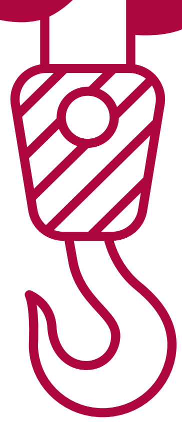
ALWAYS SUPPORT



2016 ANNUAL REPORT

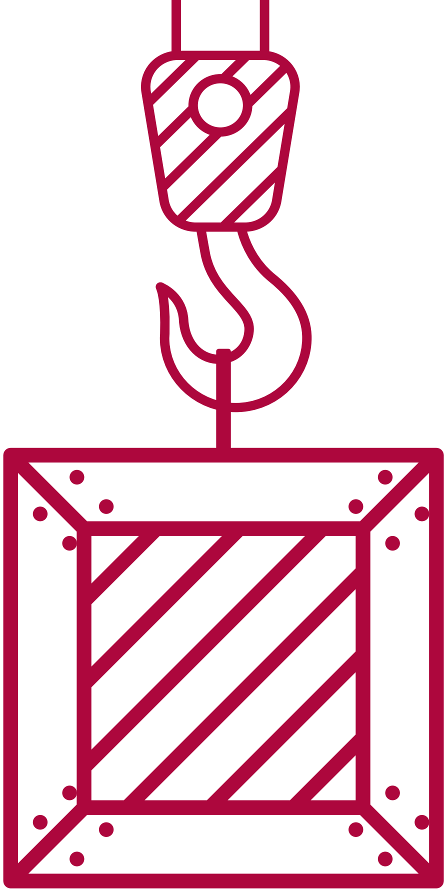
TÜRK EXIMBANK

CONTENTS

ABBREVIATIONS

ADFIMI	Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank
AFI	Association of Financial Institutions
BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of Republic of Turkey
CEB	Council of Europe Development Bank
DHAMAN	Arab Investment and Export Credit Guarantee Corporation
EBRD	European Bank for Reconstruction and Development
ECG	Export Credits and Credit Guarantees Group
EIB	European Investment Bank
EU	European Union
EUR	Euro
Fed	Federal Reserve
ICIEC	Islamic Corporation for the Insurance of Investment and Export Credit
IDB	Islamic Development Bank
IIF	The Institute of International Finance
IIRA	Islamic Rating Agency
IMF	The International Monetary Fund
ITFC	The International Islamic Trade Finance Corporation
JBIC	Japan Bank for International Cooperation
KGF	Credit Guarantee Fund
MIGA	Multilateral Investment Guarantee Agency
NPL	Non-Performing Loans
OECD	Organisation for Economic Co-operation and Development
PDA	Priority Development Areas
PSEC-FX	Pre-Shipment Foreign Currency Export Credits
PSEC-TL	Pre-Shipment Turkish Lira Export Credit
PSRC	Post-Shipment Rediscount Credit
SDIF	Savings Deposit Insurance Fund
SME	Small and Medium Sized Enterprises
TIM	Turkish Exporters Assembly
TL	Turkish Lira
WTO	World Trade Organization

PRESENTATION



ALWAYS SUPPORTING SUSTAINABLE GROWTH

Ever since its inception, Turk Eximbank has been steadily increasing volume and different kinds of credit resources that it supplies to exporters, especially SMEs, in line with their needs and demands while also improving the terms, conditions, and limits of its lendings. Turk Eximbank strives to increase the share of high added-value goods in Turkey's overall export mix. Besides offering export credits, the Bank also seeks to expand its geographical footprint by taking part in international projects and trade finance and to encourage Turkish exporters to venture into new markets by eliminating their country risks through credit insurance.

COMPLIANCE OPINION

KPMG

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT

To the Board of Directors of Türkiye İhracat Kredi Bankası Anonim Şirketi

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing

We have audited the accompanying annual report of Türkiye İhracat Kredi Bankası Anonim Şirketi (the "Bank"), for the year ended 31 December 2016.

Board of Directors' Responsibility for the Annual Report

In accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by Banks" published in the Official Gazette dated 1 November 2006 and No. 26333 in accordance with "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of the Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of the annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the regulation on "Independent Auditing of Banks'' published in the Official Gazette dated 2 April 2015 with No. 29314, whether financial information included in the accompanying annual report is consistent with the financial statements of the Bank and provides fair presentation.

We conducted our audit in accordance with the Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published 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 about whether the financial information included in the annual report is consistent with financial statements and provide fair presentation.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's 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 included in the Board of Directors' annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the Article 402 of TCC, no material issue has come to our attention that shall be reported about the Bank's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

Orhan Akova, SMMM
Partner
30 March 2017
Istanbul, Türkiye

ONE OF THE WORLD'S **TOP TWENTY** INSURERS OF EXPORT FINANCING

CORPORATE PROFILE

Türkiye İhracat Kredi Bankası A.Ş. (Turk Eximbank) is the only official export credit agency in Turkey.

Founded in 1987, Turk Eximbank's performance enabled it to quickly join the ranks of the world's top twenty insurers of export financing even though it was set up nearly half a century later than its COFACE (France), Euler Hermes (Germany), SACE (Italy), Atradius (Netherlands), ECGD (UK), and similar peers.

AWARENESS OF INSURANCE IN EXPORTS
AS THE FIRST FINANCIAL INSTITUTION IN TURKEY TO PROVIDE EXPORT CREDIT INSURANCE, TURK EXIMBANK FOSTERED AWARENESS OF THE CONCEPT AND PROMOTED ITS WIDESPREAD ADOPTION.

EXPORTING TO 238 COUNTRIES
TURK EXIMBANK INSURANCE PROGRAMS TODAY PROVIDE TURKISH EXPORTERS THAT SHIP GOODS TO 238 COUNTRIES WITH COVERAGE AGAINST THEIR COMMERCIAL AND POLITICAL RISKS.

CORPORATE PROFILE

FULLY-INTEGRATED SERVICE
UNLIKE THE EXPORT CREDIT AGENCIES OF MANY OTHER COUNTRIES, TURK EXIMBANK'S ABILITY TO COMBINE CREDIT, GUARANTEE, AND INSURANCE PRODUCTS UNDER THE SAME ROOF ALLOWS IT TO PROVIDE ITS CUSTOMERS WITH FULLY-INTEGRATED SERVICE.

Today, Turk Eximbank serves exporters with exactly the same systems deployed by those in the most advanced countries. The Bank supplies an extensive lineup of financing products to international contractors, investors, shippers, tourism operators, and other cross-border businesses. Furthermore, unlike the export credit agencies of many other countries, Turk Eximbank's ability to combine credit, guarantee, and insurance products under the same roof allows it to provide its customers with fully-integrated service.

As the first financial institution in Turkey to provide export credit insurance, Turk Eximbank fostered awareness of the concept and promoted its widespread adoption. Turk Eximbank insurance programs today provide Turkish exporters that ship goods to 238 countries with coverage against their commercial (importer) and political (importing country) risks. In addition, the domestic credit insurance provides commercial risk coverage on the domestic receivables of exporters since the last quarter of 2013.

Headquartered in İstanbul, Turk Eximbank conducts its operations through its Istanbul headquarters, Ankara and Aegean Regional Directorates and its Gaziantep branch. The Bank also has nine liaison offices in Adana, Antalya, Bursa, Denizli, İstanbul, Kayseri, Konya, Samsun, and Trabzon. Besides providing exporters with information about and promoting Turk Eximbank programs, all non-headquarters units identify problems that may be encountered and forward them along with suggested solutions to headquarters.

Both the Aegean and Ankara Regional Directorates have full authority to conduct operations under the Bank's Foreign Trade Companies Short-Term Export, Pre-Export, Pre-Export for SMEs, Rediscount, Post-Shipment Rediscount, Tourism, EIB, Export-Oriented Working Capital, and Export-Oriented Investment, International Transportation & Marketing, and Free Zone Pre-Export credit programs. The Ankara unit additionally is authorized to supply Participation to Overseas Trade Fairs, The Bridge Credit-Program for Overseas Contracting Services credit and to insure exporters' international shipments. Apart from that, Denizli liaison office and Gaziantep Branch, which was opened after the liaison office in that city was closed down in 2015, extend Rediscount Credits, Pre-Export Credits and Pre-Export Credits for SMEs.

Seeking to reach out to an increasingly broader audience of exporters, especially those located in parts of the country where the industrial base is advanced and export potential is high, Turk Eximbank opened its liaison offices in Denizli and Kayseri in 2004. These were followed by additional offices in Adana, Bursa, and Trabzon (2006), Konya (2012), İstanbul-European Side (2013), Samsun (2014), and Antalya (2015). All these offices provide local exporters with information about Turk Eximbank export credit programs, products, and services and they give them guidance in the preparation, documentation, and submission of credit applications.

Turk Eximbank employs highly-qualified human resources because of the nature of the duties the Bank must perform. As of end-2016 the Bank had 631 people on its payroll, of whom 75 worked in the Ankara Regional Directorate, 26 in the Aegean Regional Directorate, 7 in the Gaziantep Branch, and a total of 21 in the Adana, Antalya, Bursa, Denizli, İstanbul, Kayseri, Konya, Samsun, and Trabzon liaison offices. 6 of Turk Eximbank's employees have PhD, 169 master's degrees, 317 bachelor's degrees, and 27 associate degrees; 224 of them are proficient in at least one foreign language.

QUALIFIED HUMAN RESOURCES
TURK EXIMBANK EMPLOYS HIGHLY-QUALIFIED HUMAN RESOURCES BECAUSE OF THE NATURE OF THE DUTIES THE BANK MUST PERFORM. AS OF END-2016 THE BANK HAD 631 PEOPLE ON ITS PAYROLL.

STRONG FINANCIAL PERFORMANCE

FINANCIAL SUMMARY

TURK EXIMBANK IN FIGURES

Balance Sheet Accounts (TL thousand)

	2016	2015
Loans	61,609,764	43,159,126
Total Assets	68,276,314	44,437,795
Loans Borrowed	51,807,130	33,109,841
Funds Provided under Repurchase Agreements	69,000	200,000
Securities Issued (Net)	7,827,323	5,088,218
Equity	5,200,734	4,780,705
Paid-up Capital	3,700,000	2,500,000

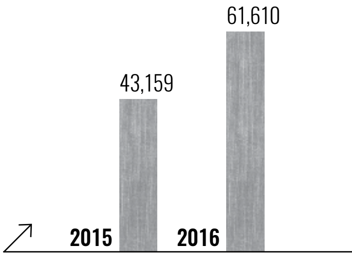
Profit-Loss Statement Accounts (TL thousand)

	2016	2015
Interest Income	1,643,054	1,193,866
Interest Income on Loans	1,570,550	1,134,114
Interest Expenses	(784,056)	(482,628)
Net Interest Income	858,998	711,238
Other Operating Income	142,282	125,702
Provisions for Loans and Other Receivables	(26,305)	(24,685)
Other Operating Expenses	(229,036)	(191,451)
Net Profit for the Period	421,325	489,406

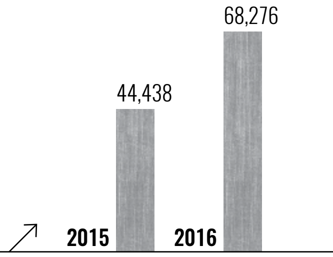
Summarized financial statements of Turk Eximbank for the years 2012-2016 are given on page 90.

PAID-UP CAPITAL
IN 2016, THE PAID-UP CAPITAL OF TURK EXIMBANK WAS INCREASED BY 48% TO TL 3.7 BILLION IN VALUE.

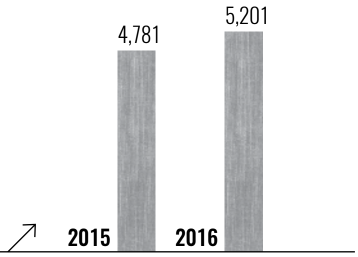
NET PROFIT
THE BANK'S NET PERIOD PROFIT REACHED TL 421.3 MILLION THANKS TO THE SUCCESSFUL ACTIVITIES CARRIED ON IN 2016.



LOANS (TL MILLION)
INCREASED BY 42.8% OVER THE PREVIOUS YEAR, LOANS REACHED TL 61.6 BILLION AS OF THE END OF 2016.



TOTAL ASSETS (TL MILLION)
TOTAL ASSETS REACHED TL 68.3 BILLION BY RISING 53.6% AS OF YEAR-END 2016.



EQUITY (TL MILLION)
THE BANK'S SHAREHOLDERS' EQUITY WAS TL 5.2 BILLION IN 2016 SHOWING AN 8.8% INCREASE.

SUMMARY ACTIVITY INDICATORS

Credit Activities (USD million)

Short-Term Credit Activities

	2016	2015
Total Short-Term Credits	18,977	17,908
Short-Term TL Credits	3,792	3,830
Short-Term FX Credits	15,185	14,078

Medium- and Long-Term Credit Activities

	2016	2015
Medium- and Long-Term Credits	2,973	2,289

Total Credit Activities

	2016	2015
Total Credits	21,950	20,197

Insurance Activities (USD million)

Short-Term Credit Insurance

	2016	2015
Covered Shipments	10,971	10,056
Risk Volume Undertaken (Total Commitments)	8,227	6,675
Claims Paid	13.6	14.1

Medium- and Long-Term Export Credit Insurance

	2016	2015
Covered Transaction Amount	67	16

Total Insurance Activities

	2016	2015
Total Insurance	11,038	10,072

Turk Eximbank's Total Support (USD million)

	2016	2015
Total Credit/Insurance/Guarantee Support	32,988	30,269

TURK EXIMBANK'S TOTAL SUPPORT
TOTAL CREDIT/INSURANCE/GUARANTEE SUPPORT RECORDED IN 2016 WAS USD 33 BILLION WITH 9% INCREASE.

