.999
Other Assets	1.258.756	--	--	--	--	--	6.361.884	7.620.640
Total Assets	6.269.034	25.696.344	2.968.736	12.959.706	30.667.372	17.291.553	7.306.082	103.158.827
Liabilities								
Bank Deposits	78.812	2.425.919	795.851	365.707	--	--	--	3.666.289
Other Deposits	11.808.949	34.956.804	8.519.771	4.181.787	57.328	--	--	59.524.639
Funds Borrowed from Other Fin.Inst. and Subordinated Loans	--	667.318	2.168.310	5.193.969	3.366.741	4.837.760	--	16.234.098
Interbank Money Market Placements	--	5.397.576	--	--	--	--	--	5.397.576
Marketable Securities Issued	--	111.343	403.964	374.035	263.291	--	--	1.152.633
Miscellaneous Payables	1.851.423	--	--	--	--	--	--	1.851.423
Other Liabilities	1.188.469	531.969	297.378	397.976	470.105	190.328	12.255.944	15.332.169
Total Liabilities	14.927.653	44.090.929	12.185.274	10.513.474	4.157.465	5.028.088	12.255.944	103.158.827
Net Liquidity Gap	(8.658.619)	(18.394.585)	(9.216.538)	2.446.232	26.509.907	12.263.465	(4.949.862)	--
Net "Off-Balance Sheet Position"	--	329.771	148.954	118.244	(174.798)	--	--	422.171
Financial Derivatives (assets)	--	13.796.602	6.108.878	4.465.281	7.042.618	7.181.466	--	38.594.845
Financial Derivatives (liabilities)	--	(13.466.831)	(5.959.924)	(4.347.037)	(7.217.416)	(7.181.466)	--	(38.172.674)
Non-Cash Loans	--	1.774.649	2.598.212	7.163.301	4.219.993	12.765.875	--	28.522.030
Prior Period								
Total Assets	4.628.249	19.275.927	3.259.221	11.769.563	25.138.666	14.609.819	5.539.222	84.220.667
Total Liabilities	11.211.687	35.180.970	11.376.629	8.253.583	3.951.047	4.771.027	9.475.724	84.220.667
Net Liquidity Gap	(6.583.438)	(15.905.043)	(8.117.408)	3.515.980	21.187.619	9.838.792	(3.936.502)	--
Net "Off-Balance Sheet Position"	--	(21.526)	214.147	114.958	247.157	--	--	554.736
Financial Derivatives (assets)	--	16.908.323	6.120.479	4.173.890	11.200.916	5.065.296	--	43.468.904
Financial Derivatives (liabilities)	--	(16.929.849)	(5.906.332)	(4.058.932)	(10.953.759)	(5.065.296)	--	(42.914.168)
Non-Cash Loans	--	1.480.880	1.781.377	7.239.495	3.673.178	10.099.945	--	24.274.875

^(*) 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.

c. Financial liabilities according to agreement maturities

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	49.370.740	9.410.046	4.648.169	61.512	--	63.490.467
Funds borrowed	715.712	2.382.364	5.864.633	4.815.582	4.815.683	18.593.974
Interbank Money markets	5.398.898	--	--	--	--	5.398.898
Securities issued	111.783	423.263	415.827	256.403	--	1.207.276
Total	55.597.133	12.215.673	10.928.629	5.133.497	4.815.683	88.690.615
Prior Period						
Liabilities						
Deposits	35.282.610	9.124.548	2.361.594	53.350	--	46.822.102
Funds borrowed	922.463	1.931.900	5.941.980	3.818.769	4.277.736	16.892.848
Interbank Money markets	7.184.158	--	--	--	--	7.184.158
Securities issued	165.201	427.058	302.088	388.662	--	1.283.009
Total	43.554.432	11.483.506	8.605.662	4.260.781	4.277.736	72.182.117

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VII. Explanations related to leverage ratio

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

Leverage ratio of Bank is 6,61% as of 31 December 2016 (31 December 2015: 5,98%). 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.

Leverage ratio common disclosure template:

	Current Period ^(*)	Prior Period ^(*)
On-balance sheet exposures		
1 On-balance sheet items (exclude derivatives and SFTs; include collateral)	95.669.014	82.275.249
2 (Assets deducted in determining Basel III Tier 1 capital)	(266.427)	(323.833)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	95.402.587	81.951.416
Derivative exposures		
4 Replacement cost	1.342.291	1.224.904
5 Add-on amount	447.238	469.283
6 Total derivative exposures (sum of 4 and 5 lines)	1.789.529	1.694.187
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	207.857	34.832
8 Agent transaction exposures		
9 Total securities financing transaction exposures (sum of 7 and 8 lines)	207.857	34.832
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	57.826.184	49.364.523
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)	57.825.681	49.364.020
Capital and total exposures		
13 Tier 1 capital	10.261.981	7.961.500
14 Total exposures (sum of 3,6,9 and 12 lines)	155.225.654	133.044.455
Leverage ratio		
15 Leverage ratio	6,61	5,98

^(*) Average of the monthly leverage ratios over the quarter.

VIII. 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. According to Communiqué, notes and explanations have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables, which have to be prepared within the scope of Internal rating-based (IRB) approach, have not been presented as of 31 December 2016.

a. Risk management and Overview of RWA

1. Disclosures related to the risk management approach

Risks, exposed as a result of business model of the Bank, are determined on a consolidated basis through risk definition and materiality assessment of the Bank. Risk mitigation factors and monitoring activities are established for significant risks which are determined. Limits are identified for risks, considered to be significant, in Risk Appetite Declaration of the Bank and those limits are approved by the Board of Directors. Developments with respect to risk limits determined in Risk Appetite Declaration are monitored on a monthly basis and actions which are pre-determined in risk appetite declaration if those limits are exceeded.

Denizbank Risk Management Group Directorate is an internal systems unit responsible for carrying out risk management activities working subject to Board of Directors. It directly reports to Board of Directors. Risk Management Group is responsible to carry out processes such as definition and measurement of risks, establishment and application of risk policies and implementation procedures, analysis, monitoring and reporting of risks in the framework of principles determined by Senior Management of the Bank and Risk Management Group and approved by Board of Directors.

Delegation levels of groups, formed by client and clients at the Bank, are determined in accordance with risk categories established according to limit and credit grade components within the body of the Bank.

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Rating process executed by Credit Analysis department and reviews of Credit Allocation department are periodically audited by Credit Risk Control in scope of determined rules and related outputs are presented to Rating Committee.

Informative contents are presented in order to extend risk culture within the body of the Bank and questionnaires towards reviewing of risk perception are performed. Risk sensitivity developments of employees are monitored in line with outputs of aforementioned questionnaires and required actions are taken through identifying weaker aspects. Training plans are established in this scope and it is aimed to provide contribution to developments of employees in determined matters.

Main components of risk measurement systems and its scope

Identification of Risks:

The Bank has a comprehensive risk definition process including its subsidiaries. The process aims to determine significant risks specific to the Bank based on a broad list including inherent risks of banking and it is performed on an annual basis. Opinions and reviews of expert individuals within the body of the Bank during the determination of materiality level of risks. Review outputs are used in reports and form a basis to internal capital assessment processes of the Bank.

Measurement of Risks:

The purpose of the studies made in scope of measurement of risks includes measuring of financial risks exposed by the Bank and its subsidiaries in order to prepare internal and legal reports and form a relation between carried risks and estimated profitability and evaluation of validity of parameters and assumptions used in risk measurement.

Controlling, reporting and management of Risks:

It determines which type of reports shall be prepared as consolidated and unconsolidated. It ensures to establish an effective internal audit system which shall prevent to take risk exceeding targeted risk level and limits determined by regulatory authority. Risk limits, approved by Board of Directors for each type of risk types, are taken into account while controlling and reporting of risks.

Disclosures on risk reporting processes provided to Board of Directors and senior management, especially the scope and main content of the reporting

Risk Management Group performs reporting to Senior Management and Board of Directors through Audit Committee, ALCO and Rating Committees.

Audit Committee holds quarterly meetings in ordinary situations. Activities and risk indicators performed by Risk Management Group are presented to the Committee.

ALCO holds weekly meetings. Risk-limit follow-up and detailed analysis related to indicators such as interest and liquidity risk, capital adequacy are presented.

Disclosures on Stress Test

The Bank performs stress test studies evaluating its capital adequacy in scope of ICAAP. Stress tests help to determine capital adequacy in three years projection and possible capital buffer requirement in scope of scenarios determined by regulatory authority and bank based on budget plan of the Bank.

Risk management, hedging and mitigation strategies of the Bank sourcing from business model and monitoring process with respect to continuing effectiveness of hedging and mitigating components

Limits, which are defined for risks considered to be significant, are monitored on a monthly basis and actions included in risk appetite declaration are taken, if required.

In addition, emergency plan related to capital adequacy in order to meet its strategic aims considering stress conditions of the Bank.

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2. Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	79.535.237	69.448.180	6.362.819
2 <i>Standardised approach (SA)</i>	79.535.237	69.448.180	6.362.819
3 <i>Internal rating-based (IRB) approach</i>	--	--	--
4 Counterparty credit risk	1.765.074	737.861	141.206
5 <i>Standardised approach for counterparty credit risk (SA-CCR)</i>	1.765.074	737.861	141.206
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	10.654	--	852
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	725.975	389.425	58.078
17 <i>Standardised approach (SA)</i>	725.975	389.425	58.078
18 <i>Internal model approaches (IMM)</i>	--	--	--
19 Operational Risk	6.032.604	5.384.583	482.608
20 <i>Basic Indicator Approach</i>	6.032.604	5.384.583	482.608
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 Total (1+4+7+8+9+10+11+12+16+19+23+24)	88.069.544	75.960.049	7.045.563

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b. Linkages between financial statements and exposures

1. Amounts valued in accordance with TAS in financial statements and matching

	a	c	d	e	f	g
	Carrying values of items under scope of TAS	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances at central bank	14.760.938	14.760.938	--	--	--	--
Financial assets held for trading	1.525.947	--	1.427.943	--	98.004	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--
Banks	2.966.965	2.966.965	--	--	--	--
Receivables from money markets	3.001.396	--	3.001.396	--	--	--
Available for sale financial assets (net)	6.561.558	6.561.558	--	--	--	--
Loans and receivables	61.820.384	61.820.384	--	--	--	127.273
Factoring receivables	--	--	--	--	--	--
Held to maturity investments (net)	4.900.999	4.900.999	--	--	--	--
Investments in associates (net)	8.654	8.654	--	--	--	--
Investments in subsidiaries (net)	5.292.932	5.292.932	--	--	--	--
Investments in joint ventures (net)	2.800	2.800	--	--	--	--
Leasing receivables	--	--	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--
Tangible assets (net)	430.285	430.285	--	--	--	89.732
Intangible assets (net)	188.762	188.762	--	--	--	188.762
Investment properties (net)	--	--	--	--	--	--
Tax assets	150.194	150.194	--	--	--	--
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--
Other assets	1.547.013	1.547.013	--	--	--	9.826
Total assets	103.158.827	98.631.484	4.429.339	--	98.004	415.593
Liabilities						
Deposits	63.190.928	--	--	--	--	63.190.928
Derivative financial liabilities held for trading	941.188	--	--	--	--	941.188
Loans	10.750.597	--	--	--	--	10.750.597
Debt to money markets	5.397.576	--	5.397.576	--	--	5.397.576
Debt securities in issue	1.152.633	--	--	--	--	1.152.633
Funds	--	--	--	--	--	--
Various debts	1.851.423	--	--	--	--	1.851.423
Other liabilities	1.945.071	--	--	--	--	1.945.071
Factoring debts	--	--	--	--	--	--
Debts from leasing transactions	18.493	--	--	--	--	18.493
Derivative financial liabilities held for hedges	--	--	--	--	--	--
Provisions	1.694.273	--	--	--	--	1.694.273
Tax liability	171.472	--	--	--	--	171.472
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--
Subordinated debts	5.483.501	--	--	--	--	5.483.501
Equity	10.561.672	--	--	--	--	10.561.672
Total liabilities	103.158.827	--	5.397.576	--	--	103.158.827

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2. Main sources of differences between risk exposures and valued amounts in accordance with TMS in financial statements

	a	b	c	d	e
	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework (*)
1 Asset carrying value amount under scope of TAS	103.158.827	98.631.484	--	4.429.339	98.004
2 Liabilities carrying value amount under TAS		--	--	5.397.576	--
3 Total net amount	103.158.827	98.631.484	--	9.826.915	98.004
4 Off-balance sheet amounts (**)	58.145.630	20.909.526	--	--	--
5 Differences in valuations		--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7 Differences due to consideration of provisions		--	--	--	--
8 Differences due to prudential filters		--	--	--	627.971
9 Differences resulted from considering of the financial guarantees		(1.726.630)	--	--	--
10 Risk exposures	161.304.457	117.814.380	--	9.826.915	725.975

(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

(**) It includes risk which are included in credit risk calculation.

3. Disclosures on differences between amounts valued in accordance with TAS and risk exposures

Differences between valued amounts in accordance with TAS and risk exposures:

It is obtained through addition of potential risk exposures according to type of transaction and maturity to risk exposure renewal costs in derivative transactions included in counterparty credit risk and through offsetting of cash amount subject to amount adjusted with volatility made to related security in repo and reverse repo transactions.

Amounts of items which are value in accordance with TAS and subject to market risk indicate fair value of financial instruments held for trade. Amounts in line of risk amount related to aforementioned transactions indicate principal amount subject to market risk sourcing from capital requirement calculated related to potential losses which can be caused by interest rate risk, share price risk, exchange rate risks in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy".

Disclosures on controls performed and systems used in order to ensure prudentiality and reliability of valuations estimates of the Bank in accordance with prudential valuation principles and procedures included in accompanying Annex-3 to Communique on Measurement and Evaluation of Bank's Capital Adequacy:

If the financial instruments recognized through fair value have an active and deep market, valuation is performed based on prices included in market in question. Reliability of market data used in valuations is examined periodically. The Bank does not operate in markets which do not have a depth. Discounted cash flow model is mainly used in the evaluation of derivative instruments and generally accepted valuation models are used for derivative transactions including optionality. Accuracy of market data and model outputs used in valuations are periodically controlled and differences between counterparty valuations and bank's evaluations are monitored regularly.

c. Credit Risk

1. General qualitative information about credit risk

How does the business model of the Bank transform to components in its credit risk portfolio

Credit risk within the body of the Bank is managed in the framework of Credit Risk Management Policy approved by Board of Directors. Risk, related to credit, are defined, duties of departments are determined and main principles of credit risk management are brought in aforementioned policy document. Departments assigned in credit management and their authorization/responsibilities are defined in aforementioned document.

In this direction, main limitations related to credit risk are determined in Risk Appetite Document approved annually by Board of Directors and reported throughout the year by Risk Management Department. Concentration limits on the basis of sector, customer segment and risk groups are determined. Actions which shall be taken in case of a possible overflow are also determined in this document.

In this scope, credit portfolio of the Bank draws a dispersed view with respect to customers segments and sectors.

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Criteria and approach used while determining credit risk policy and credit risk limits

Risk limits defined to all counterparties in monitoring of credit risks are tracked on the basis of products, customers and risk groups separately by systems and it is not permitted to take risks exceeding determined limits. Many factors such as ability to pay, features of the sector and possible impacts of geographical and economic conditions are taken into consideration while determining the credit limits of counterparty. If deemed appropriate, it is tried to reduce possible losses of the Bank to minimum through applying required risk mitigation techniques. All documents required by the related legislation should be taken into account during credit examinations. Credit worthiness of counterparty is periodically controlled for limits provided for multi-use and limits are revised considering changes and requirements in the credit worthiness of counterparty. Customers are determined based on their classes by credit allocation officers and respective classes are changed, if required.

Structure and organization of credit risk management and control function

Credit allocation and monitoring is performed in accordance with segregation of duties and therefore, the credit can be reviewed in an objective manner during its economic life. Risk models are used in order to measure credit risk of customers in both allocation and monitoring groups in an accurate and objective manner. Early Warning Systems are used for the tracking of credit customers and signals received are regularly tracked by Monitoring groups and pre-determined action plans are taken with allocation groups if pre-determined triggers are detected

Relation between credit risk management, risk control, legal compliance and internal audit functions

Credit Risk Control periodically presents analysis and results of execution of internal rating systems, development of credit rating grades, documentation of changes made in credit grade and compliance to internal limitations to Rating Committee. Compliance of Credit Risk Control activities to intra-bank arrangements and regulatory regulations and guides is periodically audited by internal audit departments of the Bank and issue requiring to be developed are monitored following their identification.

Scope and main content of reporting which shall be made to senior management and members of board of directors regarding credit risk management function and exposed credit risk

Board of Directors determines policy of the Group in credit management field and ensures establishment of required conditions to perform determined policies in an effective manner. In this scope, it defines sections related to measurement and management of credit quality and approves documents having primary importance related to credit risk such as Risk Appetite Declaration

2. Credit quality of assets

	a	b	c	d
	Gross carrying values of (according to TAS)			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1 Loans	3.292.211	60.876.186	3.690.886	60.477.511
2 Debt Securities	--	11.420.850	1.159	11.419.691
3 Off-balance sheet exposures (*)	252.392	54.555.944	189.253	54.619.083
4 Total	3.544.603	126.852.980	3.881.298	126.516.285

(*) It doesn't include revocable commitments and Forward Asset Purchase -Sales Commitments.

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3. Changes in stock of defaulted loans and debt securities

	a (*)
1 Defaulted loans and debt securities at end of the previous reporting period	2.682.048
2 Loans and debt securities that have defaulted since the last reporting period	1.901.506
3 Returned to non-defaulted status	43.516
4 Amounts written off (**)	552.902
5 Other changes	(694.925)
6 Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	3.292.211

(*) It doesn't include off-balance sheet receivables.

(**) It indicates sales made from non-performing loans portfolio.

4. Additional disclosure related to the credit quality of assets

(i) Scope and definitions of "overdue" receivables and "provisioned" receivables used for purposes of accounting

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group according to the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired loans.

(ii) Part of overdue receivables (over 90 days) which are not considered as "Provisioned" and reasons for the implementation in question.

"The Bank calculates general loan loss provision for "past due loans" and specific provision for "impaired loans" according to the Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made.

(iii) Definitions of methods used while determining amount of provision

The Bank calculates general credit provision for overdue credits and specific provision for impaired credits in scope of "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made"

(iv) Definitions of restructured receivables.

The Bank can restructure both of its first and second group of credit and its illiquid credit and receivables. Restructuring in first and second group of credits and in other receivables are made in order to improve repayment ability of the customer as well as including changes made in contract terms with the request of the customer independent from credit risk of the customer. Restructurings made in illiquid claims and receivables are changes made in payment plan of the credit towards ensuring of collection of the receivable. Credits which are overdue over 90 days of delay are automatically transferred to follow-up accounts and subject to specific provision in accordance with "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" .

(v) Breakdown of receivables by geographical area

	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance/ impairments	Write-Offs (*)
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.203.443	59.794.432	--	11.420.850	252.390	42.973.552	2.283.850	551.279
2 EU Countries	86.547	498.470	--	--	2	466.498	63.548	--
3 OECD Countries	33	7.309	--	--	--	791.318	19	--
4 Off Shore Zones	--	14.074	--	--	--	3.220	--	1.623
5 USA, Canada	52	4.572	--	--	--	111.186	13	--
6 Other Countries	2.136	557.329	--	--	--	10.210.170	583	--
7 Total	3.292.211	60.876.186	--	11.420.850	252.392	54.555.944	2.348.013	552.902

(*) It indicates sales made from non-performing loans portfolio

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(vi) Breakdown of receivables by sectors

	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance/ impairments	Write- Offs ^(*)
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
Agricultural	176.447	8.669.251	--	--	3.714	1.837.547	121.770	4.117
Farming and Cattle	173.778	8.652.957	--	--	3.635	1.829.868	119.306	4.057
Forestry	242	2.843	--	--	17	3.672	175	32
Fishing	2.427	13.451	--	--	62	4.007	2.289	28
Manufacturing	299.439	7.456.296	--	--	30.760	11.662.772	170.503	11.324
Mining	30.620	2.541.541	--	--	1.765	704.850	22.678	2.221
Production	186.677	3.780.552	--	--	23.348	10.020.335	127.285	9.088
Electric, Gas, Water	82.142	1.134.203	--	--	5.647	937.587	20.540	15
Construction	197.016	3.706.469	--	--	75.177	9.505.455	136.937	17.386
Services	1.082.879	16.405.101	--	212.546	106.752	12.412.588	730.039	84.493
Wholesale and Retail Trade	721.972	7.766.959	--	--	94.767	7.853.848	473.365	72.003
Hotel and Restaurant Services	37.850	2.817.847	--	--	3.719	789.735	14.111	2.353
Transportation and telecommunication	208.386	3.512.547	--	--	5.627	1.903.596	148.123	8.205
Financial institution	9.353	657.107	--	212.546	141	1.250.300	4.362	569
Real estate and letting services	9.431	216.382	--	--	555	78.642	6.109	614
Self-employment services	--	--	--	--	--	--	--	--
Education services	19.645	748.185	--	--	884	85.607	15.784	221
Health and social services	76.242	686.074	--	--	1.059	450.860	68.185	528
Other	1.536.430	24.639.069	--	11.208.304	35.989	19.137.582	1.188.764	435.582
Total	3.292.211	60.876.186	--	11.420.850	252.392	54.555.944	2.348.013	552.902

(*) It indicates sales made from non-performing loans portfolio.

(vii) Breakdown of receivables by outstanding maturity

	Undistributed	1 month	1-3 months	3-6 months	6-12 months	1 year and more	Total
Non-defaulted receivables	26.250	22.582.103	5.879.234	7.221.398	24.946.561	66.197.434	126.852.980
1 Credits	--	9.552.149	2.735.488	3.739.295	8.906.736	35.942.518	60.876.186
2 Debt Instruments	2	--	50.590	--	--	11.370.258	11.420.850
3 Off-balance sheet receivables	26.248	13.029.954	3.093.156	3.482.103	16.039.825	18.884.658	54.555.944
Defaulted receivables	3.544.603	--	--	--	--	--	3.544.603
1 Credits	3.292.211	--	--	--	--	--	3.292.211
2 Debt Instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	252.392	--	--	--	--	--	252.392
Specific Provisions	2.348.013	--	--	--	--	--	2.348.013
Total	1.222.840	22.582.103	5.879.234	7.221.398	24.946.561	66.197.434	128.049.570

(viii) Aging analysis of overdue receivables

	1-30 days	31-60 days	61-90 days	Total
Credits	6.273.302	1.312.479	858.290	8.444.070
Debt Instruments	--	--	--	--
Off-balance sheet receivables	582.504	32.516	35.886	650.906

(ix) Breakdown of restructured receivables whether they are provisioned or not

	31 December 2016
Credits having standard nature and restructured from other receivables	1.376.210
Credits in close follow-up and restructured from other receivables	2.914.008
Restructured from non-performing receivables	150.334

5. Credit risk mitigation techniques

The Bank can demand collateral in order to mitigate risk level of the credit. Each type of collaterals and collateral processes approved in credit risk calculations are defined with Bank procedures. Insurance and evaluation approach off properties or goods subject to collateral are regulated in internal documents of the Bank prepared in accordance with Turkish Banking Legislation.

The Bank performs credit risk mitigation according to comprehensive financial collateral method in accordance with "Communique on Credit Risk Mitigation Techniques". Exchange mismatch between receivable and collateral and cut-off rates based on type of collateral are considered through inspecting standard cut-off ratios mentioned in annex of the communique while maturity mismatch between receivable and collateral is taken into account in accordance with method mentioned in Article 49.

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Bank established compliant provisions to Turkish Banking Legislation and BRSA Regulations in order to cover expected loss sourcing from occurrence of credit risk.

6. Credit risk mitigation techniques - overview

	a	b	c	d	e	f	g
	Exposures unsecured of (according to TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	47.004.104	13.473.407	11.917.730	--	--	--	--
2 Debt Securities	11.419.691	--	--	--	--	--	--
3 Total	58.423.795	13.473.407	11.917.730	--	--	--	--
4 Of which defaulted ^(*)	3.278.524	266.079	191.763	--	--	--	--

^(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

7. Disclosures on rating grades used while calculating credit risk with standard approach

Ratings provided by international rating agency Fitch are used for the determination of risk weights which shall be applied in the calculation of capital adequacy. The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

8. Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

Risk classifications	a		b		c		d		e		f	
	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density							
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density						
1 Exposures to central governments or central banks	24.300.514	688.695	25.083.273	198.759	7.110.087	%28,12						
2 Exposures to regional governments or local authorities	481.439	19.368	481.317	8.671	244.994	%50,00						
3 Exposures to public sector entities	--	--	--	--	--	%0,00						
4 Exposures to multilateral development banks	--	--	--	--	--	%0,00						
5 Exposures to international organisations	--	--	--	--	--	%0,00						
6 Exposures to institutions	3.813.088	2.372.780	3.813.055	2.048.296	1.971.679	%33,64						
7 Exposures to corporates	17.160.467	29.572.870	16.242.539	16.103.902	32.346.439	%100,00						
8 Retail exposures	31.525.444	25.647.719	30.746.238	2.429.463	24.964.339	%75,25						
9 Exposures secured by residential property	4.901.223	332.318	4.863.692	163.046	1.759.358	%35,00						
10 Exposures secured by commercial real estate	6.646.851	1.160.079	6.622.264	780.811	4.190.626	%56,61						
11 Past-due loans	961.382	188.172	959.586	56.821	939.462	%92,43						
12 Higher-risk categories by the Agency Board	--	--	--	--	--	%0,00						
13 Exposures in the form of covered bonds	--	--	--	--	--	%0,00						
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	%0,00						
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	1.187	1.068	1.187	1.068	2.255	%100,00						
16 Other assets	3.627.024	--	3.627.024	--	1.812.194	%49,96						
17 Investments in equities	5.308.315	--	5.308.315	--	5.308.315	%100,00						
18 Total	98.726.934	59.983.069	97.748.490	21.790.837	80.649.748	%67,47						

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9. Standardised Approach - Exposures by asset classes and risk weights

Risk Classifications/Risk Weight	a	b	c	k	d	l	e	f	g	h	i	j
	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage.	%50	%75	%100	%150	%200	Others	Total risk exposure (after CCF ve CRM)
1 Exposures to central governments or central banks	11.061.862	--	--	--	--	14.220.170	--	--	--	--	--	25.282.032
2 Exposures to regional governments or local authorities	--	--	--	--	--	489.988	--	--	--	--	--	489.988
3 Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4 Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5 Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6 Exposures to institutions	--	--	3.296.301	--	--	2.505.263	--	59.787	--	--	--	5.861.351
7 Exposures to corporates	--	--	--	--	--	--	--	32.346.441	--	--	--	32.346.441
8 Retail exposures	--	--	--	--	--	--	32.845.382	330.319	--	--	--	33.175.701
9 Exposures secured by residential property	--	--	--	5.026.738	--	--	--	--	--	--	--	5.026.738
10 Exposures secured by commercial real estate	--	--	--	--	6.424.900	--	--	978.175	--	--	--	7.403.075
11 Past-due loans	--	--	--	--	332.965	--	--	504.405	179.037	--	--	1.016.407
12 Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13 Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	2.255	--	--	--	2.255
16 Other assets	--	--	--	--	--	--	--	5.308.315	--	--	--	5.308.315
17 Investments in equities	1.933.488	--	7.440	--	3	--	180	1.602.809	--	--	83.104	3.627.024
18 Total	12.995.350	--	3.303.741	5.026.738	6.757.868	17.215.421	32.845.562	41.132.506	179.037	--	83.104	119.539.327

d. Counterparty Credit Risk

1. Counterparty Credit risk (CCR) explanations

Counterparty credit risk is determined according to type of counterparty and the transaction. Counterparties are divided into segments as financial institutions, corporate-commercial customers, KBI-Micro-Gold-Agriculture customers and individual customers. Transaction types are grouped as derivative financial products and repo transactions.

Compliance test is applied in line with production information, financial position and transaction frequency of the customer in order to determine products and services provided to customers.

Credit worthiness of counterparty is analysed before the transactions causing counterparty credit risk and periodically reviewed. Reviewing frequency is increased if required.

Limits, in line with risk appetite, policy and strategies of the Bank are determined for the transactions in scope of CCR. Those limits are approved by Board of Directors for banks. Approval authorizations determined in scope of credit allocation process are applied for parties apart from banks. Limits are reviewed at least annually. If the market conditions get worse or credit qualities of certain counterparties decline, limits are reviewed and required changes are made. Approved limits are blocked with the approval of Credit Committee/Credit Allocation Department, if required.

Risk mitigation methods such as netting contracts, collateral and margin contracts are used in counterparty credit risk management related to financial institutions. Collateralization principles and procedures are applied in scope of credit policy and procedures currently applied within the Bank for counterparties apart from financial institutions.

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Potential and current risk amounts of transactions are calculated/determined in order to determine counterparty credit risk. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

2. Analysis of counterparty credit risk exposure by approach

	a	b	c	d	e	f
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default)	Exposure at default post CRM	RWA
1 Standardised Approach (for derivatives)	1.427.941	505.353		--	1.853.391	1.008.071
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			--	--	--	--
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					--	--
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					392.667	95.785
5 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					--	--
6 Total						1.103.856

3. Credit valuation adjustment (CVA) capital charge

	a	b
	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
1 Value at Risk (VaR) component (including the 3×multiplier)	--	--
2 Stressed VaR component (including the 3×multiplier)	--	--
3 All portfolios subject to the Standardised CVA capital charge	1.853.391	661.218
4 Total subject to the CVA capital charge	1.853.391	661.218

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4. Standard approach - Counterparty credit risk with respect to risk classes and weights

	a	b	c	d	e	f	g	h	i
Risk Weights / Risk Classifications	%0	%10	%20	%50	%75	%100	%150	Diğer	Total credit exposure ^(*)
Claims from central governments and central banks	--	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	663.200	1.220.357	--	--	--	--	742.819
Corporates	--	--	--	--	--	355.581	--	--	355.581
Retail portfolios	--	--	--	--	5.851	--	--	--	4.388
Claims on landed real estate	--	--	--	--	--	--	--	--	--
Past due loans	--	--	--	--	--	--	--	--	--
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--
Mortgage securities	--	--	--	--	--	--	--	--	--
Securitization positions	--	--	--	--	--	--	--	--	--
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--
Investments which are qualified as collective investment institutions	--	--	--	--	--	1.068	--	--	1.068
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets ^(**)	--	--	--	--	--	--	--	--	--
Total	--	--	663.200	1.220.357	5.851	356.649	--	--	1.103.856

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

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

5. Collaterals used for counterparty credit risk

	a		b		c		d		e		f
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions						
	Given Guarantees		Received Guarantees		Guarantees of Other Transactions						
	Appropriated	Unappropriated	Appropriated	Unappropriated	Given Guarantees	Received					
Cash-Domestic Currency	--	--	--	--	--	3.001.396					5.628.366
Cash-Foreign Currency	79.903	--	--	--	--	--					--
Government Bond-Domestic	--	--	--	--	--	--					--
Government Bond-Other	--	--	--	--	--	--					--
Public Bond	--	--	--	--	--	--					--
Corporate Bond	--	--	--	--	--	--					--
Stock	--	--	--	--	--	--					--
Other Guarantee	--	--	--	--	--	--					--
Total	79.903	--	--	--	--	3.001.396					5.628.366

6. Credit derivatives

None.

7. Exposures to central counterparties (CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

4. Securitization positions in banking positions and capital requirements related to those whose sponsorship or founder is the bank

None.

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5. Securitization positions in banking positions and capital requirements related to those- in which the Bank is an investor

None.

f. Market risk

1. Explanations on market risk

Principles, policies and limits related to management of market risk are approved by board of directors and periodically reviewed. The Bank is exposed to market risk mainly due to interest rates, exchange rates and changes which may occur in share and commodity prices. When the asset structure of the Bank is examined, it is concluded that the most significant one among aforementioned risks is interest and exchange rate risk. Two separate methods, "standard method" and "internal method", are used in measurement of aforementioned risks.

Value at risk approach is mainly taken as basis in the follow-up process of risk limits. There exist sensitivity limits in addition to aforementioned limit for risk which are not covered by the model. Parametric approach is adopted since the structure of financial positions held by the Bank is simple and the model is easy to use and understandable. Value at risk calculations are made over all instruments and foreign currency positions of the Bank which are sensitive to interest. Value at risk calculations are supported with stress tests and scenario analysis and possible results of potential market movements which can cause a significant impact on the Bank although having a low possibility to emerge are examined. Retrospective tests of the model are made periodically and amendments can be made in the model in accordance with test results, if required.

2. Standardised approach

	RMT
Outright products	
1 Interest rate risk (general and specific)	26.813
2 Equity risk (general and specific)	--
3 Foreign exchange risk	620.437
4 Commodity risk	50.287
Options	
5 Simplified approach	--
6 Delta-plus method	28.438
7 Scenario approach	--
8 Securitisation	--
9 Total	725.975

3. Information on market risk calculated as of month-ends during the period

	Current Period: 31 December 2016			Prior Period: 31 December 2015		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	1.658	2.802	1.078	3.617	19.703	1.486
Stock Risk	--	--	--	--	--	--
Currency Risk	39.738	53.414	10.748	61.817	133.176	7.180
Emtia Risk	1.105	4.023	257	541	832	338
Settlement Risk	--	--	--	--	--	--
Option Risk	2.177	3.642	956	1.018	6.322	36
Counterparty Risk	--	--	--	3.425	31.059	560
Total Risk Exposure Value	558.467	744.938	200.238	880.230	1.878.325	150.088

g. Explanations related to the operational risk

1. Disclosures on operational risk calculation

"Basic Indicator Approach" is utilized in operational risk calculation of the Bank. Principal amount subject to operational risk is calculated through using year-end gross income of 2015, 2014 and 2013 of DFH Group belonging to last 3 years via "Basic Indicator Approach" dated 1 July 2012 in accordance with "Communiqué on Measurement and Evaluation of Bank's Capital Adequacy" published on Official Gazette dated 28 June 2013 and numbered 28337.

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2. Standart method

	31.12.2013	31.12.2014	31.12.2015	Total/Positive GI year number	Ratio(%)	Total
Gross IGross Income	2.889.648	3.248.811	3.513.707	3.217.389	15	482.608
AmounAmount Subject to Operational Risk						6.032.604

IX. Presentation of financial assets and liabilities at their fair value

a. Calculation of financial assets and liabilities at their fair value

The fair value of held-to-maturity assets are determined based on market prices, or when they are not available, based on market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits and floating rate placements represent their carrying value. The expected fair value of the fixed rate deposits are determined by calculating the discounted cash flows using the market interest rates of similar instruments.

The expected fair value of fixed rate loans and receivables are determined by calculating the discounted cash flows using the current market interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

The following table summarizes the carrying value and fair value of financial assets and liabilities. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	79.251.302	66.535.990	78.491.087	65.713.250
Interbank Money Market Placements	3.001.396	1.200.353	3.001.396	1.200.353
Banks	2.966.965	2.220.556	2.966.814	2.219.847
Investment Securities Available-For-Sale	6.561.558	8.524.479	6.561.558	8.524.479
Investment Securities Held-To-Maturity	4.900.999	3.241.778	4.801.372	3.250.150
Loans and Other Receivables	61.820.384	51.348.824	61.159.947	50.518.421
Financial Liabilities	87.826.658	72.188.729	87.383.563	71.953.440
Bank Deposits	3.666.289	1.470.597	3.665.126	1.469.603
Other Deposits	59.524.639	45.116.980	59.535.364	45.119.167
Interbank Money market borrowings	5.397.576	7.184.158	5.397.576	7.184.158
Funds Borrowed From Other Financial Institutions	10.750.597	10.669.070	10.668.529	10.621.849
Subordinated Loans	5.483.501	4.845.965	5.104.666	4.675.890
Securities Issued	1.152.633	1.259.198	1.160.879	1.240.012
Miscellaneous Payables	1.851.423	1.642.761	1.851.423	1.642.761

b. Classification of fair value

TFRS 7 sets classification of valuation techniques according to the inputs used in valuation techniques based on fair value calculations which are whether observable or not.