EXPORTS PLAY A SIGNIFICANT ROLE IN THE GROWTH

MESSAGE FROM THE CHAIRMAN

OSMAN ÇELİK
CHAIRMAN OF THE BOARD OF DIRECTORS

Owing to sluggish world trade, low investment, and mounting political uncertainties, 2016 was a difficult year for the global economy. While the inability of the world's economy to recover sufficiently from the global economic crisis was seen as worrisome among those developed countries acting as major players in the process of globalization, it also strengthened the case for anti-globalist arguments.

That said, the prospects for both developed and developing countries in 2017 are more optimistic in the main. We anticipate a recovery in the EU, which is Turkey's biggest export market. We also foresee that relative stability in oil prices in the period ahead will increase oil-producing countries' buying power by contributing to their economic growth. Nonetheless, we must not ignore the existence of serious adverse risks. In particular, the growing trend towards protectionism in international trade policy that is being fueled by anti-globalist discourse increases uncertainties about the global economy while also posing risks for growth. In addition, we likewise expect that the steps which developed countries take to push up interest rates as the process of economic recovery unfolds will also have an impact on the ability of developing countries to obtain financing while likewise making it more costly.

The Turkish economy for its part had to contend not only with global financial market volatilities in 2016, but also with a treacherous coup attempt at home and with geopolitical risks abroad. The positive growth performance that our country's economy registered as compared with its peers therefore confirmed the soundness of its macroeconomic foundations. Thanks -and to the degree permitted by budget resources- to their adherence to countercyclical fiscal policies and to the proactive measures taken by those managing the economy, the Turkish economy demonstrated impressive resilience despite the extraordinary conditions that it had to deal with.

We foresee that exports will play a significant role in the Turkish economy's growth performance in 2017. The most important factor underpinning this is the increase in market and product diversity in our country's exports that has been taking place throughout the 2000s. Indeed by selling a greater variety of goods to a broader range of markets we have significantly reduced the riskiness of our export trade as well as our dependence on any given market or offering. This is what shored up Turkey's exports during the extraordinary conditions that prevailed in 2016; similarly it is also what will support their resurgence in 2017.

Finally while we believe that the demand-side conditions for Turkey's exports in the period ahead will be relatively more favorable than what they were in previous years, the result of higher interest rates in developed countries will be to curtail export-financing opportunities. This means that, having successfully supported our country's exporters in 2016, Turk Eximbank will play an even more important role on this front in 2017. In a context in which export opportunities are increasing, we shall be taking steps to counter any narrowing that may occur in export-financing opportunities. As we are aware of the importance of the role we will play, we have made preparations to deal with this issue in the period ahead. We shall also continue to take such other innovative, rapid-response, appropriate, and compatible measures and to renew ourselves in line with prevailing conditions in order to address the diverse needs of Turkey's exporters.

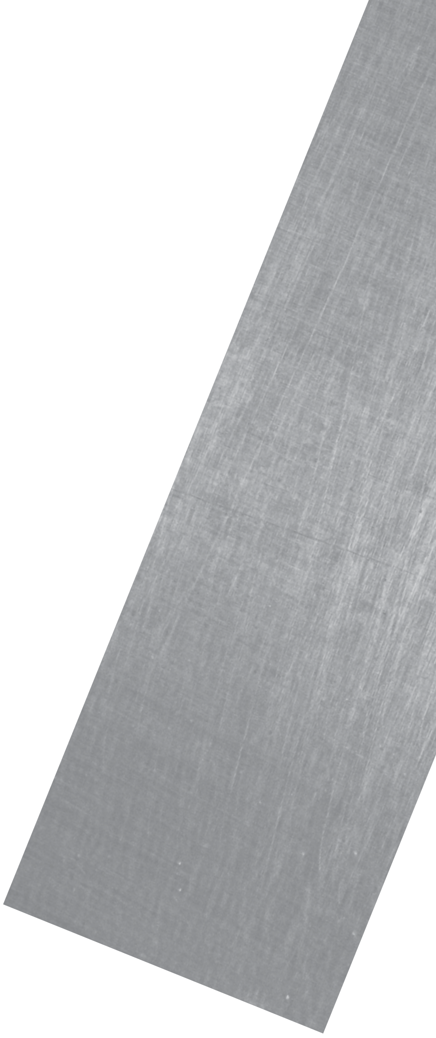
We should also like to remind everyone that Turk Eximbank's support is not limited to addressing this country's exporters' needs for cash credit. Indeed we help them to be more competitive in international markets by meeting the financing needs of their buyers as well. Likewise at a time when political risk at the global level is expected to become even more severe, we support our country's exporters in doing business more confidently and to venture into strategically-important or new markets by insuring their export receivables.

In keeping with its export-financing support mission, Turk Eximbank will once again continue to be on Turkey's exporters' side in 2017.

Osman ÇELİK
Chairman of the Board of Directors

EXPORT-FINANCING SUPPORT MISSION
"IN KEEPING WITH ITS EXPORT-FINANCING SUPPORT MISSION, TURK EXIMBANK WILL ONCE AGAIN CONTINUE TO BE ON TURKEY'S EXPORTERS' SIDE IN 2017."

WE SUPPORT **23%** OF OUR COUNTRY'S EXPORT TRADE



MESSAGE FROM THE GENERAL MANAGER

ADNAN YILDIRIM
GENERAL MANAGER (ACTING)

The process of economic recovery in the wake of the global economic crisis has yet to achieve the levels desired of it. This persistent sluggishness in global growth is one of the most important obstacles that prevent global trade from regaining momentum. Unfortunately our own country's exports are also suffering from the same conjuncture.

The principal reasons for the contraction in our country's exports are, first of all, the mathematical losses from which exporters have been suffering as a result of the euro's depreciation against the US dollar during the last two years; secondly export losses attributable to geopolitical risks in our region; and finally last year's treacherous attempt at a coup. Even so we see that Turkish exporters' share of world trade continued to grow last year. That is to say that they increased our country's share of global trade by outperforming world averages despite all of the adversities with which they had to contend.

Furthermore, available foreign trade figures from the first two months of 2017 also indicate that a recovery is taking place in Turkey's exports. It is our earnest wish that this promising start in our export trade should extend for the rest of the year as well. What we want everyone to know is that Turk Eximbank is going to continue supplying this country's exporters with increasing support and financing in the period ahead as well.

Nearly USD 33 billion worth of financing support for Turkey's exporters in 2016…

In an environment fraught with serious global uncertainties, Turk Eximbank made a substantial effort to increase the support which it provides to Turkey's exporters both quantitatively and qualitatively. Thus we see that our cash credit disbursements increased by 8.3% year-on and reached USD 21.9 billion in 2016. Likewise our export credit insurance/guarantee support was also up by 9.6% year-on and amounted to USD 11 billion in value. The upshot is that we achieved an overall 8.7% twelve-month rise in our total financing support while giving Turkish exporters the benefit of USD 33 billion worth of support. Thus, we also boosted the share of our country's export trade support from 21% in 2015 to 23% in 2016.

INCREASING SUPPORT
"IN AN ENVIRONMENT FRAUGHT WITH SERIOUS GLOBAL UNCERTAINTIES, TURK EXIMBANK MADE A SUBSTANTIAL EFFORT TO INCREASE THE SUPPORT WHICH IT PROVIDES TO TURKEY'S EXPORTERS BOTH QUANTITATIVELY AND QUALITATIVELY."

Turk Eximbank is growing rapidly…

One of our goals as Turk Eximbank is to reach out to all of our country's goods and services exporters in order that they may benefit from the Bank's support. Achieving this goal requires access to a substantial volume of resources. That is why we are constantly exploring ways in which both increase and to diversify our resources.

The first step was taken in this direction at an extraordinary general meeting of the Bank which was held on 12 January 2017 and during which a resolution was passed authorizing a changeover to the registered share capital system in order to increase the Bank's own Turkish lira resources. Turk Eximbank is now authorized to issue up to TL 10 billion as share capital and the Bank plans to increase its fully paid-in capital, which is currently TL 3.7 billion, to that level within five years' time.

Because we are also in need of foreign currency resources in the conduct of our business, we likewise continued our efforts to increase those by tapping both international and national money and capital markets for suitably-priced funding. The volume of such resources obtained from abroad increased by 56% year-on in 2016 and reached USD 5.5 billion. Our CBRT rediscount limit, which is another component of our foreign currency resources, was increased by that bank from USD 15 billion to USD 17 billion in July of last year.

Thanks to our increased loans with the contribution of these developments, Turk Eximbank's total assets grew by 53.6% last year and reached TL 68.2 billion in value as of end-2016.

Rediscount credit served as an important source of financing for Turkish exporters once again in 2016…

The rediscount credit that Turk Eximbank extends within the limit assigned to it by CBRT is in strong demand because it is the most cost-effective financing available not only from our own Bank but on the market as well.

MESSAGE FROM THE GENERAL MANAGER

11.2% INCREASE IN REDISCOUNT CREDITS
"THE TOTAL AMOUNT OF OUR SUPPORT SUPPLIED UNDER REDISCOUNT CREDITS PROGRAMS INCREASED BY 11.2% YEAR-ON AND REACHED USD 16.5 BILLION IN VALUE IN 2016."

Turk Eximbank offers two kinds of rediscount credit: pre-shipment export credit and post-shipment export credit. Pre-shipment export credit is intended to provide those who export goods and/or FC-earning services with the financing that they need during the pre-export period. Typically this involves discounting bills with terms of up to 240 days at a low (LIBOR+0.75) rate.

In order to encourage exporters both to export goods whose added-value is higher and to diversify into new markets, the maturity limit on rediscount credits in the case of exports of high-tech manufactured goods, of exports to new markets, and of exports of FC-earning services was increased to 360 days last year while the rediscount rate remained the same as for 240-day credits.

Under the Turk Eximbank Post-Shipment Rediscount Credit Program, exporters' receivables on shipments which they have made under the Turk Eximbank Receivables Insurance Program are accepted as rediscount credit collateral. In effect this means that exporters can borrow against such receivables without having to put up any additional security.

The total amount of our support supplied under rediscount credits programs increased by 11.2% year-on and reached USD 16.5 billion in value in 2016.

We're also expanding the medium- and long-term credit facilities that we offer exporters…

Besides providing short-term credit support, Turk Eximbank also seeks to enlarge the scope of its support for Turkey's export trade and exporters by lengthening the maturities of its lendings. One way in which it does this is through the export-oriented investment and working capital credit support which it provides to firms that want to finance investments to begin exporting or to increase their existing export capacity. These loans come with repayment terms of up to seven years. Recognizing the importance of branding as a way of increasing the value of exports, we also have a special program whose aim is to support firms in their acquisition of internationally-recognized brands. We believe that by increasing the weight of medium- and long-term lending in our portfolio, we can contribute significantly to the shift of Turkey's exports towards high-tech goods.

As a result of our efforts in this direction, we have succeeded in increasing the share of medium- and long-term lending in our overall portfolio from 24% in 2014 to 37% in 2016.

We are growing by diversifying our buyer's credit offerings…

In situations where the would-be buyers (importers) of a Turkish exporter's goods have trouble financing their purchases, Turk Eximbank can help create demand for such goods by supplying credit to them as well. Having expanded its "International Trade Financing" portfolio in recent years, Turk Eximbank seeks to give Turkey's exporters a competitive edge especially in the sale of more upmarket goods. In this context, our four credit programs enable our Bank to meet the financing needs of Turkey's exporters.

In 2016 Turk Eximbank continued to support Turkish contractors doing business abroad through its International Project Financing Program, under which projects undertaken by Turkish firms in other countries receive financing on terms of up to ten years either with government guarantees or within the framework of limits which Turk Eximbank assigns to international banks based on its own analysis and assessment of their soundness. African countries especially are emerging as an increasingly more important market in this business line. In addition to a project in Ethiopia, the biggest undertaking that the Bank has financed so far in a foreign country, Turk Eximbank is also financing a number of projects in Ghana and Senegal.

In the twelve months to end-2016, the total volume of international credit extended by Turk Eximbank increased by 97% and reached USD 271 million in value.

Through export credit insurance we share exporters' risks in their existing markets while also encouraging expansion into new ones…

In addition to its ongoing credit programs and facilities, Turk Eximbank also stands by Turkey's exporters with export credit insurance support including 238 countries. By covering their risks, Turk Eximbank export credit insurance allows exporters to do business in those countries more confidently while also helping them to defend their existing market shares, to enter new and unfamiliar markets, and to increase their competitive strength by offering their buyers more attractive payment terms.

In line with its goal of increasing the share of high-added-value goods in Turkey's export trade and similar to what it is doing in its cash loans, Turk Eximbank is also seeking to increase the proportion of the medium- and long-term credits in its export credit insurance and guarantees support.

In 2016 we increased the total amount of export credit insurance support by 9.6% to USD 11 billion in value. The total value of all shipments covered by our medium- and long-term insurance programs has nearly tripled to USD 66 million.