Fair value levels of financial assets and liabilities that are carried at fair value in the Bank's financial statements are given below:

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Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	98.004	1.427.943	--	1.525.947
Public Sector Debt Securities	88.417	--	--	88.417
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	1.427.943	--	1.427.943
Other Securities	9.587	--	--	9.587
Financial Assets Available for Sale (*)	6.303.319	216.530	--	6.519.849
Public Sector Debt Securities	6.303.319	--	--	6.303.319
Other Securities	--	216.530	--	216.530
Hedging Purpose Derivatives	--	--	--	--
Total Assets	6.401.323	1.644.473	--	8.045.796
Derivative Financial Liabilities Held for Trading	--	941.188	--	941.188
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	941.188	--	941.188
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	23.708	1.092.872	--	1.116.580
Public Sector Debt Securities	22.625	--	--	22.625
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	1.092.872	--	1.092.872
Other Securities	1.083	--	--	1.083
Financial Assets Available for Sale (*)	8.411.595	--	108.955	8.520.550
Public Sector Debt Securities	8.411.595	--	--	8.411.595
Other Securities	--	--	108.955	108.955
Hedging Purpose Derivatives	--	--	--	--
Total Assets	8.435.303	1.092.872	108.955	9.637.130
Derivative Financial Liabilities Held for Trading	--	577.227	--	577.227
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	577.227	--	577.227

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Unobservable inputs

(*) Share certificates amounting TL 3.930 (31 December 2015: TL 3.945) classified in financial assets available for sale that do not have quoted market prices in an active market or whose fair value cannot be measured, are carried at cost in the framework of TAS 39.

X. Transactions carried out on behalf and account of other parties and fiduciary transactions

a. Information on whether the Group performs sales, purchase, management, consultancy and custody services on behalf and account of others, or not

The Bank performs sales, purchase, management, consultancy and custody services on behalf and account of others.

b. Transactions directly realized with other financial institutions depending on fiduciary contracts and probability of material effect of such transactions on the financial position of the Bank

None.

XI. Explanations related to hedging transactions

a. Net Investment Risk

The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.006 million and US Dollar 6,7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity. Total net investment hedging funds recognized under equity after deferred tax is amounting to TL (541.466) as of 31 December 2016. (31 December 2015: TL (114.756)).

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b. Cash Flow Hedge

The 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 after deferred tax is amounting to TL (616) (31 December 2015: TL (3.368)).

XII. Explanations related to the segment reporting

The Bank 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.

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Segment information of the Bank is presented in the following table:

Current Period (01.01.2016-31.12.2016)	Wholesale Banking		Retail Banking			Total
	Corporate Banking	Commercial & Public Finance	SME & Agriculture Banking	Retail Banking	Treasury and Investment Banking	
Net interest income	303.059	418.561	1.612.257	915.676	803.206	4.052.759
Net fee and commission income	75.639	106.346	590.391	466.312	(49.724)	1.188.964
Other income/expense, net	29.009	115.005	105.999	242.246	(441.868)	50.391
Total segment income	407.707	639.912	2.308.647	1.624.234	311.614	5.292.114
Other operating expenses	(144.153)	(294.347)	(989.948)	(1.109.998)	(60.619)	(2.599.065)
Provision for loan losses and other receivables	(87.209)	(488.142)	(653.180)	(479.717)	(36.519)	(1.744.767)
Tax charge						(238.373)
						699.372
Net profit from continuing operations	176.345	(142.577)	665.519	34.519	214.476	1.409.281
Net profit from discontinued operations	--	--	--	--	--	--
Net profit	176.345	(142.577)	665.519	34.519	214.476	1.409.281
Current Period (31.12.2016)						
Segment assets	7.922.610	11.429.577	26.079.055	16.389.143	33.717.802	95.538.187
Subsidiaries and associates						5.304.386
Undistributed assets						2.316.254
Total assets						103.158.827
Segment liabilities	12.599.996	9.564.827	12.873.685	26.179.002	27.411.679	88.629.189
Undistributed liabilities						3.967.966
Shareholders' equity						10.561.672
Total liabilities						103.158.827
Prior Period (01.01.2015-31.12.2015)						
Net interest income	337.975	427.428	1.152.217	689.619	546.777	3.154.016
Net fee and commission income	80.247	117.550	386.811	493.122	(37.435)	1.040.295
Other income/expense, net	94.704	75.658	137.898	208.337	(780.435)	(263.679)
Total segment income	512.926	620.636	1.676.926	1.391.078	(270.934)	3.930.632
Other operating expenses	(129.485)	(277.584)	(886.078)	(977.712)	(98.127)	(2.368.986)
Provision for loan losses and other receivables	(29.402)	(111.161)	(406.352)	(608.722)	(61.939)	(1.217.576)
Tax charge						(109.030)
						527.605
Net profit from continuing operations	354.039	231.891	384.496	(195.356)	(431.000)	762.645
Net profit from discontinued operations	--	--	--	--	--	--
Net profit	354.039	231.891	384.496	(195.356)	(431.000)	762.645
Prior Period (31.12.2015)						
Segment assets	6.970.701	8.463.853	19.979.122	15.935.149	27.062.888	78.411.713
Subsidiaries and associates						3.951.185
Undistributed assets						1.857.769
Total assets						84.220.667
Segment liabilities	8.412.008	7.251.048	10.156.937	20.501.489	26.065.351	72.386.833
Undistributed liabilities						3.564.515
Shareholders' equity						8.269.319
Total liabilities						84.220.667

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

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SECTION FIVE

DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to 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	876.184	877.995	732.446	619.716
Central Bank of the Republic of Turkey	1.405.531	11.601.208	462.670	8.944.286
Other ^(*)	--	20	--	25
Total	2.281.715	12.479.223	1.195.116	9.564.027

^(*) Includes TL 20 of cheques purchased (31 December 2015: TL 25).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.405.531	1.501.383	462.670	997.242
Unrestricted Time Deposits	--	--	--	--
Restricted Time Deposits	--	10.099.825	--	7.947.044
Total	1.405.531	11.601.208	462.670	8.944.286

3. Information on required reserves

As of 31 December 2016, all banks operating in Turkey should provide a reserve in a range of 4% to 10,5% (31 December 2015: between 5% and 11,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 4,5% to 24,5% (31 December 2015: between 5% and 25%) 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 56.689 derived from the required reserves maintained by the Bank at CBRT (1 January - 31 December 2015: 24.288) 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

None (31 December 2015: None).

2. Trading securities subject to repurchase agreements

None (31 December 2015: None).

3. Positive value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1.549	59.520	4.615	11.830
Swap Transactions	946.743	351.614	874.302	179.173
Futures Transactions	--	--	--	--
Options	523	67.994	173	22.779
Other	--	--	--	--
Total	948.815	479.128	879.090	213.782

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c. Information on Banks

1. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	6.234	212.415	8.602	1.296.248
Foreign	10.044	2.738.272	12.990	902.716
Foreign head offices and branches	--	--	--	--
Total	16.278	2.950.687	21.592	2.198.964

2. Information on Foreign banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	149.902	522.714	2.058.995	--
USA, Canada	124.066	147.664	--	12.180
OECD Countries ^(*)	20.420	15.857	--	--
Off shore zones	124	177	--	--
Other	394.809	217.114	--	--
Total	689.321	903.526	2.058.995	12.180

^(*) OECD countries except for EU countries, USA and Canada

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 unquoted stock exchange, debt securities representing government bonds, Eurobonds and foreign currency government bonds issued by the Turkish Treasury.

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 849.495 (31 December 2015: TL 1.690.385).

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	725.926	123.569	857.701	832.684
Other	--	--	--	--
Total	725.926	123.569	857.701	832.684

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	3.830.370	--	4.811.887	--
Treasury Bills	--	--	--	--
Other Debt Securities	--	--	--	--
Bonds Issued or Guaranteed by Banks	--	--	--	--
Asset Backed Securities	--	--	--	--
Other	--	--	--	--
Total	3.830.370	--	4.811.887	--

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5. Information on available-for-sale securities

	Current Period	Prior Period
Debt instruments	6.830.255	8.840.892
Quoted on Stock Exchange	6.830.255	8.840.892
Unquoted on Stock Exchange	--	--
Share certificates	41.709	112.884
Quoted on Stock Exchange	37.779	--
Unquoted on Stock Exchange	3.930	112.884
Impairment provision (-)	310.406	429.297
Total	6.561.558	8.524.479

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
Direct Loans Granted to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans Granted to Shareholders	--	7.721	--	19.970
Loans Granted to Employees	60.339	4	63.001	115
Total	60.339	7.725	63.001	20.085

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 (*)			Loans and Other Receivables Under Close Monitoring		
	Agreement conditions modified			Agreement conditions modified		
	Loans and Other Receivables (Total)	Extension of Payment Plan	Other	Loans and Other Receivables (Total)	Extension of Payment Plan	Other
Non-specialized Loans	47.306.075	1.364.892	--	5.449.561	2.679.020	--
Working Capital Loans	1.688.112	313.882	--	572.289	491.328	--
Export Loans	1.402.581	6.218	--	24.680	5.211	--
Import Loans	--	--	--	--	--	--
Loans Given to Financial Sector	387.541	--	--	168.744	163.189	--
Consumer Loans	12.083.662	259.838	--	1.190.519	392.174	--
Credit Cards	4.801.357	3.527	--	285.322	64.172	--
Other	26.942.822	781.427	--	3.208.007	1.562.946	--
Specialization Loans	7.316.598	11.318	--	803.952	234.988	--
Other Receivables	--	--	--	--	--	--
Total	54.622.673	1.376.210	--	6.253.513	2.914.008	--

(*) The Bank has a cash loan exposure amounting to USD 117 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. 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 December 2016.

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Number of modifications made to extend payment plan	Performing Loans and	Loans and Other Receivables
	Other Receivables	Under Close Monitoring
Extended by 1 or 2 times	1.311.069	2.677.980
Extended by 3,4 or 5 times	65.062	234.071
Extended by more than 5 times	79	1.957
Total	1.376.210	2.914.008

Extended payment period of time	Performing Loans and	Loans and Other Receivables
	Other Receivables	Under Close Monitoring
0-6 Months	4.977	153.588
6-12 Months	9.003	57.517
1-2 Years	24.846	195.368
2-5 Years	426.469	753.971
5 Year and Over	910.915	1.753.564
Total	1.376.210	2.914.008

3. Information on loans according to maturity structure concentration

	Standard Loans and Other		Loans and Other Receivables	
	Receivables		Under Close Monitoring	
	Loans and other	Restructured	Loans and other	Restructured
	Receivables	or Rescheduled	Receivables	or Rescheduled
Short-Term Loans and Other Receivables	17.294.416	42.922	1.174.733	68.883
Non-Specialized Loans	15.724.110	41.237	1.062.470	41.071
Specialized Loans	1.570.306	1.685	112.263	27.812
Other Receivables	--	--	--	--
Medium and Long-Term Loans and Other Receivables	37.328.257	1.333.288	5.078.780	2.845.125
Non-Specialized Loans	31.581.965	1.323.655	4.387.091	2.637.949
Specialized Loans	5.746.292	9.633	691.689	207.176
Other Receivables	--	--	--	--
Total	54.622.673	1.376.210	6.253.513	2.914.008

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4. Information on consumer loans, individual credit cards and personnel credit cards

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	263.618	12.391.945	12.655.563
Real estate Loans	4.794	5.007.451	5.012.245
Vehicle Loans	2.610	411.279	413.889
General Purpose Loans	256.214	6.973.215	7.229.429
Other	--	--	--
Consumer Loans-Indexed to FC	--	36.623	36.623
Real estate Loans	--	36.185	36.185
Vehicle Loans	--	--	--
General Purpose Loans	--	438	438
Other	--	--	--
Consumer Loans-FC	--	2.346	2.346
Real estate Loans	--	2.159	2.159
Vehicle Loans	--	--	--
General Purpose Loans	--	187	187
Other	--	--	--
Individual Credit Cards-TL	4.523.428	254.375	4.777.803
Installment	2.070.874	254.375	2.325.249
Non installment	2.452.554	--	2.452.554
Individual Credit Cards-FC	1.414	--	1.414
Installment	56	--	56
Non installment	1.358	--	1.358
Loans Given to Employees-TL	3.627	30.555	34.182
Real estate Loans	--	1.798	1.798
Vehicle Loans	--	93	93
General Purpose Loans	3.627	28.664	32.291
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Personnel Credit Cards - TL	24.488	234	24.722
Installment	11.528	234	11.762
Non installment	12.960	--	12.960
Personnel Credit Cards - FC	24	--	24
Installment	8	--	8
Non installment	16	--	16
Overdraft Loans-TL (Real Persons) ^(*)	545.467	--	545.467
Overdraft Loans-FC (Real Persons)	--	--	--
Total	5.362.066	12.716.078	18.078.144

^(*) Overdrafts used by the personnel of the Bank are TL 1.489 (31 December 2015: TL 1.371).

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5. Information on installment commercial loans and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans - TL	919.302	8.025.791	8.945.093
Real estate Loans	624	223.589	224.213
Vehicle Loans	10.674	534.271	544.945
General Purpose Loans	908.004	7.267.931	8.175.935
Other	--	--	--
Installment Commercial Loans - Indexed to FC	23.700	1.323.659	1.347.359
Real estate Loans	--	13.594	13.594
Vehicle Loans	281	40.524	40.805
General Purpose Loans	23.419	1.269.541	1.292.960
Other	--	--	--
Installment Commercial Loans - FC	2.537	58.556	61.093
Real estate Loans	--	--	--
Vehicle Loans	--	234	234
General Purpose Loans	2.537	58.322	60.859
Other	--	--	--
Corporate Credit Cards - TL	282.664	2	282.666
Installment	106.298	2	106.300
Non installment	176.366	--	176.366
Corporate Credit Cards - FC	50	--	50
Installment	--	--	--
Non installment	50	--	50
Overdraft Loans-TL (Legal Entities)	1.452.593	--	1.452.593
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	2.680.846	9.408.008	12.088.854

6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	565.794	802.481
Private	60.310.392	49.817.676
Total	60.876.186	50.620.157

7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	59.787.720	49.890.022
Foreign Loans	1.088.466	730.135
Total	60.876.186	50.620.157

8. Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	213.836	32.438
Indirect loans granted to subsidiaries and associates	--	--
Total	213.836	32.438

9. Specific provisions for loans

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	117.558	62.112
Loans and Receivables with Doubtful Collectability	308.596	245.582
Uncollectible Loans and Receivables	1.921.859	1.645.687
Total	2.348.013	1.953.381

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10. 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
Current Period	12.405	22.935	107.038
(Gross Amounts Before Specific Reserves)			
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	12.405	22.935	107.038
Prior Period	15.994	37.147	65.519
(Gross Amounts Before Specific Reserves)			
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	15.994	37.147	65.519

(ii) 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
Balances at Beginning of Period	336.216	544.429	1.801.403
Additions (+)	1.678.031	79.840	143.635
Transfers from Other Categories of Non-Performing Loans (+)	--	1.284.724	1.066.875
Transfers from Other Categories of Non-Performing Loans (-)	1.284.724	1.066.875	--
Collections (-)	229.322	158.157	350.962
Write-offs (-)	--	--	552.902
Corporate and Commercial Loans	--	--	28.028
Retail Loans	--	--	242.059
Credit Cards	--	--	182.960
Other	--	--	99.855
Balances at End of the Period	500.201	683.961	2.108.049
Specific Provisions (-)	117.558	308.596	1.921.859
Net Balance on Balance Sheet	382.643	375.365	186.190

^(*)The Bank has sold individual loan, credit cards and enterprise credit portfolio amounting to TL 295.535, tracked in legal proceedings accounts, for a price of TL 30.100 to Finansal Varlık Yönetimi A.Ş. with sales contracts dated 29 April and 30 June 2016 and has also sold individual loan, credit cards and enterprise credit portfolio amounting to TL 110.891 and TL 110.474, tracked in legal proceedings accounts, for a price of TL 11.600 TL and 11.700TL respectively Sümer Varlık Yönetimi A.Ş. and İstanbul Varlık Yönetimi A.Ş. with sales contracts dated 29 September and 30 September 2016 respectively and has sold individual loan, credit cards and enterprise credit portfolio amounting to TL 36.002, tracked in legal proceedings accounts, for a price of TL 50 to Vera Varlık Yönetimi A.Ş. with sales contract dated 29 December 2016.

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

Foreign currency loans, reverted/lapsed to illiquid claims accounts, are tracked as Turkish Lira.

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(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
Current Period (Net): 31 December 2016	382.643	375.365	186.190
Loans Granted to Real Persons and Legal Entities (Gross)	500.201	683.961	2.108.049
Specific provisions (-)	117.558	308.596	1.921.859
Loans Granted to Real Persons and Legal Entities (Net)	382.643	375.365	186.190
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net): 31 December 2015	274.104	298.847	155.716
Loans Granted to Real Persons and Legal Entities (Gross)	336.216	544.429	1.801.403
Specific provisions (-)	62.112	245.582	1.645.687
Loans Granted to Real Persons and Legal Entities (Net)	274.104	298.847	155.716
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	--	--
Specific provisions (-)	--	--	--
Other Loan and Receivables (Net)	--	--	--

11. Liquidation policy for uncollectible loans and receivables

For uncollectible loans and receivables, the Bank tries to solve the issue with the customer. If no result is obtained, all legal actions are taken. Such actions are completed when the insufficiency of collaterals is documented or a certificate of insolvency is obtained.

12. Information on write-off from assets policy

Unrecoverable non-performing loans are written off on condition that receivable of the Bank is not material compared to the costs to be incurred for the preparation of necessary documentation. There is no written-off amount in 2016 (31 December 2015: TL 2.849).

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 1.797.997 (31 December 2015: TL 1.595.489).

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

Collateralized held-to-maturity investments are government bonds, whose book value amounts to TL 1.099.775 (31 December 2015: TL 959.121).

2. Information on government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	4.900.999	3.241.778
Treasury Bills	--	--
Other Government Debt Securities	--	--
Total	4.900.999	3.241.778

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3. Information on investment securities held-to-maturity

	Current Period	Prior Period
Debt Securities	4.909.438	3.247.249
Quoted on Stock Exchange	4.909.438	3.247.249
Unquoted on Stock Exchange	--	--
Impairment (-)	8.439	5.471
Total	4.900.999	3.241.778

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

	Current Period	Prior Period
Balance at the beginning of the period	3.241.778	3.022.707
Foreign exchange differences ^(*)	248.152	227.993
Purchases during the year ^(**)	1.419.508	--
Disposals/Redemptions	--	(3.451)
Impairment losses (-)	8.439	5.471
Total	4.900.999	3.241.778

^(*) 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 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, 24 January 2014 and 1 November 2016. 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 224.805 (31 December 2015: TL 192.722).

g. Investments in associates

Title	Address (City/Country)	The 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	185.448	129.647	135.578	2.817	--	16.458	26.782	--
2	303.700	299.526	5.691	15.573	--	5.483	11.811	--
3	11.541	11.095	8.393	135	--	(465)	(172)	--

^(*) Information on the financial statements is presented as of the period ended 30 September 2016.

^(**) Information on the financial statements is presented as of the period ended 31 December 2015.

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h. Investments in subsidiaries

1. Information on capital adequacies of major subsidiaries

Amounts at below prepared within the scope of regulation depended by Denizbank AG and they are obtained from financial datas of 31 December 2016.

	Denizbank AG
Paid-in capital	711.674
Share Premium	1.041.091
Reserves	2.505.232
Deductions from capital	1.832
Total Common Equity	4.256.165
Total Additional Tier I Capital	--
Deductions from capital	7.328
Total Core Capital	4.248.837
Total Supplementary Capital	105.584
Capital	4.354.421
Deductions from capital	--
SHAREHOLDERS' EQUITY	4.354.421

2. Information on subsidiaries

Title	Address (City/Country)	The Bank's share percentage (%)	The Parent Bank's risk group share percentage (%) ⁽⁴⁾
1 İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ⁽¹⁾	Istanbul/Turkey	100	--
2 Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ⁽¹⁾	Istanbul/Turkey	100	--
3 Denizbank AG	Vienna/Austria	100	--
4 Eurodeniz International Banking Unit Ltd.	Nicosia / Cyprus	100	--
5 Deniz Yatırım Menkul Kıymetler A.Ş.	Istanbul/Turkey	100	--
6 Ekspres Bilgi İşlem ve Ticaret A.Ş. ⁽³⁾	Istanbul/Turkey	71	29
7 JSC Denizbank Moskova	Moscow / Russia	49	51
8 Deniz Portföy Yönetimi A.Ş.	Istanbul/Turkey	--	100
9 Deniz Finansal Kiralama A.Ş.	Istanbul/Turkey	49	51
10 Deniz Faktoring A.Ş.	Istanbul/Turkey	100	--
11 Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽²⁾	Istanbul/Turkey	--	91
12 CR Erdberg Eins GmbH & Co KG. ⁽²⁾	Istanbul/Turkey	--	100

⁽¹⁾ It is not included in TAS 27 equity method implementation mentioned in Note I of Section Three.

⁽²⁾ They are included in TAS 27 "equity method" mentioned in Note I of Section Three although which are not the Bank's direct subsidiaries.

⁽³⁾ The main activity area of Ekspres Menkul Değerler A.Ş. has been changed on 10 August 2016 and its title has become Ekspres Bilgi İşlem ve Ticaret A.Ş.

⁽⁴⁾ Presenting risk group of Bank's share percentage.

	Total Shareholders'		Total Fixed Assets	Interest Income	Income on Current Period		Prior Period Profit/(Loss)	Fair Value	Total Assets
	Assets	Equity			Securities	Portfolio Profit/(Loss)			
1	183.805	(3.192)	56.189	923	--	(9.055)	462	--	183.805
2	1.350	1.317	--	--	--	44	(9)	--	1.350
3	38.016.406	4.339.770	41.948	1.417.968	16.391	547.337	459.473	--	38.016.406
4	596.336	24.528	78	21.078	--	684	691	--	596.336
5	195.802	167.604	2.486	5.228	249	14.026	(12.342)	--	195.802
6	17.017	15.600	2.206	863	--	1.285	1.071	--	17.017
7	869.245	237.711	3.335	43.824	4.701	27.440	28.893	--	869.245
8	13.337	12.263	17	1.129	42	3.656	2.319	--	13.337
9	2.983.510	631.198	121.760	214.584	--	76.485	71.469	--	2.983.510
10	1.288.260	190.745	2.224	162.669	--	16.015	(36.638)	--	1.288.260
11	198.266	197.142	222	129	--	12.327	10.285	--	198.266
12	94.975	82.963	78.279	6	--	2.111	1.827	--	94.975

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

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(i) Movement of subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	3.939.731	3.011.308
Movements during the Period	1.353.201	928.423
Purchases ^(*)	--	256.426
Bonus Shares Received	--	--
Dividends from Current Year Profit ^(**)	699.372	471.774
Sales	--	--
Revaluation Increase, Effect of Inflation and F/X Difference ^(***)	653.829	200.223
Allowance for impairment	--	--
Balance at the End of the Period	--	--
Capital Commitments	5.292.932	3.939.731
Share Percentage at the end of Period (%)	--	--

^(*) On 4 September 2015, the Bank has increased Denizbank AG's capital by Euro 80 million.

^(**) As of 31 December 2016, there isn't dividend income as a consequence of equity method implementation in accordance with TAS 27 mentioned in Note I of Section Three (31 December 2015: TL 55.836).

^(***) It consists of other reserves amounting to TL 605.562 as of 31 December 2016 (31 December 2015: TL 255.509) and valuation differences of securities amounting to TL 48.267 as of 31 December 2016 (31 December 2015: TL (55.286)) as a consequence of equity method implementation in accordance with TAS 27 mentioned in Note I of Section Three.

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

	Current Period	Prior Period
Banks	4.506.890	3.236.453
Insurance Companies	--	--
Factoring Companies	190.745	174.730
Leasing Companies	309.287	271.816
Finance Companies	--	--
Other Subsidiaries	286.010	256.732
Total	5.292.932	3.939.731

(iii) Quoted subsidiaries: None.

(iv) Subsidiaries disposed during the current period:

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.

(v) Subsidiaries acquired during the current period: None.

i. 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	22.003	26.970	5.466	100.511	(94.209)

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

j. Information on receivables from leasing activities

None (31 December 2015: None).

k. Explanation on hedging purpose derivatives

None (31 December 2015: None).

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l. Information on tangible assets

	Real Estate	Tangible Fixed Assets Retained With Leasing	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	45.217	219.327	1.486	756.832	1.022.862
Accumulated Depreciation	(10.415)	(160.602)	(1.084)	(449.733)	(621.834)
Net Book Value	34.802	58.725	402	307.099	401.028
Current Period					
Net Book Value at the Beginning of the Period	34.802	58.725	402	307.099	401.028
Differences During the Period (Net)	32.940	82	--	103.045	136.067
Depreciation Cost	(873)	(16.280)	(193)	(85.747)	(103.093)
Provision For Decrease In Value	(3.719)	--	--	--	(3.719)
FX Differences (Net)	--	--	--	1	1
Cost At the End of the Period	63.150	212.233	1.293	850.294	1.126.970
Accumulated Depreciation At the End of the Period	--	(169.706)	(1.084)	(525.895)	(696.685)
Net Book Value At The End Of The Period	63.150	42.527	209	324.399	430.285

The Bank 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 December 31, 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.

Revaluation difference amounting to TL 30.370 is recognized under equities as a result of revaluation process and impairment provision made in previous periods for related properties amounting to TL (4.080) is cancelled and an impairment provision amounting to TL (3.719) is made for related properties.

m. Information on intangible assets

	Other	Goodwill	Total
Prior Period			
Cost	489.367	869	490.236
Accumulated Depreciation	(319.058)	--	(319.058)
Net Book Value	170.309	869	171.178
Current Period			
Net Book Value at the Beginning of the Period	170.309	869	171.178
Differences During the Period (Net)	105.386	--	105.386
Depreciation Cost	(87.802)	--	(87.802)
Provision For Decrease In Value	--	--	--
FX Differences (Net)	--	--	--
Cost At the End of the Period	595.362	869	596.231
Accumulated Depreciation At the End of the Period	(407.469)	--	(407.469)
Net Book Value At The End Of The Period	187.893	869	188.762

n. Explanation on investment property

None (31 December 2015: None).

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o. Information on deferred tax asset

Deferred tax asset is calculated on the basis of related regulation and 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
Unearned Income	56.753	43.260
Miscellaneous Provisions Financial Loss	43.948	5.638
Valuation Differences of Financial Assets	21.068	18.670
Provision for Employee Benefits	18.696	--
Financial Loss ^(*)	--	69.714
Other	--	4.143
Deferred Tax Assets	140.465	141.425
Valuation Differences of Derivatives	(25.616)	(42.846)
Valuation Differences of Tangible Assets	(13.640)	(10.477)
Valuation Differences of Financial Assets	--	(2.726)
Other	(18.105)	--
Deferred Tax Liabilities	(57.361)	(56.049)
Net Deferred Tax Assets	83.104	85.376

^(*) 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).

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

None (31 December 2015: None).

q. Information on other assets

1. Information on prepaid expense, taxes and similar items

The Bank's total prepaid expenses are TL 293.306 (31 December 2015: TL 263.450).

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 liabilities

a. Information on deposits

1. Information on maturity structure of deposits

Current period - 31 December 2016:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.317.105	--	2.352.764	15.059.997	699.472	152.910	252.209	26.694	20.861.151
Foreign Currency									
Deposits ⁽¹⁾	5.814.353	--	2.749.788	11.554.311	1.005.906	1.813.221	1.324.601	1.325	24.263.505
Residents in Turkey	5.525.624	--	2.706.647	10.688.813	931.789	1.647.850	929.316	1.165	22.431.204
Residents Abroad	288.729	--	43.141	865.498	74.117	165.371	395.285	160	1.832.301
Public Sector Deposits	486.443	--	38.636	51.363	3.669	349	10.808	--	591.268
Commercial Deposits	2.823.452	--	2.188.047	5.212.021	706.498	152.886	154.242	--	11.237.146
Other Ins. Deposits	102.245	--	103.356	1.515.642	128.363	9.358	178.377	--	2.037.341
Precious Metal									
Deposits	265.351	--	29.656	151.809	41.997	28.783	12.364	4.268	534.228
Bank Deposits	78.812	--	2.215.792	1.003.351	260.680	1.767	105.887	--	3.666.289
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	2.712	--	111.297	27.378	--	1.767	--	--	143.154
Foreign Banks	51.543	--	2.104.495	975.973	260.680	--	105.887	--	3.498.578
Special Finan. Inst.	24.557	--	--	--	--	--	--	--	24.557
Other	--	--	--	--	--	--	--	--	--
Total	11.887.761	--	9.678.039	34.548.494	2.846.585	2.159.274	2.038.488	32.287	63.190.928

⁽¹⁾ Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 11.500.075 and Commercial Deposit customers at the amount of TL 12.763.430.

Prior period - 31 December 2015:

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	1.603.758	--	1.539.693	12.588.853	250.974	126.499	198.688	34.631	16.343.096
Foreign Currency									
Deposits ⁽¹⁾	3.975.007	--	2.693.442	9.496.538	1.121.513	858.764	932.895	1.477	19.079.636
Residents in Turkey	3.632.126	--	2.645.771	9.012.894	1.055.969	670.674	657.700	1.290	17.676.424
Residents Abroad	342.881	--	47.671	483.644	65.544	188.090	275.195	187	1.403.212
Public Sector Deposits	416.169	--	46.680	48.266	1.899	13	411	--	513.438
Commercial Deposits	2.167.352	--	1.678.913	3.353.789	116.203	110.219	30.272	--	7.456.748
Other Ins. Deposits	81.973	--	92.902	1.028.700	169.986	910	11.862	--	1.386.333
Precious Metal									
Deposits	121.790	--	24.210	136.557	11.513	31.379	9.578	2.702	337.729
Bank Deposits	90.540	--	607.903	617.404	6.939	147.811	--	--	1.470.597
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	892	--	104.601	35.637	--	1.466	--	--	142.596
Foreign Banks	76.987	--	503.302	581.767	6.939	146.345	--	--	1.315.340
Special Finan. Inst.	12.661	--	--	--	--	--	--	--	12.661
Other	--	--	--	--	--	--	--	--	--
Total	8.456.589	--	6.683.743	27.270.107	1.679.027	1.275.595	1.183.706	38.810	46.587.577

⁽¹⁾ Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 9.846.585 and Commercial Deposit customers at the amount of TL 9.233.051.

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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

	Saving Deposit Insurance Fund		Exceeding the Insurance Coverage Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	10.732.125	7.838.510	10.067.622	8.447.404
Foreign Currency Saving Deposits	2.373.888	2.148.057	9.536.921	7.964.570
Other Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--	--	--
Off-Shore Deposits Under Foreign Insurance Coverage	--	--	--	--
Total	13.106.013	9.986.567	19.604.543	16.411.974

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

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	162.530	75.346
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	41.124	30.020
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	--	--
Total	203.654	105.366

(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	40.372	21.537	3.424	29.821
Swap Transactions	513.248	279.494	328.486	193.753
Futures Transactions	--	--	--	--
Options	7	86.530	--	21.743
Other	--	--	--	--
Total	553.627	387.561	331.910	245.317

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	223.985	466.629	195.122	243.205
Foreign Bank, Institutions and Funds	620.246	9.439.737	--	10.260.743
Total	844.231	9.906.366	195.122	10.503.948

2. Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	317.028	3.547.375	195.122	5.411.001
Medium and Long-Term	527.203	6.358.991	--	5.092.947
Total	844.231	9.906.366	195.122	10.503.948

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3. Additional explanation on concentrations of the Bank's liabilities

As at 31 December 2016, the Bank's liabilities comprise; 61% deposits, 22% loans received, debts to money markets, issued securities and subordinated loans (31 December 2015: 55%, 28%, respectively).

d. Information on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	--	--	93.141	--
Bills	737.553	--	609.746	--
Asset Backed Security	415.080	--	556.311	--
Total	1.152.633	--	1.259.198	--

Nominal value of TL 70.095 (31 December 2015: TL 188.439) of the securities issued were repurchased by the 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)

Maturity of the leasing agreements are usually 4 years. Interest rate and the Bank's cash flow are the criteria, taken into consideration, on the lease contracts. There are no judgements which, exposed to significant liabilities to the Bank, on the lease contracts.

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	10.696	8.932	11.608	8.803
Between 1-4 years	10.227	9.561	20.790	18.431
More than 4 years	--	--	--	--
Total	20.923	18.493	32.398	27.234

1. Changes in agreements and further commitments arising

None (31 December 2015: None).

2. Obligations under finance leases

None (31 December 2015: None).

3. Explanations on operational leases

The Bank 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

None (31 December 2015: None).

g. Information on liabilities arising from hedging purpose derivatives

None (31 December 2015: None).

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h. Explanation on provisions

1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	915.660	732.433
Additional Provision for Loans with Extended Maturities	71.838	31.355
Provisions for Loans and Receivables in Group II	258.866	170.305
Additional Provision for Loans with Extended Maturities	160.565	88.712
Provisions for Non Cash Loans	103.255	81.471
Other	--	--
Total	1.277.781	984.209

Minimum provision rates for the general provision calculation are determined in "Communiqué on Amendments made on Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" which is published at Official Gazette dated 14 December 2016 and numbered 29918 and the Bank has made provisions over the aforementioned minimum provision rates as of 31 December 2016. General provision amount would be TL 868.000 less if the minimum provision rates, which are mentioned in the aforementioned Communiqué, were applied.

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

As of 31 December 2016 the reserves allocated for the exchange rate differences of loans indexed to foreign currency amount to TL 128 (31 December 2015: TL 10.635). 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 December 2016, TL 77.610 of provision for employment termination benefits (31 December 2015: TL 64.150) and TL 27.732 of unused vacation accruals (31 December 2015: TL 29.202) were reflected to the financial statements.

Movement of retirement pays liability during the period:

	Current Period	Prior Period
Balance at the Beginning of the Period	64.150	59.697
Changes in the period	18.202	15.967
Actuarial loss/gain	8.388	(1.781)
Paid in the period	(13.130)	(9.733)
Balance at the End of the Period	77.610	64.150

4. Information on other provisions

(i) As of 31 December 2016, the free reserves allocated to potential risks amount to TL 197.829 (31 December 2015: TL 11.000), which includes other reserves set aside of credit portfolio.

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

TL 85.998 (31 December 2015: TL 65.998) of other provisions consists of provisions for non-cash loans that are not indemnified and converted into cash, TL 19.125 (31 December 2015: TL 18.120) consists of provisions for lawsuits pending against Bank and TL 8.198 (31 December 2015: TL 33.725) consists of other provisions.