Turk Eximbank - Credit Guarantee Fund collaboration…

Under new regulations introduced by the Undersecretariat of Treasury to expand the scope of support provided to promote Turkey's export trade, the Credit Guarantee Fund (KGF) is now allowed to provide all Turkish exporters (including SMEs) with up to 100% guarantees under Treasury-Backed Surety System. Under the new rules, SMEs' surety limits have also been raised from USD 1.5 million to TL 7.5 million. Additionally, non-SME exporters have also been included within the scope of KGF surety coverage and may qualify for guarantees worth up to TL 20 million. As a result of these changes, all Turkish exporters, whether they are a SME or not, will find it easier to benefit from KGF-backed financing. This means that they will be able to concentrate on finding new markets and increasing their exports rather than on having to waste energy to secure financing.

EXPORT CREDIT INSURANCE ROSE BY 9.6%

"IN 2016 WE INCREASED THE TOTAL AMOUNT OF EXPORT CREDIT INSURANCE SUPPORT BY 9.6% TO USD 11 BILLION IN VALUE."

MESSAGE FROM THE GENERAL MANAGER

Our goal in 2017 is to finance 25.9% of Turkey's exports by supplying exporters with USD 39.8 billion in support…

What with the current state of the global economy and the problems that it causes especially for emerging economies, sustainable increases in export performance are becoming increasingly more crucial. As Turk Eximbank, we are well aware of the important role that we play in the financing of Turkey's exports. Our objective therefore will be to reach out to all product and service exporters in an effort to enable them to take advantage of the cash credit and non-cash insurance and guarantee products that our Bank provides.

With this in mind, our goal is to provide exporters with a total of USD 39.8 billion worth of financing support consisting of USD 25.4 billion in cash credit and USD 14.4 billion in export credit insurance and guarantees in 2017. By doing this, we will also be increasing the share of Turkey's total export trade that is being supported by Turk Eximbank from 23.0% to 25.9%.

THE GOAL FOR 2017 SUPPORT: 25.9%
"WE TARGET TO INCREASE OUR SHARE OF SUPPORT IN TURKEY'S TOTAL EXPORT TRADE FROM 23.0% TO 25.9% IN 2017."

Fulfilling these targets means that we will have to work more closely with our country's exporters in an effort to better address their needs. As the first step in our plan to do this, we will convert three of our nine liaison offices into full-fledged branches, which will make it possible for exporters to benefit from our credit resources in those localities without having to go somewhere else. In the next stage of our ongoing efforts to serve exporters better, our goal will be to convert the remaining liaison offices into branches too. In the period ahead we also plan to gradually open new liaison offices in the major organized industrial zones and in localities where there is export potential but our Bank does not yet have a presence. Another goal will be to make use of the information made accessible by our expanding branch and liaison office network to set up an in-house credit-rating system and to speed up our credit-assessment processes.

Yet another new undertaking by our Bank will involve international contractor services. We plan to provide Turkey's international contractors with a total of USD 500 million worth of one-year credit under a program that is being supported by the Ministry of Economy. The aim of this program is to support Turkish contractors' long-term presence and viability by increasing both their shares of and competitiveness in existing and new target markets. At this time, we are currently working with Ministry representatives in order to make the arrangements that this new program will require.

Turning to another issue, although we ourselves have not been making much of the "Medium- and Long-Term Guarantee" feature in the buyer's credit component of our international lending activities in recent years, doing so has been a common practice among many other export credit agencies. Energizing this aspect of the program will be one of our major goals in 2017. We are currently developing the content of this program and updating guarantee-related agreements. Our plan is to support Turkey's goods and services exporters by making it possible for buyers in other countries to obtain credit from other financial institutions under more favorable terms because it is backed by Turk Eximbank guarantees.

In addition, in 2017 we will continue to keep a close watch on developments taking place in such areas as legal and regulatory framework, infrastructure, technology, and informatics in order to find ways to reduce red tape in credit and insurance operations so that exporters may have the benefit of our services as straightforwardly, quickly, and conveniently as is possible.

In the conduct of all of these activities, we will also be striving to create a shared synergy by taking into account the demands and suggestions of Turkey's exporters, FC-earning companies, and international contractors.

Adnan YILDIRIM
General Manager (Acting)

STRAIGHTFORWARD, QUICK AND CONVENIENT
"IN 2017 WE WILL CONTINUE TO CONDUCT OUR ACTIVITIES SO THAT EXPORTERS MAY HAVE THE BENEFIT OF OUR SERVICES AS STRAIGHTFORWARDLY, QUICKLY AND CONVENIENTLY AS IS POSSIBLE."

SINCE 1987...

HISTORICAL BACKGROUND

Turk Eximbank was established in 1987 as Turkey's official export credit agency and began to implement its programs at the beginning of 1988.

ALWAYS SU

TURK EXIMBANK OFFERS SPECIALIZED FINANCIAL SERVICES TO EXPORTERS, EXPORT-ORIENTED MANUFACTURERS, AND OVERSEAS INVESTORS AND CONTRACTORS THROUGH A VARIETY OF SHORT-, MEDIUM- AND LONG-TERM CASH AND NON-CASH CREDIT, INSURANCE AND GUARANTEE PROGRAMS.

EXPORT CREDIT INSURANCE SYSTEM
THE EXPORT CREDIT INSURANCE SYSTEM THAT GAINED CURRENCY IN TURKEY AT THE END OF THE 1950s WAS RE-INTRODUCED BY TURK EXIMBANK IN 1989.

SOLE OFFICIAL EXPORT CREDIT AGENCY
AS THE SOLE OFFICIAL EXPORT CREDIT AGENCY IN TURKEY, TURK EXIMBANK PLAYS AN ESPECIALLY IMPORTANT ROLE THROUGH ITS POLICIES IN SUPPORT OF EXPORTS.

HISTORICAL BACKGROUND

In the early 1980s, traditional import substitution policies began being replaced by foreign-oriented policies and thereafter exportation gained a high degree of importance to the Turkish economy. The task of supporting exports within this reorganization process was undertaken by Turk Eximbank, established in 1987.

Turk Eximbank was chartered by the Board of Ministers through Decision No. 87/11914, following the order of Law No. 3332 dated 31 March 1987 by maintaining the juridical and legal personality of the State Investment Bank. In effect, according to the charter, Turk Eximbank took over the State Investment Bank's credit, funding, support, insurance, guarantees of goods and services, exports and imports, overseas contracting services, manufacturing and sales of domestic investment goods, and foreign investments, but at the same time it was transformed into a joint stock company subject to the provisions of the Private Law of the State Investment Bank. Turk Eximbank was established in 1987 as the official export credit agency, according to international classifications, and started to implement its programs at the beginning of 1988.

The "Principles Regarding Establishment and Duties of the Export Credit Bank of Turkey", which has since been repealed, was prepared to reflect the changes in legislation required regarding the activities of the Bank in line with the Principles Appendix to Decision No. 87/11914 regulating the establishment of the Bank, Turkish Commercial Code No. 6102, banking legislation, and global financial and economic developments that have occurred since the Bank's establishment, and was published in the Official Gazette dated 23 February 2013 as an attachment to Decision 2013/4286 of the Board of Ministers.

ANNUAL PROGRAMS
THE OPERATIONAL FRAMEWORK OF TURK EXIMBANK ACCORDING TO ITS "ESTABLISHMENT PRINCIPLES AND CHARTER" IS SHAPED BY ITS ANNUAL PROGRAMS.

As the sole official export credit agency in Turkey, Turk Eximbank plays an especially important role through its policies in support of exports. The Bank's main objectives are:

- Increasing the volume of exports;
- Diversification of export goods and services;
- Developing new export markets;
- Increasing the exporters' share of international trade and providing necessary support for their initiatives;
- Gaining competitiveness and bringing assurance to exporters, overseas contractors and investors on the international markets; and
- Promoting and supporting the production and sale of investment goods for export through overseas investments.

As a means of aiding export development, Turk Eximbank offers specialized financial services to exporters, export-oriented manufacturers, and overseas investors and contractors through a variety of short, medium- and long-term cash and non-cash credit, insurance and guarantee programs.

In accordance with Article 4/C of the Chartering Law, which was amended by Act No. 3659 and Article 10 of the Law No. 4749, the Undersecretariat of Treasury covers any losses incurred by Turk Eximbank in its credit, insurance and guarantee transactions arising from political risks.

Turk Eximbank's role in funding export activities has steadily increased over the years.

The two most important reasons for this are, first, to eliminate the direct export incentives implemented in previous years in accordance with Turkey's liabilities against international institutions regulating the world trade, and second, due to the commitment of Turkey about compliance with the commercial and competition policies of the EU as well as of the Customs Union established in 1996. As a result of these developments, the funding of exports through credit, guarantee and insurance programs has become the most significant stimulant in the market in terms of increasing the competitiveness of Turkish exports on international markets.

The export credit insurance system that gained currency in Turkey at the end of the 1950s was re-introduced by Turk Eximbank in 1989. The system was initially designed to provide cover against commercial and political risks only for short-term export claims, but its scope was later expanded to cover medium- and long-term goods and services claims.

The operational framework of Turk Eximbank according to its "Establishment Principles and Charter" is shaped by its annual programs. These programs, which the Executive Board must follow, enter into force by decision of the Supreme Advisory and Credit Guidance Committee.

The committee is chaired by the Prime Minister or Minister with whom the Bank is affiliated and includes as members:

- The Undersecretary of the Ministry of Science, Industry and Technology,
- The Undersecretary of the Ministry of Economy,
- The Undersecretary of the Ministry of Customs and Trade,
- The Undersecretary of the Ministry of Development,
- The Undersecretary of the Ministry of Finance,
- The Undersecretary of Treasury,
- The President of the Central Bank of Republic of Turkey,
- The Chairman and Deputy Chairman of the Board of Directors, and the Chief Executive Officer of Turk Eximbank.

Within the framework of the objectives of the annual programs, whether generally or related to country- or sector-specific groups, Turk Eximbank's Board of Directors and its General Directorate are authorized to carry out assignments within the limits of a range of credit transaction, guarantee and insurance programs.

INCREASING ROLE
TURK EXIMBANK'S ROLE IN FUNDING EXPORT ACTIVITIES HAS STEADILY INCREASED OVER THE YEARS.

CHANGES IN THE ARTICLES OF ASSOCIATION

TL 3.7 BILLION
AT THE GENERAL ASSEMBLY HELD ON 22 MARCH 2016, THE AUTHORIZED CAPITAL STOCK OF TURK EXIMBANK WAS INCREASED FROM TL 2.5 BILLION TO TL 3.7 BILLION.

At the General Assembly held on 22 March 2016, the authorized capital stock of Turk Eximbank was increased from TL 2.5 billion to TL 3.7 billion[1] and a number of other changes were made in its articles of association within the constraints of regulations as indicated below:

- Due to the capital increase, "Article 7- Bank's Capital" of the Articles of Association was amended, and the word "committees" in "Article 9- The Bank's Organs" was replaced by the phrase "Credit Committee and Audit Committee".
- In order to regulate each committee individually, which were previously set out under the same article, the title of "Article 31- Committees" was revised as "Credit Committee", and "Article 32- Audit Committee" was supplemented to the text.

CAPITAL STRUCTURE

The Undersecretariat of Treasury holds all of the Bank's shares. Neither the chair nor the members of the Board of Directors nor the general manager nor any assistant general manager owns shares in the Bank.

[1] At the extraordinary general meeting which was held on 12 January 2017, a resolution to make a changeover to the registered share capital system and to increase the capital ceiling up to TL 10 billion was passed. The Board of Directors is now authorized for a five years' time between 2017-2021 to increase the Bank's capital.

RELATIONS WITH EXPORT SECTOR

Turk Eximbank meets the financial needs of export sectors in line with the developments taking place in the global and Turkish economies. When doing so, the Bank serves extensive lineup of customers ranging from domestic manufacturers to international contractors and carriers, and from those involved in the tourism industry to those providing FC-earning services such as software and project development and consultancy.

Since its establishment, Turk Eximbank has been constantly introducing new credit programs that address the demands and needs of exporters while making changes in existing programs in order to provide customers with the financing that they need.

CLOSE COLLABORATION WITH REAL-SECTOR
TURK EXIMBANK CONDUCTS ITS OPERATIONS IN CLOSE COLLABORATION WITH REAL-SECTOR ACTORS.

Turk Eximbank conducts its operations in close collaboration with real-sector actors. Believing that it is necessary not only to address the real sector's financing problems, the Bank also examines and identifies its existing structural problems and develops remedial policies accordingly. In this context, Turk Eximbank actively engages with all export-industry agencies and organizations in order to come up with long-term solutions. The Bank also plays an effective role in the identification and resolution of problems by consulting with industry representatives.

Every company residing in Turkey and conducting merchandise and services exports can benefit from Turk Eximbank's programs. In the conduct of its export-financing activities, Turk Eximbank treats all sectors equally. The composition of Turk Eximbank's credit portfolio is broadly representative of the overall sectoral distribution of Turkey's export trade.

In keeping with the "customer oriented" component of the Bank's vision and strategies, Turk Eximbank directors and specialists visit exporter firms in order both to promote its credit and insurance programs and to obtain exporters' views and opinions. They also attend and inform exporters at meetings and seminars organized around the country by the Ministry of Economy, the Small and Medium Enterprises Development Organization, the Union of Chambers and Commodity Exchanges of Turkey, local and regional chambers of commerce and industry, the Turkish Exporters Assembly (TIM), and exporters' associations etc.

Turk Eximbank also conducts meetings and organizes events promoting the Bank's programs in parts of the country where small and medium sized businesses are especially active.

In line with its goal of helping the national economy achieve a more balanced structure and especially of eliminating inter-regional inequalities, Turk Eximbank believes it is necessary to give special importance to investments in so-called "priority development areas" (PDA).

Thus in the conduct of all of its credit-placement decisions and operations, precedence is given to PDA-based firms. Similarly the intermediary banks with which Turk Eximbank works are obliged to extend at least 5% of the Pre-Shipment Turkish Lira Export Credit limits assigned to them as loans to PDA-based firms, which are also entitled to borrow at discounted interest rates.

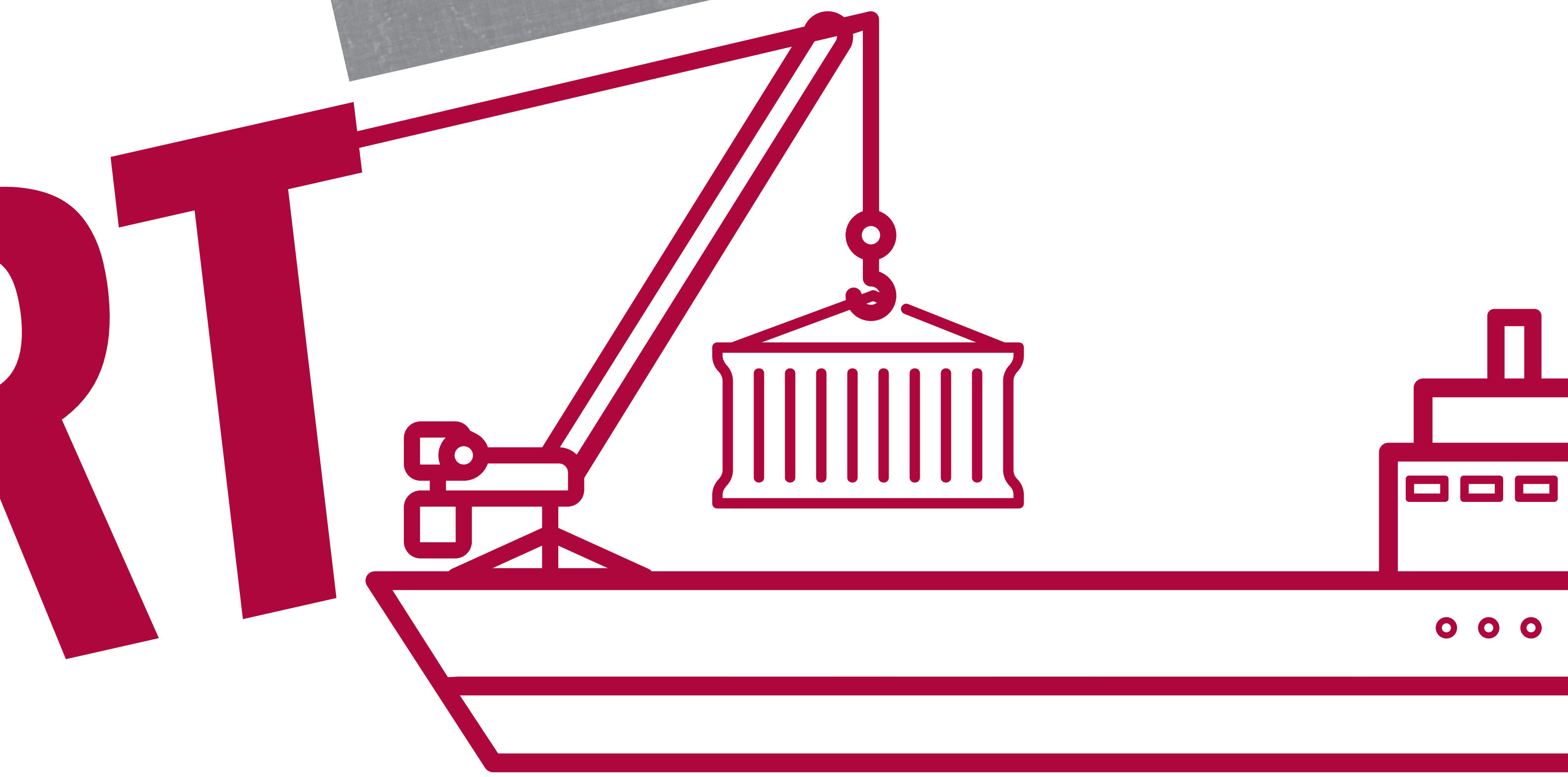
TURK EXIMBANK'S POSITION IN THE TURKISH BANKING SECTOR

ALWAYS

SUPPOR

Turk Eximbank conducts "International Credit and Guarantee" programs aimed at developing economic and political relations between Turkey and other countries and "Credit Insurance" programs that cover export sector's exposure against political and commercial risks, as well as "Export Credit" programs, which provide the export sector with low-cost financing.

TURK EXIMBANK'S RANKING AMONG THE 52 BANKS THAT MAKE UP THE TURKISH BANKING SECTOR INCREASED FROM 12TH IN 2015 TO 11TH IN 2016 IN TERMS OF ASSET SIZE.



TURK EXIMBANK'S LOAN-TO-ASSET RATIO WAS 90%

SUSTAINABLE PROFIT
AS OF YEAR-END 2016, TURK EXIMBANK'S RETURN ON ASSETS AND RETURN ON EQUITY RATIOS WERE 0.6% AND 8.8%, RESPECTIVELY.

TURK EXIMBANK'S POSITION IN THE TURKISH BANKING SECTOR

In addition to Law No. 3332 regulating its establishment and terms of operations, the Bank is also subject to Banking Law No. 5411. According to Banking Law No. 5411, Turk Eximbank is classified within the "Development and Investment Banks" group and represents this group in the Board of Directors of the Banks Association of Turkey. Within the framework of the obligations arising from Turkey's membership in the WTO and the ECG, and from the Customs Union Agreement between Turkey and the EU, Turk Eximbank carries out programs conforming to WTO, OECD and EU norms, as well as internationally accepted rules and regulations. The Bank is a full member of the International Association of Export Credit and Investment Insurance Companies (Berne Union), with which it has a close relationship in the area of export credit insurance activities. In this respect, the Bank differs from commercial banks, participation banks, and other development and investment banks in the sector.

Turkish Banking Sector

In 2016, global markets experienced fluctuations stemming from the potential protective tendency anticipated to be displayed by the US economy policy following the presidential election in that country and its global implications, hiked benchmark rate by the Fed, increased economic and political ambiguity in the eurozone upon the UK's decision to exit European Union membership (Brexit), continued negative impact on Russia and region economies of the sanctions imposed against Russia, heightened geopolitical risks and higher political polarization particularly with respect to Syria. Following the failed coup d'état attempt of July 2016 that came in addition to the negative developments in global markets, rating agencies downgraded the sovereign rating and the banks' ratings, emphasizing the vulnerability of Turkey in the face of external factors.

TOTAL CREDITS
TURKISH BANKING SECTOR'S TOTAL CREDITS GREW BY 17% AND REACHED TL 1.7 TRILLION.

The attention of international banking groups in the Turkish banking sector that remained sound also in 2016 defying the increased risks in global markets continued, and the Banking Regulation and Supervision Agency (BRSA) authorized the establishment of a deposit bank with a TL capital equivalent to USD 300 million by the Bank of China Limited based in the People's Republic of China. The government support continued to ensure growth of participation banking and expansion of Islamic banking activities, and operating authorization was granted to Vakıf Participation Bank that is backed by public capital in 2016. On the other hand, the sales process of a participation bank handed over to the Savings Deposit Insurance Fund (SDIF) was ceased, its operating permission was revoked by the BRSA, and liquidation process was initiated therefor.

The government kept taking measures concerning the financial services sector; within this context, the Credit Guarantee Fund (in Turkish: KGF) introduced Treasury-guaranteed surety support for SMEs challenged in accessing finance through KGF shareholder banks. In addition, it was decided to establish Turkey Wealth Fund for the purposes of contributing to diversity and depth of instruments in the capital markets, recovering the domestic public sector assets for the economy, obtaining external funds, and participating in strategic, large-scale investments. Initially, besides various public institutions, 100% equity stake in Ziraat Bank that was held by the Undersecretariat of Treasury and 51.11% equity stake in Halkbank that was held by the Privatization Administration were handed over to the Turkey Wealth Fund in 2017.

Furthermore, the BRSA announced that ratings assigned by the International Islamic Rating Agency (IIRA) could also be taken as basis for measuring and assessing the sector's capital adequacy.

The Turkish banking sector continues to grow…

In the twelve months to end-2016, the Turkish banking sector's total assets grew by 16% and reached TL 2.7 trillion while its total credit portfolio also increased by around 17% to TL 1.7 trillion. As a result of these developments, share of total credits in total assets increased by one percentage point over what it was in 2015 and it stood at 64% as of year-end 2016.

While 50% of the sector's total credits consisted of corporate loans, retail and SME credits accounted for 26% and 24%, respectively. Export credits[2] increased by 22% annually to reach TL 140.7 billion as of December 2016, and made up 8.1% of total credits.

Non-performing loans grew by 22% in the 12-months to end-2016 and amounted to TL 58.1 billion; the percentage of its loans going sour was up marginally from 3.1% in 2015 to 3.2% in 2016.

The securities portfolio of the sector grew by 7% and reached TL 350.7 billion in 2016. The share of the securities portfolio in the sector's total assets slipped slightly from 14% in 2015 to 13% in 2016.

NON-PERFORMING LOANS
NON-PERFORMING LOANS INCREASED BY 22% IN THE 12-MONTHS TO END-2016 AND AMOUNTED TO TL 58.1 BILLION.

[2] Export credits consist of export credits, discount and documentary bills and export guaranteed investments credits.

TURK EXIMBANK'S POSITION IN THE TURKISH BANKING SECTOR

Structural changes in external funding…

While total deposits increased by 17% and reached TL 1.5 trillion in 2016, their share of total foreign resources was flat with the year-end 2015 figure of 59% at year-end 2016. The loan-to-deposit ratio was in parallel with year-end 2015 figure and registered as 119%.

The total value of the syndicated loans was down by 3% on US-dollar basis and amounted to USD 19.1 billion at the end of 2016. Turkish banks appeared not to have any problems in getting their syndications renewed.

Capital structure remains sound…

Accompanied by the growth in its paid-in capital and BRSA restrictions on dividend payments, the sector's shareholders' equity grew by 14% and reached TL 300.2 billion as of end-2016.

At 15.6% at the end of 2016, the capital adequacy ratio was in parallel to year-end 2015 figure and remained higher than the BRSA-mandated target.

Net current profit and average profitability are increasing…

At end-2016, the Turkish banking sector showed a net current profit of TL 37.5 billion, 44% higher than at end-2015.

Return on assets ratio, which was 1.2% on average as at December 2015, was 1.5% in December 2016. Similarly, return on equity went up from 11.3% to 14.3% during the same twelve-month period.

SHAREHOLDERS' EQUITY
THE SECTOR'S SHAREHOLDERS' EQUITY GREW BY 14% AND REACHED TL 300.2 BILLION AS OF END-2016.

TURK EXIMBANK'S POSITION IN THE SECTOR

The Bank's total assets increased by 54% in 2016 and reached TL 68.3 billion in value. This growth carried the Bank's ranking among the 52 banks (including participation banks) that make up the Turkish banking sector from 12^{th} in 2015 to 11^{th} in 2016. The Bank's loan portfolio similarly increased by 43% during the same twelve-month period and reached TL 61.6 billion in value, a rate of growth that outpaced the overall sector average. Two primary contributors to this performance were Turk Eximbank's ability to offer relatively attractive interest rates and a substantial increase in the rediscount credit limit, which CBRT assigned to the Bank. Hence the Bank was single-handedly responsible for nearly 42% of all of the export financing supplied by the Turkish banking sector in 2016.

At 90% as of December 2016, the Bank's loan-to-asset ratio was one of the highest ratios of any bank in Turkey. In a similar vein, the Bank's 0.4% NPL ratio is also one of the sector's lowest, and the Bank's NPL were 62% provisioned.

The Bank's total equity increased by 9% year-on in 2016 and reached TL 5.2 billion, while its capital adequacy ratio was down from 18.9% at end-2015 to 13.4% at end-2016.

In 2016, the Bank generated a net profit of TL 421 million, 14% lower than what it was in 2015. The Bank's return on assets and return on equity ratios were 0.6% and 8.8%, respectively.

THE SHARE IN EXPORT FINANCING: 42%
THE BANK WAS SINGLE-HANDEDLY RESPONSIBLE FOR NEARLY 42% OF ALL OF THE EXPORT FINANCING SUPPLIED BY THE TURKISH BANKING SECTOR IN 2016.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

EXPORT SUPPORT TO 6,381 FIRMS

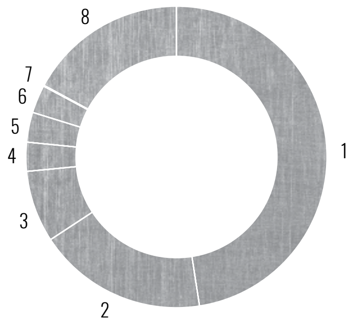
PRIORITY TO SMEs
IN ALL OF THE LENDING PROGRAMS, PRIORITY WAS GIVEN TO FIRMS BASED IN THE SO-CALLED PDA AND TO SMEs.