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i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2016, the amount of the corporate tax provision of the Bank is TL 98.535 (31 December 2015: None), and the prepaid tax amount is TL 165.625 (31 December 2015: None).

As of 31 December 2016, the Bank's total tax and premium liabilities is TL 171.472 (31 December 2015: TL 148.289).

(ii) Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	--	--
Taxation on securities	52.753	45.575
Capital gains taxes on property	1.992	1.779
Banking Insurance Transaction Tax (BITT)	48.973	41.422
Taxes on foreign exchange transactions	--	--
Value added taxes payable	2.851	1.756
Other	46.688	41.048
Total	153.257	131.580

(iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	7.804	7.161
Social security premiums- employer share	8.785	8.054
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	--	--
Pension fund membership fees and provisions- employer share	--	--
Unemployment insurance- employee share	542	498
Unemployment insurance- employer share	1.084	996
Other	--	--
Total	18.215	16.709

2. Information on deferred tax liabilities

The Bank has no deferred tax liability calculated on the basis of related regulation. Information on deferred taxes is disclosed in Note "o" of "explanations and disclosures related to assets".

j. Information on payables related to assets held for sale

None (31 December 2015: None).

k. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Other Domestic Institutions	--	--	--	--
Foreign Banks	--	5.483.501	--	4.845.965
Other Foreign Institutions	--	--	--	--
Total	--	5.483.501	--	4.845.965

Information related to subordinated loans is given in Note I-b of Section Four.

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I. Information on shareholders' equity

1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.316.100	1.816.100
Preferred Stock	--	--

Paid-in capital of the Bank is shown as nominal above. Disclosure regarding capital increase is made in note numbered II-I-3 in Section Five.

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

The Bank has increased its paid capital at a total amount of TL 1.500.000 on 28 June 2016 consisting of share premium of TL 39, subsidiary and associate shares and real estate sales income of TL 113.097 and extraordinary reserves of TL 636.864 and cash reserve of TL 750.000.

Date of Increase	Amount of Increase	Cash	Profit reserves entreated in increase	Capital reserves entreated in increase
28 June 2016	1.500.000	750.000	113.136	636.864

4. Information on share capital increases from revaluation funds

Securities Growth Fund	Revaluation Increase in Value for tangible and intangible fixed assets	Bonus share real estate profit on sale of subsidiaries, associates and joint controlled partnerships (joint ventures)	Other
--	--	113.097	--

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 Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering uncertainty indicators

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

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

The 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	39
Common Stock Cancellation Profits	--	--
Other Equity Instruments	--	--
Total Common Stock Issued (*)	50.369	50.369

(*) 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	(445.696)	(109.637)	(521.167)	41.379
Total	(445.696)	(109.637)	(521.167)	41.379

10. Information on hedging funds

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

11. Information on minority shares

None (31 December 2015: None).

12. Information on revaluation differences of tangible assets

The Bank 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 amounting to TL 28.852 is recognized under equities as a result of revaluation process.

TL 113.097 of TL122.518 included in revaluation differences of tangible fixed assets has been used in capital increase dated 28 June 2016. Disclosure on capital increase is made in note numbered II-I-3 in Fifth section.

TL 9.421 included in tangible fixed assets revaluation differences is income from real estate sales and transferred to related fund account under shareholder's equity (31 December 2015: TL (113.097)).

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

a. Information related to off-balance sheet commitments

1. Type and amount of irrevocable commitments

All of the Bank's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2016, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 28.522.030, TL 12.764.645 and TL 2.111.130, respectively (31 December 2015: TL 24.274.875, TL 10.209.119 and TL 1.920.552, 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 December 2016, The Bank has letters of guarantee amounting to TL 21.636.270, bills of exchange and acceptances amounting to TL 256.830, and guarantees and sureties on letters of credit amounting to TL 2.312.576 and other guarantees and sureties amounting to TL 4.316.354.

As of 31 December 2015, The Bank has letters of guarantee amounting to TL 20.028.179, bills of exchange and acceptances amounting to TL 194.319, and guarantees and sureties on letters of credit amounting to TL 2.284.049 and other guarantees and sureties amounting to TL 1.768.328.

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

	Current Period	Prior Period
Provisional Letters of Guarantee	912.008	903.725
Final Letters of Guarantee	14.268.946	13.535.613
Letters of Guarantee for Advances	2.874.152	2.938.430
Letters of Guarantee given to Customs Offices	169.797	184.924
Other Letters of Guarantee	3.411.367	2.465.487
Total	21.636.270	20.028.179

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	7.727.341	4.232.981
With Original Maturity of 1 Year or Less	7.726.461	4.232.247
With Original Maturity of More Than 1 Year	880	734
Other Non-Cash Loans	20.794.689	20.041.894
Total	28.522.030	24.274.875

(ii) Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	125.897	1,25	115.147	0,62	125.561	1,42	228.819	1,48
Farming and Cattle	124.881	1,24	113.637	0,62	124.382	1,40	228.819	1,48
Forestry	584	0,01	768	--	893	0,02	--	--
Fishing	432	--	742	--	286	--	--	--
Manufacturing	2.217.779	21,98	8.384.204	45,48	2.021.443	22,82	5.267.961	34,17
Mining	325.222	3,22	277.022	1,50	229.451	2,59	126.342	0,82
Production	1.558.544	15,45	7.502.762	40,70	1.462.574	16,51	4.558.775	29,57
Electric, Gas, Water	334.013	3,31	604.420	3,28	329.418	3,72	582.844	3,78
Constuction	2.982.079	29,56	5.163.150	28,01	2.502.194	28,24	5.082.112	32,97
Services	3.350.033	33,20	3.244.097	17,59	3.140.789	35,45	3.207.427	20,81
Wholesale and Retail Trade	1.963.421	19,46	1.645.071	8,92	1.929.549	21,78	1.994.358	12,94
Hotel and Restaurant Services	250.429	2,48	345.654	1,88	223.470	2,52	238.031	1,54
Transportation and telecommunication	489.354	4,85	813.601	4,41	473.289	5,34	547.087	3,55
Financial institution	341.805	3,39	354.679	1,92	216.654	2,45	353.902	2,30
Real estate and letting services	21.577	0,21	3.998	0,02	30.106	0,34	1.984	0,01
Self-employment services	--	--	--	--	--	--	--	--
Education services	38.997	0,39	11.688	0,06	37.715	0,43	13.870	0,09
Health and social services	244.450	2,42	69.406	0,38	230.006	2,59	58.195	0,38
Other	1.411.673	13,99	1.527.971	8,29	1.069.604	12,07	1.628.965	10,57
Total	10.087.461	99,98	18.434.569	99,99	8.859.591	100,00	15.415.284	100,00

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(iii) Information about the first and second group of non-cash loans

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.890.287	11.353.162	185.468	207.355
Bank Acceptances	5.498	251.332	--	--
Letters of Credit	42	2.312.534	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	6.167	4.306.250	--	3.937
Total	9.901.994	18.223.278	185.468	211.292

b. Information related to derivative financial instruments

Current Period	Up to 1 moth	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	25.686.276	10.960.506	6.107.028	4.511.224	--	47.265.034
Forward FC Call Transactions	2.015.918	916.013	687.902	--	--	3.619.833
Forward FC Pull Transactions	2.005.424	927.659	689.440	--	--	3.622.523
Swap FC Call Transactions	9.517.821	3.813.556	1.015.051	2.170.588	--	16.517.016
Swap FC Pull Transactions	7.630.313	3.696.601	841.502	2.340.636	--	14.509.052
Options FC Call Transactions	2.241.091	825.161	1.410.230	--	--	4.476.482
Options FC Pull Transactions	2.275.709	781.516	1.462.903	--	--	4.520.128
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	21.114	1.073.356	2.535.872	9.416.476	14.362.932	27.409.750
Swap Interest Call Transactions	10.557	536.678	1.267.936	4.708.238	7.118.152	13.641.561
Swap Interest Pull Transactions	10.557	536.678	1.267.936	4.708.238	7.118.152	13.641.561
Options Interest Call Transactions	--	--	--	--	63.314	63.314
Options Interest Pull Transactions	--	--	--	--	63.314	63.314
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.556.043	34.940	169.418	332.334	--	2.092.735
B. Total Types of Trading Transactions (I + II + III)	27.263.433	12.068.802	8.812.318	14.260.034	14.362.932	76.767.519
Total Derivatives Transactions (A+B)	27.263.433	12.068.802	8.812.318	14.260.034	14.362.932	76.767.519

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Prior Period	Up to 1 moth	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	32.487.482	5.063.386	5.101.644	5.464.559	--	48.117.071
Forward FC Call Transactions	1.326.285	557.706	888.006	25.934	--	2.797.931
Forward FC Pull Transactions	1.325.174	559.422	904.922	26.802	--	2.816.320
Swap FC Call Transactions	13.261.329	1.033.679	557.741	2.829.924	--	17.682.673
Swap FC Pull Transactions	11.943.422	863.189	415.946	2.581.899	--	15.804.456
Options FC Call Transactions	2.320.709	1.047.381	1.162.554	--	--	4.530.644
Options FC Pull Transactions	2.310.563	1.002.009	1.172.475	--	--	4.485.047
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	--	6.963.425	3.131.178	16.690.116	10.130.592	36.915.311
Swap Interest Call Transactions	--	3.481.713	1.565.589	8.345.058	5.065.296	18.457.656
Swap Interest Pull Transactions	--	3.481.712	1.565.589	8.345.058	5.065.296	18.457.655
Options Interest Call Transactions	--	--	--	--	--	--
Options Interest Pull Transactions	--	--	--	--	--	--
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.350.690	--	--	--	--	1.350.690
B. Total Types of Trading Transactions (I + II + III)	33.838.172	12.026.811	8.232.822	22.154.675	10.130.592	86.383.072
Total Derivatives Transactions (A+B)	33.838.172	12.026.811	8.232.822	22.154.675	10.130.592	86.383.072

c. Credit derivatives and risk exposures on credit derivatives

None.

d. Contingent assets and liabilities

A tax inspection for the years of 2010, 2011, 2012, 2013 and 2014 is carried out by Large Taxpayers Office of Turkish Tax Inspection Board with respect to an inspection conducted debt collection fees. In tax inspection reports, tax and penalty notifications, including a total amount of TL 55.745.

A tax inspection for the years of 2010, 2011, 2012, 2013 and 2014 is carried out by Large Taxpayers Office of Turkish Tax Inspection Board regarding the examination of judgment and compensation fees with respect to Corporation Tax has been carried out. In tax inspection reports, tax and penalty notifications, including a total amount of TL 952.

Tax investigation reports and tax penalty notifications for the years of 2009 and 2010 and tax investigation reports for 2011, 2012, 2013 and 2014 have been issued by Large Taxpayers Office of Turkish Tax Inspection Board as a result of examination of derivative transactions with respect to Banking and Insurance Transaction Tax. In tax inspection reports, tax and penalty notifications, including a total amount of TL 67.780.

The Bank has decided to benefit from favorable provisions of the Law on Restructuring of Certain Receivables numbered 6736 published on Official Gazette dated 19 August 2016 and numbered 29806 and related communique with respect to abovementioned penalties and applied to respective tax office. In scope of aforementioned Law, as a result of restructuring of tax and penalties, accrued amounts are paid in cash on 30 November 2016 for judgement cost of collection amounting to TL 12.924, TL 199 for corporate tax and banking and insurance transaction tax amounting to TL 15.096.

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

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orders on 22 March 2016. 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.

Based on the principle of conservatism the Bank made a provision amounting to TL 14.025 (31 December 2015: TL 18.120) 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.

e. Activities carried out on behalf and account of other persons

The Bank provides trading, custody, management and consultancy services to its customers.

IV. Explanations and disclosures related to 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	2.384.305	79.303	2.079.048	70.429
Medium and Long Term Loans	4.164.666	541.188	3.120.805	478.463
Loans Under Follow-Up	44.456	--	42.429	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
Total	6.593.427	620.491	5.242.282	548.892

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	2	602	--	150
Domestic Banks	1.511	2.504	5.240	895
Foreign Banks	59	3.381	864	3.552
Foreign Head Offices and Branches	--	--	--	--
Total	1.572	6.487	6.104	4.597

The interest income from required reserves that maintain in CBRT of the Bank amounting to 56.689 (1 January-31 December 2015: 24.288) 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	3.490	321	7.801	380
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Investment Securities Available-for-Sale	581.559	81.048	570.637	46.215
Investment Securities Held-to-Maturity	289.607	30.037	277.678	20.417
Total	874.656	111.406	856.116	67.012

4. Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	28.618	10.479

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b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	49.545	528.741	28.095	447.734
Central Bank of the Republic of Turkey	52	--	49	--
Domestic Banks	13.392	6.951	14.110	3.731
Foreign Banks	36.101	521.790	13.936	444.003
Foreign Head Offices and Branches	--	--	--	--
Other Institutions	--	--	--	--
Total	49.545	528.741	28.095	447.734

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	24.725	27.086

3. Information on interest expense paid to securities issued

	Current Period	Prior Period
Interest Paid to Securities Issued	111.063	139.479

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		
TL								
Bank Deposits	17	32.488	--	--	--	--	--	32.505
Saving Deposits	45	200.802	1.533.346	43.076	14.018	25.012	2.372	1.818.671
Public Sector Deposits	--	2.357	5.390	702	14	96	--	8.559
Commercial Deposits	1	211.262	494.701	45.306	9.506	6.776	--	767.552
Other Deposits	1	11.551	158.925	39.216	5.429	2.340	--	217.462
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Total	64	458.460	2.192.362	128.300	28.967	34.224	2.372	2.844.749
FC								
Foreign Currency Deposits	2	51.760	230.721	18.238	20.635	22.668	14	344.038
Bank Deposits	644	9.165	--	--	--	--	--	9.809
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	3	9.550	3.118	354	797	251	53	14.126
Total	649	70.475	233.839	18.592	21.432	22.919	67	367.973
Grand Total	713	528.935	2.426.201	146.892	50.399	57.143	2.439	3.212.722

c. Dividend income

	Current Period	Prior Period
Trading Securities	--	--
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-For-Sale	--	--
Other ^(*)	58	1.567
Total	58	1.567

^(*) Presents dividend income from unconsolidated subsidiaries and associates.

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d. Information on trading income / loss

	Current Period	Prior Period
Income	228.225.865	256.727.428
Capital Market Transactions	41.851	43.692
Derivative Financial Instruments	5.426.408	6.619.983
Foreign Exchange Gains	222.757.606	250.063.753
Loss (-)	228.741.834	257.465.503
Capital Market Transactions	47.912	22.684
Derivative Financial Instruments	5.123.867	5.530.275
Foreign Exchange Losses	223.570.055	251.912.544
Net Trading Income / Loss	(515.969)	(738.075)

Net gain from foreign exchange translation differences related to derivative financial instruments is TL 265.964 (net gain for the period 1 January - 31 December 2015: TL 1.065.761).

e. Information on other operating income

	Current Period	Prior Period
Reversal of prior periods' provisions	296.356	277.428
Sale revenue for Real estate properties	13.262	38.748
Communication income	10.957	12.423
Cheque book fees	3.743	4.150
Other	241.984	140.080
Total	566.302	472.829

"Other operating income" item consists of revenue obtained as a result of sales made from follow-up portfolio and collections made from receivables for which a provision has been made in previous periods. Additionally, income amounting to TL 120.672 related to cash portion as a result of the transfer of Visa Europe Ltd., to Visa Inc., in which the Bank has a share in its capital, is recognized in financial statements.

f. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	1.183.916	958.000
<i>Loans and Receivables in Group III</i>	65.053	65.389
<i>Loans and Receivables in Group IV</i>	313.688	254.078
<i>Loans and Receivables in Group V</i>	805.175	638.533
Non-performing Commissions and Other Receivables	--	--
General Loan Loss Provisions	293.572	163.628
Free Provision for Probable Risks	189.829	3.000
Impairment Losses on Securities	30.154	26.058
<i>Financial Assets at Fair Value Through Profit or Loss</i>	228	1.025
<i>Investment Securities Available-for-Sale</i>	29.926	25.033
Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities Held to Maturity	2.969	2.373
<i>Associates</i>	--	--
<i>Subsidiaries</i>	--	--
<i>Joint Ventures</i>	--	--
<i>Investment Securities Held-to-Maturity</i>	2.969	2.373
Other	44.327	64.517
Total	1.744.767	1.217.576

DENİZBANK ANONİM ŞİRKETİ

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See Note 3.1.c*

g. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	1.185.090	1.097.381
Reserve for Employee Termination Benefits	5.072	6.234
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	3.719	--
Depreciation Charges of Tangible Assets	103.093	105.916
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	87.802	77.797
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	2.576	1.629
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	899.719	784.637
Operational Leases Expenses	234.755	239.095
Repair and Maintenance Expenses	59.774	48.475
Advertisement Expenses	78.255	66.445
Other Expenses ^(*)	526.935	430.622
Losses on Sale of Assets	4.364	7.818
Other	307.630	287.574
Total	2.599.065	2.368.986

^(*) Other expenses in other operational expenses comprise; communication expenses, IT repair and maintenance and software fees, stationery, heating and lighting, transportation, credit card service fee, entertainment and representation and others amounting to TL 73.719, TL 62.570, TL 20.323, TL 23.934, TL 22.013, TL 113.765, TL 7.641 and TL 202.970, respectively (1 January - 31 December 2015: 72.873, TL 55.891, TL 18.033, TL 23.061, TL 21.031, TL 95.597, TL 7.620 and TL 136.516, respectively).

h. Information on profit / loss before tax from continuing operations

As 1 January - 31 December 2016, The Bank has a profit before tax from continuing operations amounting to TL 1.647.654 (1 January-31 December 2015: TL 871.675).

As 1 January - 31 December 2016, The Bank has no profit from discontinuous operations (1 January-31 December 2015: None).

i. 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 December 2016 the current period taxation charge on continuing operations is TL 98.535 (1 January-31 December 2015: None) while deferred tax charge is TL 139.838 (1 January-31 December 2015: TL 109.030 deferred tax benefit).

There are not current period taxation charge on discontinuing operations (1 January-31 December 2015: None).

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

Deferred tax benefit/charge arising from temporary differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	82.905	87.149
Arising from Reversal of Deductible Temporary Differences (-)	(195.483)	(233.663)
Arising from Origination of Taxable Temporary Differences (-)	(27.883)	(1.697)
Arising from Reversal of Taxable Temporary Differences (+)	623	39.181
Total	(139.838)	(109.030)

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(42.864)	(216.228)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(27.260)	37.484
Arising from Origination (+)/ Reversal (-) of Tax Losses	(69.714)	69.714
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	(139.838)	(109.030)

j. Information on continuing and discontinued operations net profit/loss

The Bank has a net profit is amounting to TL 1.409.281 (31 December 2015: TL 762.645).

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See Note 3.1.c***k. 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 Bank'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. No changes have been made in the accounting estimates which may have a material effect in the current period and materially affect subsequent periods.

3. The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with TAS 27 "Separate Financial Statements", having a permission to be applied earlier, while preparing its non-consolidated financial tables dated 31 December 2016.

4. The Bank applies net investment accounting hedge as of 1 July 2015 in order to ensure exchange difference hedge sourcing from equity method implementation for its net investment at a total amount of Euro 1.006 million and US Dollar 6,7 million belonging to Denizbank AG and Eurodeniz, which are subsidiaries of the Bank. A part of foreign currency deposits at same amounts is defined as hedging instrument and the part, in which the value change sourcing from foreign currency exchange rates is effective, is recognized in hedge funds under shareholder's equity.

l. 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

Other Fees and Commissions Received	Current Period	Prior Period
Credit card clearing and other commissions	608.493	508.952
Contracted merchant / POS commissions	258.470	231.790
Insurance services	155.450	112.990
Filing fees	142.490	102.268
Account management fees	56.528	82.480
Remittance commissions	32.398	30.311
Intermediary services	17.393	26.178
Expertise fees	16.767	14.604
Other	127.106	137.355
Total	1.415.095	1.246.928

Other Fees and Commissions Paid	Current Period	Prior Period
Credit card / POS commissions	305.524	261.785
EFT fees and commissions	10.163	8.888
Other	84.073	74.084
Total	399.760	344.757

V. Explanations and disclosures related to statement of changes in shareholders' equity**a. Information on capital increase**

At the date of 28 June 2016, the Bank has increased its paid-in capital at an amount of TL 1.500.000 in total through share premiums at an amount of TL 39, inflation adjustment differences of paid-in capital at an amount of TL 113.097, shares of subsidiaries and associates and return on sales at an amount of TL 636.864 and cash reserves at an amount of TL 750.000.

b. Information on issuance of shares

Share premium, at an amount of TL 39, has added to paid capital with the capital increase made by the Bank on 28 June 2016.

A premium of issued shares amounting to TL 15 formed as a result of capital increase of TL 1.500.000 made on 28 June 2016.

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c. Adjustments made in accordance with TAS 8

Communique on "TAS 27 Separate Financial Statements" standard, which is in force in order to be applied for accounting periods after 31 December 2012 via Public Oversight Accounting and Auditing Standards Authority (POA) website and published in Official Gazette dated 28 October 2011 and numbered 28098, has entered into force through making amendments to be applied for accounting periods after 1 January 2016 with "Communique on amending the Communique on TAS 27 Separate Financial Statements" (Communique) published in Official Gazette dated 9 April 2015 and numbered 29321.

The Bank adjusted its comparative financial statements of 31 December 2013 and 2014 through making rearrangements with respect to amendments in TAS 27 Separate Financial Statements Standard.

d. Effects of changes in Subsidiary Equity on Bank's Equity

Financial associates are recognized according to equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Associates with respect to TAS 27 Separate Financial Statements Communique in non-consolidated financial statements. Associates, which were recognized with cost value in the non-consolidated financial statement previously along with the 2nd quarter of 2015, are recognized according to equity method as of 1 January 2013.

Equity method is the recognition treatment which prescribes to increase or decrease the book value of share included in associate from the change amount occurring in the period in the equity of participated partnership as the share falling to participant and deduction of dividends and associate amounts from the value which is changed in the aforementioned manner.

In this scope, the parts falling to Bank's share from equity of participated associates, gain or loss and other comprehensive income are recognized under equity of the Bank, income statement of the Bank and other comprehensive income statement of the Bank respectively.

e. Information on distribution of profit

General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

f. Information on increase/decrease amounts resulting from merger

None.

g. Information on investments available-for-sale

"Unrealised gain/loss" arising from changes in the fair value of securities classified as availablefor-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

h. Hedging transactions

Explained in Information on hedging transactions in Note XI of Section Four.

i. Revaluation difference on tangible assets

Revaluation differences on tangible assets includes gains on sales of subsidiaries and gains on sales of real estates and explained in detail in Note II-l-12 of Section Five.

j. Information on to foreign exchange difference

TL 36.673 (31 December 2015: TL 31.817), consisting of conversion of Bahrain Branch's financial statements into TL in accordance with TAS 21, and TL 749.218, (31 December 2015: TL 143.656) sourcing from recognizing Denizbank AG, JSC Denizbank and Eurodeniz, which are foreign currency associates of the Bank, with equity method, are recorded under "other reserves" account.

Explained in detail in "Information on to foreign exchange difference in Note II-b of Section Three".

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k. Amounts transferred to legal reserves

The Bank transferred TL 715.091 (31 December 2015: TL 496.723) to extraordinary reserves from prior period profits in 2016. TL 38.132 (31 December 2015: None) amount transferred to legal reserves.

VI. Explanations and disclosures related to cash flow statement

a. Information on cash and cash equivalents

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities less than three months are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	01.01.2016	01.01.2015
Cash	2.066.403	1.545.002
Cash in Vault, foreign currencies and other	1.352.186	1.195.145
Banks demand deposits	714.217	349.857
Cash and Cash Equivalent	4.324.730	2.396.348
Interbank Money market placements	1.200.353	970.298
Banks time deposits	2.809.634	1.180.541
Securities	314.743	245.509
Total Cash and Cash Equivalents	6.391.133	3.941.350

2. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
	31.12.2016	31.12.2015
Cash	2.073.608	2.066.403
Cash in Vault, foreign currencies and other	1.754.183	1.352.186
Banks demand deposits	319.425	714.217
Cash and Cash Equivalent	9.910.140	4.324.730
Interbank Money market placements	3.001.396	1.200.353
Banks time deposits	6.812.558	2.809.634
Securities	96.186	314.743
Total Cash and Cash Equivalents	11.983.748	6.391.133

b. Information on cash and cash equivalent assets of the Bank that are not available for free use due to legal restrictions or other reasons

The Bank made a total provision for required reserves on CB of Turkey in amount of TL 13.006.739 (31 December 2015: TL 9.406.456). Additionally, there is TL 2.058.995 (31 December 2015: TL 12.180) limited amount in foreign banks account.

c. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on cash and cash equivalents

"Other" item amounting to TL (4.107.409) (31 December 2015: TL (3.531.804)) before "changes in operating assets and liabilities" comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 6.391.133 (31 December 2015: TL 4.097.176) to TL 11.938.748 in 2016 (31 December 2015: TL 6.546.959).

"Other liabilities" item included in "change in assets and liabilities arising from banking activities", amounting to TL (1.403.412) (31 December 2015: TL 4.925.211) comprise changes in payables to money market, sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 858.680 as of 31 December 2016 (31 December 2015: TL 491.429).

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VII. Explanations and disclosures related to the Bank's risk group

a. Information on loans and other receivables to the Bank's risk group

Current Period

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	250.214	252.052	2.299	19.970	58.047	701
Balance at the End of the Period	2.661.889	188.357	5.448	7.721	56	4
Interest and Commission Income Received	50.467	629	212	8	5.046	8

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

Prior Period

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	275.941	124.564	18.175	59.102	94	25
Balance at the End of the Period	250.214	252.052	2.299	19.970	58.047	701
Interest and Commission Income Received	43.982	800	308	81	3.678	1

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

b. Information on deposits held by and funds borrowed from the Bank's risk group

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder ^(**)		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	466.304	631.467	6.257.056	3.878.370	8.962	16.245
Balance at the End of the Period	2.580.369	466.304	6.607.506	6.257.056	9.448	8.962
Interest and Commission Income Received	29.621	32.999	324.071	266.165	4.067	4.890

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

^(**) Includes the subordinated loan 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 the Bank's risk group

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	14.029.161	9.104.630	--	54.565	6.368	5.654
Balance at the End of the Period	9.209.555	14.029.161	--	--	--	6.368
Total Income/(Loss)	(62.528)	(87.891)	(5.989)	(12.712)	(388)	(156)
Transactions for Hedging Purposes:						
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.

d. Information on benefit provided to Executives

The Bank makes payment amounting to TL 71.893 (31 December 2015: TL 63.462) to its Executives as of 31 December 2016.

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See Note 3.1.c***e. Information on transactions with the Bank's risk group**

As of 31 December 2016, cash loans and other receivables of the risk group represent 4,1% of the Bank's total cash loans and bank deposits granted, the deposits and borrowings represent 11,6% of the Bank's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,7% of the total balance.

The Bank has finance lease contracts with Deniz Leasing. As of 31 December 2016, The Bank's contractual finance lease payables are TL 18.493 (31 December 2015: TL 27.234). Also, the Bank gives brokerage services through its branches for Deniz Yatırım.

VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Bank**a. Information relating to the Bank's domestic and foreign branch and representatives**

	Number	Number of Employees			
Domestic branch	693	12.932			
			Country of Incorporations		
Foreign representation	-	-	-		
				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	7.016.474	-

b. Explanations on the Bank's branch and agency openings or closings

The Bank opened 27 new branches closed 25 branches in 2016.

DENİZBANK ANONİM ŞİRKETİ**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS****AS OF 31 DECEMBER 2016**

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See Note 3.1.c***SECTION SIX****OTHER DISCLOSURES AND FOOTNOTES****I. Other explanations related to the Bank's operations****a. Explanations related to the Bank's operations**

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies**Moody's***

Outlook	On Watch
Long Term Foreign Currency Deposits	Ba2(On Watch for the possible decrease)
Short Term Foreign Currency Deposits	Not Prime
Long Term Local Currency Deposits	Ba2 (On Watch for the possible decrease)
Short Term Local Currency Deposits	Not Prime
Bank Financial Strenght Rating (BCA)	ba3 (On Watch for the possible decrease)

*As of 20.07.2016

Fitch Ratings**

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

**As of 18.03.2016

c. Subsequent events

None.

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SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Information on the independent auditors' report

The Bank's unconsolidated 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' report dated 23 February 2017 is presented in front of the unconsolidated financial statements.

II. Disclosures and footnotes prepared by independent auditor

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



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

**INDEPENDENT AUDITOR'S REPORT,
CONSOLIDATED FINANCIAL STATEMENTS
AND NOTES ENDED 31 DECEMBER 2016**





DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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I. INDEPENDENT AUDITOR REPORT

II. PUBLICLY DISCLOSED CONSOLIDATED FINANCIAL REPORT



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

Independent Auditor Report

To the Board of Directors of Denizbank A.Ş.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Denizbank A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") as at 31 December 2016 and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the financial statements

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

Independent Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with communique "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated 2 April 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of Denizbank A.Ş. and its subsidiaries as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Financial Reporting Legislation.

DENİZBANK ANONİM ŞİRKETİ

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Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January – 31 December 2016 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

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

Additional paragraph for convenience translation to English:

As explained in detail in Note I.c of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Fatma Ebru Yücel, SMMM
Partner

Istanbul, Turkey
23 February 2017

**DENİZBANK A.Ş. CONSOLIDATED FINANCIAL
REPORT AS OF 31 DECEMBER 2016**

Address of the Bank's Headquarters
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Tel : 0.212.348 20 00
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Website of the Bank
www.denizbank.com

E-mail address of the Bank
yatirimciliskileri@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 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 audit, 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.

23 February 2017



HAKAN ELVERDİ
Senior Vice President
International and Regulatory
Financial Reporting



SUAVİ DEMİRCİOĞLU
Senior Vice President
International and Regulatory



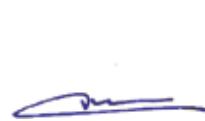
HAKAN ATEŞ
Member of Board of Directors
and President and Chief
Executive Officer



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



NİHAT SEVİNÇ
Member of Board of Directors
and Audit Committee

Contact information for questions on this financial report:
Name/Title: İmge İhtiyar / Department Head, International Reporting Department
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DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016

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(Currency: Thousands of TL - Turkish Lira)

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 ("BIST") since 1 October 2004. 0,15% of the Bank's shares are publicly held as of 31 December 2016.

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

Current Period

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

Prior Period

Name of the Shareholder	Amount (Full TL)	Share (%)
Sberbank of Russia	1.813.422.610	99,85
Publicly traded	2.677.304	0,15
Others shareholders	86	--
Total	1.816.100.000	100,00

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

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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

Name	Title	Shares owned (%)
President of the Board of Directors		
Herman Gref	Chairman	--
Board of Directors		
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	--
Svetlana Sagaydak	Member	--
Vadim Kulik	Member	--
Derya Kumru	Member	--
Igor Kondrashov	Member	--
Alexander Morozov	Member	--
Pavel Barchugov	Member	--
Audit Committee		
Wouter G.M. Van Roste	Member	--
Nihat Sevinç	Member	--
Pavel Barchugov	Member	--
Executive Vice Presidents		
Bora Böcügöz	Treasury, Financial Institutions	--
Suavi Demircioğlu	Financial Affairs	--
Dilek Duman	Information Technologies and Support Operations	--
Tanju Kaya	Administrative Services Group and Investment	--
Mustafa Özel	Branch and Central Operations	--
İbrahim Şen	Credit Follow-up and Risk Monitoring	--
Mehmet Aydoğdu	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 Hıçkırın	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	--
Ruslan Abil	Group Reporting and Asset/Liability Management	--
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 Çıtak	IT Security and Digital-Card Payment Operations --	--
Verda Beril Yüzer Oğuz	Financial Institutions --	--

^(*) Fatma Auperi Karahan, Deputy General Manager responsible for Individual – SME and Agriculture Banking Credit Allocation Group at Parent Bank, has retired. Title of Edip Kürşad Başer has been changed as “Deputy General Manager responsible for Loans Policies-Individual – SME and Agriculture Banking Credit Allocation Group” with Board of Directors Decision dated 5 October 2016.

Hayri Cansever, who were General Manager of Destek Varlık Yönetim A.Ş., one of our former Group Companies, has been assigned as Secretary General and Deputy General Manager responsible for Sberbank Coordination Group following the resignation of Kürşad Taçalan, who were General Secretary at Parent Bank.

DENİZBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016

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(Currency: Thousands of TL - Turkish Lira)

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 December 2016 the capital structure of Sberbank is as follows:

Shareholders	Share Percentages
Central Bank of Russia	50,00 %
Publicly traded	50,00 %
Total	100,00 %

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 693 domestic and 1 foreign branch as of 31 December 2016.

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.

A part 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.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016
(Currency: Thousands of TL - Turkish Lira)

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See Note 3.1.c*

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
- VII. Consolidated Profit Distribution Tables

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(BALANCE SHEETS) AS OF 31 DECEMBER 2016 AND 2015
(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 (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(5.1.a)	2.281.807	12.557.554	14.839.361	1.195.331	9.628.021	10.823.352
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.b)	1.049.942	397.917	1.447.859	899.970	273.469	1.173.439
2.1 Financial Assets Held For Trading		1.049.942	397.917	1.447.859	899.970	273.469	1.173.439
2.1.1 Public Sector Debt Securities		93.100	3.787	96.887	21.650	8.649	30.299
2.1.2 Share Certificates		-	-	-	78	79	157
2.1.3 Positive Value of Trading Purpose Derivatives		946.929	394.096	1.341.025	877.723	264.177	1.141.900
2.1.4 Other Securities		9.913	34	9.947	519	564	1.083
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		-	-	-	-	-	-
III. BANKS	(5.1.c)	17.006	5.555.737	5.572.743	23.566	6.199.134	6.222.700
IV. DUE FROM MONEY MARKETS		3.001.571	-	3.001.571	1.213.997	-	1.213.997
4.1 Interbank Money Market		-	-	-	13.644	-	13.644
4.2 Istanbul Stock Exchange		175	-	175	-	-	-
4.3 Reverse Repurchase Agreements		3.001.396	-	3.001.396	1.200.353	-	1.200.353
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(5.1.d)	5.421.996	2.174.994	7.596.990	7.310.139	2.663.050	9.973.189
5.1 Share Certificates		3.930	37.798	41.728	3.929	108.971	112.900
5.2 Public Sector Debt Securities		5.418.066	1.707.773	7.125.839	7.306.210	2.157.005	9.463.215
5.3 Other Securities		-	429.423	429.423	-	397.074	397.074
VI. LOANS AND RECEIVABLES	(5.1.e)	49.267.080	41.883.408	91.150.488	42.972.068	31.715.329	74.687.397
6.1 Loans and Receivables		48.268.612	41.878.192	90.146.804	42.084.220	31.712.586	73.796.806
6.1.1 Loans Utilized to the Bank's Risk Group		14.194	-	14.194	23	10	33
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Others		48.254.418	41.878.192	90.132.610	42.084.197	31.712.576	73.796.773
6.2 Loans under Follow-Up		3.635.008	16.631	3.651.639	3.156.348	12.426	3.168.774
6.3 Specific Provisions (-)		2.636.540	11.415	2.647.955	2.268.500	9.683	2.278.183
VII. FACTORING RECEIVABLES		1.155.332	79.389	1.234.721	712.017	35.285	747.302
VIII. INVESTMENT HELD TO MATURITY (Net)	(5.1.f)	3.339.895	1.716.137	5.056.032	2.875.209	500.960	3.376.169
8.1 Public Sector Debt Securities		3.339.895	1.678.583	5.018.478	2.875.209	468.743	3.343.952
8.2 Other Securities		-	37.554	37.554	-	32.217	32.217
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.g)	10.147	-	10.147	10.147	-	10.147
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
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.h)	12.103	130	12.233	5.649	111	5.760
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		12.103	130	12.233	5.649	111	5.760
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(5.1.i)	2.800	-	2.800	2.800	-	2.800
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
XII. LEASE RECEIVABLES (Net)	(5.1.j)	616.636	2.020.671	2.637.307	704.878	1.565.486	2.270.364
12.1 Financial Lease Receivables		780.796	2.420.711	3.201.507	888.297	1.802.956	2.691.253
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned Income (-)		164.160	400.040	564.200	183.419	237.470	420.889
XIII. HEDGING PURPOSE DERIVATIVES	(5.1.k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.l)	552.614	111.965	664.579	466.203	81.419	547.622
XV. INTANGIBLE ASSETS (Net)	(5.1.m)	193.140	11.679	204.819	174.927	3.330	178.257
15.1 Goodwill		869	-	869	869	-	869
15.2 Others		192.271	11.679	203.950	174.058	3.330	177.388
XVI. INVESTMENT PROPERTIES (Net)	(5.1.n)	164.527	-	164.527	157.381	-	157.381
XVII. TAX ASSETS	(5.1.o)	220.354	34.510	254.864	145.057	21.293	166.350
17.1 Current Tax Assets		67.178	34.510	101.688	3.691	21.293	24.984
17.2 Deferred Tax Assets		153.176	-	153.176	141.366	-	141.366
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.1.p)	-	-	-	-	-	-
18.1 Held For Sale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.q)	1.099.302	603.655	1.702.957	974.381	355.802	1.330.183
TOTAL ASSETS		68.406.252	67.147.746	135.553.998	59.843.720	53.042.689	112.886.409

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 DECEMBER 2016 AND 2015
(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 (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.II.a)	35.185.381	57.010.570	92.195.951	26.161.926	46.497.329	72.659.255
1.1 Deposits of the Bank's Risk Group		38.299	732.007	770.306	71.979	514.048	586.027
1.2 Others		35.147.082	56.278.563	91.425.645	26.089.947	45.983.281	72.073.228
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.II.b)	546.611	701.775	1.248.386	311.050	327.591	638.641
III. FUNDS BORROWED	(5.II.c)	2.129.526	9.129.165	11.258.691	1.853.923	9.403.343	11.257.266
IV. DUE TO MONEY MARKETS		5.397.576	-	5.397.576	7.184.158	-	7.184.158
4.1 Interbank Money Market		-	-	-	-	-	-
4.2 Istanbul Stock Exchange		-	-	-	720.000	-	720.000
4.3 Repurchase Agreements		5.397.576	-	5.397.576	6.464.158	-	6.464.158
V. SECURITIES ISSUED (Net)	(5.II.d)	2.181.325	1.309.730	3.491.055	1.604.898	1.481.142	3.086.040
5.1 Bills		1.766.245	-	1.766.245	945.365	-	945.365
5.2 Asset Backed Securities		415.080	-	415.080	556.311	-	556.311
5.3 Bonds		-	1.309.730	1.309.730	103.222	1.481.142	1.584.364
VI. FUNDS		-	-	-	-	-	-
6.1 Borrowers Funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
VII. SUNDRY CREDITORS		1.429.351	532.863	1.962.214	1.185.867	586.352	1.772.219
VIII. OTHER EXTERNAL RESOURCES	(5.II.e)	1.060.323	912.887	1.973.210	978.653	776.012	1.754.665
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.II.f)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred Financial Leasing Expenses (-)		-	-	-	-	-	-
XI. HEDGING PURPOSE DERIVATIVES	(5.II.g)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Hedging of a Net Investment in Foreign Subsidiaries		-	-	-	-	-	-
XII. PROVISIONS	(5.II.h)	1.715.537	32.614	1.748.151	1.201.923	22.578	1.224.501
12.1 General Provisions		1.269.354	-	1.269.354	975.339	-	975.339
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Benefits		114.048	7.671	121.719	102.009	5.004	107.013
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		332.135	24.943	357.078	124.575	17.574	142.149
XIII. TAX LIABILITIES	(5.II.i)	188.093	17.072	205.165	158.159	11.343	169.502
13.1 Current Tax Liability		188.093	1.626	189.719	157.649	3.201	160.850
13.2 Deferred Tax Liability		-	15.446	15.446	510	8.142	8.652
XIV. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
14.1 Held For Sale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(5.II.k)	-	5.483.501	5.483.501	-	4.845.965	4.845.965
XVI. SHAREHOLDERS' EQUITY	(5.II.l)	7.266.585	3.323.513	10.590.098	6.054.349	2.239.848	8.294.197
16.1 Paid-In Capital		3.316.100	-	3.316.100	1.816.100	-	1.816.100
16.2 Supplementary Capital		(1.414.688)	(98.711)	(1.513.399)	(926.975)	(7.623)	(934.598)
16.2.1 Share Premium		15	-	15	39	-	39
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Securities Revaluation Reserve		(444.941)	(110.354)	(555.295)	(472.145)	(7.643)	(479.788)
16.2.4 Revaluation Fund on Tangible Assets	(5.II.l)	28.852	11.643	40.495	113.097	-	113.097
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)		(1.007.220)	-	(1.007.220)	(583.282)	20	(583.262)
16.2.9 Revaluation Fund on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Supplementary Capital		(4.802)	-	(4.802)	1.908	-	1.908
16.3 Profit Reserves		3.988.561	1.144.242	5.132.803	4.464.231	538.631	5.002.862
16.3.1 Legal Reserves		182.355	5.019	187.374	144.542	5.019	149.561
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		3.769.533	11.173	3.780.706	4.287.872	11.173	4.299.045
16.3.4 Other Profit Reserves		36.673	1.128.050	1.164.723	31.817	522.439	554.256
16.4 Profit or Loss		1.368.342	2.277.982	3.646.324	693.795	1.708.840	2.402.635
16.4.1 Prior Periods' Profits / Losses		746.069	1.500.228	2.246.297	534.187	1.010.045	1.544.232
16.4.2 Current Period Profit / Loss		622.273	777.754	1.400.027	159.608	698.795	858.403
16.5 Minority Shares	(5.II.l)	8.270	-	8.270	7.198	-	7.198
TOTAL LIABILITIES AND EQUITY		57.100.308	78.453.690	135.553.998	46.694.906	66.191.503	112.886.409

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 DECEMBER 2016 AND 2015

(Currency: Thousands of TL- Turkish Lira)

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

Footnotes	CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
	TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)						
I. GUARANTEES						
1.1. Letters of Guarantee	10.041.664	18.740.351	28.782.015	8.808.946	15.635.469	24.444.415
1.1.1. Guarantees Subject to State Tender Law	10.029.957	11.752.258	21.782.215	8.786.589	11.300.829	20.087.418
1.1.2. Guarantees Given for Foreign Trade Operations	79.021	90.776	169.797	79.021	105.903	184.924
1.1.3. Other Letters of Guarantee	9.950.936	11.661.482	21.612.418	8.707.568	11.194.926	19.902.494
1.2. Bank Acceptances	5.498	251.332	256.830	12.074	182.245	194.319
1.2.1. Import Letter of Acceptance	5.498	251.332	256.830	12.074	182.245	194.319
1.2.2. Other Bank Acceptances	-	-	-	-	-	-
1.3. Letters of Credit	42	2.426.574	2.426.616	7.687	2.386.663	2.394.350
1.3.1. Documentary Letters of Credit	42	1.611.093	1.611.135	7.687	1.559.184	1.566.871
1.3.2. Other Letters of Credit	-	815.481	815.481	-	827.479	827.479
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	6.167	4.310.187	4.316.354	2.596	1.765.732	1.768.328
1.9. Other Sureties	-	-	-	-	-	-
II. COMMITMENTS						
2.1. Irrevocable Commitments	28.323.856	4.027.727	32.351.583	23.949.814	2.881.260	26.831.074
2.1.1. Asset Purchase and Sale Commitments	25.004.358	4.027.727	29.032.085	19.795.510	2.881.260	22.677.170
2.1.2. Deposit Purchase and Sales Commitments	405.787	2.956.586	3.362.373	295.371	2.203.351	2.498.722
2.1.3. Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4. Loan Granting Commitments	9.475.667	24.982	9.500.649	7.071.136	23.854	7.094.990
2.1.5. Securities Issuance Brokerage Commitments	-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7. Commitments for Cheque Payments	2.111.130	-	2.111.130	1.920.552	-	1.920.552
2.1.8. Tax and Fund Obligations from Export Commitments	2.415	-	2.415	997	-	997
2.1.9. Commitments for Credit Card Limits	12.764.645	-	12.764.645	10.209.119	-	10.209.119
2.1.10. Commitments for Promotional Operations Re-Credit Cards and Banking Services	1.416	-	1.416	800	-	800
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	243.298	1.046.159	1.289.457	297.935	654.055	951.990
2.2. Revocable Commitments	3.319.498	-	3.319.498	4.153.904	-	4.153.904
2.2.1. Revocable Loan Granting Commitments	3.318.939	-	3.318.939	4.153.345	-	4.153.345
2.2.2. Other Revocable Commitments	559	-	559	559	-	559
III. DERIVATIVE FINANCIAL INSTRUMENTS						
3.1. Hedging Purpose Derivatives	16.523.564	67.061.450	83.585.014	16.293.784	65.179.480	81.473.264
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	16.523.564	67.061.450	83.585.014	16.293.784	65.179.480	81.473.264
3.2.1. Forward Foreign Currency Purchases/Sales	1.711.451	2.321.703	4.033.154	1.047.452	3.372.820	4.420.272
3.2.1.1. Forward Foreign Currency Purchases	879.079	1.148.288	2.027.367	524.028	1.677.026	2.201.054
3.2.1.2. Forward Foreign Currency Sales	832.372	1.173.415	2.005.787	523.424	1.695.794	2.219.218
3.2.2. Currency and Interest Rate Swaps	10.988.532	57.347.352	68.335.884	11.167.547	55.519.064	66.686.611
3.2.2.1. Currency Swaps-Purchases	2.846.554	22.168.613	25.015.167	1.880.585	24.159.278	26.039.863
3.2.2.2. Currency Swaps-Sales	6.920.574	16.486.099	23.406.673	9.285.556	14.869.890	24.155.446
3.2.2.3. Interest Rate Swaps-Purchases	610.000	9.347.248	9.957.248	-	8.245.744	8.245.744
3.2.2.4. Interest Rate Swaps-Sales	611.404	9.345.392	9.956.796	1.406	8.244.152	8.245.558
3.2.3. Currency, Interest Rate and Security Options	3.823.581	5.299.660	9.123.241	4.078.785	4.936.906	9.015.691
3.2.3.1. Currency Options-Purchases	1.947.258	2.529.227	4.476.485	2.217.151	2.313.493	4.530.644
3.2.3.2. Currency Options-Sales	1.876.323	2.643.805	4.520.128	1.861.634	2.623.413	4.485.047
3.2.3.3. Interest Rate Options-Purchases	-	63.314	63.314	-	-	-
3.2.3.4. Interest Rate Options-Sales	-	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	-	2.092.735	2.092.735	-	1.350.690	1.350.690
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)						
IV. ITEMS HELD IN CUSTODY						
4.1. Customers' Securities and Portfolios Held	93.768.668	2.468.962	96.237.630	59.570.147	1.930.573	61.500.720
4.2. Securities Held in Custody	137.718	-	137.718	149.481	-	149.481
4.3. Checks Received for Collection	91.541.375	1.006.875	92.548.250	57.996.909	895.914	58.892.823
4.4. Commercial Notes Received for Collection	1.116.594	962.251	2.078.845	617.583	786.013	1.403.596
4.5. Other Assets Received for Collection	971.623	415.353	1.386.976	805.066	226.116	1.031.182
4.6. Assets Received for Public Offering	-	-	-	-	-	-
4.7. Other Items under Custody	-	83.793	83.793	-	22.530	22.530
4.8. Custodians	1.358	690	2.048	1.108	-	1.108
V. PLEDGED ITEMS						
5.1. Securities	312.550.745	101.470.333	414.021.078	261.435.946	70.922.003	332.357.949
5.2. Guarantee Notes	3.134.244	25.768	3.160.012	3.591.505	80.391	3.671.896
5.3. Commodities	217.463.456	45.384.701	262.848.157	179.485.991	29.774.174	209.260.165
5.4. Warrants	13.702.267	3.683.797	17.386.064	14.308.827	2.880.210	17.189.057
5.5. Immovables	69.421.586	35.399.926	104.821.512	57.338.417	28.010.177	85.348.594
5.6. Other Pledged Items	8.829.192	16.954.386	25.783.578	6.711.186	10.177.051	16.888.237
5.7. Pledged Items-Depository	-	21.755	21.755	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES						
	384.504	834.703	1.219.207	413.850	878.083	1.291.933
TOTAL OFF BALANCE SHEET ITEMS (A+B)	461.593.001	194.603.526	656.196.527	370.472.487	157.426.868	527.899.355

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 2015
(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 (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I. INTEREST INCOME	(5.IV.a)	10.120.405	8.387.453
1.1 Interest from Loans		8.723.432	7.108.995
1.2 Interest from Reserve Deposits		56.689	24.288
1.3 Interest from Banks		14.610	19.509
1.4 Interest from Money Market Transactions		20.337	5.986
1.5 Interest from Securities Portfolio		1.029.817	986.847
1.5.1 Trading Securities		3.854	8.386
1.5.2 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3 Available for Sale Securities		703.666	677.786
1.5.4 Held to Maturity Securities		322.297	300.675
1.6 Interest from Financial Leases		211.070	186.224
1.7 Other Interest Income		64.450	55.604
II. INTEREST EXPENSE	(5.IV.b)	4.985.151	4.310.578
2.1 Interest on Deposits		3.677.436	3.195.380
2.2 Interest on Funds Borrowed		730.767	547.388
2.3 Interest on Money Market Transactions		347.363	324.829
2.4 Interest on Securities Issued		195.505	219.029
2.5 Other Interest Expense		34.080	23.952
III. NET INTEREST INCOME (I - II)		5.135.254	4.076.875
IV. NET FEES AND COMMISSION INCOME /EXPENSE		1.253.758	1.083.864
4.1 Fees and Commissions Received		1.666.196	1.456.279
4.1.1 Non-Cash Loans		180.765	143.657
4.1.2 Other	(5.IV.l)	1.485.431	1.312.622
4.2 Fees and Commissions Paid		412.438	372.415
4.2.1 Non-Cash Loans		1.258	1.382
4.2.2 Other	(5.IV.l)	411.180	371.033
V. DIVIDEND INCOME	(5.IV.c)	205	1.685
VI. TRADING INCOME/LOSS (Net)	(5.IV.d)	(570.120)	(632.972)
6.1 Profit / Loss on Securities Trading		(28.440)	70.314
6.2 Profit / Loss on Derivative Financial Transactions		57.944	824.317
6.3 Foreign Exchange Gains / Losses		(599.624)	(1.527.603)
VII. OTHER OPERATING INCOME	(5.IV.e)	768.662	613.795
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		6.587.759	5.143.247
IX. PROVISION FOR LOANS AND OTHER RECEIVABLES (-)	(5.IV.f)	1.836.532	1.361.419
X. OTHER OPERATING EXPENSES (-)	(5.IV.g)	2.926.170	2.640.587
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1.825.057	1.141.241
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	(5.IV.h)	1.825.057	1.141.241
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.i)	(424.683)	(283.384)
16.1 Current Tax		(301.748)	(148.437)
16.2 Deferred Tax		(122.935)	(134.947)
XVII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XV±XVI)	(5.IV.j)	1.400.374	857.857
XVIII. PROFIT FROM DISCONTINUED OPERATIONS		983	1.670
18.1 Assets Held for Sale		-	1.670
18.2 Profit on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other		983	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		258	-
19.1 Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		258	-
19.3 Other		-	-
XX. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		725	1.670
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.IV.i)	-	(232)
21.1 Current Tax		-	-
21.2 Deferred Tax		-	(232)
XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		725	1.438
XXIII. NET PROFIT / LOSS (XVII+XXII)	(5.IV.k)	1.401.099	859.295
23.1 Group's Profit / Loss		1.400.027	858.403
23.2 Minority Shares		1.072	892
Earnings / Losses per Share (Per thousand share)		0,48	0,43

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

DENİZBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSES UNDER SHAREHOLDERS' EQUITY

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

FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015

(Currency: Thousands of TL - Turkish Lira)

STATEMENT OF INCOME AND EXPENSES UNDER SHAREHOLDERS' EQUITY	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I. ADDITIONS TO SECURITIES REVALUATION RESERVE FROM AVAILABLE FOR SALE INVESTMENTS	(90.391)	(432.258)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	45.895	13.397
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	610.467	266.803
V. PROFIT/LOSS RELATED TO DERIVATIVES USED IN CASH FLOW HEDGES (Effective portion of Fair Value Differences)	2.949	6.340
VI. PROFIT/LOSS RELATED TO DERIVATIVES USED IN HEDGE OF A NET INVESTMENT IN FOREIGN SUBSIDIARIES (Effective portion of Fair Value Differences)	(533.388)	(278.122)
VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICIES OR CORRECTION OF ERRORS	-	-
VIII. OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	(8.388)	1.781
IX. DEFERRED TAXES OF VALUATION DIFFERENCES	117.643	145.738
X. NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	144.787	(276.321)
XI. CURRENT PERIOD PROFIT/LOSS	1.401.099	859.295
1.1 Net Change in Fair Value of Securities (Transfer to Profit & Loss)	74.680	29.714
1.2 Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes Recycled to Income Statement	(2.752)	(5.551)
1.3 Transfer of Hedge of Net Investment in Foreign Operations Recycled to Income Statement	-	-
1.4 Other	1.329.171	835.132
XII. TOTAL PROFIT AND LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.545.886	582.974

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE PERIODS ENDED 31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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

	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit before Changes in Operating Assets and Liabilities (+)	1.943.673	543.317
1.1.1 Interest Received (+)	9.384.814	8.123.828
1.1.2 Interest Paid (-)	4.904.038	4.271.494
1.1.3 Dividend Received (+)	205	1.685
1.1.4 Fees And Commissions Received (+)	1.637.707	1.422.090
1.1.5 Other Income (+)	469.515	342.053
1.1.6 Collections from Previously Written-Off Loans and Other Receivables (+)	941.910	692.471
1.1.7 Payments to Personnel and Service Suppliers (-)	1.311.267	1.241.590
1.1.8 Taxes Paid (-)	373.635	185.185
1.1.9 Other (+/-) (5.VI.c)	(3.901.538)	(4.340.541)
1.2 Changes in Operating Assets and Liabilities	(1.364.457)	1.992.315
1.2.1 Net (Increase) Decrease in Trading Securities (+/-)	(65.357)	76.371
1.2.2 Net (Increase) Decrease in Financial Assets Designated at FV (+/-)	-	-
1.2.3 Net (Increase) Decrease in Banks (+/-)	(151.097)	271.438
1.2.4 Net (Increase) Decrease in Loans (+/-)	(16.999.803)	(12.817.643)
1.2.5 Net (Increase) Decrease in Other Assets (+/-)	(1.808.278)	(1.858.214)
1.2.6 Net Increase (Decrease) in Bank Deposits (+/-)	119.622	(818.270)
1.2.7 Net Increase (Decrease) in Other Deposits (+/-)	19.374.401	9.321.619
1.2.8 Net Increase (Decrease) in Funds Borrowed (+/-)	(389.133)	2.951.527
1.2.9 Net Increase (Decrease) in Due Payables (+/-)	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities (+/-) (5.VI.c)	(1.444.812)	4.865.487
I. Net Cash (Used in)/Provided from Banking Operations (+/-)	579.216	2.535.632
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from / (Used in) Investing Activities (+/-)	1.408.206	(1.541.714)
2.1 Cash Paid for Purchase of Investments, Associates and Subsidiaries (-)	-	-
2.2 Cash Obtained From Sale of Investments, Associates And Subsidiaries (+)	9.239	-
2.3 Fixed Assets Purchases (-)	272.403	178.371
2.4 Fixed Assets Sales (+)	64.905	119.692
2.5 Cash Paid for Purchase of Investments Available for Sale (-)	2.834.393	5.254.990
2.6 Cash Obtained From Sale of Investments Available for Sale (+)	4.440.858	3.767.174
2.7 Cash Paid for Purchase of Investment Securities (-)	-	-
2.8 Cash Obtained from Sale of Investment Securities (+)	-	-
2.9 Other (+/-)	-	4.781
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from / (Used in) Financing Activities (+/-)	1.224.377	662.711
3.1 Cash Obtained from Funds Borrowed and Securities Issued (+)	8.676.950	7.822.843
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued (-)	8.202.573	7.710.132
3.3 Capital Increase (+)	750.000	550.000
3.4 Dividends Paid (-)	-	-
3.5 Payments for Finance Leases (-)	-	-
3.6 Other (+/-)	-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents (+/-) (5.VI.c)	803.652	718.903
V. Net Increase / (Decrease) in Cash and Cash Equivalents (5.VI.c)	4.015.451	2.375.532
VI. Cash and Cash Equivalents at the Beginning of Period (+) (5.VI.a)	9.947.093	7.571.561
VII. Cash and Cash Equivalents at the End of Period (5.VI.a)	13.962.544	9.947.093

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

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED PROFIT DISTRIBUTION TABLES
FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015
(Currency: Thousands of TL - Turkish Lira)

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	CURRENT PERIOD (01/01-31/12/2016)	PRIOR PERIOD (01/01-31/12/2015)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	-	-
1.2 TAXES AND DUTY PAYABLE (-)	-	-
1.2.1 Corporate Tax (Income Tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	-	-
A. NET INCOME FOR THE YEAR(1.1-1.2)	-	-
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owner of ordinary shares	-	-
1.6.2 To owner of preferred shares	-	-
1.6.3 To owner of preferred shares (preem private rihgts)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit or loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owner of ordinary shares	-	-
1.9.2 To owner of preferred shares	-	-
1.9.3 To owner of preferred shares (preem private rihgts)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit or loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owner of ordinary shares	-	-
2.3.2 To owner of preferred shares	-	-
2.3.3 To owner of preferred shares (preem private rihgts)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit or loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILAGED SHARES	-	-
3.4 TO OWNERS OF PRIVILAGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILAGED SHARES	-	-
4.4 TO OWNERS OF PRIVILAGED SHARES (%)	-	-

(*) According to Turkish Commercial Code, profit distribution is prepared based on unconsolidated financial statements not on consolidated financial statements.

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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 2015.

Aforementioned accounting policies and valuation principles are disclosed below in notes between note numbered II and note numbered XXIV. There exist no significant impacts of TAS/TFRS amendments entered into force as of 1 January 2016 on accounting policies, financial position and performance of DFH Group. TAS and TFRS amendments which are published but not entered into force as of signature date of financial statements do not have significant impact on accounting policies, financial position and performance of DFH Group, except for TFRS 9: Financial Instruments, which shall enter into force as of 1 January 2018 DFH Group has begun studies for compliance to TFRS 9 Financial Instruments Standard.

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

None (31 December 2015: None).

c. Additional paragraph for convenience translation:

The effects of differences between accounting principles and standards set out by BRSA Accounting and Reporting Regulation the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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II. 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 December 2016	31 December 2015
US Dollar	3,5192 TL	2,9181 TL
Euro	3,7099 TL	3,1838 TL

Foreign exchange gains and losses included in the income statement

As of 31 December 2016, net foreign exchange loss included in the income statement amounts to TL 599.624 (1 January – 30 September 2015: net foreign exchange loss of TL 1.527.603).

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 nine months 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".

As of 31 December 2016, total foreign exchange differences in equity amount to TL 1.128.050 (31 December 2015: TL 522.439).

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The foreign exchange difference of TL 36.673 (31 December 2015: TL 31.817) 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 ("IFRS 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 İstanbul 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

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.

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 December 2016 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.

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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".

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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.

Real coupon of Consumer Price Index ("CPI") that is linked government bonds under available-for-sale and held-to maturity portfolios remains fixed until maturity. At the same time intended to effect of change in Consumer Price Index, valuation is carried out with using reference indexes at relating issue of security and preparation date of financial statements.

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.

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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 probable 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 December 2016, DFS Group does not have a discontinued operation (31 December 2015: None).

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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 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.

	Estimated Economic Life (Year)	Depreciation Rate
Movables		
- 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
Real estates	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.

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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 9.352 lawsuits against DFS Group with total risks amounting to TL 230.822, US Dollar 757.354 and Euro 1.579.799 as of 31 December 2016. There are also 14.433 follow-up cases amounting to TL 619.598, US Dollar 2.363.954 and Euro 45.000 in total that are filed by DFS Group and are at courts. DFS Group booked a provision amounting to TL 29.059 for the continuing lawsuits (31 December 2015: TL 26.288).

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.

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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 December 2016 deferred tax assets of TL 153.176 (31 December 2015: TL 141.366) and deferred tax liabilities of TL 15.446 (31 December 2015: TL 8.652) 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.

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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

Transactions regarding issue of shares are mentioned in note numbered II-I-8 in section five. Profit shares related to shares have not been announced after date of balance sheet.

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 2015: None).

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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 DFS Group is TL 15.803.437 while its capital adequacy standard ratio is 14,17% as of 31 December 2016. Calculations of 31 December 2015 have been made in the framework of repealed regulations and equity amount is TL 12.613.417 while the capital adequacy standard ratio is 12,93%.

a. Components of consolidated shareholders' equity

	Current Period 31 December 2016	Amounts subject to treatment before 1/1/2014
Common Equity Tier 1 capital		
Directly issued qualifying common share capital plus related stock surplus	3.316.100	
Share premium	15	
Legal reserves	3.968.080	
Projected gains to shareholders' equity of the accounting standards in Turkey	212.370	
Profit	3.646.324	
Net current period profit	1.400.027	
Prior period profit	2.246.297	
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	11	
Minority shares	8.270	
Common Equity Tier 1 capital before regulatory adjustments	11.151.170	
Common Equity Tier 1 capital: regulatory adjustments		
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	560.456	
Development cost of operating lease	91.733	
Goodwill (net of related tax liability)	522	869
Other intangibles other than mortgage-servicing rights (net of related tax liability)	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% threshold)	--	
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	--	
Total regulatory adjustments to Common equity Tier 1	775.459	
Common Equity Tier 1 capital (CET1)	10.375.711	

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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	--
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	--
The additional Tier 1 capital shares of third parties (Covered by Temporary Ailicte 3)	--
Additional Tier 1 capital before regulatory adjustments	--
Additional Tier 1 capital: regulatory adjustments	--
Investments in own Additional Tier 1 instruments	--
Reciprocal cross-holdings in Additional Tier 1 instruments	--
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 (amount above 10% threshold)	--
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--
National specific regulatory adjustments	--
The process of transition will continue to reduce from Tier 1 Capital	--
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	81.927
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)	252
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	--
Total regulatory adjustments to Additional Tier 1 capital	82.179
Additional Tier 1 capital (AT1)	(82.179)
Tier 1 capital (T1 = CET1 + AT1)	10.293.532
Tier 2 capital: instruments and provisions	--
Directly issued qualifying Tier 2 instruments plus related stock surplus	4.262.567
Directly issued qualifying Tier 2 instruments plus related stock surplus	140.768
The additional Tier 1 capital shares of third parties	--
The additional Tier 1 capital shares of third parties (Covered by Temporary Ailicte 3)	--
Provisions	1.269.354
Tier 2 capital before regulatory adjustments	5.531.921
Tier 2 capital: regulatory adjustments	--
Investments in own Tier 2 instruments (-)	--
Reciprocal cross-holdings in Tier 2 instruments	--
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 (amount above the 10% threshold) (-)	--
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	--
National specific regulatory adjustments (-)	--
Total regulatory adjustments to Tier 2 capital	--
Tier 2 capital (T2)	5.531.921
Total capital (TC = T1 + T2)	15.825.453
Total risk weighted assets	--
Loans extended being non compliant with articles 50 and 51 of the Law	--
Portion of the sum of the banks' real estate net book value, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	9.825
National specific regulatory adjustments	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%	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	--
Shareholders' Equity	--
Total shareholders' equity	15.803.437
Total risk weighted items	111.503.228
CAPITAL ADEQUACY RATIOS	--
Consolidated Core Capital Adequacy Ratio (%)	9,31
Consolidated Tier 1 Capital Adequacy Ratio (%)	9,23
Consolidated Capital Adequacy Standard Ratio (%)	14,17

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	Prior Period 31 December 2015 ⁽¹⁾
BUFFERS	
Institution specific buffer requirement	0,647
Capital conservation buffer requirement (%)	0,625
Bank specific countercyclical buffer requirement (%)	0,022
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	0,013
Amounts below the thresholds for deduction (before risk weighting)	
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)	--
Applicable caps on the inclusion of provisions in Tier 2	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1.269.354
Cap on inclusion of provisions in Tier 2 under standardised approach	1.269.354
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	--
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	--
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	--
Upper limit for Additional Tier II Capital subjected to temporary Article 4	683.202
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	--
CORE CAPITAL	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.816.100
Share premium	39
Share cancellation profits	--
Reserves	4.448.606
Gains recognized in equity as per TAS	128.405
Profit	2.402.635
Current Period Profit	858.403
Prior Period Profit	1.544.232
Provisions for Possible Risks	11.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	11
Minorities' Share	7.198
Core Capital Before Deductions	8.813.994
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	505.426
Leasehold improvements (-)	98.486
Goodwill or other intangible assets and deferred tax liability related to these items (-)	71.304
Net deferred tax asset/liability (-)	28.701
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	--
Direct and indirect investments of the Bank in its own Core Capital (-)	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Core Capital of the Bank (-)	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Core Capital of the Bank (-)	--
Portion of mortgage servicing rights exceeding 10% of the Core Capital (-)	--
Portion of deferred tax assets based on temporary differences exceeding 10% of the Core Capital (-)	--
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	--
Excess amount arising from the net long positions of investments in core capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	--
Excess amount arising from mortgage servicing rights (-)	--
Excess amount arising from deferred tax assets based on temporary differences (-)	--
Other items to be defined by the BRSA (-)	--
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	--
Total Deductions From Core Capital	703.917
Total Common Equity	8.110.077
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	--
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	--
Debt instruments and premiums deemed suitable by the BRSA (issued before 1.1.2014)	--
Third parties' share in the Tier I Capital	--
Additional Tier I Capital before Deductions	--
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	--
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Other items to be defined by the BRSA (-)	--
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II is not available (-)	--
Total Deductions From Additional Tier I Capital	--

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Total Additional Tier I Capital	--
Deductions from Tier I Capital	150.004
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	106.953
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	43.051
Total Tier I Capital	7.960.073
TIER II CAPITAL	
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	1.679.282
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)	2.089.360
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	--
General Loan Loss Provisions	975.339
Third parties' share in the Tier II Capital	--
Tier II Capital Before Deductions	4.743.981
Deductions From Tier II Capital	--
Direct and indirect investments of the Bank in its own Tier II Capital (-)	--
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Portion of the total of net long positions of investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	--
Other items to be defined by the BRSA (-)	56.115
Total Deductions from Tier II Capital	56.115
Total Tier II Capital	4.687.866
CAPITAL BEFORE DEDUCTIONS	
Loans granted contrary to the 50th and 51th Article of the Law (-)	--
Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date (-)	1.092
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)	--
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)	--
Other items to be defined by the BRSA (-)	33.430
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	--
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	--
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	--
TOTAL CAPITAL	12.613.417
Amounts below the Excess Limits as per the Deduction Principles	--
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	--
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	--
Amounts arising from mortgage servicing rights	--
Amounts arising from deferred tax assets based on temporary differences	227.388

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

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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 credit risk and risk management

a. Information on risk concentrations by debtors or group of debtors or geographical regions and sectors, basis for risk limits and the frequency of risk appraisals

Credit risk is the risk that the counterparties of the Parent Bank and consolidated subsidiaries and associates may be unable to meet in full or part their commitments arising from contracts and cause to incur losses.

Credit risk limits of the customers are determined based on the customers’ financial strength and the credit requirement, within the credit authorization limits of the branches, the credit evaluation group, the regional directorates, the executive vice presidents responsible from loans, the general manager, the credit committee and the Board of Directors; on condition that they are in compliance with the related regulations.

Credit risk limits are determined for debtors or group of debtors. Credit risk limits of the debtors, group of debtors and sectors are monitored on a weekly basis.

Information on determination and distribution of risk limits for daily transactions, monitoring of risk concentrations related to off-balance sheet items per customer and dealer basis

Risk limits and allocations relating to daily transactions are monitored on a daily basis. Off-balance sheet risk concentrations are monitored by on-site and off-site investigations.

Information on periodical analysis of creditworthiness of loans and other receivables per legislation, inspection of account vouchers taken against new loans, if not inspected, the reasons for it, credit limit renewals, collaterals against loans and other receivables

The Group targets a healthy loan portfolio and in order to meet its target there are process instructions, follow-up and control procedures, close monitoring procedures and risk classifications for loans in accordance with the banking legislation.

In order to prevent the loans becoming non-performing either due to cyclical changes or structural problems, the potential problematic customers are determined through the analysis of early warning signals, and the probable performance problems are aimed to be resolved at an early stage.

It is preferred to obtain highly liquid collaterals such as bank guarantees, real estate and ship mortgages, pledges on securities, bills of exchange and sureties of the persons and companies.

Descriptions of past due and impaired loans as per the accounting practices

Loans which were transferred to second group loans based on the “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside” and whose principal and interest payments were not realized at the relevant due dates are regarded as past due loans by the Parent Bank. Loans whose principal and interest payments were late for more than 90 days and the loans whose debtors have suffered deterioration in their creditworthiness as per the Bank’s evaluations are regarded as impaired loans.

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Methods and approaches regarding valuation adjustments and provisions

Based on the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks and Provisions to be Set Aside" the Parent Bank calculates general provision for past due loans and specific provision for impaired loans.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types

Corporate and commercial credit risks are evaluated according to the Group's internal assessment ("rating") system; which complies with the Basel II model; and classified according to their probability of default. Ratings of corporate and commercial loans portfolio is presented below:

Rating/Scoring Grades	Current Period	Prior Period
Above Average	%42	%45
Average	%41	%44
Below Average	%10	%6
Unrated	%7	%5

Group applies a different assessment method ("scoring") for consumer and SME credit risks. Ratings compatible with Basel II model is presented below:

Rating/Scoring Grades	Current Period	Prior Period
Above Average	%37	%39
Average	%31	%31
Below Average	%32	%30

Risk classifications	Current Period (*)	Average (**)
1 Conditional and unconditional receivables from central governments and Central Banks	29.206.638	26.258.918
2 Conditional and unconditional receivables from regional or local governments	546.445	656.152
3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	--	1
4 Conditional and unconditional receivables from multilateral development banks	--	--
5 Conditional and unconditional receivables from international organizations	--	--
6 Conditional and unconditional receivables from banks and brokerage houses	5.027.705	4.917.235
7 Conditional and unconditional receivables from corporate	60.739.447	57.177.588
8 Conditional and unconditional receivables from retail portfolios	35.166.364	28.627.101
9 Conditional and unconditional receivables secured by mortgages	5.383.060	5.026.243
10 Conditional and unconditional receivables secured by mortgages	11.679.326	9.031.700
11 Past due receivables	1.155.948	981.167
12 Receivables defined in high risk category by BRSA	--	790.630
13 Securities collateralized by mortgages	--	--
14 Short-term receivables from banks, brokerage houses and corporate	--	--
15 Investments similar to collective investment funds	2.255	2.004
16 Other receivables	4.435.249	3.984.588
17 Equity security investments	29.109	2.911
18 Total	153.371.546	137.456.238

(*) Includes risk amounts in banking book before the effect of credit risk mitigation but after the credit conversions.