BASED ON FEEDBACK FROM EXISTING AND POTENTIAL CUSTOMERS, SEVERAL IMPROVEMENTS WERE MADE LAST YEAR IN THE LOANS EXTENDED FOR FINANCING EXPORTS OF GOODS AND FC-EARNING SERVICES AND SALES FROM FREE ZONES.

ALWAYS
PPORT

Turk Eximbank supports exporters, export-oriented manufacturers, international contractors and entrepreneurs, and firms supplying FC-earning services with short, medium- and long-term credit, insurance, and guarantee programs.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016



THE SHORT-TERM CREDITS BY COUNTRY GROUPS (%)
EU COUNTRIES RANKED FIRST AMONG COUNTRY GROUPS WITH A 47.5% SHARE OF THE TOTAL.

1 EU	47.5
2 Middle East/North Africa	18.2
3 Canada	7.7
4 Non-EU Countries	3.1
5 Far East	3.2
6 Central and West Asia	3
7 Japan	0.1
8 Others	17.2

LOANS

Turk Eximbank supplies firms with low-cost and short-term pre-shipment financing both directly and through intermediary banks. In order to help boost Turkey's export trade by making it easier for the exporters to enter new and/or targeted markets by offering their buyers more favorable terms, export receivables are discounted.

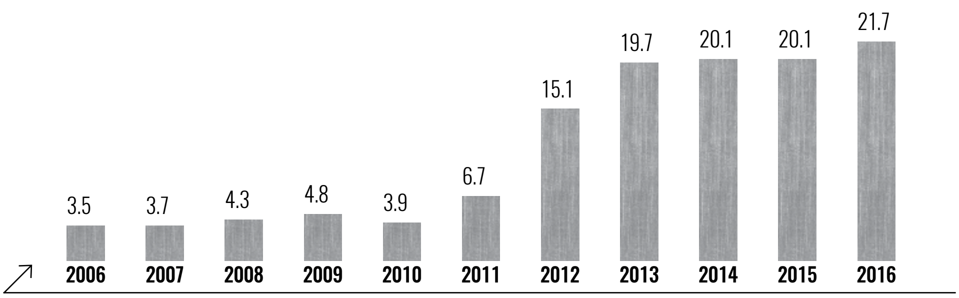
In 2016 Turk Eximbank supplied TL 67.5 billion (USD 21.7 billion) worth of short-term Turkish lira and foreign currency credit.

Of this short-term lending, 20% consisted of Turkish lira and 80% consisted of foreign currency loans.

Rediscount credits made up the largest share of short-term credits at 83.4%, while Pre-shipment Export Credits (PSECs), which were disbursed via intermediary commercial banks, made up a 12% share.

Medium- and long-term loans, on the other hand, were made up of TL loans by 10% and Foreign Credit loans by 90%.

While Export-Oriented Working Capital was responsible for the highest share of medium- and long-term loans with 21%, 24% share belonged to Specific Export Credit,



TOTAL CREDITS SUPPLIED BY THE YEARS (USD BILLION)
IN 2016 TURK EXIMBANK SUPPLIED TL 67,539 MILLION (USD 21.7 BILLION) WORTH OF SHORT-TERM TL AND FOREIGN CURRENCY CREDIT.

which is a 10-year facility channeling the funds made available by MIGA, a member of the World Bank Group, with a grace period of 3 years for exporters.

A total of 6,381 firms, which together accounted for a significant share of Turkey's overall exports, benefited from Turk Eximbank's export credit programs during 2016.

The sectoral distribution of the Bank's short-term lending shows that the biggest (16.6%) share went to the metal industry, while EU countries ranked first among country groups with a 47.5% share of the total.

In all of the Bank's lending programs, priority was given to firms based in the so-called PDA and to SME. As a result of this policy of giving precedence to supplying SMEs with funding, the total lending amounted to USD 2.1 billion. This means that 10% of credits was lent to SMEs, which also accounted for 61% of the firms that benefited from Turk Eximbank's short-term credit programs. The Bank carried on with credit programs aimed at encouraging the Sectoral Foreign Trade Company model, which are specialized foreign trade companies formed by the joint forces of SMEs in a particular business line.

Recent Adjustments and Revisions

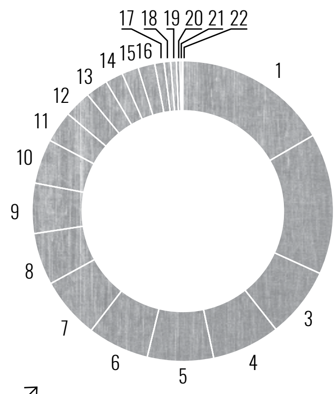
Based on feedback from existing and potential customers, several improvements were made last year in the Bank's loans extended for financing exports of goods and FC-earning services and sales from free zones.

In order to eliminate the effects of the ongoing international volatilities on the real sector in Turkey and to help the economy more strongly embark upon a period of sustainable growth, fund transfers continued in export credit practices in accordance with the demands and needs of the export sector throughout the year.

In this context, arrangements have been made regarding interest rates, maturities and limits in order to meet the needs of exporters through more favorable conditions. The interest rate discounts offered on export credit demands that are covered under the Short-Term Export Credit Insurance Program have been continued.

Developments in domestic lending in 2016:

- Pre-Shipment Export Credit, extended via commercial banks and participation banks, is also made available to FC-earning service exporter firms, as well as to exporters of goods.
- Pre-Shipment Export Credit extended solely on US-dollar basis via participation banks is also made available on TL and EUR bases.



THE SHORT-TERM CREDITS BY SECTOR (%)
THE SECTORAL DISTRIBUTION OF THE SHORT-TERM LENDINGS SHOWS THAT THE BIGGEST SHARE WENT TO THE METAL INDUSTRY WITH 16.6%.

1	Metal	16.6
2	Logistics and Transportation	15.2
3	Textile and its Raw Materials	7.6
4	Food	7.3
5	Ready-to-wear	7.1
6	Chemistry and Plastics	6.6
7	Construction and Construction Materials	6.6
8	Wholesales Trade	5.6
9	Automotive	5.4
10	Energy	4.8
11	Services	3.4
12	Electronic Households	2.9
13	Electricity and Electronics	2.4
14	Furniture, Home and Office Appliances	1.9
15	Machinery and Equipment	1.8
16	Paper and Forestry Products	1.8
17	Agriculture and Fishery	1
18	Retail	0.7
19	Information and Communication Technologies	0.6
20	Health	0.4
21	Other	0.2
22	Glass	0.1

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

- Rediscount Credit extended on US dollar and EUR bases started to be extended on UK pound and Japanese yen bases, as well.
- Limits allocated to firms under Rediscount Credit and Post-Shipment Rediscount Credit programs were raised to USD 400 million for Foreign Trade Companies and USD 350 million for other firms, respectively. These limits can be increased by up to two times for firms that posted above TL 10 billion in net sales revenues in the most recent fiscal year, up to 3 and 4 times for firms that posted above TL 15 billion and TL 20 billion, respectively.
- Rediscount Credit extended by the Headquarters, Ankara and Aegean Regional Directorates are now also allocated by Gaziantep Branch.
- 15% collateral taken for exchange rate risk in TL Rediscount Credit was reduced to 10% of the credit amount for firms with an annual export volume of above USD 15 million.
- In CBRT-sourced Rediscount Credit, maturity was extended to 360 days for exports of high-technology industrial products, exports to new markets and FC-earning services, and the interest rate applied thereon was kept fixed as the one on 240-day loans.
- Specific Rediscount Credit product was introduced, which accepts Specific Export Credit Insurance Pre-/Post-Shipment Risk Policy as collateral.
- Facilities secured from international financial institutions such as EIB, IDB and MIGA continued to be extended as medium- and long-term and low-interest credit to exporters and primarily to SMEs.
- Funds were secured once again from CEB for on-lending to SMEs.
- In response to demands from firms, maturity extension was provided for loans extended for the Russian Federation and Iraq.
- 3-month maturity extension on credit was introduced for all firms utilizing CBRT-sourced Rediscount Credit. Firms not benefiting from this opportunity are able to repay in TL based on CBRT rates.
- Firms with credit risk exposure were granted 2-year extension upon demand within the scope of the Bridge Credit Program for Overseas Contracting Services.
- Lower transaction limit applied to Post-Shipment Rediscount Credit was eliminated to facilitate access of small-scale firms to financing.
- The New Credit Project designed for effective execution of the lending process was introduced in 2016, and an important step was taken toward swift finalization of web-based lending.

NEW CREDIT PROJECT
THE NEW CREDIT PROJECT DESIGNED FOR EFFECTIVE EXECUTION OF THE LENDING PROCESS WAS INTRODUCED IN 2016.

REALIZATIONS BASED ON DOMESTIC CREDIT PROGRAMS

Short-Term Domestic Credit Programs

Turk Eximbank allocates short-term export credit to exporters and export-oriented manufacturers, especially in order to meet their financing needs at the pre-shipment stage. These credits are extended either in Turkish lira or in foreign currency, either directly by Turk Eximbank or via other banks.

Credits Extended Via Commercial Banks

PSECs, including both the Pre-Shipment Turkish Lira Export Credit (PSEC-TL) and the Pre-Shipment Foreign Currency Export Credit (PSEC-FX), are credit facilities covering all sectors and providing financial support to exporters starting from the early stages of production. The maximum maturity on PSEC-TL and PSEC-FX loans are 360 and 720 days, respectively.

During 2016, Turk Eximbank lent a total of TL 4.1 billion (USD 1.1 million) under the PSEC-TL program and USD 1.2 billion (TL 3.7 billion) under the PSEC-FX program. In the case of both programs, intermediary banks are obliged to lend at least 30% of their assigned credit limits to SMEs. During 2016, a total of USD 1.1 billion was lent to SMEs through PSEC programs.

Credits Extended Directly

Turk Eximbank's Pre-Export Credit Programs are intended to provide FX loans to exporters and manufacturer-exporters during the pre-export preparatory stage. During 2016, the Bank extended USD 65 million (TL 194 million) as Pre-Export FX financing and TL 1.9 billion (USD 427 million) as Pre-Export TL financing.

Under Pre-Export Credit for SMEs Program, the Bank extended a combined total of TL 1.7 billion (USD 400 million) consisting of TL 1.5 billion (USD 315 million) as Pre-Export TL Credit for SMEs and USD 84 million (TL 257 million) as Pre-Export FX Credit for SMEs.

PSEC
DURING 2016, TURK EXIMBANK LENT A TOTAL OF USD 1.1 MILLION TO SMEs UNDER THE PSEC PROGRAM.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

REDISCOUNT CREDITS
TOTAL LOANS EXTENDED IN 2016 UNDER THE REDISCOUNT CREDIT PROGRAMS (FX AND TL) WAS USD 15.7 BILLION (TL 47.2 BILLION).

Credits Funded by CBRT: Subject to a USD 17 billion limit allocated to Turk Eximbank, the Bank, in cooperation with the CBRT, provides Rediscount Credit to exporters, export-oriented manufacturers and FC-earning services firms in all sectors in the pre-shipment stage to meet their pre-shipment financing requirements against an export commitment.

Loans extended in 2016 amounted to USD 13.5 billion (TL 40.4 billion) under the Rediscount Credit-FX Program and TL 6.8 billion (USD 2.2 billion) under the Rediscount Credit-TL Program. The combined total under both programs was thus USD 15.7 billion (TL 47.2 billion).

A total of USD 399 million (TL 1.2 billion) of credit was provided during 2016 under the Post-Shipment Rediscount Credit (PSRC) program, which is intended to increase the competitive strength of exporters in international markets through expanded forward-sales possibilities and to encourage them to penetrate new and targeted markets free from country risk.

The International Transportation & Marketing Credit Program aims to reduce the shipping costs of exporters by addressing the financing needs of firms engaged in international transportation. During 2016, credit extended under this program totaled USD 38 million (TL 115 million).

The Credit Program for Participating in Overseas Trade Fairs aims to support firms' participation in international fairs and exhibitions as part of their efforts to increase market share, to enter new and targeted markets, to learn about new technologies and products, and to contribute to the growth and development of exports. During 2016, credit extended under this program totaled USD 61 thousand (TL 181 thousand).

Medium- and Long-Term Domestic Credit Programs

Medium- and long-term domestic credit programs are those other than the short-term export credit financing programs discussed above, and are of a complementary nature aiming project-based financing.

The Overseas Chain Stores Investment Credit Program is intended to finance investments that will contribute to the creation of a favorable "Made in Turkey" brand image through the international branding of Turkish products, investments in stores and shopping malls to be built in other countries, and investments that create fashion and strongly establish Turkish brands.

The Ship Building & Export Financing Program aims to support Turkey's shipbuilding industry in its efforts to take a bigger share of international markets. Under this program, the Bank issues letters of guarantee for shipbuilding and export projects covering the project-owner's advances and progress payments. Turk Eximbank also supports this sector by means of a variety of cash loan products as well.

The Specific Export Credit Program is intended to provide short- and medium-term financing for the goods and services projects of export-oriented manufacturers in Turkey and of international contractors which Turk Eximbank deems to be meritable but which cannot otherwise be financed under the Bank's existing programs.

The Trademark Credit Program aims to provide financing for Turkey-based firms' acquisitions of new non-resident brands and of their acquisition of existing brands, companies, and/or brand-associated stores, facilities, etc.; for their international penetration and establishment projects aimed at enhancing the image of Turkish goods/brands, at creating fashion, and at entrenching Turkish brands.

Under this program, firms are provided with two long-term options for financing their branding investments in other countries: a seven-year loan with a two-year grace period on the repayment of principal and a ten-year loan with a three-year grace period on the repayment of principal.

The Export-Oriented Investment & Working Capital Credit Programs aim at providing finance for machinery, equipment, and other capital goods and working capital needed for the exportation of Turkish products. Working capital credit is provided to companies seeking to develop their export operations and is offered with three different term options (three, four, and five years), each with a grace period of one year. Investment credit is provided to firms with four different term options (four, five, six, and seven years), each with a grace period of one or two years. During 2016, credits extended under these programs totaled USD 1 billion.

The EIB Credit Program is intended to provide fixed-capital investment and working capital financing for the exports and FC-earning services of SMEs that operate in the areas of manufacturing, tourism, and services. These loans are covered by an agreement between Turk Eximbank and the EIB. During 2016, a total of USD 192 million worth of financing was provided to SMEs under this program. Medium- and long-term investment and working capital credit is also provided to exporters out of a fund supplied to Turk Eximbank by MIGA, a member of the World Bank Group.

The Letter of Guarantee Program for Overseas Contractors' Services aims to support Turkish contractors in their efforts to strengthen their positions in existing markets and to venture into new markets by providing letters of guarantee for projects that they have undertaken or will undertake in other countries.

The Bridge Credit Program for Overseas Contractor Services aims to mitigate the impact of financial crises on the Turkish contracting industry and to protect Turkish contractors' investments and their long-term competitive strength in other countries' markets by keeping construction sites and mobilization-engine parks functioning. During 2016, credits extended under this program totaled USD 32 million (TL 95 million).

THE EIB CREDIT PROGRAM
DURING 2016, A TOTAL OF USD 192 MILLION WORTH OF FINANCING WAS PROVIDED UNDER EIB CREDIT PROGRAM.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

INTERNATIONAL LOANS PROGRAMS

After the destructive financial crisis of 2008 whose effects still linger, the world economy is unable to achieve sustainable, employment-friendly, high growth rates. Despite the discussions about the savings surplus existing in the world, the world finance system is short of supplying the necessary funding for the infrastructural needs in developed and emerging countries. Regional and international development and investment banks, along with export credit agencies, are expected to play an important role in securing the necessary investment financing for global macroeconomic balances.

While the necessity of credit export agencies had become a debated topic prior to 2008, these agencies started to be regarded from a different angle and the discussions about the necessity of their existence came to an end in the aftermath of the global crisis. To the backdrop of protective tendencies anticipated to get even stronger in the period ahead, and increasingly competitive global environment, export credit agencies began to be considered as indispensable institutions of a sustainable export policy.

DIFFERENT PRODUCTS
AMID THE GROWING RISK ENVIRONMENT, EXPORT CREDIT AGENCIES LAUNCH NEW PRODUCTS SUCH AS "DIRECT LOANS", WHILE CONTINUING TO WORK ON DIFFERENT PRODUCTS.

Cooperation agreements that export credit agencies will execute with other commercial banks, regional and multinational development banks and other credit export agencies will play a significant role in providing the infrastructural investment financing needed by the world economy, by filling the gap of the banks whose risk appetite lessened in parallel to increased economic and political instability. In line with this need, International Loans Departments devised the necessary strategies by closely monitoring the cooperation models mentioned above, and started working to that end.

Amid this growing risk environment, export credit agencies launch new products such as "direct loans", while continuing to work on different products. Within this frame, Turk Eximbank will continue to support the structural transformation of exports within the scope of its International Loans Program.

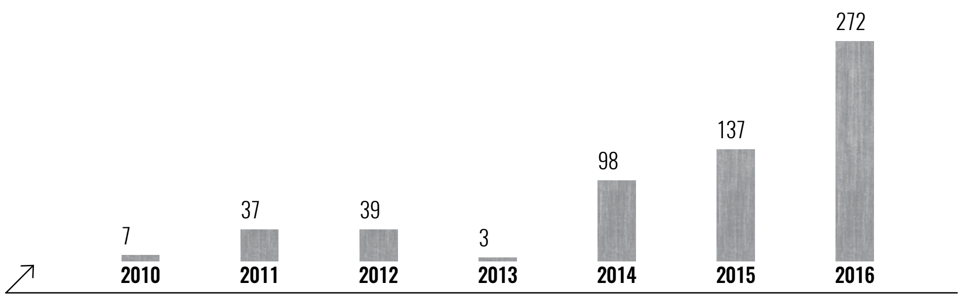
Loans extended under International Loans Program nearly doubled year-to-year and reached USD 272 million in 2016. Upon roll-out of the projects in the pipeline, the amount of loan allocations are anticipated to grow at an increasing speed in the years ahead.

In order to add momentum to International Loans programs and increase the trade volumes of Turkish goods and services and in view of the difficulties inherent in getting state guarantees, one of Turk Eximbank's goals in 2016 was to allocate more credit lines to recognized reputable banks. Accordingly, last year a credit limit of USD 10 million was allocated to Golomt Bank residing in Mongolia. On the other hand, the Bank also updated the lines allocated in previous years to Credit Europe Bank, Belinvestbank, Belarusbank, Development Bank of Mongolia, International Bank of Azerbaijan, Banka Kombetare Tregtare, Pasha Bank and Sterling Bank. Hence, credit lines allocated to 18 overseas banks to date amounted in the aggregate to USD 573 million.

CREDIT LINES ALLOCATED ABROAD
CREDIT LINES ALLOCATED TO 18 OVERSEAS BANKS TO DATE AMOUNTED IN THE AGGREGATE TO USD 573 MILLION.

In 2016, Turk Eximbank issued 91 letters of intent pertaining to the financing of projects and business deals which Turkish firms planned to undertake in 35 countries in Africa, Asia, Europe and Latin America. Under these letters, the Bank declared its intentions to supply a total of USD 11.3 billion worth of credit to finance payments for goods and services to be exported from Turkey.

The Bank collects from related countries the amounts transferred from the Undersecretariat of Treasury to Turk Eximbank within the scope of political risk losses and transfers the same to the Undersecretariat of Treasury. In this context, USD 4.3 million was transferred in total in 2016.



INTERNATIONAL LOANS EXTENDED BETWEEN 2010-2016 (USD MILLION)
CREDITS EXTENDED UNDER INTERNATIONAL LOANS PROGRAM NEARLY DOUBLED YEAR-TO-YEAR AND REACHED USD 272 MILLION IN 2016.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

REALIZATIONS BY PROGRAMS IN 2016

International Project Loans Programs

- Within the frame of a project finance agreement for USD 300 million signed on 7 July 2014 with Ethiopian Railways for the Awash-Woldia Railway Project being undertaken in that country, which is the biggest project finance deal undertaken by Turk Eximbank so far, USD 288 million worth of this line of credit had been used as of end-2016, and disbursements continue to be made.
- Within the frame of the credit agreement for USD 135.9 million signed on 28 September 2012 with the Ghana's Ministry of Finance and Economic Planning to finance potable water projects in three of that country's cities, USD 114.9 million worth of this line of credit had been used as of end-2016. As disbursements continue to be made, the project is anticipated to be completed in the first half of 2017.
- Within the frame of the credit agreement for EUR 48.5 million signed on 4 November 2013 with the Senegalese Ministry of Finance and Economy to finance the Dakar International Conference Center Project in that country, credit disbursements were completed as of March 2016. Principal repayments continue to be made for the facility.
- A credit agreement for EUR 197.5 million worth of financing was signed on 4 April 2016 between Congo's Ministry of Economy, Finance, Budget and Public Assets and Turk Eximbank for the Brazzaville International Business Center with a total project cost of EUR 280 million. Disbursements under the facility are slated for commencement during 2017.
- An official credit application has been received from the state of Senegal for "Business Hotel, Exhibition Center and Sports Complex" and "Marketplace and Truck Park" projects that will be undertaken in that country, and work is underway for the approval process of the loans. In addition, an application has been filed with ICIEC, IDB's insurance organization, for insuring the non-repayment risk by Senegal.
- A credit agreement was signed on 2 November 2016 between the Bank and Cameroon's Ministry of Economy Planning and Regional Development for provision of USD 190.5 million financing by Turk Eximbank for the USD 232-million Japoma-Douala Sports Complex Project planned to be undertaken in Cameroon. Credit disbursement is pending the consummation of the conditions precedent of the credit agreement. In addition, the Bank applied to ICIEC for insuring the non-repayment risk by Cameroon.
- A Memorandum of Understanding was signed between Sri Lankan Ministry of Finance and Turk Eximbank for the financing of projects to be undertaken by Turkish companies in that country, and the MoU took effect on 21 June 2016.
- The collaboration agreement signed on 8 April 2016 between US Eximbank and Turk Eximbank is intended to provide financing support to projects jointly undertaken by Turkish and American companies in third countries by way of state guarantee credits that will be made available. The structure to be established will allow offering a more competitive financing package to the debtor in the counterparty country, and prevent Turkish companies from falling into disadvantage in competition because of high costs.

USD 793 MILLION
TOTAL RISK EXPOSURE OF THE INTERNATIONAL PROJECT FINANCE CREDITS AS OF THE END OF 2016 AMOUNTED TO USD 793 MILLION.

International project finance credit risk exposure: Project totals and cumulative disbursements as of 31 December 2016

(USD million)

COUNTRY & BORROWER	PROJECT	TOTAL LOAN	DISBURSEMENT (Cumulative)
BELARUS			
Belarusbank (State-guaranteed)	Oktyabrskaya Hotel	50.99	50.91
Belarusbank	Aquapark Hotel Project	9.63	9.18
GHANA		**-**	**-**
Ghana's Ministry of Finance and Economic Planning	Potable Water Project	135.96	114.94
ETHIOPIA		**-**	**-**
Ethiopian Railways	Awash-Woldia Railway Project	300.00	288.04
TOTAL		**496.58**	**463.08**

(EUR million)

COUNTRY & BORROWER	PROJECT	TOTAL LOAN	DISBURSEMENT (Cumulative)
CONGO			
Congo's Ministry of Economy, Finance, Budget and Public Assets	Brazzaville International Business Center Project	197.49	-
SENEGAL		**-**	**-**
Senegalese Ministry of Finance and Economy	International Conference Center	48.50	48.50
SUDAN		**-**	**-**
Sudanese Ministry of Finance and National Economy	Al-Halfaia Bridge Project	14.81	14.81
Sudanese Ministry of Finance and National Economy	Khartoum North Sewerage Project	21.13	21.12
TOTAL		**281.93**	**84.42**
GRAND TOTAL* (USD million)		**792.86**	**551.80**

* Credits extended in EUR were converted to USD using the cross rate on 31 December 2016.

USD 552 MILLION
THE CUMULATIVE DISBURSEMENT AMOUNT OF THE INTERNATIONAL PROJECT FINANCE CREDITS WITH RISK EXPOSURE AS OF THE END OF 2016 AMOUNTED TO USD 552 MILLION.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

74 EXPORT TRANSACTIONS
THE TOTAL NUMBER OF EXPORT TRANSACTIONS FINANCED THROUGH INTERNATIONAL TRADE FINANCE PROGRAMS WENT UP FROM 23 TO 74.

International Trade Finance Programs

The functionality and awareness of the four programs mentioned below, which are offered by the International Trade Finance Department set up in 2014, were enhanced during the reporting period in line with the expectations of exporters and foreign buyers.

1. Export Receivables Discount Program,
2. Domestic Bank Buyer's Credit,
3. Foreign Bank Buyer's Credit,
4. Transactions with State Guarantee.

We have expanded our support in keeping with the exporters' interest:

- The total number of export transactions financed through International Trade Finance Programs went up from 23 in 2015 to 74 in 2016, while credits disbursed rose from USD 9.8 million to USD 15.9 million.
- The Bank's diversified financing options in buyer/supplier credits and expanded international trade finance product portfolio is intended to strengthen exporters' ability to make sales on medium- and long-term credit terms, especially when exporting Turkey's high added-value goods. Given the continued fragility of the global economy, it is likely that foreign buyers will be in greater need of convenient, affordable financing models in the period ahead.

1. Export Receivables Discount Program:

Under the program, discounting is provided for medium- and long-term export receivables that are covered by Turk Eximbank's Specific Export Credit Insurance Post-Shipment Risk Program. Discounting is also available for export receivables that are covered by forward-dated export letters of credit, which have been issued, endorsed, or reissued by non-resident banks to which credit limits have been allocated by the Bank's Board of Directors. Within this frame, credits extended for 38 shipments during 2016 amounted to USD 11.3 million.

2. Domestic Bank Buyer's Credit:

The credit is extended through the branches, subsidiaries, or correspondents of banks that are residents of Turkey to importers who are resident in another country and who want to import goods from Turkey.

Under this program, a total financing of approximately USD 3.3 million was made available for 29 shipments in total via İşbank and Ziraat Bank during 2016.

3. Foreign Bank Buyer's Credit:

The credit is extended through foreign banks, which have been allocated credit limits by Turk Eximbank, to exporters who are resident in another country and who want to import goods from Turkey.

Revolving trade finance credit agreements signed with 12 banks who are residents of 9 different countries under the limits allocated to foreign banks amounted to USD 169.6 million in total. Under the program, credits disbursed for 7 shipments were worth USD 1.4 million.

4. Transactions with State Guarantee:

Under the program, a credit agreement was signed on 8 March 2016 with Djibouti's Ministry Economy and Finance in charge of Industry for a financing of approximately USD 10 million to be provided by the Bank for the exportation of an equipment pool which is in the nature of capital good planned to be made to Djibouti. The disbursement is intended to be realized during 2017 depending on the completion of the manufacturing of the said equipment pool.