(**) Arithmetical average of the amounts in quarterly reports prepared after the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank dated 28 June 2012.

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b. Information on the control limits of the Group for forward transactions, options and similar contracts, management of credit risk for these instruments together with the potential risks arising from market conditions

The Group has control limits defined for the positions arising from forward transactions, options and similar contracts. Credit risk for these instruments is managed together with those arising from market conditions.

c. Information on whether the Group decreases the risk by liquidating its forward transactions, options and similar contracts in case of facing a significant credit risk or not

Forward transactions can be realized at maturity. However, if it is required, reverse positions of the current positions are purchased to decrease the risk.

d. Information on whether the indemnified non-cash loans are evaluated as having the same risk weight as non-performing loans or not

Indemnified non-cash loans are treated as having the same risk weight as non-performing loans.

Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not

Loans that are renewed and rescheduled are included in a new rating group as determined by the risk management system, other than the follow-up plan defined in the banking regulations.

Long term commitments are accepted as having more risk than short term commitments which results in a diversification of risk and are monitored periodically.

e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities

There is no significant credit risk since the Parent Bank's foreign operations and credit transactions are conducted in OECD and EU member countries in considering their economic climate.

Evaluation of the Bank's competitive credit risk as being an active participant in the international banking transactions market

Being an active participant in the international banking transactions market, the Parent Bank does not have significant credit risk as compared to other financial institutions.

f. DFS Group's

1. The share of the top 100 and 200 cash loan customers in the total cash loans portfolio

The share of the top 100 and 200 cash loan customers comprises 32% and 39% of the total cash loans portfolio (31 December 2015: %29, %36).

2. The share of the top 100 and 200 non-cash loan customers in the total loan non-cash loans portfolio

The share of the top 100 and 200 non-cash loan customers comprises 46% and 58% of the total non-cash loans portfolio (31 December 2015: %48, %60).

3. The share of the total cash and non-cash loan balance of the top 100 and 200 loan customers in the total assets and off-balance sheet items

The share of the total cash and non-cash loans from its top 100 and 200 loan customers comprise 19% and 26% of the total assets and off-balance sheet items (31 December 2015: %21, %27).

g. DFS Group's general loan provision for its loans

As at 31 December 2016, DFS Group's general loan provision amounts to TL 1.269.354 (31 December 2015: 975.339 TL).

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h. Profile of significant exposures in major regions

Current Period	Risk Classifications ^(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Domestic	25.479.742	494.522	--	--	--	1.345.409	32.040.595	31.585.944	5.055.717	8.035.893	1.068.112	--	--	--	1.187	4.147.723	3.929	109.258.773
European Union Countries	4.350.363	42.559	--	--	--	1.071.439	4.316.668	65.885	37.884	1.182	23.359	--	--	--	--	240.388	--	10.149.727
OECD Countries	--	--	--	--	--	21.467	188.293	4.510	2.774	--	13	--	--	--	--	--	--	217.057
Off-Shore Banking Regions	--	--	--	--	--	42.363	315.674	3.264	2.230	1.766	--	--	--	--	--	--	--	365.297
USA, Canada	--	--	--	--	--	128.150	212.006	6.267	1.524	115	96	--	--	--	--	--	--	348.158
Other Countries	--	--	--	--	--	475.226	2.079.585	61.315	78.054	2.833.177	4.464	--	--	--	--	47.139	--	5.578.960
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	25.180	25.180
Unallocated Assets/Liabilities	179.022	8.671	--	--	--	1.941.779	15.663.010	2.479.419	163.592	781.708	56.822	--	--	--	1.068	--	--	21.275.091
Total	30.009.127	545.752	--	--	--	5.025.833	54.815.831	34.206.604	5.341.775	11.653.841	1.152.866	--	--	--	2.255	4.435.250	29.109	147.218.243

Prior Period	Risk Classifications ^(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Domestic	21.991.416	763.342	--	--	--	2.401.276	39.964.488	19.001.905	5.124.910	4.382.910	895.853	4.549.324	--	--	--	3.114.867	--	102.190.291
European Union Countries	3.069.134	38.346	--	--	--	1.367.606	1.073.204	181.305	46.417	4.196	3.504	4.156	--	--	--	163.449	--	5.951.317
OECD Countries	--	--	--	--	--	16.772	--	3.833	2.908	321	--	215	--	--	--	--	--	24.049
Off-Shore Banking Regions	--	--	--	--	--	1.154	325.574	671	3.816	30	--	119	--	--	--	22	--	331.386
USA, Canada	--	--	--	--	--	290.009	15.021	2.378	1.566	--	1.193	543	--	--	--	--	--	310.710
Other Countries	--	--	--	--	--	102.032	1.394.097	37.683	65.297	6.042	928	1.826	--	--	--	55.537	--	1.663.442
Subsidiaries, Associates and jointly controlled companies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	18.708	18.708
Unallocated Assets/Liabilities	24.383	4.413	1	--	--	1.695.433	14.279.863	4.309.490	77.147	325.722	--	--	--	--	571	13.651	--	20.730.674
Total	25.084.933	806.101	1	--	--	5.874.282	57.052.247	23.537.265	5.322.061	4.719.221	901.478	4.556.183	--	--	571	3.366.234	--	131.220.577

^(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- 1: Conditional and unconditional receivables from central governments and Central Banks
- 2: Conditional and unconditional receivables from regional or local governments
- 3: Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4: Conditional and unconditional receivables from multilateral development banks
- 5: Conditional and unconditional receivables from international organizations
- 6: Conditional and unconditional receivables from banks and brokerage houses
- 7: Conditional and unconditional receivables from corporates
- 8: Conditional and unconditional receivables from retail portfolios
- 9: Conditional and unconditional receivables secured by mortgages

^(*) OECD countries except for EU countries, USA and Canada

^(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 10: Conditional and unconditional receivables secured by mortgages
- 11: Past due receivables
- 12: Receivables defined in high risk category by BRSA
- 13: Securities collateralized by mortgages
- 14: Short-term receivables from banks, brokerage houses and corporates
- 15: Investments similar to collective investment funds
- 16: Other receivables
- 17: Equity security transactions

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i. Risk Profile by Sectors or Counterparties

Current Period: 31 December 2016	Risk Classifications ^(*)																	Total		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		TL	FC
Agricultural	22.268						451.448	7.498.019	136.286	886.942	78.307					1		8.837.231	236.040	9.073.271
Farming and Cattle	21.699						447.351	7.483.545	135.995	885.652	78.078					1		8.826.064	226.257	9.052.321
Forestry	43						365	3.564	241	779	74							4.298	768	5.066
Fishing	526						3.732	10.910	50	511	155							6.869	9.015	15.884
Manufacturing	263.208	3					16.703.427	1.892.782	233.414	1.203.471	172.334					13		4.899.235	15.569.417	20.468.652
Mining	6.444	3					2.863.020	127.182	16.210	66.563	14.705							486.419	2.607.708	3.094.127
Production	256.116						10.043.433	1.740.201	205.567	1.091.567	94.081					11		3.821.443	9.609.533	13.430.976
Electric, Gas, Water	648						3.796.974	25.399	11.637	45.341	63.548					2		591.373	3.352.176	3.943.549
Construction	65.070	15.925					9.828.871	1.215.556	410.618	1.107.707	106.859					10		4.896.136	7.854.480	12.750.616
Services	16.924.497	7.133					20.528.951	6.472.762	1.020.706	7.241.323	410.246					6.306		18.065.616	39.587.552	57.653.168
Wholesale and Retail Trade	357.064	1					6.019.827	4.870.635	569.310	1.624.963	270.740					132		8.514.870	5.197.802	13.712.672
Hotel and Restaurant Services	21.422						4.241.199	242.411	232.268	4.607.475	31.321							1.412.240	7.963.856	9.376.096
Transportation and telecommunication	58.988						5.731.937	987.283	151.313	483.325	64.249					22		2.433.939	5.045.978	7.479.917
Financial institution	16.472.198	26					764.043	61.439	10.226	139.651	13.438					6.148		3.848.549	18.657.064	22.505.613
Real estate and letting services	3.154	1.512					182.740	108.519	23.651	12.692	3.501					1		205.163	130.607	335.770
Self-employment services																				
Education services	3.024	5.594					880.066	69.886	19.941	231.170	4.999							827.637	387.043	1.214.680
Health and social services	8.647						2.709.139	132.589	13.997	142.047	21.998					3		823.218	2.205.202	3.028.420
Other	12.734.084	522.691					7.303.134	17.127.485	3.540.751	1.214.398	385.120					2.255		36.017.911	11.254.625	47.272.536
Total	30.009.127	545.752					54.815.831	34.206.604	5.341.775	11.653.841	1.152.866					2.255		72.716.129	74.502.114	147.218.243

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

- 1: Conditional and unconditional receivables from central governments and Central Banks
- 2: Conditional and unconditional receivables from regional or local governments
- 3: Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4: Conditional and unconditional receivables from multilateral development banks
- 5: Conditional and unconditional receivables from international organizations
- 6: Conditional and unconditional receivables from banks and brokerage houses
- 7: Conditional and unconditional receivables from corporates
- 8: Conditional and unconditional receivables from retail portfolios
- 9: Conditional and unconditional receivables secured by mortgages
- 10: Conditional and unconditional receivables secured by mortgages
- 11: Past due receivables
- 12: Receivables defined in high risk category by BRSA
- 13: Securities collateralized by mortgages
- 14: Short-term receivables from banks, brokerage houses and corporates
- 15: Investments similar to collective investment funds
- 16: Other receivables
- 17: Equity security transactions

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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j. Analysis of maturity-bearing exposures according to remaining maturities

Current Period

Risk classifications	Undistributed ^(*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1 Conditional and unconditional receivables from central governments and Central Banks	6.345.933	10.303.013	73.255	8.112	420.364	12.858.450
2 Conditional and unconditional receivables from regional or local governments	--	255	3.186	9.197	21.830	511.284
3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	--
4 Conditional and unconditional receivables from multilateral development banks	--	--	--	--	--	--
5 Conditional and unconditional receivables from international organizations	--	--	--	--	--	--
6 Conditional and unconditional receivables from banks and brokerage houses	1.372.923	850.462	656.659	275.061	564.726	1.306.002
7 Conditional and unconditional receivables from corporate	62.590	4.548.309	3.426.258	2.586.737	5.914.416	38.277.521
8 Conditional and unconditional receivables from retail portfolios	1.777	6.559.619	1.759.786	2.224.001	5.579.901	18.081.520
9 Conditional and unconditional receivables secured by mortgages	--	212.808	146.533	208.157	310.954	4.463.323
10 Conditional and unconditional receivables secured by mortgages	--	536.148	549.819	520.154	609.152	9.438.568
11 Past due receivables	1.058.710	5.401	839	1.281	2.984	83.651
12 Receivables defined in high risk category by BRSA	--	--	--	--	--	--
13 Securities collateralized by mortgages	--	--	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate	--	--	--	--	--	--
15 Investments similar to collective investment funds	--	2.089	--	--	166	--
16 Other receivables	4.404.835	11.609	--	--	--	18.806
17 Equity security investments	29.109	--	--	--	--	--
18 Total	13.275.877	23.029.713	6.616.335	5.832.700	13.424.493	85.039.125

^(*) Drawing amounts are included.

Prior Period

Risk classifications	Undistributed ^(*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 Year
1 Conditional and unconditional receivables from central governments and Central Banks	4.101.972	8.286.654	207.563	249.004	417.712	11.822.028
2 Conditional and unconditional receivables from regional or local governments	--	186	1.715	2.167	39.557	762.476
3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	--	--	--	--	--	1
4 Conditional and unconditional receivables from multilateral development banks	--	--	--	--	--	--
5 Conditional and unconditional receivables from international organizations	--	--	--	--	--	--
6 Conditional and unconditional receivables from banks and brokerage houses	1.001.956	2.358.338	432.729	301.519	71.419	1.708.321
7 Conditional and unconditional receivables from corporate	102.551	5.018.198	3.130.938	3.613.331	7.642.126	37.545.103
8 Conditional and unconditional receivables from retail portfolios	157	6.427.550	964.886	1.740.015	5.420.365	8.984.292
9 Conditional and unconditional receivables secured by mortgages	--	133.584	98.032	127.056	158.325	4.805.064
10 Conditional and unconditional receivables secured by mortgages	--	324.111	175.836	303.755	400.705	3.514.814
11 Past due receivables	825.258	6.083	438	1.274	3.628	64.797
12 Receivables defined in high risk category by BRSA	65.202	167.033	--	--	--	4.323.948
13 Securities collateralized by mortgages	--	--	--	--	--	--
14 Short-term receivables from banks, brokerage houses and corporate	--	--	--	--	--	--
15 Investments similar to collective investment funds	--	432	--	139	--	--
16 Other receivables	3.296.495	58.808	--	--	6.000	4.931
17 Equity security investments	--	--	--	--	--	--
18 Total	9.393.591	22.780.977	5.012.137	6.338.260	14.159.837	73.535.775

^(*) Drawing amounts are included.

k. Risk Classifications

Parent Bank has simplified its application through only considering credit grades of Fitch rating agency as of July 2016 through making a notification to Risk Centre on 1 July 2016 in order to limit variability generated by using multiple credit rating agencies (CRA) on legal rates.

The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

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Current Period

Credit Quality Grade	Risk Rating Fitch	Risk Classifications			Corporate Receivables
		Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses Receivables with Remaining Maturities Less Than 3 Months	Receivables with Remaining Maturities More Than 3 Months	
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC CC C D	%150	%150	%150	%150

Prior Period

Credit Quality Grade	Risk Rating			Risk Classifications			Corporate Receivables
	Fitch	Moodys	S&P	Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses Receivables with Remaining Maturities Less Than 3 Months	Receivables with Remaining Maturities More Than 3 Months	
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	A1 A2 A3	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	B1 B2 B3	B+ B B-	%100	%50	%100	%150
6	CCC CC C D	Caa1 Caa2 Caa3 Ca C	CCC+ CCC CCC- CC C D	%150	%150	%150	%150

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l. Exposures by risk weights

Current Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	%1250	Equity Deduction
Exposures before Credit Risk												
Mitigation	16.439.368	--	1.870.339	--	18.517.089	41.035.264	75.067.893	287.179	--	154.415	--	879.654
Exposures after Credit Risk												
Mitigation	17.241.861	--	1.870.339	5.341.774	28.577.710	33.874.791	59.873.169	284.184	--	154.415	--	879.654

Prior Period

Risk Weight	%0	%10	%20	%50	%75	%100	%150	%200	%250	Equity Deduction
Exposures before Credit Risk Mitigation	24.014.207	--	3.294.447	5.872.451	27.490.649	65.679.995	2.032.547	2.765.162	71.119	944.558
Exposures after Credit Risk Mitigation	24.014.207	--	3.294.447	14.816.887	21.852.327	57.379.274	2.011.498	2.737.163	71.119	944.558

m. Information by major sectors and type of counterparties

Impaired Loans; are the loans either overdue for more than 90 days or loans regarded as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

Past Due Loans; are the loans those are overdue up to 90 days but not impaired. For such loans, "general provisions" are allocated as per the Provisioning Regulation.

Current Period: 31 December 2016

Important Sectors/Counterparties	Loans		Value Adjustments ^(*)	Provisions ^(**)
	Impaired	Past Due		
Agricultural	200.093	340.760	10.174	137.753
Farming and Cattle	197.139	338.771	10.109	135.004
Forestry	527	242	6	460
Fishing	2.427	1.747	59	2.289
Manufacturing	357.990	599.580	20.567	215.052
Mining	39.933	68.803	1.578	27.911
Production	235.915	499.988	18.288	166.601
Electric, Gas, Water	82.142	30.789	701	20.540
Construction	232.278	233.309	7.232	156.120
Services	1.157.129	2.364.961	89.677	787.920
Wholesale and Retail Trade	748.500	634.089	18.493	495.120
Hotel and Restaurant Services	41.453	1.089.073	46.353	16.764
Transportation and telecommunication	216.466	359.467	12.212	154.069
Financial institution	28.667	174.919	7.991	17.282
Real estate and letting services	9.604	8.692	217	6.209
Self-employment services	--	--	--	--
Education services	21.522	3.610	89	16.673
Health and social services	90.917	95.111	4.322	81.803
Other	1.704.149	2.714.903	132.695	1.351.110
Total	3.651.639	6.253.513	260.345	2.647.955

(*) Representing the general provision of past due loans.

(**) Representing specific provision amounts.

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Prior Period: 31 December 2015

Important Sectors/Counterparties	Loans		Value Adjustments ^(*)	Provisions ^(**)
	Impaired	Past Due		
Agricultural	232.264	509.323	15.135	171.896
Farming and Cattle	230.664	507.985	15.084	170.806
Forestry	1.219	75	1	926
Fishing	381	1.263	50	164
Manufacturing	288.689	455.772	18.616	222.931
Mining	68.220	14.462	352	46.343
Production	214.322	353.321	14.288	173.435
Electric, Gas, Water	6.147	87.989	3.976	3.153
Construction	220.098	93.612	2.393	155.494
Services	703.176	981.245	33.547	441.827
Wholesale and Retail Trade	460.737	317.426	8.643	260.357
Hotel and Restaurant Services	22.442	120.440	4.320	11.750
Transportation and telecommunication	80.896	410.418	15.708	67.262
Financial institution	18.811	6.859	141	14.342
Real estate and letting services	6.793	4.491	108	4.129
Self-employment services	42	--	--	40
Education services	3.826	24.632	677	2.263
Health and social services	109.629	96.979	3.950	81.684
Other	1.724.547	1.784.826	100.444	1.286.035
Total	3.168.774	3.824.778	170.135	2.278.183

^(*) Representing the general provision of past due loans.

^(**) Representing specific provision amounts.

Movements in valuation adjustments and provisions

Current Period: 31 December 2016	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ^(*)	Ending Balance
Specific Provisions	2.278.183	1.241.892	(269.966)	(602.154)	2.647.955
General Provisions	975.339	294.015	--	--	1.269.354

^(*) It includes sales made from non-performing loans and exchange differences amount of TL 2.383.

Prior Period: 31 December 2015	Opening Balance	Charge for the period	Releases for provisions	Other Adjustments ^(*)	Ending Balance
Specific Provisions	1.375.164	1.095.770	(190.919)	(1.832)	2.278.183
General Provisions	813.128	162.211	--	--	975.339

^(*) Representing sales from the non-performing loans portfolio in amount of TL (2.845) and foreign exchange differences in amount of TL 1.013.

n. Risk involved in counter-cyclical capital buffer calculations:

Country of ultimate risk	Private sector credit exposure in banking book	Risk weighted equivalent trading book	Total
Turkey	86.029.159	25.542	86.054.701
Malta	1.452.193	--	1.452.193
Germany	1.177.841	--	1.177.841
Netherlands	1.169.288	--	1.169.288
Other	3.895.763	--	3.895.763

o. Distribution of credit risk according to the operational segments

Current Period: 31 December 2016	Commercial Loans ^(*)	Consumer Loans	Credit Cards	Other	Total
Standard Loans	70.296.983	12.204.822	4.801.357	26.643	87.329.805
Closely Monitored Loans	5.213.186	1.190.519	285.322	--	6.689.027
Non-performing Loans	2.331.997	848.256	471.386	--	3.651.639
Specific Provisions(-)	1.600.858	654.233	392.864	--	2.647.955
Total	76.241.308	13.589.364	5.165.201	26.643	95.022.516

^(*) Informations on the table include receivables of Deniz Leasing and Deniz Factoring.

^(**) Commercial loans include commercial, corporate and SME loans.

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Prior Period: 31 December 2015	Commercial Loans ^(*)	Consumer Loans	Credit Cards	Other	Total
Standard Loans	56.828.960	11.645.974	4.132.903	14.316	72.622.153
Closely Monitored Loans	2.896.286	1.093.319	202.714	--	4.192.319
Non-performing Loans	1.684.130	898.406	586.238	--	3.168.774
Specific Provisions(-)	1.179.281	668.445	430.457	--	2.278.183
Total	60.230.095	12.969.254	4.491.398	14.316	77.705.063

^(*)Informations on the table include receivables of Deniz Leasing and Deniz Factoring.

^(**)Commercial loans include commercial, corporate and SME loans.

The loans of DFS Group amounting to TL 60.734.592 (31 December 2015: TL 56.329.099) are collateralized by cash, mortgage, cheques and notes obtained from customers.

III. 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 3,5192
Euro purchase rate as at the balance sheet date	TL 3,7099

Date	US Dollar	Euro
27 December 2016	3,5135	3,6711
28 December 2016	3,5329	3,6901
29 December 2016	3,5318	3,6939
30 December 2016	3,5192	3,7099
31 December 2016	3,5192	3,7099

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 December 2016 are TL 3,0197 and TL 3,3389 respectively.

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f. Information on currency risk

Current Period	EUR	USD	Other FC ⁽⁵⁾	Total
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	3.593.180	7.019.629	1.944.745	12.557.554
Due from Banks and Other Financial Institutions	4.543.698	865.857	146.182	5.555.737
Financial Assets at Fair Value Through Profit or Loss ⁽¹⁾	177.120	42.482	1	219.603
Interbank Money Market Placements	--	--	--	--
Investment Securities Available-for-Sale	1.030.396	1.080.344	64.254	2.174.994
Loans ⁽²⁾	20.765.084	23.817.521	969.661	45.552.266
Investments in Subsidiaries and Associates	130	--	--	130
Investment Securities Held-to-Maturity	155.033	1.561.104	--	1.716.137
Hedging Purpose Financial Derivatives	--	--	--	--
Tangible Assets	111.067	82	816	111.965
Intangible Assets ⁽³⁾	--	--	--	--
Other Assets ⁽⁴⁾	1.805.995	944.970	191.479	2.942.444
Total Assets	32.181.703	35.331.989	3.317.138	70.830.830
Liabilities				
Bank Deposits	601.140	125.378	672.524	1.399.042
Foreign Currency Deposits	37.991.989	16.652.338	967.201	55.611.528
Interbank Money Markets	--	--	--	--
Funds Borrowed from Other Financial Institutions	2.966.852	11.638.970	6.844	14.612.666
Marketable Securities Issued	1.192.424	117.306	--	1.309.730
Miscellaneous Payables	272.697	258.865	1.301	532.863
Hedging Purpose Financial Derivatives	--	--	--	--
Other Liabilities ⁽⁶⁾	304.275	856.058	9.258	1.169.591
Total Liabilities	43.329.377	29.648.915	1.657.128	74.635.420
Net "On Balance Sheet Position"	(11.147.674)	5.683.074	1.660.010	(3.804.590)
Net "Off-Balance Sheet Position" ⁽⁷⁾	11.032.843	(5.646.113)	(1.418.136)	3.968.594
Financial Derivatives (Assets)	19.896.141	16.210.215	886.959	36.993.315
Financial Derivatives (Liabilities)	(8.863.298)	(21.856.328)	(2.305.095)	(33.024.721)
Net Position	(114.831)	36.961	241.874	164.004
Non-Cash Loans	7.005.000	11.257.796	477.555	18.740.351
Prior Period				
Total Assets	21.317.524	31.976.949	2.641.004	55.935.477
Total Liabilities	34.816.004	27.748.600	1.183.454	63.748.058
Net "On Balance Sheet Position"	(13.498.480)	4.228.349	1.457.550	(7.812.581)
Net "Off-Balance Sheet Position"	13.215.699	(4.294.944)	(1.313.498)	7.607.257
Financial Derivatives (Assets)	18.653.766	18.207.544	633.734	37.495.044
Financial Derivatives (Liabilities)	(5.438.067)	(22.502.488)	(1.947.232)	(29.887.787)
Net Position	(282.781)	(66.595)	144.052	(205.324)
Non-Cash Loans	4.774.463	10.605.095	255.911	15.635.469

(1) :Foreign currency differences of derivative assets amounting to TL 178.314 are excluded.

(2) :Foreign currency indexed loans amounting to TL 3.668.858 are included.

(3) :Intangible assets amounting to TL 11.679 are excluded.

(4) :Factoring receivables, indexed to foreign exchange, amount of TL 204.219 are included while prepaid expenses amount of 1.748.151 TL are not included.

(5) :There are gold amounts in total assets amounting to TL 1.117.272 and in total liabilities amounting to TL 2.728.172.

(6) :Not including the exchange rate difference of TL 488.886 pertaining to derivative financial loans and the FX equity of TL 3.323.513 and the free reserve of TL 5.871.

(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".

g. Informations on currency risk exposure

The table below demonstrates prospective increase and decrease in equities and the statement of income as of 31 December 2016 and 2015 (excluding tax effect) on condition that 10 percent devaluation of TL against the currencies below. This analysis has been prepared under the assumption that all other variables, especially interest rates, to be constant.

	Current Period		Prior Period	
	Period Profit Loss	Equity	Period Profit Loss	Equity
USD Dollar	(3.716)	(14.628)	6.400	(4.379)
Euro	(19.276)	(19.504)	(15.125)	(16.025)
Total (Net)	(22.992)	(34.132)	(8.725)	(20.404)

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

(*) 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 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.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash and Balances with the Central Bank of the Republic of Turkey	3.360.160	--	--	--	--	7.463.192	10.823.352
Due from Banks and Other Fin. Inst.	2.192.594	314.307	61.352	--	--	3.654.447	6.222.700
Financial Assets at Fair Value Through Profit or Loss	73.983	265.332	190.415	532.231	110.802	676	1.173.439
Interbank Money Market Placements	1.213.997	--	--	--	--	--	1.213.997
Investment Securities Av.-for-Sale	283.639	1.567.201	2.426.953	2.678.795	2.903.701	112.900	9.973.189
Loans	11.841.376	8.408.220	13.921.559	25.494.345	14.209.224	812.673	74.687.397
Investment Securities Held-to-Mat.	1.545.220	289.208	340.211	453.552	747.978	--	3.376.169
Other Assets (*)	405.120	206.015	339.755	1.534.803	532.769	2.397.704	5.416.166
Total Assets	20.916.089	11.050.283	17.280.245	30.693.726	18.504.474	14.441.592	112.886.409
Liabilities							
Bank Deposits	614.237	555.196	145.986	--	--	139.734	1.455.153
Other Deposits	27.354.211	10.538.010	9.482.253	9.290.366	284.646	14.254.616	71.204.102
Interbank Money Market Placements	7.184.158	--	--	--	--	--	7.184.158
Miscellaneous Payables	80	1.521	7.977	1.033	--	1.761.608	1.772.219
Marketable Securities Issued	1.865.068	540.907	249.792	430.273	--	--	3.086.040
Funds Borrowed from Other Fin. Inst.	2.239.084	4.942.730	4.891.805	165.864	3.863.748	--	16.103.231
Other Liabilities (**)	99.385	98.261	41.387	307.204	95.326	11.439.943	12.081.506
Total Liabilities	39.356.223	16.676.625	14.819.200	10.194.740	4.243.720	27.595.901	112.886.409
On Balance Sheet Long Position	--	--	2.461.045	20.498.986	14.260.754	--	37.220.785
On Balance Sheet Short Position	(18.440.134)	(5.626.342)	--	--	--	(13.154.309)	(37.220.785)
Off-Balance Sheet Long Position	2.161.735	7.312.989	6.862.938	3.587.715	2.778.546	--	22.703.923
Off-Balance Sheet Short Position	(797.619)	(8.445.792)	(3.821.445)	(6.666.571)	(2.120.986)	--	(21.852.413)
Total Interest Sensitivity Gap	(17.076.018)	(6.759.145)	5.502.538	17.420.130	14.918.314	(13.154.309)	851.510

(*) 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 547.622, TL 178.257, TL 157.381, TL 12.947, TL 166.350, TL 5.760, TL 84.591 and TL 1.244.796 respectively.

(**) Other liabilities/non-interest bearings include; Shareholders' Equity, Tax Liabilities, Provisions, and Other Liabilities with balances of TL 8.294.197, TL 169.502, TL 1.224.501, and TL 1.751.743 respectively.

d. Average interest rates applied to monetary financial instruments

Current Period: 31 December 2016	EUR %	USD %	JPY %	TL %
Assets				
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
Liabilities				
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
Prior Period: 31 December 2015				
Assets				
Cash and Balances with the Central Bank of the Republic of Turkey	--	0,31	--	5,47
Due from Banks and Other Financial Institutions	0,70	0,65	--	11,48
Financial Assets at Fair Value Through Profit or Loss	3,28	5,01	--	9,13
Interbank Money Market Placements	--	--	--	10,74
Investment Securities Available-for-Sale	1,79	4,29	--	8,55
Loans	5,87	5,36	5,29	15,31
Investment Securities Held-to-Maturity	4,46	4,04	--	9,35
Liabilities				
Bank Deposits	0,23	2,08	--	11,28
Other Deposits	1,57	2,54	0,17	11,92
Interbank Money Market Placements	--	--	--	8,83
Miscellaneous Payables	--	--	--	--
Marketable Securities Issued	2,33	3,05	--	10,58
Funds Borrowed from Other Financial Institutions	1,80	3,73	--	13,15

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e. Interest rate risk on banking book

Nature of interest rate risk resulted from banking book, major assumptions including also early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

Interest rate risk resulted from banking book is due to repricing maturity differences of assets and liabilities. Considering repricing maturities, average maturity of asset items is higher than the average maturity of liability items.

Interest risk is evaluated weekly considering size, developments at maturity structure and interest movements relating to asset and liability items. Interest risk exposed by the bank is managed centrally by the asset and liability committee and within the direction of decisions taken, the balance sheet interest sensitivity is aimed at minimum level and insured by interest based derivative contracts.

The effect of potential changes on interest rates to net present value is calculated within the scope of "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" and reported monthly.

Measurements performed with Standard Shock Method include all on and off balance sheet items in the "Banking Book" based on the classification as per the statutory accounting and reporting. Maturity assumption relating to demand deposits is overviewed yearly with analyses over at least five year data. By such analyses, the Bank gathers information on average duration of its demand deposits, and the amount and trend of deposit charge offs from different maturity brackets.

Economic value differences resulted from interest rate instabilities and prepared based on the Parent Bank's non-consolidated financial statements according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Board of Directors of the Parent Bank in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

The measurement process of interest rate risk resulting from the banking book is designed and managed by the Parent Bank on a bank-only basis to include the interest rate positions defined as banking book by Parent the Bank and to consider the relevant repricing and maturity data. Duration gaps, gaps by maturity brackets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out weekly. In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates.

In case of instruments with no maturities, the maturity is determined as per interest rate fixing periods and customer behaviors. Such results are supported by sensitivity and scenario analysis applied periodically for possible fluctuations in the markets.

The Group's economic value differences arising from the interest rate fluctuations pursuant to the "Regulation on the Measurement and Assessment of Interest Rate Risk Arising from Banking Accounts According to the Standard Shock Method" in a manner separated by different currencies are demonstrated in the following table as of 31 December 2016.

Current Period: 31 December 2016		Shocks Applied	Gainings/Losses	Gainings/Equity- Losses/Equity
Type of Currency		(+/- x basis points)		
1	TL	(+) 500 bps	(2.141.923)	(%13,55)
2	TL	(-) 400 bps	2.099.329	%13,28
3	Euro	(+) 200 bps	(243.636)	(%1,54)
4	Euro	(-) 200 bps	504.133	%3,19
5	US Dollar	(+) 200 bps	(131.925)	(%0,83)
6	US Dollar	(-) 200 bps	159.574	%1,01
Total (of positive shocks)			(2.517.484)	(%15,92)
Total (of negative shocks)			2.763.036	%17,48

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Prior Period: 31 December 2015	Shocks Applied	Gaings/Losses	Gaings/Equity -
Type of Currency	(+/- x basis points)		Losses/Equity
1 TL	(+) 500 bps	(2.269.431)	(%17,99)
2 TL	(-) 400 bps	2.240.738	%17,76
3 Euro	(+) 200 bps	(17.487)	(%0,14)
4 Euro	(-) 200 bps	97.569	%0,77
5 US Dollar	(+) 200 bps	(59.665)	(%0,47)
6 US Dollar	(-) 200 bps	72.156	%0,57
Total (of positive shocks)		(2.346.583)	(%18,60)
Total (of negative shocks)		2.410.463	%19,10

V. 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 December 2016 (31 December 2015: 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 2015: None).

VI. 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.

The securities portfolio of the Parent Bank carried in order to liquidity risk management is structured in a way to consist of 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.

Management of risk sourcing from funding presents the fundamental of liquidity management activities of the Parent Bank. 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 than assets.

The Board of Directors approved "Risk Appetite Disclosure" on 30 March 2015 in order to manage risks in accordance with the Parent 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.

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An “Emergency Liquidity Action Plan” is established in order to form a trustable and proactive tracking mechanism which can provide keeping sufficient liquidity reserve under all conditions and to make forecast regarding measures which can be taken against unexpected liquidity squeezes of the Parent Bank. It is approved by the Board of Directors. Emergency Liquidity Action Plan includes target levels towards several liquidity indicators related to liquidity reserves and balance sheet structure besides duties and responsibilities related to liquidity management.

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 October 151,21 and at the highest level in December 253,67 while the liquidity coverage rate is at the lowest level in November 95,13 and at the highest level in December 115,27.

a. Liquidity coverage ratio

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

^(*) 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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Prior Period	Total unweighted value (*)		Total weighted value(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1	Total High Quality Liquid Assets		15.585.473	11.237.166
CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which			
3	48.686.650	31.533.740	4.647.393	3.108.473
4	4.425.453	898.007	221.273	44.900
5	Less stable deposits			
6	44.261.197	30.635.733	4.426.120	3.063.573
7	Unsecured wholesale funding, of which			
8	22.207.386	10.788.785	12.465.655	5.496.133
9	Operational deposits			
10	5.287.465	2.750.059	1.321.866	687.515
11	Non-operational deposits			
12	11.337.295	6.560.102	5.561.163	3.329.994
13	Unsecured debt			
14	5.582.626	1.478.624	5.582.626	1.478.624
15	Secured wholesale funding			
16	4.068.391	7.252.159	--	--
17	Additional requirements of which			
18	1.086.734	4.736.815	1.086.734	4.736.815
19	Outflows related to derivative exposures and other collateral requirements			
20	1.086.734	4.736.815	1.086.734	4.736.815
21	Outflows related to loss of funding on debt products			
22	--	--	--	--
23	Credit and liquidity facilities			
24	2.981.657	2.515.344	951.544	792.618
25	Other contractual funding obligations			
26	6.057.980	945.978	1.729.299	945.978
27	Other contingent funding obligations			
28	42.388.060	14.667.892	3.442.548	1.522.106
29	TOTAL CASH OUTFLOWS		24.323.184	16.602.124
CASH INFLOWS				
30	Secured lending			
31	400.471	--	--	--
32	Inflows from fully performing exposures			
33	8.906.122	5.014.213	6.972.831	4.734.585
34	Other cash inflows			
35	189.742	11.117.487	189.742	11.117.487
36	TOTAL CASH INFLOWS		9.496.335	16.131.700
			Total adjusted value	
37	TOTAL HQLA		15.585.473	11.237.166
38	TOTAL NET CASH OUTFLOWS		17.160.611	4.150.531
39	LIQUIDITY COVERAGE RATIO (%)		90,8	271,6

(*) 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.

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 day and a certain payment due date and receivables from banks and derivative products.

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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 ^(*)	Total
Assets								
Cash and Balances with the Central Bank of the Republic of Turkey	4.709.643	10.129.718	--	--	--	--	--	14.839.361
Due from Banks and Other Fin.Inst.	4.287.521	308.145	417.036	560.041	--	--	--	5.572.743
Financial Assets at Fair Value Through Profit or Loss	9.947	405.151	168.844	256.476	406.656	200.785	--	1.447.859
Interbank Money Market Placements	--	3.001.571	--	--	--	--	--	3.001.571
Investment Securities Av.-for-Sale	41.728	--	333	6.072	4.126.699	3.422.158	--	7.596.990
Loans	--	9.801.714	3.670.790	15.647.248	33.574.620	27.452.432	1.003.684	91.150.488
Investment Securities Held-to-Maturity	--	--	68.037	--	2.349.750	2.638.245	--	5.056.032
Other Assets	1.352.560	573.000	186.450	520.848	1.549.176	1.042.657	1.664.263	6.888.954
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
Liabilities								
Bank Deposits	76.053	331.633	795.851	105.887	265.369	--	--	1.574.793
Other Deposits	18.887.471	36.798.092	10.778.346	14.095.193	9.535.318	526.738	--	90.621.158
Funds Borrowed from Other Fin.Inst. and Subordinated Loans	--	1.976.939	2.270.576	5.310.226	2.984.147	4.200.304	--	16.742.192
Interbank Money Market Placements	--	5.397.576	--	--	--	--	--	5.397.576
Marketable Securities Issued	--	550.916	893.700	470.624	895.667	680.148	--	3.491.055
Miscellaneous Payables	1.962.214	--	--	--	--	--	--	1.962.214
Other Liabilities	1.131.066	685.593	457.284	390.822	460.544	186.705	12.452.996	15.765.010
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
Net Liquidity Gap	(11.655.405)	(21.521.450)	(10.684.267)	(3.382.067)	27.865.856	29.162.382	(9.785.049)	--
Net "Off-Balance Sheet Position"	--	874.059	(769.459)	117.624	(174.800)	--	--	47.424
Financial Derivatives (assets)	--	18.331.884	9.011.985	4.365.116	4.293.056	5.814.178	--	41.816.219
Financial Derivatives (liabilities)	--	(17.457.825)	(9.781.444)	(4.247.492)	(4.467.856)	(5.814.178)	--	(41.768.795)
Non-Cash Loans	--	1.775.889	2.589.671	7.421.090	4.259.244	12.736.121	--	28.782.015
Prior Period								
Total Assets	7.712.800	20.327.485	3.993.911	14.128.760	34.954.592	29.641.914	2.126.947	112.886.409
Total Liabilities	17.209.237	37.913.386	13.646.519	15.720.586	13.222.708	5.596.724	9.577.249	112.886.409
Net Liquidity Gap	(9.496.437)	(17.585.901)	(9.652.608)	(1.591.826)	21.731.884	24.045.190	(7.450.302)	--
Net "Off-Balance Sheet Position"	--	(35.074)	227.672	121.594	247.154	--	--	561.346
Financial Derivatives (assets)	--	19.127.470	7.504.135	6.144.416	4.109.780	4.131.504	--	41.017.305
Financial Derivatives (liabilities)	--	(19.162.544)	(7.276.463)	(6.022.822)	(3.862.626)	(4.131.504)	--	(40.455.959)
Non-Cash Loans	--	1.490.653	1.795.954	7.419.775	3.819.033	9.919.000	--	24.444.415

(*) 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.

c. Financial liabilities according to agreement maturities

DFS Group has significant financial liabilities which are not in derivative status. These are based on contract and separation of the contract maturities can be seen on table below. Interest amounts that will pay on these assets and liabilities added on maturity columns.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	56.058.504	11.542.912	14.205.029	10.365.503	641.343	92.813.291
Funds borrowed	2.107.932	2.390.916	5.716.728	4.192.219	4.886.238	19.294.033
Interbank Money markets	5.398.898	--	--	--	--	5.398.898
Securities issued	551.356	1.020.781	832.168	1.121.541	86.548	3.612.394
Total	64.116.690	14.954.609	20.753.925	15.679.263	5.614.129	121.118.616
Prior Period						
Liabilities						
Deposits	42.156.533	11.147.194	9.729.852	9.396.504	554.675	72.984.758
Funds borrowed	2.536.660	1.979.770	6.069.885	4.046.428	4.319.167	18.951.910
Interbank Money markets	7.184.158	--	--	--	--	7.184.158
Securities issued	307.495	710.199	535.510	1.349.107	310.446	3.212.757
Total	52.184.846	13.837.163	16.335.247	14.792.039	5.184.288	102.333.583

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VII. 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 5,51% as of 31 December 2016 (31 December 2015: 4,97%). 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.

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

	Current Period (**)	Prior Period (**)
1 Total assets in the consolidated financial statements prepared in accordance with TAS (*)	131.643.936	110.263.318
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	(3.916.000)	(51.337)
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	485.213	518.752
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	58.563.211	49.831.480
7 Total Risk	186.775.857	160.561.710

(*) 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:

	Current Period (*)	Prior Period (*)
On-balance sheet exposures		
1 On-balance sheet items (exclude derivatives and SFTs; include collateral)	127.727.936	110.211.981
2 (Assets deducted in determining Basel III Tier 1 capital)	(282.798)	(334.756)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of 1 and 2 lines)	127.445.138	109.877.225
Derivative exposures		
4 Replacement cost	1.226.002	1.198.701
5 Add-on amount	485.213	518.752
6 Total derivative exposures (sum of 4 and 5 lines)	1.711.215	1.717.453
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	204.604	34.725
8 Agent transaction exposures		
9 Total securities financing transaction exposures (sum of 7 and 8 lines)	204.604	34.725
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	57.415.403	48.932.810
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)	57.414.900	48.932.307
Capital and total exposures		
13 Tier 1 capital	10.274.321	7.975.417
14 Total exposures (sum of 3,6,9 and 12 lines)	186.775.857	160.561.710
Leverage ratio		
15 Leverage ratio	5,51	4,97

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

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VIII. 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. According to Communiqué, notes and explanations have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables, which have to be prepared within the scope of Internal rating-based (IRB) approach, have not been presented as of 31 December 2016.

a. Risk management and Overview of RWA

1. Disclosures related to the risk management approach

Risks, exposed as a result of business model of the Bank, are determined on a consolidated basis through risk definition and materiality assessment of the Bank. Risk mitigation factors and monitoring activities are established for significant risks which are determined. Limits are identified for risks, considered to be significant, in Risk Appetite Declaration of the Bank and those limits are approved by the Board of Directors. Developments with respect to risk limits determined in Risk Appetite Declaration are monitored on a monthly basis and actions which are pre-determined in risk appetite declaration if those limits are exceeded.

Denizbank Risk Management Group Directorate is an internal systems unit responsible for carrying out risk management activities working subject to Board of Directors. It directly reports to Board of Directors. Risk Management Group is responsible to carry out processes such as definition and measurement of risks, establishment and application of risk policies and implementation procedures, analysis, monitoring and reporting of risks in the framework of principles determined by Senior Management of the Bank and Risk Management Group and approved by Board of Directors.

Delegation levels of groups, formed by client and clients at the Bank, are determined in accordance with risk categories established according to limit and credit grade components within the body of the Bank.

Rating process executed by Credit Analysis department and reviews of Credit Allocation department are periodically audited by Credit Risk Control in scope of determined rules and related outputs are presented to Rating Committee.

Informative contents are presented in order to extend risk culture within the body of the Bank and questionnaires towards reviewing of risk perception are performed. Risk sensitivity developments of employees are monitored in line with outputs of aforementioned questionnaires and required actions are taken through identifying weaker aspects. Training plans are established in this scope and it is aimed to provide contribution to developments of employees in determined matters.

Main components of risk measurement systems and its scope

Identification of Risks

The Bank has a comprehensive risk definition process including its subsidiaries. The process aims to determine significant risks specific to the Bank based on a broad list including inherent risks of banking and it is performed on an annual basis. Opinions and reviews of expert individuals within the body of the Bank during the determination of materiality level of risks. Review outputs are used in reports and form a basis to internal capital assessment processes of the Bank.

Measurement of Risks

The purpose of the studies made in scope of measurement of risks includes measuring of financial risks exposed by the Bank and its subsidiaries in order to prepare internal and legal reports and form a relation between carried risks and estimated profitability and evaluation of validity of parameters and assumptions used in risk measurement.

Controlling, reporting and management of Risks

It determines which type of reports shall be prepared as consolidated and unconsolidated. It ensures to establish an effective internal audit system which shall prevent to take risk exceeding targeted risk level and limits determined by regulatory authority. Risk limits, approved by Board of Directors for each type of risk types, are taken into account while controlling and reporting of risks.

Disclosures on risk reporting processes provided to Board of Directors and senior management, especially the scope and main content of the reporting

Risk Management Group performs reporting to Senior Management and Board of Directors through Audit Committee, ALCO and Rating Committees.

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Audit Committee holds quarterly meetings in ordinary situations. Activities and risk indicators performed by Risk Management Group are presented to the Committee.

ALCO holds weekly meetings. Risk-limit follow-up and detailed analysis related to indicators such as interest and liquidity risk, capital adequacy are presented.

Rating Committee: Rating Committee holds meetings on a quarterly basis. It is the Committee to which the Risk Management presents its evaluation, analysis and findings regarding Internal Rating processes

Disclosures on Stress Test

The Bank performs stress test studies evaluating its capital adequacy in scope of ICAAP. Stress tests help to determine capital adequacy in three years projection and possible capital buffer requirement in scope of scenarios determined by regulatory authority and bank based on budget plan of the Bank.

Risk management, hedging and mitigation strategies of the Bank sourcing from business model and monitoring process with respect to continuing effectiveness of hedging and mitigating components

Limits, which are defined for risks considered to be significant, are monitored on a monthly basis and actions included in risk appetite declaration are taken, if required.

In addition, emergency plan related to capital adequacy in order to meet its strategic aims considering stress conditions of the Bank.

2. Overview of RWA

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	101.521.984	89.735.270	8.121.759
2 <i>Standardised approach (SA)</i>	101.521.984	89.735.270	8.121.759
3 <i>Internal rating-based (IRB) approach</i>	--	--	--
4 Counterparty credit risk	1.670.008	769.952	133.601
5 <i>Standardised approach for counterparty credit risk (SA-CCR)</i>	1.670.008	769.952	133.601
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	9.843	--	787
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	399.825	274.113	31.986
17 <i>Standardised approach (SA)</i>	399.825	274.113	31.986
18 <i>Internal model approaches (IMM)</i>	--	--	--
19 Operational Risk	7.901.568	6.749.375	632.125
20 <i>Basic Indicator Approach</i>	7.901.568	6.749.375	632.125
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 Total (1+4+7+8+9+10+11+12+16+19+23+24)	111.503.228	97.528.710	8.920.258

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b. Linkages between financial statements and exposures

1. Mapping and differences between accounting and regulatory scopes of consolidation

Legal consolidation refers to the consolidation that includes the consolidation of subsidiaries which are credit institutions or financial institutions in accordance with Article 5 paragraph 1 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks published in the Official Gazette dated 8 November 2006 and numbered 26340. Accounting consolidation refers to the consolidation in which all of the subsidiaries are included in the scope of consolidation in accordance with the Article 5 paragraph 6 of the same communiqué, irrespective of whether these subsidiaries are credit institutions or financial institutions, or not.

	a	b	Carrying values of items under scope of TAS				g
			c	d	e	f	
	Carrying values as reported in published financial statements	Carrying values as reported in regulatory scope of consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central bank	14.839.361	14.839.361	14.839.361	--	--	--	--
Financial assets held for trading	1.448.214	1.447.859	--	1.341.025	--	106.834	--
Financial assets designated at fair value through profit or loss	--	--	--	--	--	--	--
Banks	5.573.829	5.572.743	5.572.743	--	--	--	--
Receivables from money markets	3.001.570	3.001.571	175	3.001.396	--	--	--
Available for sale financial assets (net)	7.596.990	7.596.990	7.596.990	--	--	--	--
Loans and receivables	91.138.210	91.150.488	91.150.488	--	--	--	12.191
Factoring receivables	1.234.721	1.234.721	1.234.721	--	--	--	--
Held to maturity investments (net)	5.056.032	5.056.032	5.056.032	--	--	--	--
Investments in associates (net)	10.147	10.147	10.147	--	--	--	--
Investments in subsidiaries (net)	--	12.233	12.233	--	--	--	--
Investments in joint ventures (net)	9.735	2.800	2.800	--	--	--	--
Leasing receivables	2.637.307	2.637.307	2.637.307	--	--	--	--
Derivative financial assets held for hedges	--	--	--	--	--	--	--
Tangible assets (net)	722.973	664.579	664.579	--	--	--	91.733
Intangible assets (net)	212.894	204.819	204.819	--	--	--	204.819
Investment properties (net)	164.527	164.527	164.527	--	--	--	--
Tax assets	258.362	254.864	254.864	--	--	--	630
Non-current assets and disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Other assets	1.740.559	1.702.957	1.702.957	--	--	--	9.825
Total assets	135.645.431	135.553.998	131.104.743	4.342.421	--	106.834	319.198
Liabilities							
Deposits	92.102.850	92.195.951	--	--	--	--	92.195.951
Derivative financial liabilities held for trading	1.248.386	1.248.386	--	--	--	--	1.248.386
Loans	11.292.338	11.258.691	--	--	--	--	11.258.691
Debt to money markets	5.397.576	5.397.576	--	5.397.576	--	--	5.397.576
Debt securities in issue	3.491.055	3.491.055	--	--	--	--	3.491.055
Funds	--	--	--	--	--	--	--
Various debts	2.082.030	1.962.214	--	--	--	--	1.962.214
Other liabilities	1.977.433	1.973.210	--	--	--	--	1.973.210
Factoring debts	--	--	--	--	--	--	--
Debts from leasing transactions	--	--	--	--	--	--	--
Derivative financial liabilities held for hedges	--	--	--	--	--	--	--
Provisions	1.757.572	1.748.151	--	--	--	--	1.748.151
Tax liability	214.266	205.165	--	--	--	--	205.165
Liabilities included in disposal groups classified as held for sale (net)	--	--	--	--	--	--	--
Subordinated debts	5.483.501	5.483.501	--	--	--	--	5.483.501
Equity	10.598.424	10.590.098	--	--	--	--	10.590.098
Total liabilities	135.645.431	135.553.998	--	5.397.576	--	--	135.553.998

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2. Main sources of differences between risk exposures and valued amounts in accordance with TMS in financial statements

	a	b	c	d	e
	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework ^(*)
1 Asset carrying value amount under scope of TAS	135.553.998	131.104.743	--	4.342.421	106.834
2 Liabilities carrying value amount under TAS		--	--	5.397.576	--
3 Total net amount under regulatory scope of consolidation	135.553.998	131.104.743	--	9.739.997	106.834
4 Off-balance sheet amounts (**)	57.789.021	20.444.394	--	--	--
5 Differences in valuations		--	--	--	--
6 Differences due to different netting rules, other than those already included in row 2		--	--	--	--
7 Differences due to consideration of provisions		--	--	--	--
8 Differences due to prudential filters		--	--	--	292.991
9 Differences resulted from considering of the financial guarantees		(6.153.306)	--	--	--
10 Risk exposures	193.343.019	145.395.831	--	9.739.997	399.825

^(*) Financial instruments included in trading accounts according to "Communique on Measurement and Evaluation of Bank's Capital Adequacy" and principal amount subject to market risk sourcing from capital requirement calculated for foreign Exchange risk are included in line of risk amounts.

^(**) It includes risk which are included in credit risk calculation.

3. Disclosures on differences between amounts valued in accordance with TAS and risk exposures

Differences between valued amounts in accordance with TAS and risk exposures:

It is obtained through addition of potential risk exposures according to type of transaction and maturity to risk exposure renewal costs in derivative transactions included in counterparty credit risk and through offsetting of cash amount subject to amount adjusted with volatility made to related security in repo and reverse repo transactions.

Amounts of items which are value in accordance with TAS and subject to market risk indicate fair value of financial instruments held for trade. Amounts in line of risk amount related to aforementioned transactions indicate principal amount subject to market risk sourcing from capital requirement calculated related to potential losses which can be caused by interest rate risk, share price risk, exchange rate risks in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy".

Disclosures on controls performed and systems used in order to ensure prudentiality and reliability of valuations estimates of the Bank in accordance with prudential valuation principles and procedures included in accompanying Annex-3 to Communique on Measurement and Evaluation of Bank's Capital Adequacy:

If the financial instruments recognized through fair value have an active and deep market, valuation is performed based on prices included in market in question. Reliability of market data used in valuations is examined periodically. The Bank does not operate in markets which do not have a depth. Discounted cash flow model is mainly used in the evaluation of derivative instruments and generally accepted valuation models are used for derivative transactions including optionality. Accuracy of market data and model outputs used in valuations are periodically controlled and differences between counterparty valuations and bank's evaluations are monitored regularly.

c. Credit risk

1. General qualitative information about credit risk

How does the business model of the Bank transform to components in its credit risk portfolio

Credit risk within the body of the Bank is managed in the framework of Credit Risk Management Policy approved by Board of Directors. Risk, related to credit, are defined, duties of departments are determined and main principles of credit risk management are brought in aforementioned policy document. Departments assigned in credit management and their authorization/responsibilities are defined in aforementioned document.

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In this direction, main limitations related to credit risk are determined in Risk Appetite Document approved annually by Board of Directors and reported throughout the year by Risk Management Department. Concentration limits on the basis of sector, customer segment and risk groups are determined. Actions which shall be taken in case of a possible overflow are also determined in this document.

In this scope, credit portfolio of the Bank draws a dispersed view with respect to customers segments and sectors.

Criteria and approach used while determining credit risk policy and credit risk limits

Risk limits defined to all counterparties in monitoring of credit risks are tracked on the basis of products, customers and risk groups separately by systems and it is not permitted to take risks exceeding determined limits. Many factors such as ability to pay, features of the sector and possible impacts of geographical and economic conditions are taken into consideration while determining the credit limits of counterparty. If deemed appropriate, it is tried to reduce possible losses of the Bank to minimum through applying required risk mitigation techniques. All documents required by the related legislation should be taken into account during credit examinations. Credit worthiness of counterparty is periodically controlled for limits provided for multi-use and limits are revised considering changes and requirements in the credit worthiness of counterparty. Customers are determined based on their classes by credit allocation officers and respective classes are changed, if required.

Structure and organization of credit risk management and control function

Credit allocation and monitoring is performed in accordance with segregation of duties and therefore, the credit can be reviewed in an objective manner during its economic life. Risk models are used in order to measure credit risk of customers in both allocation and monitoring groups in an accurate and objective manner. Early Warning Systems are used for the tracking of credit customers and signals received are regularly tracked by Monitoring groups and pre-determined action plans are taken with allocation groups if pre-determined triggers are detected.

Relation between credit risk management, risk control, legal compliance and internal audit functions

Credit Risk Control periodically presents analysis and results of execution of internal rating systems, development of credit rating grades, documentation of changes made in credit grade and compliance to internal limitations to Rating Committee. Compliance of Credit Risk Control activities to intra-bank arrangements and regulatory regulations and guides is periodically audited by internal audit departments of the Bank and issue requiring to be developed are monitored following their identification.

Scope and main content of reporting which shall be made to senior management and members of board of directors regarding credit risk management function and exposed credit risk

Board of Directors determines policy of the Group in credit management field and ensures establishment of required conditions to perform determined policies in an effective manner. In this scope, it defines sections related to measurement and management of credit quality and approves documents having primary importance related to credit risk such as Risk Appetite Declaration.

2. Credit quality of assets

	a	b	c	d
	Gross carrying values of (according to TAS)			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1 Loans	3.651.639	94.018.832	4.024.967	93.645.504
2 Debt Securities	--	12.611.296	1.159	12.610.137
3 Off-balance sheet exposures ^(*)	252.392	54.199.335	182.858	54.268.869
4 Total	3.904.031	160.829.463	4.208.984	160.524.510

^(*) It doesn't include revocable commitments and Forward Asset Purchase –Sales Commitments.

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3. Changes in stock of defaulted loans and debt securities

	a ^(*)
1 Defaulted loans and debt securities at end of the previous reporting period	3.168.774
2 Loans and debt securities that have defaulted since the last reporting period	1.975.518
3 Returned to non-defaulted status	19.826
4 Amounts written off (**)	604.213
5 Other changes	(868.614)
6 Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 ± 5)	3.651.639

(*) It doesn't include off-balance sheet receivables.

(**) It indicates sales made from non-performing loans portfolio.

4. Additional disclosure related to the credit quality of assets

(i) Scope and definitions of "overdue" receivables and "provisioned" receivables used for purposes of accounting

The Parent Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group according to the "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired loans."

(ii) Part of overdue receivables (over 90 days) which are not considered as "Provisioned" and reasons for the implementation in question.

The Bank calculates general loan loss provision for "past due loans" and specific provision for "impaired loans" according to the Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made."

(iii) Definitions of methods used while determining amount of provision

Parent Bank calculates general credit provision for overdue credits and specific provision for impaired credits in scope of "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

(iv) Definitions of restructured receivables

The Bank can restructure both of its first and second group of credit and its illiquid credit and receivables. Restructuring in first and second group of credits and in other receivables are made in order to improve repayment ability of the customer as well as including changes made in contract terms with the request of the customer independent from credit risk of the customer. Restructurings made in illiquid claims and receivables are changes made in payment plan of the credit towards ensuring of collection of the receivable. Credits which are overdue over 90 days of delay are automatically transferred to follow-up accounts and subject to special provision in accordance with "Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

(v) Breakdown of receivables by geographical area

	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs ^(*)
	Defaulted	Non-defaulted	Defaulted	Non-defaulted	Defaulted	Non-defaulted		
1 Domestic	3.552.074	82.830.277	--	11.565.804	252.390	42.526.906	2.574.631	602.590
2 EU Countries	95.316	4.841.812	--	981.240	2	483.684	71.992	--
3 OECD Countries	33	195.576	--	--	--	791.318	19	--
4 Off Shore Zones	--	331.011	--	--	--	3.220	--	1.623
5 USA, Canada	52	236.664	--	--	--	111.186	13	--
6 Other Countries	4.164	5.583.492	--	64.252	--	10.283.021	1.300	--
7 Total	3.651.639	94.018.832	--	12.611.296	252.392	54.199.335	2.647.955	604.213

(*) It indicates sales made from non-performing loans portfolio.

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(vi) Breakdown of receivables by sectors

	Loans		Borrowing instruments		Off-Balance sheet receivables		Allowance / impairments	Write-Offs
	Defaulted	Non- defaulted	Defaulted	Non- defaulted	Defaulted	Non- defaulted		
	Agricultural	200.093	8.796.827	--	--	3.714		
Farming and Cattle	197.139	8.778.483	--	--	3.635	1.829.868	135.004	6.074
Forestry	527	3.771	--	--	17	3.672	460	407
Fishing	2.427	14.573	--	--	62	4.007	2.289	28
Manufacturing	357.990	12.815.751	--	57.735	30.760	11.670.095	215.052	33.260
Mining	39.933	2.811.457	--	--	1.765	705.388	27.911	7.763
Production	235.915	6.906.034	--	51.717	23.348	10.027.120	166.601	25.399
Electric, Gas, Water	82.142	3.098.260	--	6.018	5.647	937.587	20.540	98
Construction	232.278	9.334.442	--	--	75.177	9.618.001	156.120	21.994
Services	1.157.129	33.603.669	--	412.929	106.752	12.546.879	787.920	92.011
Wholesale and Retail Trade	748.500	12.833.708	--	--	94.767	7.997.189	495.120	75.075
Hotel and Restaurant Services	41.453	9.269.785	--	--	3.719	795.942	16.764	3.774
Transportation and telecommunication	216.466	6.519.837	--	33.517	5.627	1.945.952	154.069	9.947
Financial institution	28.667	837.870	--	379.412	141	1.192.687	17.282	582
Real estate and letting services	9.604	319.263	--	--	555	78.642	6.209	1.433
Self-employment services	--	--	--	--	--	--	--	--
Education services	21.522	1.178.221	--	--	884	85.607	16.673	357
Health and social services	90.917	2.644.985	--	--	1.059	450.860	81.803	843
Other	1.704.149	29.468.143	--	12.140.632	35.989	18.526.813	1.351.110	450.439
Total	3.651.639	94.018.832	--	12.611.296	252.392	54.199.335	2.647.955	604.213

(*) It indicates sales made from non-performing loans portfolio.

(vii) Breakdown of receivables by outstanding maturity

	Undistributed	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	Total
Non - defaulted receivables	26.248	21.998.313	8.223.328	8.109.397	27.548.606	94.923.571	160.829.463
1 Loans	--	9.612.324	5.069.570	4.615.492	11.258.160	63.463.286	94.018.832
2 Borrowings instruments	--	--	69.142	4.634	--	12.537.520	12.611.296
3 Off-balance sheet receivables	26.248	12.385.989	3.084.616	3.489.271	16.290.446	18.922.765	54.199.335
Defaulted receivables	3.904.031	--	--	--	--	--	3.904.031
1 Loans	3.651.639	--	--	--	--	--	3.651.639
2 Borrowings instruments	--	--	--	--	--	--	--
3 Off-balance sheet receivables	252.392	--	--	--	--	--	252.392
Specific Provision	2.647.955	--	--	--	--	--	2.647.955
Total	1.282.324	21.998.313	8.223.328	8.109.397	27.548.606	94.923.571	162.085.539

(viii) Ageing analysis of Parent Bank for overdue receivables

	1-30 days	31-60 days	61-90 days	Total
Loans	6.273.302	1.312.479	858.290	8.444.070
Borrowings instruments	--	--	--	--
Off-balance sheet receivables	582.504	32.516	35.886	650.906

(ix) Breakdown of restructured receivables whether they are provisioned or not

	31 December 2016
Credits having standard nature and restructured from other receivables	1.437.793
Credits in close follow-up and restructured from other receivables	2.914.008
Restructured from illiquid claims	150.334

5. Credit risk mitigation techniques

The Bank can demand collateral in order to mitigate risk level of the credit. Each type of collaterals and collateral processes approved in credit risk calculations are defined with Bank procedures. Insurance and evaluation approach off properties or goods subject to collateral are regulated in internal documents of the Bank prepared in accordance with Turkish Banking Legislation.

The Bank performs credit risk mitigation according to comprehensive financial collateral method in accordance with "Communique on Credit Risk Mitigation Techniques". Exchange mismatch between receivable and collateral and cut-off rates based on type of collateral are considered through inspecting standard cut-off ratios mentioned in annex of the communique while maturity mismatch between receivable and collateral is taken into account in accordance with method mentioned in Article 49.

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Bank established compliant provisions to Turkish Banking Legislation and BRSA Regulations in order to cover expected loss sourcing from occurrence of credit risk.

6. Credit risk mitigation techniques – overview

	a	b	c	d	e	f	g
	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	70.373.081	23.272.423	20.223.805	--	--	--	--
2 Debt Securities	12.610.137	--	--	--	--	--	--
3 Total	82.983.218	23.272.423	20.223.805	--	--	--	--
4 Of which defaulted ^(*)	3.635.260	268.771	193.941	--	--	--	--

^(*) It includes default figure belonging to amount before provision and off-balance sheet receivables.

7. Disclosures on rating grades used while calculating credit risk with standard approach

Ratings provided by international rating agency Fitch are used for the determination of risk weights which shall be applied in the calculation of capital adequacy. The scope, in which the credit rating grades are taken into consideration, covers receivables from governments or central banks and receivables from banks and intermediary institutions and corporate receivables for those having residence abroad.

8. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

Risk classifications	a		b		c		d		e		f	
	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density							
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density						
1 Exposures to central governments or central banks	29.027.608	688.695	29.810.368	198.759	7.373.518	%24,57						
2 Exposures to regional governments or local authorities	537.203	19.368	537.081	8.671	272.876	%50,00						
3 Exposures to public sector entities	--	--	--	--	--	%0,00						
4 Exposures to multilateral development banks	--	--	--	--	--	%0,00						
5 Exposures to international organisations	--	--	--	--	--	%0,00						
6 Exposures to institutions	3.084.054	2.258.890	3.084.054	1.941.779	2.110.608	%42,00						
7 Exposures to corporates	44.491.134	29.227.490	39.153.945	15.661.886	54.815.830	%100,00						
8 Retail exposures	32.529.013	25.701.748	31.743.829	2.462.775	25.737.950	%75,24						
9 Exposures secured by residential property	5.216.261	332.318	5.178.729	163.046	1.869.621	%35,00						
10 Exposures secured by commercial real estate	10.897.617	1.160.079	10.873.030	780.811	6.605.552	%56,68						
11 Past-due loans	1.097.821	188.177	1.096.044	56.822	1.125.693	%97,64						
12 Higher-risk categories by the Agency Board	--	--	--	--	--	%0,00						
13 Exposures in the form of covered bonds	--	--	--	--	--	%0,00						
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	%0,00						
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	1.187	1.068	1.187	1.068	2.255	%100,00						
16 Other assets	4.435.249	--	4.435.250	--	2.681.236	%60,45						
17 Investments in equities	29.109	--	29.109	--	28.979	%99,55						
18 Total	131.346.256	59.577.833	125.942.626	21.275.617	102.624.118	%69,71						

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9. Standardised Approach – Exposures by asset classes and risk weights

Risk Classifications/ Risk Weight*	a	b	c	k	d	e	f	g	h	i	j	
	%0	%10	%20	%35 Secured with property mortgage	%50 Secured with property mortgage	%50	%75	%100	%150	%200	Diğerleri	Total risk exposure (after CCF and CRM)
1 Exposures to central governments or central banks	15.262.094	--	--	--	--	14.747.033	--	--	--	--	--	30.009.127
2 Exposures to regional governments or local authorities	--	--	--	--	--	545.752	--	--	--	--	--	545.752
3 Exposures to public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4 Exposures to multilateral development banks	--	--	--	--	--	--	--	--	--	--	--	--
5 Exposures to international organisations	--	--	--	--	--	--	--	--	--	--	--	--
6 Exposures to institutions	--	--	1.862.899	--	--	2.849.812	--	313.122	--	--	--	5.025.833
7 Exposures to corporates	--	--	--	--	--	--	2	54.815.829	--	--	--	54.815.831
8 Retail exposures	--	--	--	--	--	--	33.874.612	331.992	--	--	--	34.206.604
9 Exposures secured by residential property	--	--	--	5.341.775	--	--	--	--	--	--	--	5.341.775
10 Exposures secured by commercial real estate	--	--	--	--	10.096.579	--	--	1.557.262	--	--	--	11.653.841
11 Past-due loans	--	--	--	--	338.529	--	--	530.154	284.183	--	--	1.152.866
12 Higher-risk categories by the Agency Board	--	--	--	--	--	--	--	--	--	--	--	--
13 Exposures in the form of covered bonds	--	--	--	--	--	--	--	--	--	--	--	--
14 Exposures to institutions and corporates with a short-term credit assessment	--	--	--	--	--	--	--	--	--	--	--	--
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	--	--	--	--	--	--	--	2.255	--	--	--	2.255
16 Other assets	130	--	--	--	--	--	--	28.979	--	--	--	29.109
17 Investments in equities	1.979.637	--	7.440	--	3	--	180	2.293.575	--	--	154.415	4.435.250
18 Total	17.241.861	--	1.870.339	5.341.775	10.435.111	18.142.597	33.874.794	59.873.168	284.183	--	154.415	147.218.243

d. Counterparty Credit Risk

1. Counterparty Credit risk (CCR) explanations

Counterparty credit risk is determined according to type of counterparty and the transaction. Counterparties are divided into segments as financial institutions, corporate-commercial customers, KBI-Micro-Gold-Agriculture customers and individual customers. Transaction types are grouped as derivative financial products and repo transactions.

Compliance test is applied in line with production information, financial position and transaction frequency of the customer in order to determine products and services provided to customers.

Credit worthiness of counterparty is analysed before the transactions causing counterparty credit risk and periodically reviewed. Reviewing frequency is increased if required.

Limits, in line with risk appetite, policy and strategies of the Bank are determined for the transactions in scope of CCR. Those limits are approved by Board of Directors for banks. Approval authorizations determined in scope of credit allocation process are applied for parties apart from banks. Limits are reviewed at least annually. If the market conditions get worse or credit qualities of certain counterparties decline, limits are reviewed and required changes are made. Approved limits are blocked with the approval of Credit Committee/Credit Allocation Department, if required.

Risk mitigation methods such as netting contracts, collateral and margin contracts are used in counterparty credit risk management related to financial institutions. Collateralization principles and procedures are applied in scope of credit policy and procedures currently applied within the Bank for counterparties apart from financial institutions.

Potential and current risk amounts of transactions are calculated/determined in order to determine counterparty credit risk. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

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2. Analysis of counterparty credit risk exposure by approach

	a	b	c	d	e	f
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Standardised Approach (for derivatives)	1.340.530	544.723		--	1.805.349	996.506
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			--	--	--	--
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					--	--
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					392.667	95.785
5 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					--	--
6 Total						1.092.291

3. Credit valuation adjustment (CVA) capital charge

	a	b
	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
1 Value at Risk (VaR) component (including the 3×multiplier)	--	--
2 Stressed VaR component (including the 3×multiplier)	--	--
3 All portfolios subject to the Standardised CVA capital charge	1.805.349	577.717
4 Total subject to the CVA capital charge	1.805.349	577.717

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4. Standard approach – Counterparty credit risk with respect to risk classes and weights

Risk Weights / Risk Classifications	a	b	c	d	e	f	g	h	i
	%0	%10	%20	%50.	%75	%100	%150	Diğer	Total credit
Exposure (*)									
Claims from central governments and central banks	--	--	--	--	--	--	--	--	--
Claims from regional and local governments	--	--	--	--	--	--	--	--	--
Claims from administration and non commercial entity	--	--	--	--	--	--	--	--	--
Claims from multilateral development banks	--	--	--	--	--	--	--	--	--
Claims from international organizations	--	--	--	--	--	--	--	--	--
Claims from institutions	--	--	693.315	1.091.567	--	--	--	--	684.447
Corporates	--	--	--	--	--	390.909	--	--	390.909
Retail portfolios	--	--	--	--	21.156	--	--	--	15.867
Claims on landed real estate	--	--	--	--	--	--	--	--	--
Past due loans	--	--	--	--	--	--	--	--	--
Claims which are determined as high risk by the board of BRSA	--	--	--	--	--	--	--	--	--
Mortgage securities	--	--	--	--	--	--	--	--	--
Securitization positions	--	--	--	--	--	--	--	--	--
Claims from corporates, banks and financial intermediaries which have short term credit rating	--	--	--	--	--	--	--	--	--
Investments which are qualified as collective investment institutions	--	--	--	--	--	1.068	--	--	1.068
Stock investment	--	--	--	--	--	--	--	--	--
Other claims	--	--	--	--	--	--	--	--	--
Other assets (**)	--	--	--	--	--	--	--	--	--
Total	--	--	693.315	1.091.567	21.156	391.977	--	--	1.092.291

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

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

5. Collaterals used for counterparty credit risk

	a		b		c		d		e		f	
	Guarantees of Derivative		Financial Instrument		Guarantees of Other Transactions							
	Received Guarantees		Given Guarantees						Received		Given	
	Appropriated	Unappropriated	Appropriated	Unappropriated	Appropriated	Unappropriated	Appropriated	Unappropriated	Guarantees	Guarantees	Guarantees	Guarantees
Cash-Domestic Currency	--	--	--	--	--	--	--	--	3.001.396	--	5.628.366	--
Cash-Foreign Currency	79.903	--	--	--	--	--	--	--	--	--	--	--
Government Bond-Domestic	--	--	--	--	--	--	--	--	--	--	--	--
Government Bond-Other	--	--	--	--	--	--	--	--	--	--	--	--
Public Bond	--	--	--	--	--	--	--	--	--	--	--	--
Corporate Bond	--	--	--	--	--	--	--	--	--	--	--	--
Stock	--	--	--	--	--	--	--	--	--	--	--	--
Other Guarantee	--	--	--	--	--	--	--	--	--	--	--	--
Total	79.903	--	--	--	--	--	--	--	3.001.396	--	5.628.366	--

6. Credit derivatives

None.