On the other hand, in October, Tunisian Ministry of Development, Investment and International Cooperation communicated their wish to extend the validity of the General Framework Agreement (GFA), which was signed between the said Ministry and the Bank on 16 November 2012 for USD 200 million. Accordingly, the validity of the GFA was extended until 16 November 2017 and credit disbursement is intended to be initiated during 2017 for the financing of capital goods to be required by the Tunisian authorities.

PROACTIVE
DURING 2016, TURK EXIMBANK TOOK THE NECESSARY STEPS IN ORDER TO INCREASE THE EFFICIENCY OF TRADE FINANCE PROGRAMS, TO FULFILL EXPORTERS' EXPECTATIONS AT THE MAXIMUM EXTENT POSSIBLE, AND TO BE MORE PROACTIVE WITH FOREIGN BUYERS.

Highlights of 2016:

During the reporting period, the Bank took the steps mentioned below in order to increase the efficiency of trade finance programs, to fulfill exporters' expectations at the maximum extent possible, and to be more proactive with foreign buyers:

- International Trade Finance Program Guidelines were revised; hence, the restrictive content that solely allowed the financing of commodity exports was expanded to allow financing of refinancing of service exports and FC-earning services and sales through buyer credits.
- Credit agreements signed with foreign states and banks were revised so as to authorize financing or refinancing service exports and FC-earning services and sales, as well as commodity exports, through buyer credits. This enables fulfillment of all potential buyer credit demands under a single credit agreement and minimization of documentation requirements.
- In an attempt to help exporters get sufficient share in strategic markets with intense competition, necessary work in cooperation with the Ministry of Economy continued during the reporting period to allow Turk Eximbank to extend buyer/supplier credit at OECD's CIRR (Commercial Interest Reference Rate).

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

3,373 REPORTS
DURING 2016, 3,373 REPORTS WERE PREPARED AND SUBMITTED TO RELATED CREDIT UNITS; RISKS PERTAINING TO COMPANIES WITH CREDIT EXPOSURE AND DOMESTIC INSURERS ARE BEING MONITORED IN A CENTRALIZED FASHION.

RISK ANALYSIS AND EVALUATION

Under the heading of risk analysis and assessment, domestic and foreign banks are analyzed and the creditworthiness of firms is investigated and analyzed, based on which assessment reports are written up and firms with credit exposure are monitored.

Cash credit limits allocated via the banking system and non-cash credit limits for the letters of guarantee and bills of guarantee for credit programs offered by banks in order to constitute the warranty that is allocated directly to the beneficiary firms, and treasury transaction limits are determined and monitored within the frame of domestic banks' financial analyses and risk assessments. In 2016, a total of USD 6.6 billion additional credit limit was allocated to domestic banks for cash and non-cash credit and treasury transactions.

In addition, cash credit limits were allocated to 14 factoring companies offering import and export factoring services; within this context, the leasing sector and leasing companies to which limits have been allocated are being analyzed and regularly monitored.

Moreover, the analysis reports on foreign banks with which the Bank is planning to cooperate are being written up as per Turk Eximbank Foreign Bank Analysis Model in line with the aim of assigning credit limits to state or private banks deemed qualified by the Bank, which are operating in countries to which limits are allocated under the International Credits Program.

In response to demands from the Bank's units, "Background and Analysis Report" is drawn up after obtaining companies' year-end and interim financial statements and current data. During 2016, 3,373 reports were prepared and submitted to related credit units; risks pertaining to companies with credit exposure and domestic insurers are being monitored in a centralized fashion.

CREDIT INSURANCE

Turk Eximbank offers credit insurance, which covers, within specified limits, export receivables against commercial and political risks and also the domestic receivables of exporters and group companies against commercial risks.

Export receivables are insured against commercial and political risks within certain limits by means of export credit insurance programs, which is one of Turk Eximbank's main areas of activity. An additional advantage of these programs is that it enables exporters to obtain funding from financial institutions at favorable terms through the insurance policies.

Short-Term Export Credit Insurance

The Turk Eximbank Short-Term Export Credit Insurance Program provides exporters with commercial and political risk coverage for up to 360 days on all shipments that they make during the one-year policy.

Since its original introduction by Turk Eximbank in 1989, short-term export credit insurance has become the Bank's best-known and most widely-used product among Turkish exporters. As of end-2016, 2,410 exporters were Turk Eximbank short-term export credit insurance policyholders, and 13,371 exporters have been short-term export credit insurance policyholders at least once since the program's inception.

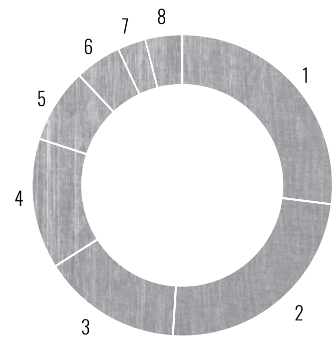
Coverage under the program has been provided for 238 countries since 1 April 2012. In 2016, insurance coverage was provided for exports whose aggregate value amounted to USD 10.1 billion while the premiums collected for insured shipments amounted to USD 33.1 million.

A sectoral distribution of the exports insured in 2016 shows that the biggest share consisted of policies on textile/ready-to-wear/leather products sector with 27%. In terms of regional distribution, EU countries were the leading market with a 57% share.

During 2016, 14,721 new buyers were registered under the Turk Eximbank Short-Term Export Credit Insurance Program, thereby bringing the total number as of year-end to 225,873. The number of active buyers among total buyers is 39,711 and the number of buyers allocated with a consistent credit limit is 30,286.

Within the scope of Short-Term Export Credit Insurance in 2016, Turk Eximbank paid out USD 13.5 million worth of claims arising from shipments to various countries, which could not be collected when due. The entire amount of said claims was paid out due to commercial risks.

During 2016, Turk Eximbank recovered USD 2.4 million of the former claims paid.

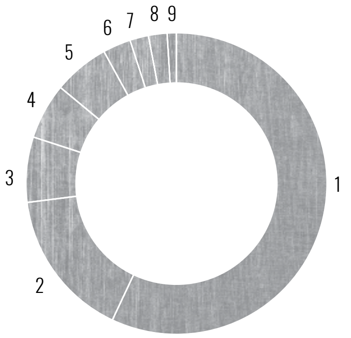


THE SECTORAL BREAKDOWN OF THE EXPORTS INSURED UNDER SHORT-TERM EXPORT CREDIT INSURANCE PROGRAM (%)

THE SECTORAL BREAKDOWN OF THE EXPORTS INSURED IN 2016 SHOWS THAT THE BIGGEST SHARE CONSISTED OF POLICIES ON TEXTILE/READY-TO-WEAR/LEATHER PRODUCTS SECTOR WITH 27%.

1	Textile/Ready-to-wear/Leather	27
2	Machinery/Electrical Devices/ Metal Goods	24
3	Chemistry Industry, Plastic and Rubber Products	15
4	Food/Agriculture/Livestock	14
5	Land-Based Industrial Products	8
6	Motor Vehicles	5
7	Mining	3
8	Others	4

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016



THE BREAKDOWN OF THE EXPORTS INSURED UNDER SHORT-TERM EXPORT CREDIT INSURANCE PROGRAM BY COUNTRY GROUPS (%)
IN TERMS OF REGIONAL DISTRIBUTION OF THE EXPORTS INSURED UNDER SHORT-TERM EXPORT CREDIT INSURANCE PROGRAM, EU COUNTRIES WERE THE LEADING MARKET WITH A 57% SHARE.

1	EU	57
2	Middle East/North Africa	16
3	North and Central America	7
4	Other European Countries	6
5	Far East	6
6	Central and West Asia	3
7	South America	2
8	Africa	2
9	Japan and Oceania	1

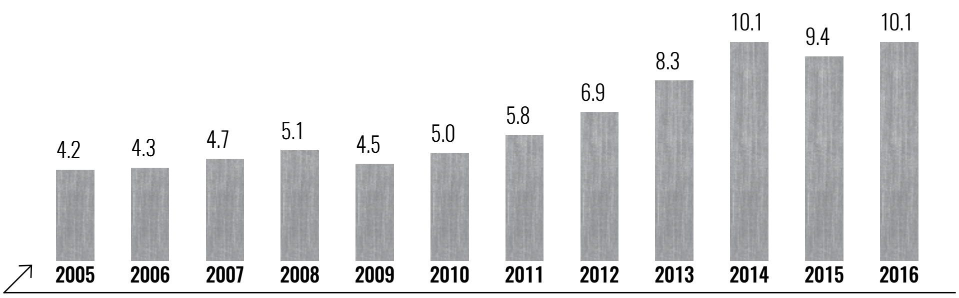
Of that amount, USD 1.6 million was related to receivables issued within commercial risks; USD 746 thousand of it was concerned with receivables whose political risks had been realized. Turk Eximbank continued to cede 60% of the commercial and political risks borne under the Short-Term Export Credit Insurance Program to domestic and overseas reinsurance firms during 2016 for the countries that are not members of the OECD.

Besides channeling commercial banking system resources into export finance with Turk Eximbank guarantees in order to expand the opportunities for such financing, Turk Eximbank also seeks to act as an effective export credit agency that provides export financing through insurance and guarantee programs comparable to those in other developed countries. In line with both goals, Turk Eximbank has signed credit protocols with commercial banks such as Citibank, Yapı Kredi Bank, HSBC Bank, Ziraat Bank, Garanti Bank, Aktif Yatırım Bank, QNB Finansbank, Burgan Bank, Türk Ekonomi Bank, Akbank, ING Bank, İşbank, Fibabank, Denizbank, Alternatifbank, Şekerbank, and VakıfBank and entered into an agreement with the Credit Guarantee Fund. As of end-2016, the number of such financial institutions was 18. Last year some USD 11.5 million worth of financing was provided under these agreements, thereby bringing the total volume of such export financing to about USD 93.5 million since the program's inception.

Turk Eximbank accepts short-term export credit insurance policies as primary collateral. Since the introduction of this program, the Bank has provided financing for USD 1.1 billion worth of shipments, USD 325 million of which took place in 2016.

Furthermore, opportunities were created for cooperation with factoring companies following the collaborative efforts of Turk Eximbank and AFI, and the Bank signed protocols with Arena Factoring, Garanti Factoring, İş Factoring and Strateji Factoring during 2016.

Domestic and overseas policies of short-term export credit insurance general policy have been revised twice on 15 January 2016 and on 1 November 2016, both to reflect recent changes in the legal framework and to make them more explicit and understandable based on feedback from policyholders concerning their needs.



THE EXPORTS INSURED UNDER SHORT-TERM EXPORT CREDIT INSURANCE PROGRAM (USD BILLION)
TOTAL INSURANCE COVERAGE PROVIDED FOR EXPORTS UNDER SHORT-TERM EXPORT CREDIT INSURANCE PROGRAM AMOUNTED TO USD 10.1 BILLION WITH 7.4% INCREASE.

USD 845 MILLION
AS OF END-2016, 82 FIRMS HAD AVAILED THEMSELVES OF THIS SERVICE AND INSURANCE COVERAGE HAD BEEN PROVIDED FOR USD 845 MILLION WORTH OF GOODS SHIPPED TO 8,340 BUYERS.

Short-Term Domestic Credit Insurance

Another branch of Turk Eximbank's insurance business line consists of short-term domestic credit insurance, which is intended for exporters and group companies.

Under the program, commercial risk coverage within specified limits is provided to exporters and group companies for their receivables arising from their credit-sale shipments up to 360 days, which are associated with their domestic operations.

As of end-2016, 82 firms had availed themselves of this service and insurance coverage had been provided for USD 845 million worth of goods shipped to 8,340 buyers. USD 3.4 million had been collected as premiums on the insured shipments.

Medium- and Long-Term Export Credit Insurance

Specific Export Credit Insurance Post-Shipment Risk Program provides coverage for exporters' receivables from credit-sale shipments, which they make with repayment terms of up to 18 years. While coverage under this program is subject to certain conditions (such as there must be a single contract of sale and the minimum repayment terms must comply with OECD rules concerning such matters), support is provided for the exportation of any and all manner of goods and services that originate in Turkey. Based on the revision made in the program in 2016, sales through subsidiaries were also included in the policy.

On another front, Specific Export Credit Insurance Pre-Shipment Risk Program went into force in 2016. Expenses directly incurred by exporters are insured against commercial and political risks within certain limits by means of this program in the event that the goods manufactured under the sales agreement signed between the exporter and the buyer are not yet delivered. The program is intended to prevent or mitigate the potential losses of exporters during the pre-shipment period.

Total insured shipments were worth USD 66.8 million during 2016 under Specific Export Credit Insurance Pre-Shipment and Post-Shipment Risk Programs. Out of this figure, USD 38.8 million pertains to policies for post-shipment risks and USD 28 million to policies for pre-shipment risks. During the same period, USD 575 thousand worth premiums were collected, and no indemnity payments were made. The buyers allocated with policies are located in the countries of Saudi Arabia, Tunisia, Jordan, Uzbekistan, Pakistan, Kazakhstan, U.K., Turkmenistan, China, Singapore, Ukraine, Senegal, Paraguay, Mexico, Germany, Qatar, Italy and Switzerland. During 2016, meetings were held with qualifying firms to make an introduction to the program.