7. Exposures to central counterparties (CCP)

None.

e. Securitization

1. Disclosures on securitization positions

None.

2. Securitization positions in banking accounts

None.

3. Securitization positions in trading accounts

None.

4. Securitization positions in banking positions and capital requirements related to those – whose sponsorship or founder is the bank

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None.

5. Securitization positions in banking positions and capital requirements related to those- in which the Bank is an investor

None.

f. Market Risk

1. Explanations on market risk

Principles, policies and limits related to management of market risk are approved by board of directors and periodically reviewed. The Bank is exposed to market risk mainly due to interest rates, exchange rates and changes which may occur in share and commodity prices. When the asset structure of the Bank is examined, it is concluded that the most significant one among aforementioned risks is interest and exchange rate risk. Two separate methods, "standard method" and "internal method", are used in measurement of aforementioned risks.

Value at risk approach is mainly taken as basis in the follow-up process of risk limits. There exist sensitivity limits in addition to aforementioned limit for risk which are not covered by the model. Parametric approach is adopted since the structure of financial positions held by the Bank is simple and the model is easy to use and understandable. Value at risk calculations are made over all instruments and foreign currency positions of the Bank which are sensitive to interest. Value at risk calculations are supported with stress tests and scenario analysis and possible results of potential market movements which can cause a significant impact on the Bank although having a low possibility to emerge are examined. Retrospective tests of the model are made periodically and amendments can be made in the model in accordance with test results, if required.

2. Standardised approach

	RAT
Outright products	
1 Interest rate risk (general and specific)	27.263
2 Equity risk (general and specific)	75
3 Foreign exchange risk	288.449
4 Commodity risk	55.600
Options	
5 Simplified approach	--
6 Delta-plus method	28.438
7 Scenario approach	--
8 Securitisation	--
9 Total	399.825

3. Information on market risk calculated as of month-ends during the period

	Current Period: 31 December 2016			Prior Period: 31 December 2015		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	1.647	2.715	960	4.772	30.449	1.541
Stock Risk	34	84	2	49	89	18
Currency Risk	31.587	57.264	14.949	43.933	78.214	12.437
Emtia Risk	280	395	257	542	832	338
Settlement Risk	--	--	--	--	--	--
Option Risk	2.177	3.642	956	1.096	6.322	43
Counterparty Risk	--	--	--	3.833	34.372	560
Total Risk Exposure Value	458.641	780.438	239.725	674.041	1.795.600	229.188

g. Operational Risk

1. Disclosures on operational risk calculation

"Basic Indicator Approach" is utilized in operational risk calculation of DFH Group. Principal amount subject to operational risk is calculated through using year-end gross income of 2015, 2014 and 2013 of DFH Group belonging to last 3 years via "Basic Indicator Approach" dated 1 July 2012 in accordance with "Communique on Measurement and Evaluation of Bank's Capital

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Adequacy" published on Official Gazette dated 28 June 2013 and numbered 28337.

2. Standart method

	31.12.2013	31.12.2014	31.12.2015	Total/Positive GI year number	Ratio(%)	Total
Gross Income	3.811.680	4.131.530	4.699.298	4.214.169	15	632.125
Amount Subject to Operational Risk						7.901.568

IX. Presentation of financial assets and liabilities at their fair value

a. Calculation of financial assets and liabilities at their fair value

The fair value of held-to-maturity assets are determined based on market prices, or when they are not available, based on market prices quoted for other securities subject to similar terms of interest, maturity and other conditions.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits and floating rate placements represent their carrying value. The expected fair value of the fixed rate deposits are determined by calculating the discounted cash flows using the market interest rates of similar instruments.

The expected fair value of fixed rate loans and receivables are determined by calculating the discounted cash flows using the current market interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

Estimated fair value of banks, funds provided from other financial entities, issued securities and deposits is calculated through determination of discounted cash flows using current market interest rates.

The following table summarizes the carrying value and fair value of financial assets and liabilities. The carrying value represents the sum of the acquisition costs and interest accruals of financial assets and liabilities.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	116.249.852	98.491.118	115.475.425	97.657.543
Interbank Money Market Placements	3.001.571	1.213.997	3.001.571	1.213.997
Banks	5.572.743	6.222.700	5.572.631	6.222.698
Investment Securities Available-For-Sale	7.596.990	9.973.189	7.596.990	9.973.189
Investment Securities Held-To-Maturity	5.056.032	3.376.169	4.961.408	3.390.677
Loans and Other Receivables	95.022.516	77.705.063	94.342.825	76.856.982
Financial Liabilities	119.788.988	100.804.903	119.433.556	100.638.455
Bank Deposits	1.574.793	1.455.153	1.574.184	1.453.988
Other Deposits	90.621.158	71.204.102	90.712.016	71.304.071
Interbank Money market borrowings	5.397.576	7.184.158	5.397.576	7.184.158
Funds Borrowed From Other Financial Institutions	11.258.691	11.257.266	11.180.602	11.181.275
Subordinated Loans	5.483.501	4.845.965	5.104.666	4.675.890
Securities Issued	3.491.055	3.086.040	3.502.298	3.066.854

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Miscellaneous Payables	1.962.214	1.772.219	1.962.214	1.772.219
------------------------	-----------	-----------	-----------	-----------

b. Classification of fair value

TFRS 7 sets classification of valuation techniques according to the inputs used in valuation techniques based on fair value calculations which are whether observable or not.

Fair value levels of financial assets and liabilities that are carried at fair value in DFS Group's financial statements are given below:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	106.834	1.341.025	--	1.447.859
Public Sector Debt Securities	96.887	--	--	96.887
Share Certificated	--	--	--	--
Trading Purpose Derivatives	--	1.341.025	--	1.341.025
Other Securities	9.947	--	--	9.947
Financial Assets Available for Sale ^(*)	7.125.839	429.423	--	7.555.262
Public Sector Debt Securities	7.125.839	--	--	7.125.839
Other Securities	--	429.423	--	429.423
Hedging Purpose Derivatives	--	--	--	--
Total Assets	7.232.673	1.770.448	--	9.003.121
Derivative Financial Liabilities Held for Trading	--	1.248.386	--	1.248.386
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	1.248.386	--	1.248.386
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	31.539	1.141.900	--	1.173.439
Public Sector Debt Securities	30.299	--	--	30.299
Share Certificated	157	--	--	157
Trading Purpose Derivatives	--	1.141.900	--	1.141.900
Other Securities	1.083	--	--	1.083
Financial Assets Available for Sale ^(*)	9.463.215	397.074	108.955	9.969.244
Public Sector Debt Securities	9.463.215	--	--	9.463.215
Other Securities	--	397.074	108.955	506.029
Hedging Purpose Derivatives	--	--	--	--
Total Assets	9.494.754	1.538.974	108.955	11.142.683
Derivative Financial Liabilities Held for Trading	--	638.641	--	638.641
Hedging Purpose Derivatives	--	--	--	--
Total Liabilities	--	638.641	--	638.641

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Unobservable inputs

^(*) Share certificates amounting TL 3.930 (31 December 2015: TL 3.945), classified in financial assets available for sale that do not have quoted market prices in an active market or whose fair value cannot be measured, are carried at cost in the framework of TAS 39.

X. Transactions carried out on behalf and account of other parties and fiduciary transactions

a. Information on whether the Group performs sales, purchase, management, consultancy and custody services on behalf and account of others, or not

DFS Group performs sales, purchase, management, consultancy and custody services on behalf and account of others.

b. Transactions directly realized with other financial institutions depending on fiduciary contracts and probability of material effect of such transactions on the financial position of the Bank.

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None.

XI. 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 1.006 million and US Dollar 6,7 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 (1.006.604) as of 31 December 2016 (31 December 2015: TL (579.894)).

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 (616) (31 December 2015: TL (3.368)).

XII. 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

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investment services falls within the scope of private banking.

Segment information is presented in the following table:

	Wholesale Banking			Retail Banking		Treasury and Investment Banking	Total
	Corporate Banking	Commercial & Public Finance	SME & Agriculture Banking	Retail Banking			
Current Period (01.01.2016-31.12.2016)							
Net interest income	796.122	739.598	1.682.522	1.024.170	892.842	5.135.254	
Net fee and commission income	92.601	99.312	596.224	521.815	(56.194)	1.253.758	
Other income/expense, net	141.549	243.103	190.887	263.338	(640.130)	198.747	
Total segment income	1.030.272	1.082.013	2.469.633	1.809.323	196.518	6.587.759	
Other operating expenses	(217.310)	(341.859)	(1.039.606)	(1.250.556)	(76.839)	(2.926.170)	
Provision for loan losses and other receivables	(94.879)	(521.765)	(703.621)	(479.747)	(36.520)	(1.836.532)	
Tax charge						(424.683)	
Net profit from continuing operations	718.083	218.389	726.406	79.020	83.159	1.400.374	
Net profit from discontinued operations	--	--	--	--	--	725	
Net profit	718.083	218.389	726.406	79.020	83.159	1.401.099	
Current Period (31.12.2016)							
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	
Total assets						135.553.998	
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	
Total liabilities						135.553.998	

	Wholesale Banking			Retail Banking		Treasury and Investment Banking	Total
	Corporate Banking	Commercial & Public Finance	SME & Agriculture Banking	Retail Banking			
Prior Period (01.01.2015-31.12.2015)							
Net interest income	707.962	829.518	1.212.450	758.357	568.588	4.076.875	
Net fee and commission income	90.055	109.782	391.841	532.063	(39.877)	1.083.864	
Other income/expense, net	203.472	208.111	207.465	230.561	(867.101)	(17.492)	
Total segment income	1.001.489	1.147.411	1.811.756	1.520.981	(338.390)	5.143.247	
Other operating expenses	(198.083)	(325.135)	(924.056)	(1.081.569)	(111.744)	(2.640.587)	
Provision for loan losses and other receivables	(36.034)	(204.227)	(450.464)	(608.755)	(61.939)	(1.361.419)	
Tax charge						(283.384)	
Net profit from continuing operations	767.372	618.049	437.236	(169.343)	(512.073)	857.857	
Net profit from discontinued operations	--	--	--	--	--	1.438	
Net profit	767.372	618.049	437.236	(169.343)	(512.073)	859.295	
Prior Period (31.12.2015)							
Segment assets	19.455.682	22.129.557	20.016.066	16.103.759	32.782.845	110.487.909	
Subsidiaries and associates						18.707	
Undistributed assets						2.379.793	
Total assets						112.886.409	
Segment liabilities	11.878.769	9.302.364	10.189.095	41.056.193	28.469.405	100.895.826	
Undistributed liabilities						3.696.386	
Shareholders' equity						8.294.197	
Total liabilities						112.886.409	

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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	876.276	947.988	732.661	679.049
Central Bank of the Republic of Turkey	1.405.531	11.609.546	462.670	8.948.947
Other ^(*)	--	20	--	25
Total	2.281.807	12.557.554	1.195.331	9.628.021

^(*) Includes TL 20 of cheques purchased as of (31 December 2015 TL 25).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.405.531	1.501.383	462.670	846.677
Unrestricted Time Deposits	--	--	--	--
Restricted Time Deposits	--	10.108.163	--	8.102.270
Total	1.405.531	11.609.546	462.670	8.948.947

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

3. Information on required reserves

As of 31 December 2016, all banks operating in Turkey should provide a reserve in a range of 4% to 10,5% (31 December 2015: between 5% and 11,5%) depending on the terms of the deposits for their liabilities in Turkish Lira and in a range of 4,5% to 24,5% (31 December 2015: between 5% and 25%) 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 56.689 derived from the required reserves maintained by the Parent Bank at CBRT (1 January–31 December 2015: TL 24.288) 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	8.380	--	7.506	--
Other	--	--	--	--
Total	8.380	--	7.506	--

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2. Trading securities subject to repurchase agreements

None (31 December 2015: None).

3. Positive value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1.549	57.153	4.614	11.199
Swap Transactions	944.857	268.949	872.936	230.199
Futures Transactions	--	--	--	--
Options	523	67.994	173	22.779
Other	--	--	--	--
Total	946.929	394.096	877.723	264.177

c. Information on Banks

1. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	6.383	655.752	8.994	2.007.929
Foreign	10.623	4.899.985	14.572	4.191.205
Foreign head offices and branches	--	--	--	--
Total	17.006	5.555.737	23.566	6.199.134

2. Information on Foreign Banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	4.216.039	3.802.814	--	--
USA, Canada	133.538	276.224	--	12.180
OECD Countries ^(*)	24.627	16.156	--	--
Off shore zones	42.362	7.384	--	--
Other	494.042	91.019	--	--
Total	4.910.608	4.193.597	--	12.180

^(*)OECD countries except for EU countries, USA and Canada

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 849.495 (31 December 2015: TL 1.690.385).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	--	--	--	--

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T-bills, Bonds and Similar Securities	725.926	123.569	857.701	832.684
Other	--	--	--	--
Total	725.926	123.569	857.701	832.684

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	3.830.370	--	4.811.887	--
Treasury Bills	--	--	--	--
Other Debt Securities	--	--	--	--
Bonds Issued or Guaranteed by Banks	--	--	--	--
Asset Backed Securities	--	--	--	--
Other	--	--	--	--
Total	3.830.370	--	4.811.887	--

5. Information on available-for-sale securities

	Current Period	Prior Period
Debt instruments	7.865.668	10.289.586
Quoted on Stock Exchange	7.865.668	10.289.586
Unquoted on Stock Exchange	--	--
Share certificates	41.728	112.900
Quoted on Stock Exchange	37.779	--
Unquoted on Stock Exchange	3.949	112.900
Impairment provision (-)	310.406	429.297
Total	7.596.990	9.973.189

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
Direct Loans Granted to Shareholders	--	--	--	--
Corporate Shareholders	--	--	--	--
Individual Shareholders	--	--	--	--
Indirect Loans Granted to Shareholders	--	7.721	--	19.970
Loans Granted to Employees	60.741	4	63.019	115
Total	60.741	7.725	63.019	20.085

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

	Performing Loans and Other Receivables ⁽¹⁾			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Agreement conditions modified		Loans and Other Receivables (Total)	Agreement conditions modified	
		Extension of Payment Plan	Other		Extension of Payment Plan	Other
Non-specialized Loans	76.576.693	1.426.475	--	5.449.561	2.679.020	--
Working Capital Loans	2.160.315	375.465	--	572.289	491.328	--
Export Loans	1.402.581	6.218	--	24.680	5.211	--
Import Loans	--	--	--	--	--	--
Loans Given to Financial Sector	390.073	--	--	168.744	163.189	--
Consumer Loans	12.204.822	259.838	--	1.190.519	392.174	--
Credit Cards	4.801.357	3.527	--	285.322	64.172	--
Other	55.617.545	781.427	--	3.208.007	1.562.946	--
Specialization Loans	7.316.598	11.318	--	803.952	234.988	--
Other Receivables	--	--	--	--	--	--
Total	83.893.291	1.437.793	--	6.253.513	2.914.008	--

⁽¹⁾ The Bank has a cash loan exposure amounting to USD 117 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. Discussions among shareholders of the entity, creditor banks and related public institutions regarding restructuring of current

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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 December 2016.

Number of modifications made to extend payment plan	Performing Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended by 1 or 2 times	1.372.652	2.677.980
Extended by 3,4 or 5 times	65.062	234.071
Extended by more than 5 times	79	1.957
Total	1.437.793	2.914.008

Extended payment period of time	Performing Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	5.557	153.588
6-12 Months	9.003	57.517
1-2 Years	24.846	195.368
2-5 Years	464.681	753.971
5 Year and Over	933.706	1.753.564
Total	1.437.793	2.914.008

3. Information on loans according to maturity structure concentration

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other Receivables	Restructured or Rescheduled	Loans and other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	17.953.834	42.922	1.174.733	68.883
Non-Specialized Loans	16.383.528	41.237	1.062.470	41.071
Specialized Loans	1.570.306	1.685	112.263	27.812
Other Receivables	--	--	--	--
Medium and Long-Term Loans and Other Receivables	65.939.457	1.394.871	5.078.780	2.845.125
Non-Specialized Loans	60.193.165	1.385.238	4.387.091	2.637.949

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Specialized Loans	5.746.292	9.633	691.689	207.176
Other Receivables	--	--	--	--
Total	83.893.291	1.437.793	6.253.513	2.914.008

4. Information on consumer loans, individual credit cards and personnel credit cards

	Short Term	Medium or Long Term	Total
Consumer Loans-TL	263.618	12.394.257	12.657.875
Real estate Loans	4.794	5.007.451	5.012.245
Vehicle Loans	2.610	411.279	413.889
General Purpose Loans	256.214	6.975.527	7.231.741
Other	--	--	--
Consumer Loans-Indexed to FC	--	36.623	36.623
Real estate Loans	--	36.185	36.185
Vehicle Loans	--	--	--
General Purpose Loans	--	438	438
Other	--	--	--
Consumer Loans-FC	1.255	79.274	80.529
Real estate Loans	--	2.309	2.309
Vehicle Loans	--	--	--
General Purpose Loans	1.255	76.937	78.192
Other	--	28	28
Individual Credit Cards-TL	4.523.428	254.375	4.777.803
Installment	2.070.874	254.375	2.325.249
Non installment	2.452.554	--	2.452.554
Individual Credit Cards-FC	1.414	--	1.414
Installment	56	--	56
Non installment	1.358	--	1.358
Loans Given to Employees-TL	3.627	30.555	34.182
Real estate Loans	--	1.798	1.798
Vehicle Loans	--	93	93
General Purpose Loans	3.627	28.664	32.291
Other	--	--	--
Loans Given to Employees - Indexed to FC	--	--	--
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	--	--	--
Other	--	--	--
Loans Given to Employees - FC	41	361	402
Real estate Loans	--	--	--
Vehicle Loans	--	--	--
General Purpose Loans	27	--	27
Other	14	361	375
Personnel Credit Cards - TL	24.488	234	24.722
Installment	11.528	234	11.762
Non installment	12.960	--	12.960
Personnel Credit Cards - FC	24	--	24
Installment	8	--	8
Non installment	16	--	16
Overdraft Loans-TL (Real Persons) ^(*)	560.700	--	560.700

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Overdraft Loans-FC (Real Persons)	25.030	--	25.030
Total	5.403.625	12.795.679	18.199.304

(*) Overdrafts used by the personnel of the Parent Bank are TL 1.489 (31 December 2015: TL 1.371).

5. Information on installment commercial loans and corporate credit cards

	Short Term	Medium or Long Term	Total
Installment Commercial Loans - TL	919.302	8.025.791	8.945.093
Real estate Loans	624	223.589	224.213
Vehicle Loans	10.674	534.271	544.945
General Purpose Loans	908.004	7.267.931	8.175.935
Other	--	--	--
Installment Commercial Loans – Indexed to FC	23.700	1.323.659	1.347.359
Real estate Loans	--	13.594	13.594
Vehicle Loans	281	40.524	40.805
General Purpose Loans	23.419	1.269.541	1.292.960
Other	--	--	--
Installment Commercial Loans - FC	2.537	58.556	61.093
Real estate Loans	--	--	--
Vehicle Loans	--	234	234
General Purpose Loans	2.537	58.322	60.859
Other	--	--	--
Corporate Credit Cards - TL	282.664	2	282.666
Installment	106.298	2	106.300
Non installment	176.366	--	176.366
Corporate Credit Cards - FC	50	--	50
Installment	--	--	--
Non installment	50	--	50
Overdraft Loans-TL (Legal Entities)	1.452.593	--	1.452.593
Overdraft Loans-FC (Legal Entities)	--	--	--
Total	2.680.846	9.408.008	12.088.854

6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	1.427.934	891.287
Private	88.718.870	72.905.519
Total	90.146.804	73.796.806

7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	82.206.250	71.078.349
Foreign Loans	7.940.554	2.718.457
Total	90.146.804	73.796.806

8. Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	14.139	--
Indirect loans granted to subsidiaries and associates	--	--
Total	14.139	--

9. Specific provisions for loans

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Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	128.655	66.986
Loans and Receivables with Doubtful Collectability	463.077	410.993
Uncollectible Loans and Receivables	2.056.223	1.800.204
Total	2.647.955	2.278.183

10. Information on non-performing loans (Net)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period	12.405	22.935	107.038
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	12.405	22.935	107.038
Prior Period	15.994	37.147	65.519
(Gross Amounts Before Specific Reserves)	--	--	--
Restructured Loans and Other Receivables	--	--	--
Rescheduled Loans and Other Receivables	15.994	37.147	65.519

(ii) Movement of non-performing loans

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balances at Beginning of Period	471.167	718.083	1.979.524
Additions (+)	1.707.814	116.904	150.800
Transfers from Other Categories of Non-Performing Loans (+)	--	1.292.066	1.082.261
Transfers from Other Categories of Non-Performing Loans (-)	1.292.066	1.082.261	--
Collections (-)	315.903	178.039	394.498
Write-offs (-)	--	--	604.213
Corporate and Commercial Loans	--	--	33.181
Retail Loans	--	--	242.059
Credit Cards	--	--	182.960
Other	--	--	146.013
Balances at End of the Period	571.012	866.753	2.213.874
Specific Provisions (-)	128.655	463.077	2.056.223
Net Balance on Balance Sheet	442.357	403.676	157.651

⁽⁹⁾The Group has sold individual loan, credit cards and enterprise credit portfolio amount of TL 295.535, tracked in legal proceedings accounts, for a price of TL 30.100 to Finansal Varlık Yönetimi A.Ş. with sales contracts dated 29 April and 30 June 2016 and has also sold individual loan, credit cards and enterprise credit portfolio amount of TL 110.891 and TL 110.474, tracked in legal proceedings accounts, for a price of TL 11.600 TL and 11.700TL respectively Sümer Varlık Yönetimi A.Ş. and İstanbul Varlık Yönetimi A.Ş. with sales contracts dated 29 September and 30 September 2016 respectively and has sold individual loan, credit cards and enterprise credit portfolio amount of TL 36.002, tracked in legal proceedings accounts, for a price of TL 50 to Vera Varlık Yönetimi A.Ş. with sales contract dated 29 December 2016 and enterprise and commercial credit portfolio amount of TL 51.312 tracked in legal proceedings accounts, for a price of TL 150 to Vera Varlık Yönetimi A.Ş. with sales contract dated 30 December 2016.

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current Period: 31 December 2016			
Balance as of the Period End	7.700	8.431	500
Specific Provisions (-)	2.979	8.298	138

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Net Balance on Balance Sheet	4.721	133	362
Prior Period: 31 December 2015			
Balance as of the Period End	2.482	9.189	755
Specific Provisions (-)	758	8.542	383
Net Balance on Balance Sheet	1.724	647	372

(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
Current Period (Net): 31 December 2016	410.488	384.234	208.962
Loans Granted to Real Persons and Legal Entities (Gross)	539.143	845.105	2.265.185
Specific provisions (-)	128.655	460.871	2.056.223
Loans Granted to Real Persons and Legal Entities (Net)	410.488	384.234	208.962
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	--	2.206	--
Specific provisions (-)	--	2.206	--
Other Loan and Receivables (Net)	--	--	--
Prior Period (Net): 31 December 2015	404.181	307.090	179.320
Loans Granted to Real Persons and Legal Entities (Gross)	471.167	716.158	1.979.524
Specific provisions (-)	66.920	409.068	1.800.204
Loans Granted to Real Persons and Legal Entities (Net)	404.247	307.090	179.320
Banks (Gross)	--	--	--
Specific provisions (-)	--	--	--
Banks (Net)	--	--	--
Other Loan and Receivables (Gross)	66	1.925	--
Specific provisions (-)	66	1.925	--
Other Loan and Receivables (Net)	--	--	--

11. Liquidation policy for uncollectible loans and receivables

For uncollectible loans and receivables, the Bank tries to solve the issue with the customer. If no result is obtained, all legal actions are taken. Such actions are completed when the insufficiency of collaterals is documented or a certificate of insolvency is obtained.

12. Information on write-off from assets policy

Unrecoverable non-performing loans are written off with the decision of the Board of Directors on condition that receivable of the Group is not material compared to the costs to be incurred for the preparation of necessary documentation. There is no written-off amount in 2016 (31 December 2015: TL 2.849).

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 1.797.997 (31 December 2015: TL 1.595.489).

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

Collateralized held-to-maturity investments are government bonds, whose book value amounts to TL 1.099.775 (31 December 2015: TL 959.121).

2. Information on government securities held-to-maturity

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	Current Period	Prior Period
Government Bonds	5.018.478	3.343.952
Treasury Bills	--	--
Other Government Debt Securities	--	--
Total	5.018.478	3.343.952

3. Information on investment securities held-to-maturity

	Current Period	Prior Period
Debt Securities	5.066.364	3.381.640
Quoted on Stock Exchange	5.028.810	3.349.423
Unquoted on Stock Exchange	37.554	32.217
Impairment (-)	10.332	5.471
Total	5.056.032	3.376.169

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

	Current Period	Prior Period
Balance at the beginning of the period	3.376.169	3.142.200
Foreign exchange differences ^(*)	270.686	242.891
Purchases during the year ^(**)	1.419.509	--
Disposals/Redemptions	--	(3.451)
Impairment losses (-)	10.332	5.471
Total	5.056.032	3.376.169

^(*) 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 224.805 (31 December 2015: TL 192.722).

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	185.448	129.647	135.578	2.817	--	16.458	26.782	--
2	303.700	299.526	5.691	15.573	--	5.483	11.811	--
3	11.541	11.095	8.393	135	--	(465)	(172)	--

^(*) Information on the financial statements is presented as of the period ended 30 September 2016.

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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 December 2016.

	Denizbank AG
Paid-in capital	711.674
Share Premium	1.041.091
Reserves	2.505.232
Deductions from capital	1.832
Total Common Equity	4.256.165
Total Additional Tier I Capital	--
Deductions from capital	7.328
Total Core Capital	4.248.837
Total Supplementary Capital	105.584
Capital	4.354.421
Deductions from capital	--
SHAREHOLDERS' EQUITY	4.354.421

2. Information on non-consolidated subsidiaries

Title	Address (City/Country)	The Parent Bank's share percentage (%)	Other shareholders' share percentage (%)
1-İntertech 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

(*) Field of activity of Ekspres Menkul Değerler A.Ş. has been changed on 10 August 2016 and its title has become Ekspres Bilgi İşlem ve Ticaret A.Ş.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
1	183.805	(3.192)	56.189	923	--	(9.055)	462	--
2	1.350	1.317	--	--	--	44	(9)	--
3	228	219	--	11	--	(11)	(9)	--
4	308	305	--	--	--	12	11	--
5	73	73	--	--	--	(12)	(12)	--
6	17.017	15.600	2.206	863	--	1.285	1.071	--

Information on the financial statements is presented as of the period ended 31 December 2016, subsidiaries above are not

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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.

	Shareholders'		Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value	Capital requirement
	Total Assets	Equity						
1	38.016.406	4.339.770	41.948	1.417.968	16.391	547.337	459.473	--
2	596.336	24.528	78	21.078	--	684	691	--
3	195.802	167.604	2.486	5.228	249	14.026	(12.342)	--
4	869.245	237.711	3.335	43.824	4.701	27.440	28.893	--
5	13.337	12.263	17	1.129	42	3.656	2.319	--
6	2.983.510	631.198	121.760	214.584	--	76.485	71.469	--
7	1.288.260	190.745	2.224	162.669	--	16.015	(36.638)	--
8	198.266	197.142	222	129	--	12.327	10.285	--
9	94.975	82.963	78.279	6	--	2.111	1.827	--

Includes information on the consolidated financial statements as of 31 December 2016.

(i) Movement of consolidated subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	2.307.921	2.034.054
Movements during the Period	71.067	273.867
Purchases ^(*)	--	257.537
Bonus Shares Received	--	--
Dividends from Current Year Profit	--	--
Sales ^(**)	(9.999)	--
Revaluation Increase, Effect of Inflation and F/X Difference	87.520	16.330
Other ^(**)	(6.454)	--
Allowance for impairment	--	--
Balance at the End of the Period	2.378.988	2.307.921
Capital Commitments	--	--
Share Percentage at the end of Period (%)	--	--

(*) Explanations about year in purchasing are in Note III of Section Three.

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

(***) 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.

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

	Current Period	Prior Period
Banks	1.417.857	1.409.200

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Insurance Companies	--	--
Factoring Companies	138.107	138.107
Leasing Companies	512.877	462.173
Finance Companies	--	9.999
Other Subsidiaries	310.147	288.442
Total	2.378.988	2.307.921

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	67.141	67.624
Quoted on foreign markets	--	--

(iv) Consolidated subsidiaries disposed during the current period:

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. Sales loss sourcing from aforementioned transaction amount of TL 258 is represented as "Sale loss sourcing from sales of subsidiary" under "Expenses from Discontinuing Operations" in accompanying financial statements.

(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	22.003	26.970	5.466	100.511	(94.209)

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

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.

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	192.240	184.849	980.260	828.480
Between 1-4 years	1.425.809	1.269.652	1.285.557	1.088.637
Over 4 years	1.583.458	1.182.806	425.436	353.247
Total	3.201.507	2.637.307	2.691.253	2.270.364

2. Information on net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivable	3.201.507	2.691.253
Unearned finance income (-)	564.200	420.889
Cancelled leasing agreements (-)	--	--
Net investment on finance leases	2.637.307	2.270.364

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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 December 2016, 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	31.158	17.376
Between 1-5 years	29.254	19.579
5 years and over	--	--
Total	60.412	36.955

k. Explanation on hedging purpose derivatives

None (31 December 2015: None).

l. Information on tangible assets

	Tangible Fixed Assets			Other Tangible Fixed	Total
	Real Estate	Retained With Leasing	Vehicles	Assets	
Prior Period					
Cost	104.608	224.038	66.848	789.226	1.184.720
Accumulated Depreciation	(12.494)	(164.274)	(7.838)	(452.492)	(637.098)
Net Book Value	92.114	59.764	59.010	336.734	547.622
Current Period					
Net Book Value at the Beginning of the Period	92.114	59.764	59.010	336.734	547.622
Differences During the Period (Net)	46.149	70	69.668	112.322	228.209
Depreciation Cost	(2.069)	(16.525)	(9.390)	(92.388)	(120.372)
Provision For Decrease In Value	(3.719)	--	--	--	(3.719)
FX Differences (Net)	8.954	--	53	3.832	12.839
Cost At the End of the Period	141.429	216.670	135.502	914.474	1.408.075
Accumulated Depreciation At the End of the Period	--	(173.361)	(16.161)	(553.974)	(743.496)
Net Book Value At The End Of The Period	141.429	43.309	119.341	360.500	664.579

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 tracked under income statement.

Revaluation difference amount of TL 45.894 is recognized under equities as a result of revaluation process and impairment provision made in previous periods for related properties amount of TL (4.080) is cancelled and an impairment provision amount of TL (3.719) is made for related properties.

m. Information on tangible assets

	Other	Goodwill	Total
Prior Period			
Cost	518.559	869	519.428
Accumulated Depreciation	(341.171)	--	(341.171)
Net Book Value	177.388	869	178.257
Current Period			
Net Book Value at the Beginning of the Period	177.388	869	178.257
Differences During the Period (Net)	117.891	--	117.891
Depreciation Cost	(92.092)	--	(92.092)
Provision For Decrease In Value	--	--	--
FX Differences (Net)	763	--	763
Cost At the End of the Period	640.132	869	641.001
Accumulated Depreciation At the End of the Period	(436.182)	--	(436.182)

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Net Book Value At The End Of The Period	203.950	869	204.819
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n. Explanation on investment property

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

As of 31 December 2016, the Group has investment property is amounting to TL 164.527 (31 December 2015: TL 157.381) which carried from it's fair value on the Group's Financial Statements.

o. Information on deferred tax asset

Deferred tax asset calculated on the basis of related regulation is TL 153.176 (31 December 2015: TL 141.366) and deferred tax liability is TL 15.446 (31 December 2015: TL 8.652). 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 ^(*)	102.894	37.441
Unearned Income	56.753	42.750
Provision for Employee Benefits	22.882	20.461
Valuation Differences of Financial Assets	10.615	20.385
Financial Loss ^(*)	629	71.752
Other	20.985	3.787
Deferred Tax Assets	214.758	196.576
Valuation Differences of Derivatives	(44.759)	(43.979)
Valuation Differences of Tangible Assets	(32.269)	(19.883)
Other	--	--
Deferred Tax Liabilities	(77.028)	(63.862)
Net Deferred Tax Assets	137.730	132.714

^(*) 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.

p. 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.

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q. Information on other assets

1. Information on prepaid expense, taxes and similar items

DFS Group's total prepaid expenses are TL 300.053 (31 December 2015: TL 268.965).

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

II. Explanations and disclosures related to consolidated liabilities

a. Information on deposits

1. Information on maturity structure of deposits:

Current Period: 31 December 2016

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

⁽¹⁾ Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 34.483.244 and Commercial Deposit customers at the amount of TL 18.594.056.

Prior Period: 31 December 2015

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	1.611.963	--	1.539.654	12.627.000	252.858	128.011	199.058	34.631	16.393.175
Foreign Currency Deposits ⁽¹⁾	9.857.764	--	2.783.078	9.956.894	1.376.704	2.444.644	18.555.740	1.477	44.976.301
Residents in Turkey	4.055.236	--	2.715.018	9.219.769	1.263.219	898.260	1.504.270	1.290	19.657.062
Residents Abroad	5.802.528	--	68.060	737.125	113.485	1.546.384	17.051.470	187	25.319.239
Public Sector Deposits	416.169	--	47.736	48.877	1.899	46	459	--	515.186
Commercial Deposits	2.164.960	--	1.667.334	3.432.461	116.203	111.929	94.213	--	7.587.100
Other Ins. Deposits	81.970	--	92.903	1.028.700	169.986	910	20.142	--	1.394.611
Precious Metal Deposits	121.790	--	24.210	136.557	11.513	31.379	9.578	2.702	337.729
Bank Deposits	139.734	--	490.742	649.242	6.939	168.496	--	--	1.455.153
Central Bank	--	--	--	--	--	--	--	--	--
Domestic Banks	3.252	--	104.475	35.637	--	1.466	--	--	144.830
Foreign Banks	123.821	--	386.267	613.605	6.939	167.030	--	--	1.297.662
Special Finan. Inst.	12.661	--	--	--	--	--	--	--	12.661
Other	--	--	--	--	--	--	--	--	--
Total	14.394.350	--	6.645.657	27.879.731	1.936.102	2.885.415	18.879.190	38.810	72.659.255

⁽¹⁾ Foreign Exchange Deposit Account consists of Saving Deposit customers at the amount of TL 30.343.294 and Commercial

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Deposit customers at the amount of TL 14.633.007.

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.

	Saving Deposit Insurance Fund		Exceeding the Insurance Coverage Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	10.732.125	7.838.510	10.067.622	8.447.404
Foreign Currency Saving Deposits	2.373.888	2.148.057	9.536.921	7.964.570
Other Saving Deposits	--	--	--	--
Foreign Branches' Deposits Under Foreign Insurance Coverage	--	--	--	--
Off-Shore Deposits Under Foreign Insurance Coverage	--	--	--	--
Total	13.106.013	9.986.567	19.604.543	16.411.974

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

	Current Period	Prior Period
Deposits and Other Accounts in Foreign Branches	162.530	75.346
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	41.124	30.020
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	24.265	110.234
Total	227.919	215.600

(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	40.220	19.978	3.413	28.971
Swap Transactions	506.384	595.267	307.637	276.878
Futures Transactions	--	--	--	--
Options	7	86.530	--	21.742
Other	--	--	--	--
Total	546.611	701.775	311.050	327.591

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	1.094.208	740.691	1.416.454	291.518
Foreign Bank, Institutions and Funds	1.035.318	8.388.474	437.469	9.111.825
Total	2.129.526	9.129.165	1.853.923	9.403.343

2. Maturity information of funds borrowed

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	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1.602.323	3.571.403	1.853.923	5.411.777
Medium and Long-Term	527.203	5.557.762	--	3.991.566
Total	2.129.526	9.129.165	1.853.923	9.403.343

3. Additional explanation on concentrations of the Group's liabilities

Deposits constitute the most important fund of the Group, and they account for 68% of total funds (31 December 2015: 64%). Loans received, subordinated loans, debts to money markets and issued securities account for 19% of total funds (31 December 2015: 23%)

d. Information on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	--	1.309.730	103.222	1.481.142
Bills	1.766.245	--	945.365	--
Asset Backed Security	415.080	--	556.311	--
Total	2.181.325	1.309.730	1.604.898	1.481.142

Nominal value of TL 70.095 (31 December 2015: TL 188.439) 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

None (31 December 2015: None).

1. Changes in agreements and further commitments arising

None (31 December 2015: None).

2. Obligations under finance leases

None (31 December 2015: 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 2015: None).

h. Explanation on provisions

1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	907.233	723.563
Additional Provision for Loans with Extended Maturities	71.838	31.355
Provisions for Loans and Receivables in Group II	258.866	170.305
Additional Provision for Loans with Extended Maturities	160.565	88.712
Provisions for Non Cash Loans	103.255	81.471

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Other	--	--
Total	1.269.354	975.339

Minimum provision rates for the general provision calculation are determined in "Communique on Amendments made on Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" which is published at Official Gazette dated December 14, 2016 and numbered 29918 and the Bank has made provisions over the aforementioned minimum provision rates as of December 31, 2016. General provision amount would be TL 868.000 less if the minimum provision rates, which are mentioned in the aforementioned Communique, were applied.

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

As of 31 December 2016, the reserves allocated for the exchange rate differences of loans indexed to foreign currency amount to TL 128 (31 December 2015: TL 10.635). 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 December 2016, TL 86.385 of provision for employment termination benefits (31 December 2015: TL 70.923) and TL 35.334 of unused vacation accruals (31 December 2015: TL 36.090) were reflected to the consolidated financial statements.

Movement of retirement pays liability during the period:

	Current Period	Prior Period
Balance at the Beginning of the Period	70.923	65.431
Changes in the period	21.344	17.891
Actuarial loss/gain	8.388	(1.781)
Paid in the period	(14.517)	(10.785)
FX difference	247	167
Balance at the End of the Period	86.385	70.923

4. Information on other provisions

(i) As of 31 December 2016, the free reserves allocated to potential risks amount to TL 233.823 (31 December 2015: TL 12.813), which includes other provisions for the possible outflows regarding to specific loan portfolio.

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

TL 85.998 (31 December 2015: TL 65.998) of other provisions consists of provisions for non-cash loans that are not indemnified and converted into cash. TL 29.059 (31 December 2015: TL 26.288) consists of provisions for lawsuits pending against DFS Group, comprise of tax fine provision amounting to TL 44.000, whose details are mentioned in note numbered III.b in section five and TL 8.197 (31 December 2015: TL 37.050) consists of other provisions.

i. Information on taxation

1. Information on current taxes

(i) Information on current tax liability

As of 31 December 2016, the corporate tax provision of DFS Group is TL 320.330 (31 December 2015: TL 155.107), and it has been offset with advance taxes amounting to TL 312.220 (31 December 2015: TL 151.424).

(ii) Information on taxes payable

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	Current Period	Prior Period
Corporate taxes payable	8.110	3.683
Taxation on securities	52.785	45.588
Capital gains taxes on property	1.992	1.779
Banking Insurance Transaction Tax (BITT)	50.659	42.730
Taxes on foreign exchange transactions	--	--
Value added taxes payable	3.636	2.118
Other	46.938	41.219
Total	164.120	137.117

(iii) Information on premiums

	Current Period	Prior Period
Social security premiums- employee share	8.154	7.512
Social security premiums- employer share	8.933	8.218
Bank pension fund premium- employee share	--	--
Bank pension fund premium- employer share	--	--
Pension fund membership fees and provisions- employee share	348	291
Pension fund membership fees and provisions- employer share	426	356
Unemployment insurance- employee share	582	537
Unemployment insurance- employer share	1.111	1.024
Other	6.045	5.795
Total	25.599	23.733

2. Information on deferred tax liabilities

Deferred tax liability calculated on the basis of related regulation is TL 15.446 (31 December 2015: TL 8.652). Information on deferred taxes is disclosed in Note "o" of explanations and disclosures related to consolidated assets.

j. Information on debts of fixed assets held for sales purposes and related to discontinuing operations

None.

k. Information on subordinated credits

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	--	--	--	--
Other Domestic Institutions	--	--	--	--
Foreign Banks	--	5.483.501	--	4.845.965
Other Foreign Institutions	--	--	--	--
Total	--	5.483.501	--	4.845.965

Information on subordinated credits are provided in note numbered I-b in Fourth section.

l. Information on shareholders' equity

1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.316.100	1.816.100
Preferred Stock	--	--

Paid-in capital of the Parent Bank is shown as nominal above. Disclosure regarding capital increase is made in note numbered II-l-3 in Section Five.

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.

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

The Parent Bank has increased its paid capital at a total amount of TL1.500.000 on 28 June 2016 consisting of share premium of TL 39, subsidiary and associate shares and real estate sales income of TL 113.097 and extraordinary reserves of TL 636.864 and cash reserve of TL 750.000.

Date of Increase	Amount of Increase	Cash	Profit reserves entreated in increase	Capital reserves entreated in increase
28 June 2016	1.500.000	750.000	113.136	636.864

4. Information on share capital increases from revaluation funds

Securities Growth Fund	Revaluation Increase in Value for tangible and intangible fixed assets	Bonus share real estate profit on sale of subsidiaries, associates and joint controlled partnerships (joint ventures)	Other
--	--	113.097	--

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.

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	39
Common Stock Cancellation Profits	--	--
Other Equity Instruments	--	--
Total Common Stock Issued ^(*)	50.369	50.369

^(*) Related to the Parent 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 Parent 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	(444.941)	(110.354)	(472.145)	(7.643)
FX Difference	--	--	--	--
Total	(444.941)	(110.354)	(472.145)	(7.643)

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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
Balance at the Beginning of the Period	7.198	6.306
Minority interest in net income of consolidated subsidiaries	1.072	892
Increase/(decrease) in minority interest due to disposals	--	--
Other	--	--
Balance at the End of the Period	8.270	7.198

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 40.495 is recognized under equities as a result of revaluation process.

Revaluation differences of tangible assets amounting to TL 113.097 have used for capital increase dated on 28 June 2016. The explanation regarding capital increase can be found in Note II-I-3 of Section Five (31 December 2015: TL 262.425).

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

All of DFS Group's off-balance sheet loan commitments are in the nature of irrevocable commitments. As of 31 December 2016, non-cash loans, commitments for credit card limits and commitments for cheque payments are TL 28.782.015, TL 12.764.645 and TL 2.111.130, respectively (31 December 2015: TL 24.444.415, TL 10.209.119 and TL 1.920.552, 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 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.

As of 31 December 2015 DFS Group has letters of guarantee amounting to TL 20.087.418, bills of exchange and acceptances amounting to TL 194.319, and guarantees and sureties on letter of credit amounting to TL 2.394.350 and other guarantees and sureties amounting to TL 1.768.328.

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

	Current Period	Prior Period
Provisional Letters of Guarantee	1.103.750	1.013.609
Final Letters of Guarantee	14.223.149	13.484.968
Letters of Guarantee for Advances	2.874.152	2.938.430
Letters of Guarantee given to Customs Offices	169.797	184.924
Other Letters of Guarantee	3.411.367	2.465.487
Total	21.782.215	20.087.418

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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	8.211.637	4.624.008
With Original Maturity of 1 Year or Less	7.816.907	4.369.183
With Original Maturity of More Than 1 Year	394.730	254.825
Other Non-Cash Loans	20.570.378	19.820.407
Total	28.782.015	24.444.415

(ii) Sectorial risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	125.897	1,25	115.147	0,61	125.561	1,42	228.819	1,46
Farming and Cattle	124.881	1,24	113.637	0,61	124.382	1,41	228.819	1,46
Forestry	584	0,01	768	--	893	0,01	--	--
Fishing	432	--	742	--	286	--	--	--
Manufacturing	2.217.779	22,09	8.391.528	44,78	2.021.443	22,95	5.275.588	33,74
Mining	325.222	3,24	277.560	1,48	229.451	2,60	126.803	0,81
Production	1.558.544	15,52	7.509.548	40,07	1.462.574	16,60	4.565.941	29,20
Electric, Gas, Water	334.013	3,33	604.420	3,23	329.418	3,75	582.844	3,73
Construction	2.982.079	29,70	5.275.696	28,15	2.502.194	28,41	5.172.860	33,08
Services	3.304.228	32,89	3.421.731	18,26	3.090.136	35,08	3.327.861	21,28
Wholesale and Retail Trade	1.963.421	19,55	1.788.412	9,54	1.929.549	21,90	2.266.018	14,49
Hotel and Restaurant Services	250.429	2,49	351.862	1,88	223.470	2,54	244.521	1,56
Transportation and telecommunication	489.354	4,87	855.957	4,57	473.289	5,37	554.439	3,55
Financial institution	296.000	2,95	340.408	1,82	166.001	1,88	188.834	1,21
Real estate and letting services	21.577	0,21	3.998	0,02	30.106	0,34	1.984	0,01
Self-employment services	--	--	--	--	--	--	--	--
Education services	38.997	0,39	11.688	0,06	37.715	0,43	13.870	0,09
Health and social services	244.450	2,43	69.406	0,37	230.006	2,62	58.195	0,37
Other	1.411.681	14,07	1.536.249	8,20	1.069.612	12,14	1.630.341	10,44
Total	10.041.664	100,00	18.740.351	100,00	8.808.946	100,00	15.635.469	100,00

(iii) Information about the first and second group of non-cash loans

	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.844.489	11.544.903	185.468	207.355
Bank Acceptances	5.498	251.332	--	--
Letters of Credit	42	2.426.574	--	--
Endorsements	--	--	--	--
Underwriting Commitments	--	--	--	--
Factoring Commitments	--	--	--	--
Other Commitments and Contingencies	6.167	4.306.250	--	3.937
Total	9.856.196	18.529.059	185.468	211.292

b. Information related to derivative financial instruments

Current Period	Up to 1 moth	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	34.214.405	16.867.847	5.859.534	4.509.821	--	61.451.607
Forward FC Call Transactions	1.165.432	174.033	687.902	--	--	2.027.367
Forward FC Pull Transactions	388.688	927.659	689.440	--	--	2.005.787
Swap FC Call Transactions	14.903.585	7.050.000	890.994	2.170.588	--	25.015.167
Swap FC Pull Transactions	13.239.897	7.109.478	718.065	2.339.233	--	23.406.673

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Options FC Call Transactions	2.241.094	825.161	1.410.230	--	--	4.476.485
Options FC Pull Transactions	2.275.709	781.516	1.462.903	--	--	4.520.128
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	19.259	1.073.356	2.583.656	3.918.759	12.445.642	20.040.672
Swap Interest Call Transactions	10.557	536.678	1.291.828	1.958.678	6.159.507	9.957.248
Swap Interest Pull Transactions	8.702	536.678	1.291.828	1.960.081	6.159.507	9.956.796
Options Interest Call Transactions	--	--	--	--	63.314	63.314
Options Interest Pull Transactions	--	--	--	--	63.314	63.314
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.556.043	34.940	169.418	332.334	--	2.092.735
B. Total Types of Trading Transactions (I + II + III)	35.789.707	17.976.143	8.612.608	8.760.914	12.445.642	83.585.014
Total Derivatives Transactions (A+B)	35.789.707	17.976.143	8.612.608	8.760.914	12.445.642	83.585.014

Prior Period	Up to 1 moth	1-3 month	3-12 month	1-5 years	More than 5 years	Total
Hedging Purpose Derivative Transactions						
A. Total Hedging Purpose Derivative Transactions	--	--	--	--	--	--
Fair Value Hedge Transactions	--	--	--	--	--	--
Cash Flow Hedge Transactions	--	--	--	--	--	--
Net Foreign Investment Hedge Transactions	--	--	--	--	--	--
Types of Trading Transactions						
Foreign Currency Related Derivative Transactions (I)	36.939.324	12.194.324	9.036.060	5.461.564	--	63.631.272
Forward FC Call Transactions	729.409	557.706	888.005	25.934	--	2.201.054
Forward FC Pull Transactions	728.072	559.422	904.922	26.802	--	2.219.218
Swap FC Call Transactions	16.077.352	4.605.911	2.528.268	2.828.332	--	26.039.863
Swap FC Pull Transactions	14.773.219	4.421.895	2.379.836	2.580.496	--	24.155.446
Options FC Call Transactions	2.320.709	1.047.381	1.162.554	--	--	4.530.644
Options FC Pull Transactions	2.310.563	1.002.009	1.172.475	--	--	4.485.047
Futures FC Call Transactions	--	--	--	--	--	--
Futures FC Pull Transactions	--	--	--	--	--	--
Total of Interest Derivative Transactions (II)	--	2.586.274	3.131.178	2.510.842	8.263.008	16.491.302
Swap Interest Call Transactions	--	1.293.137	1.565.589	1.255.514	4.131.504	8.245.744
Swap Interest Pull Transactions	--	1.293.137	1.565.589	1.255.328	4.131.504	8.245.558
Options Interest Call Transactions	--	--	--	--	--	--
Options Interest Pull Transactions	--	--	--	--	--	--
Securities Interest Call Transactions	--	--	--	--	--	--
Securities Interest Pull Transactions	--	--	--	--	--	--
Futures Interest Call Transactions	--	--	--	--	--	--
Futures Interest Pull Transactions	--	--	--	--	--	--
Other Types of Trading Transactions (III)	1.350.690	--	--	--	--	--
B. Total Types of Trading Transactions (I + II + III)	38.290.014	14.780.598	12.167.238	7.972.406	8.263.008	81.473.264
Total Derivatives Transactions (A+B)	38.290.014	14.780.598	12.167.238	7.972.406	8.263.008	81.473.264

c. Credit derivatives and risk exposures on credit derivatives

None.

d. Contingent assets and liabilities

A tax inspection for the years of 2010, 2011, 2012, 2013 and 2014 is carried out by Large Taxpayers Office of Turkish Tax Inspection Board with respect to an inspection conducted debt collection fees. In tax inspection reports, tax and penalty notifications, amounting to TL 55.745 assessment, have been delivered to the Parent Bank on account of the fact that legal encashment fee related to collections made externally through making payments to Parent Bank or lawyers by related debtors regarding their non-performing credits in Parent Bank is not paid.

A tax inspection for the years of 2010, 2011, 2012, 2013 and 2014 is carried out by Large Taxpayers Office of Turkish Tax Inspection Board regarding the examination of judgment and compensation fees with respect to Corporation Tax has been carried out. In tax inspection reports, tax and penalty notifications, amounting to TL 952 assessment have been delivered to Parent Bank on account of the fact that corporation tax regarding 2011, 2012 and 2014 was not paid completely.

As a result of investigation of derivative transactions with respect to Banking and Insurance Transaction Tax made by Tax Inspection Board Istanbul Large Taxpayers Office Group Presidency, tax investigation reports and tax notifications for penalty have been issued for 2009, 2010, 2011, 2012, 2013 and 2014. In tax inspection reports, tax and fine notifications, amounting to TL 67.780 assessment have been delivered to Parent Bank on account of the fact that Banking and Insurance transaction Tax was not paid.

The Parent Bank has decided to benefit from favorable provisions of the Law on Restructuring of Certain Receivables numbered 6736 published on Official Gazette dated 19 August 2016 and numbered 29806 and related communique with respect to

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abovementioned penalties and applied to respective tax office. In scope of aforementioned Law, as a result of restructuring of tax and penalties, accrued amounts are paid in cash on 30 November 2016 for judgement cost of collection amount of TL 12.924, TL 199 for corporate tax and banking and insurance transaction tax amount of TL 15.096.

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 Parent 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 Parent 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 Parent Bank has appealed to the court for the stay of execution. The defendant tax office has notified the Parent Bank regarding payment orders on 15 March 2016 since the aforementioned case has not been concluded.

The parent 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. 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 Parent 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 Parent 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 Parent 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.

Based on the principle of conservatism DFS Group made a provision amounting to TL 23.959 (31 December 2015: TL 26.288) 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.

e. Activities carried out on behalf and account of other persons

The Bank provides trading, custody, management and consultancy services to its customers.

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	2.525.685	111.928	2.240.514	112.699
Medium and Long Term Loans	4.190.252	1.851.111	3.156.197	1.551.605
Loans Under Follow-Up	44.456	--	47.980	--
Premiums Received from Resource Utilization Support Fund	--	--	--	--
Total	6.760.393	1.963.039	5.444.691	1.664.304

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	2	602	--	150
Domestic Banks	2.365	9.825	7.211	9.977

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Foreign Banks	343	1.473	952	1.219
Foreign Head Offices and Branches	--	--	--	--
Total	2.710	11.900	8.163	11.346

The interest income from required reserves that maintain in CBRT of Parent Bank amounting to 56.689 (1 January-31 December 2015: 24.288) 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	3.531	323	7.997	388
Financial Assets at Fair Value Through Profit or Loss	--	--	--	--
Investment Securities Available-for-Sale	584.188	119.478	579.661	98.126
Investment Securities Held-to-Maturity	289.607	32.690	277.678	22.997
Total	877.326	152.491	865.336	121.511

4. Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	359	1.156

b. Interest expense

1. Information on interest expense related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	179.630	551.137	115.249	432.139
Central Bank of the Republic of Turkey	52	--	49	--
Domestic Banks	103.919	8.451	90.046	8.169
Foreign Banks	75.659	542.686	25.154	423.970
Foreign Head Offices and Branches	--	--	--	--
Other Institutions	--	--	--	--
Total	179.630	551.137	115.249	432.139

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	3.344	2.809

3. Information on interest expense paid to securities issued

	Current Period	Prior Period
Interest Paid to Securities Issued	195.505	219.029

4. Maturity structure of the interest expense on deposits

Account Name	Time Deposit							Cumulative Deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 Year			
TL									
Bank Deposits	17	32.546	--	--	--	--	--	32.563	
Saving Deposits	45	201.698	1.535.975	43.076	14.036	25.012	2.372	1.822.214	
Public Sector Deposits	--	2.357	5.390	702	14	96	--	8.559	
Commercial Deposits	1	219.880	505.660	45.306	9.818	7.103	--	787.768	
Other Deposits	1	11.551	158.925	22.050	5.429	2.340	--	200.296	
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--	
Total	64	468.032	2.205.950	111.134	29.297	34.551	2.372	2.851.400	
FC									
Foreign Currency Deposits	2.152	506.708	233.077	18.376	20.635	24.066	14	805.028	

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Bank Deposits	644	6.238	--	--	--	--	--	6.882
"7 Days Notice" Deposits	--	--	--	--	--	--	--	--
Precious Metal Deposits	3	9.550	3.118	354	797	251	53	14.126
Total	2.799	522.496	236.195	18.730	21.432	24.317	67	826.036
Grand Total	2.863	990.528	2.442.145	129.864	50.729	58.868	2.439	3.677.436

c. Dividend Income

	Current Period	Prior Period
Trading Securities	--	119
Financial Assets at Fair Value Through Profit or Loss	--	--
Investment Securities Available-For-Sale	--	--
Other ^(*)	205	1.566
Total	205	1.685

^(*) Presents dividend income from unconsolidated subsidiaries and associates.

d. Information on trading income / loss

	Current Period	Prior Period
Income	231.976.770	260.042.549
Capital Market Transactions	19.677	94.293
Derivative Financial Instruments	4.575.590	4.890.262
Foreign Exchange Gains	227.381.503	255.057.994
Loss (-)	232.546.890	260.675.521
Capital Market Transactions	48.117	23.979
Derivative Financial Instruments	4.517.646	4.065.945
Foreign Exchange Losses	227.981.127	256.585.597
Net Trading Income / Loss	(570.120)	(632.972)

Net gain from foreign exchange translation differences related to derivative financial instruments is TL 265.964 (net gain for the period 1 January-31 December 2015: TL 1.065.761).

e. Information on other operating income

	Current Period	Prior Period
Reversal of prior periods' provisions	332.407	302.986
Sale revenue for Real estate properties	13.262	25.473
Communication income	10.957	12.423
Cheque book fees	3.743	4.150
Other	408.293	268.763
Total	768.662	613.795

"Other operating income" item consists of revenue obtained as a result of sales made from follow-up portfolio and collections made from receivables for which a provision has been made in previous periods. Additionally, income amounting to TL 120.672 related to cash portion as a result of the transfer of Visa Europe Ltd., to Visa Inc., in which the Parent Bank has a share in its capital, is recognized in financial statements.

f. Impairment on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	1.241.892	1.095.704
<i>Loans and Receivables in Group III</i>	<i>123.029</i>	<i>203.093</i>
<i>Loans and Receivables in Group IV</i>	<i>313.688</i>	<i>254.078</i>

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<i>Loans and Receivables in Group V</i>	805.175	638.533
Non-performing Commissions and Other Receivables	--	--
General Loan Loss Provisions	294.015	162.211
Free Provision for Probable Risks	222.471	4.647
Impairment Losses on Securities	30.154	26.058
<i>Financial Assets at Fair Value Through Profit or Loss</i>	228	1.025
<i>Investment Securities Available-for-Sale</i>	29.926	25.033
Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities Held to Maturity	2.969	2.373
<i>Associates</i>	--	--
<i>Subsidiaries</i>	--	--
<i>Joint Ventures</i>	--	--
<i>Investment Securities Held-to-Maturity</i>	2.969	2.373
Other	45.031	70.426
Total	1.836.532	1.361.419

g. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	1.359.190	1.245.238
Reserve for Employee Termination Benefits	7.202	8.833
Reserve for Bank's Social Aid Fund Deficit	--	--
Impairment Losses on Tangible Assets	3.719	--
Depreciation Charges of Tangible Assets	120.372	118.244
Impairment Losses on Intangible Assets	--	--
Amortization Charges of Intangible Assets	92.092	81.079
Impairment Losses on Investment Accounted for under Equity Method	--	--
Impairment of Assets to be Disposed	--	--
Depreciation of Assets to be Disposed	2.579	1.634
Impairment of Assets Held for Sale	--	--
Other Operating Expenses	975.872	849.598
<i>Operational Leases Expenses</i>	242.400	247.566
<i>Repair and Maintenance Expenses</i>	60.462	49.296
<i>Advertisement Expenses</i>	92.763	80.008
<i>Other Expenses (*)</i>	580.247	472.728
Losses on Sale of Assets	4.376	7.867
Other	360.768	328.094
Total	2.926.170	2.640.587

(*) 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 78.141, TL 82.257, TL 21.216, TL 8.040, TL 24.813, TL 113.765 and TL 252.015, respectively (1 January – 31 December 2015: TL 78.262, TL 72.595, TL 18.904, TL 7.991, TL 23.852, TL 95.597 and TL 179.266, respectively).

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

As 1 January-31 December 2016, DFS Group has a profit before tax from continuing operations amounting to TL 1.825.057 (1 January-31 December 2015: TL 1.141.241).

Sales of Destek Varlık A.Ş., one of the subsidiaries of the Group, is made as it is stated in h.3.(iv) Fifth Section. Current period income and expense items of aforementioned subsidiary, until its disposal date, are classified as "Sales losses of Subsidiaries, Associates and joint ventures" included under income and expenses sourcing from discontinuing operations in consolidated income statement.

Income and expenses from discontinuing activities belonging to accounting period ending as of 31 December 2016 and 2015 are as follows:

Income Statement From Discontinued Operations	Current Period	Prior Period
Net Interest Income	5.387	7.540
Net Fees and Commission Income	(34)	(25)
Dividend Income	--	--
Commercial Profit/Loss (Net)	--	454
Other Operation Income	917	70
Total Operation Income/Expenses	6.270	8.039
Impairment of Loans and Other Receivables	--	(66)
Other Operation Expense	(5.221)	(6.303)

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Discontinued Operations Profit/Loss Before Taxation	1.049	1.671
Discontinued Operations Tax Deduction	(66)	(232)
Discontinued Operations net Profit/Loss for the Period	983	1.439
Subsidiaries and Jointly Controlled Entities	(258)	--
Discontinued Operations Net Profit/Loss for the Period	725	1.439

i. 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 December 2016 the current period taxation charge on continuing operations is TL 301.748 (1 January-31 December 2015: TL 148.437) while deferred tax charge is TL 122.935 (1 January-31 December 2015: TL 134.947 deferred tax charge).

The current period taxation charge on discontinuing operations is TL 66 (1 January-31 December 2015: None). There is no deferred tax profit / loss (1 January-31 December 2015: TL 232 deferred tax loss)

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

Deferred tax benefit/charge arising from temporary differences	Current Period	Prior Period
Arising from Origination of Deductible Temporary Differences (+)	24.307	54.777
Arising from Reversal of Deductible Temporary Differences (-)	(124.207)	(218.060)
Arising from Origination of Taxable Temporary Differences (-)	(55.351)	(17.434)
Arising from Reversal of Taxable Temporary Differences (+)	32.316	45.770
Total	(122.935)	(134.947)

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(28.777)	(235.035)
Arising from Origination (-)/ Reversal (+) of Taxable Temporary Differences	(23.035)	28.336
Arising from Origination (+)/ Reversal (-) of Tax Losses	(71.123)	71.752
Arising from Origination (+)/ Reversal (-) of Unused Tax Credits	--	--
Total	(122.935)	(134.947)

j. Information on continuing and discontinued operations net profit/loss

DFS Group has a net profit is amounting to TL 1.401.099 (31 December 2015: 859.295 TL).

DFS Group does not have discontinuing operations.

k. 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

	Current Period	Prior Period
Profit/(loss) attributable to minority interests	1.072	892

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.

l. 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

Other Fees and Commissions Received	Current Period	Prior Period
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Credit card clearing and other commissions	608.509	508.976
Contracted merchant / POS commissions	258.470	231.790
Insurance services	158.719	115.653
Filing fees	145.506	105.548
Intermediary services	84.490	91.883
Account management fees	56.528	82.480
Remittance commissions	42.472	38.445
Expertise fees	16.767	14.604
Other	113.970	123.243
Total	1.485.431	1.312.622

Other Fees and Commissions Paid	Current Period	Prior Period
Credit card / POS commissions	305.524	261.785
EFT fees and commissions	10.163	8.888
Other	95.493	100.360
Total	411.180	371.033

V. Explanations and disclosures related to consolidated statement of changes in shareholders' equity

a. Information on capital increase

Parent Bank has increased its paid capital at a total amount of TL 1.500.000 consisting of share premiums amount of TL 39, sales profits sourcing from shares of subsidiaries and associates and properties amount of TL 113.097, extraordinary reserves amount of TL 636.964 and cash reserve amount of TL 750.000 on 28 June 2016.

b. Information on issuance of shares

Share premium, at an amount of TL 39, has added to paid capital with the capital increase made by the Bank on 28 June 2016.

A premium of issued shares amount of TL 15 formed as a result of capital increase of TL 1.500.000 made on 28 June 2016.

c. Information on distribution of profit

General Assembly of the Bank is authorized body for the profit appropriation decisions. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

d. Information on increase/decrease amounts resulting from merger

None.

e. Information on investments available-for-sale

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

f. Hedging transactions

Explained in Information on hedging transactions in Note XI of Section Four.

g. Revaluation difference on tangible assets

Revaluation differences on tangible assets includes gains on sales of subsidiaries and gains on sales of real estates and explained in detail in Note II-I-12 of Section Five.

h. Information on to foreign exchange difference

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Balance sheet items of Bahreyn branch of the Parent Bank and subsidiaries of the Group founded abroad are translated into Turkish Lira with the foreign exchange rates prevailing at the balance sheet date, and income statements items are translated into Turkish Lira with the average foreign exchange rates. Related foreign exchange differences are accounted in the shareholders' equity under "Other profit reserves."

Explained in detail in "Information on to foreign exchange difference in Note II-b of Section Three".

i. Other

None.

j. Amounts transferred to legal reserves

The Parent Bank transferred TL 715.091 (31 December 2015: TL 496.723) to extraordinary reserves from prior period profits in 2016. The amount of TL 38.132 transferred to legal reserves (31 December 2015: None).

VI. Explanations and disclosures related to consolidated cash flow statement

a. Information on cash and cash equivalents

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities less than three months are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	01.01.2016	01.01.2015
Cash	5.066.168	2.245.290
Cash in Vault, foreign currencies and other	1.411.721	1.246.778
Banks demand deposits	3.654.447	998.512
Cash and Cash Equivalent	4.880.925	5.326.271
Interbank Money market placements	1.213.997	980.123
Banks time deposits	3.333.389	3.992.518
Securities	333.539	353.630
Total Cash and Cash Equivalents	9.947.093	7.571.561

2. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
	31.12.2016	31.12.2015
Cash	6.111.804	5.066.168
Cash in Vault, foreign currencies and other	1.824.283	1.411.721
Banks demand deposits	4.287.521	3.654.447
Cash and Cash Equivalent	7.850.740	4.880.925
Interbank Money market placements	3.001.570	1.213.997
Banks time deposits	4.734.305	3.333.389
Securities	114.865	333.539
Total Cash and Cash Equivalents	13.962.544	9.947.093

b. Information on cash and cash equivalent assets of DFS Group that are not available for free use due to legal restrictions or other reasons

DFS Group made a total provision for required reserves on CB of Turkey and other foreign Central Banks in amount of TL 13.015.077 (31 December 2015: TL 9.411.617).

c. Disclosures for "other" items in the statement of cash flows and effect of changes in foreign currency exchange rates on

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cash and cash equivalents

“Other” item amounting to TL (3.901.538) (31 December 2015: TL (4.340.541)) before “changes in operating assets and liabilities” comprise other operating expenses, fees and commissions paid and net trading loss. As a result of these changes in the cash flow statement, the balance of cash and cash equivalents has changed from TL 9.947.093 (31 December 2015: TL 7.571.561) to TL 13.962.544 in 2015 (31 December 2015: TL 9.947.093).

“Other liabilities” item included in “change in assets and liabilities arising from banking activities”, amounting to TL (1.444.812) (31 December 2015: TL 4.865.487) comprise changes in sundry creditors, taxes and duties payable, and other external resources.

The impact of change in exchange rate on cash and cash equivalent assets consists of exchange difference occurring as a result of translation of foreign currency cash and cash equivalent assets average to TL with rates belonging to beginning and end of the period and it amounts to TL 803.652 as of 31 December 2016 (31 December 2015: TL 718.903).

VII. 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

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
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	377	54	126	8	3	--

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

Prior Period

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	1	10.477	18.175	59.102	94	4
Balance at the End of the Period	2	35.394	2.299	19.970	33	30
Interest and Commission Income Received	1.167	63	772	81	2	--

(*) 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

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder ^(**)		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the Beginning of the Period	27.778	26.193	6.257.056	3.878.370	8.552	14.305
Balance at the End of the Period	102.325	27.778	6.607.506	6.257.056	9.247	8.552
Interest and Commission Income Received	3.347	2.809	231.906	264.635	907	1.198

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

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

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

DFS Group's Risk Group ^(*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes:						
Balance at the Beginning of the Period	--	--	--	54.565	11.510	5.654
Balance at the End of the Period	--	--	--	--	--	11.510
Total Income/(Loss)	--	--	(5.681)	(12.712)	(388)	(164)
Transactions for Hedging Purposes:						
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.

d. Information on benefit provided to Executives

DFS Group makes payment amounting to TL 81.609 (31 December 2015: TL 70.453) to its Executives as of 31 December 2016.

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

As of 31 December 2016, 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 7,3% of DFS Group's total deposits and borrowings. Non-cash loans granted to risk group companies represent 0,6% of the total 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.

VIII. Domestic, foreign and off-shore banking branches and foreign representatives of the Parent Bank

a. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Number of Employees	Country of Incorporations	Total Assets	Statutory Share Capital
Domestic branch	693	12.932			
Foreign representation	-	-	-		

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Foreign branch	-	-	-	-	-
Off shore banking region branches	1	6	1-Bahreyn	7.016.474	-

b. Explanations on the Parent Bank's branch and agency openings or closings

The Parent Bank opened 27 new branches closed 25 branches in 2016.

c. The branches of associates and subsidiaries

There are 43 branches of Denizbank AG, which headquarter is located centrally in Vienna. 27 of branches are located in Austria, 16 branches are in Germany.

JSC Denizbank Moscow, which headquarter is located in Moscow, operates through center.

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. Other explanations related to DFS Group's operations

a. Explanations related to DFS Group's operations

None.

b. Summary information about ratings of the Banks which has been assigned by the international rating agencies

Moody's*		Fitch Ratings**	
Outlook	On Watch	Outlook	Stable
Long Term Foreign Currency Deposits	Ba2(On Watch for the possible decrease)	Long Term Foreign Currency	BB+

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Short Term Foreign Currency Deposits	Not Prime	Short Term Foreign Currency	B
Long Term Local Currency Deposits	Ba2 (On Watch for the possible decrease)	Long Term Local Currency	BB+
Short Term Local Currency Deposits	Not Prime	Short Term Local Currency	B
Bank Financial Strenght Rating (BCA)	ba3 (On Watch for the possible decrease)	Viability	bb+
		Support	3
		National	AA (tur)
*As of 20.07.2016		**As of 18.03.2016	

c. Subsequent events

None.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Matters to be disclosed related to Independent Audit Report

Consolidated financial statements and notes of DFH Group are subject to independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and audit report dated 23 February 2017 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditor

There exist no explanations or notes, deemed to be required, and no significant issues which are not mentioned above and related to activities of DFH Group.

CONTACT INFORMATION FOR DENİZBANK A.Ş.

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Trade Register Number
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DOMESTIC BRANCHES

DenizBank has 694 branches in Turkey. Information on domestic branches is available on the DenizBank web site.

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