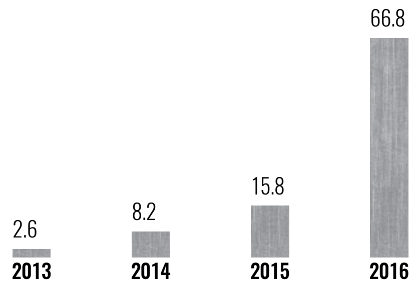
THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

TERMS UP TO 18 YEARS
SPECIFIC EXPORT CREDIT INSURANCE PROGRAM PROVIDES COVERAGE FOR EXPORTERS' RECEIVABLES FROM CREDIT-SALE SHIPMENTS, WHICH THEY MAKE WITH REPAYMENT TERMS OF UP TO 18 YEARS.

Since 2014, Specific Export Credit Insurance Post-Shipment Risk Policy is being accepted as an irrevocable guarantee under the Draft & Letter of Credit Discount Program that was developed and provides exporters with low-cost and convenient financing. The scope of that program was expanded in 2015 so as to include cash against goods shipments as well. This program launched under the name "Export Receivables Discount Program" was received with great interest also in 2016.

Under annexes to the agreements signed with Aktif Yatırım Bank, QNB Finansbank, Turk Ekonomi Bank, ING Bank, Akbank, Denizbank, Fibabank, İşbank, and Garanti Bank, concerning shipments insured under the Bank's Short-Term Export Credit Insurance Program to be financed by these banks, it has now become possible to finance medium- and long-term export transactions that were carried out under Medium- and Long-Term Export Credit Insurance Programs.

In 2016, the Bank continued to include the risks underwritten within the scope of the Medium- and Long-Term Export Credit Insurance transactions in reinsurance contracts based on specific acceptances to be received from the reinsurers.



TOTAL INSURED SHIPMENTS UNDER SPECIFIC EXPORT CREDIT INSURANCE RISK PROGRAMS (USD MILLION)
TOTAL INSURED SHIPMENTS WERE WORTH USD 66.8 MILLION DURING 2016 WITH 323% INCREASE UNDER SPECIFIC EXPORT CREDIT INSURANCE RISK PROGRAMS.

General Developments in Insurance Programs

As the official export credit agency in Turkey, Turk Eximbank keeps a close watch on developments taking place both in technology and legal frameworks and among its peers around the world. After introducing its "Online Banking" project to insured firms in 2014 in an effort to set up a system that will reduce the paperwork of credit and insurance activities, and provide fast and accessible operations, the Bank carried on with this initiative with the second phase of revisions in 2016.

The tender Turk Eximbank put out for user-friendly development of insurance screens, reduction of the volume of manual transactions to minimize user errors, and revision of the insurance module so as to quickly respond to questions and needs of exporters and those related to bank and non-bank insurance activities has been finalized in 2015, and analyses among the related company and insurance units began during 2016.

Upon introduction of the new insurance module, analyses began in relation to the turnover-based policy that is targeted to be launched by contacting the limited number of firms in Turkey and in the world in 2016.

Formerly excluded from insurance coverage, transactions concerning re-exported goods (e.g. exportation of imported goods as-is or upon partial modification in a short period of time) were included under the scope of the short-term export credit insurance on 15 January 2016, whereas sales to overseas subsidiaries for companies in the same group were included on 1 November 2016. The revisions to the articles of the relevant policies have been sent to all insured companies in the form of addenda.

In line with the decision of the Money, Credit and Coordination Board no. 2011/12 dated 30 June 2011 for covering expenses incurred for insurance premiums collected under Export Credit Insurance Programs from the Support and Price Stabilization Fund, premiums paid by the insured companies in 2015 were refunded in 2016.

Within the scope of the Short-Term Export Credit Insurance, the Bank continued in 2016 to insure the prices of goods manufactured by affiliates of the insured companies holding at least 50% of the capital.

"ONLINE BANKING" PROJECT
AFTER INTRODUCING ITS "ONLINE BANKING" PROJECT TO INSURED FIRMS IN 2014 TURK EXIMBANK CARRIED ON WITH THIS INITIATIVE WITH THE SECOND PHASE OF REVISIONS IN 2016.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

In line with requests from exporters and policyholders, implementation of insurance for all shipments intended for certain buyers within the scope of the Short-Term Export Credit Insurance continued in 2016.

To increase service quality and meet the increasing demands and expectations of exporters within the scope of the Short-Term Export Credit Insurance Program, 50% discount over current premium rates in the List of Country Conditions and Premium Rates continued to be applied to certain buyer companies with high credibility and low risk in the information report in 2016.

Within the scope of the Post-Shipment Rediscount Credit Program, in which the Short-Term Export Credit Insurance Policy is used as the primary collateral, upon demand from some insured companies having intense transactions, the “Application for Global Buyers” was continued in 2016 by receiving the Advice Letter containing the original signatures of the export company and buyer company concerning the transfer of the export receivables to the Bank only once at the beginning, instead of requiring the same for each shipment and for each credit application.

CLOSE COOPERATION WITH EXPORT CREDIT AND INSURANCE COMPANIES
CLOSE COOPERATION WITH EXPORT CREDIT AND INSURANCE COMPANIES IN VARIOUS COUNTRIES CONTINUED IN ORDER TO EXTEND THE SUPPORT GIVEN TO TURKISH EXPORTERS AND ENTREPRENEURS IN 2016.

Under an arrangement made in cooperation with the TIM and the Association of Financial Institutions, exporters’ receivables on insured shipments with a maximum term of 360 days to buyers residing in countries included within the insurance scope of Turk Eximbank can now be financed by factoring companies. Work in relation to the implementation of this program is ongoing.

The protocol being made with commercial banks was revised to enable factoring companies to be the loss-payee on the basis of buyer companies of the insurance policy without necessitating to obtain an approval from Turk Eximbank for each transaction. This revision has been submitted to the Association of Financial Institutions for its consideration. Details concerning the implementation are currently being worked out.

Within the scope of short-, medium-and long-term transactions, cooperation with export credit and insurance companies in various countries continued in order to extend the support given to Turkish exporters and entrepreneurs in 2016.

FUNDING AND TREASURY OPERATIONS

In 2016, Turk Eximbank diversified its funding structure for financing exports and export-oriented investments, and increased its borrowings apart from CBRT to USD 7.8 billion, up by USD 2.4 billion year-to-year.

Developments Regarding the Capital

In May 2016, Turk Eximbank's nominal capital was increased from TL 2.5 billion to TL 3.7 billion. In this context, the nominal capital was fully paid off by capitalizing TL 1.2 billion from extraordinary reserves, capital reserves and profits[3].

Borrowing Transactions

For the funding of its 2016 Turkish lira loans, Turk Eximbank made use of:

- Paid-up capital,
- Interest collections,
- TL funds by CBRT within the scope of Rediscount Credits that are extended to exporters in TL as well as in foreign currency.

Details concerning the Bank's FX borrowings in 2016 are presented below:

- Turk Eximbank heavily utilized the rediscount facility of the CBRT in 2016. As of 31 December 2016, the outstanding balance of these resources amounted to USD 9.1 billion.
- In order to fund medium- and long-term loans extended in 2016 in line with Turk Eximbank's vision and strategy, the Bank carried out two Eurobond issues, each in the amount of USD 500 million and both amounting to USD 1 billion in total, with 5- and 7-year maturities.
- Under a single syndicated loan raised from a consortium consisting of 24 banks in March, the Bank secured EUR 509 million and USD 35 million with 1- and 2-year maturities.
- A 10-year loan of USD 169.3 million was secured in April from the IDB. The loan is covered by the guarantee of the Undersecretariat of Treasury and has a 3-year initial grace period.
- Out of the 7-year CEB loan of EUR 100 million, which was covered under the guarantee of the Undersecretariat of Treasury, EUR 50 million was received in our accounts in 2015 and the remaining EUR 50 million in May 2016.

EUROBOND ISSUES
IN 2016, TURK EXIMBANK CARRIED OUT TWO EUROBOND ISSUES, BOTH AMOUNTING TO USD 1 BILLION IN TOTAL, WITH 5- AND 7-YEAR MATURITIES.

[3]At the extraordinary general meeting which was held on 12 January 2017, a resolution to make a changeover to the registered share capital system and to increase the capital ceiling up to TL 10 billion was passed. The Board of Directors is now authorized for a five years' time between 2017-2021 to increase the Bank's capital.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

EFFECTIVE LIQUIDITY AND ASSET & LIABILITY MANAGEMENT
TURK EXIMBANK KEPT A CLOSE WATCH ON NATIONAL AND GLOBAL DEVELOPMENTS IN ITS EFFORTS TO GIVE MAXIMUM ATTENTION TO ACHIEVE EFFECTIVE LIQUIDITY AND ASSET & LIABILITY MANAGEMENT AND TO EXPLOIT HIGH-YIELD INVESTMENT ALTERNATIVES IN 2016.

- A 10-year syndicated loan in the total amount of USD 555 million and EUR 300 million, which is covered under the guarantee of MIGA, was raised from a consortium of banks in July and November.
- An 8-year loan of EUR 200 million with a grace period of three years, which is covered under the guarantee of the Undersecretariat of Treasury, was secured from EIB in June and December.
- A 3-year collateralized loan of JPY 23.8 billion was obtained in June from Vida Finance Plc., which was intermediated by Mitsubishi UFJ Securities International Plc.
- Under a single syndicated loan raised from a consortium consisting of 19 banks in July, the Bank secured EUR 373 million and USD 30 million with 1- and 2-year maturities.
- A 10-year loan with a grace period of 1 year for the amount of EUR 107.4 million was secured from ING-DiBa AG, Frankfurt in December. 95% of the risk was covered under the guarantee of ICIEC for this loan.
- Other loans received in 2016 amounted to USD 1.6 billion in value and are summarized below.
  - USD 433 million from ITFC,
  - USD 100 million from Standard Chartered Bank, London,
  - EUR 134 million and USD 16 million from Bank of Tokyo Mitsubishi,
  - EUR 150 million in total from Mizuho Bank Ltd.,
  - USD 102 million and EUR 24 million from HSBC Bank Plc.,
  - USD 115 million from Citibank Europe Plc., Dublin,
  - EUR 77.3 million and USD 15 million from ABC International Bank Plc.,
  - USD 87 million from Commercial Bank of Qatar,
  - EUR 50 million from ING Bank NV.,
  - USD 40 million in total from Doha Bank,
  - USD 22.5 million and EUR 22.5 million from Emirates NBD,
  - EUR 30 million from Credit Europe Bank NV,
  - EUR 30 million from Garanti International Bank Amsterdam,
  - EUR 10 million from İşbank AG.

Fund Management Activities

During 2016, the non-growth issue tainting the global economy, the UK's decision to exit the EU membership, Donald Trump's win in the US presidential election, geopolitical risks and the like have played a decisive role upon the actions taken by central banks. While the Fed carried out just one rate hike although employment and inflation targets were approached, the CEB carried on with its expansionary interest rate policies and negative rates in 2016. The CBRT, on the other hand, completed the simplification process to a large extent and maintained its tight stance in line with inflation targets.

Turk Eximbank kept a close watch on national and global developments in its efforts to give maximum attention to achieve effective liquidity and asset & liability management and to exploit high-yield investment alternatives while taking into account such issues as high volatility in interest and exchange rates and severe levels of global risk in 2016. Turkish lira resources derived from mainly by FX/TL swaps and repo generated high yields by being invested in both the Takasbank Money Market and the interbank market. Proactive FX forward transactions were carried out in order to effectively manage the exchange rate risk exposure, which the Bank incurred on account of borrowing from CBRT on FC basis but lending to exporters on TL basis. Hedge-accounting techniques were deployed when booking these transactions. Last year the Bank also continued its practice of making use of hedge-accounting when booking the interest rate swaps that it engaged in order to achieve a better match between its own asset structure and the FX-denominated resources that it secured through its bond issues in international markets.

The liquidity volume managed by the Treasury Department, which was kept within the legal limits laid out in the BRSA Regulation Concerning Measurement and Evaluation of Liquidity Adequacy of Banks, averaged TL 2.4 billion throughout 2016, of which TL 0.2 billion was used in the security portfolio consisting of treasury bonds and government bonds.

Of Turk Eximbank's USD 9.8 billion worth of swap operations last year, USD 7.9 billion were in short-term assets while the remaining USD 1.9 billion were kept in long-term assets in order to manage the Bank's FX position more effectively and to enable credit allocation to exporters in the type of FC they demand. The volume of "forward foreign-currency purchase/sale" transactions continued in 2016 within the scope of foreign currency management and was realized at USD 2.2 billion.

The scope of exchange rate risk-based derivative products, which Turk Eximbank introduced in 2011 for use by exporters to protect their competitive strength in global markets, was expanded in 2015 with the introduction of both exchange-rate put and exchange-rate call options. The Bank kept offering these services also in 2016.

To keep pace with the rapid increase in business and corresponding growth in the Bank's balance sheet, the Treasury Department expanded the volume of assets channeled into investment while substantially increasing the number of transactions conducted both on its own account and on behalf of back-office units. Purchased in order to integrate the Bank's IT system with the Reuters, Bloomberg, OTAS and other trading platforms which are widely used in the conduct of treasury operations, to allow a number of manual operations to be done online, and to enhance the effectiveness and speed of operations between the Treasury and back-office units, the Treasury Risk Management (TRM) software was commissioned during 2015. Necessary upgrades and developments were made to the software in 2016.

INCREASE IN THE VOLUME OF ASSETS CHANNELED INTO INVESTMENT
TO KEEP PACE WITH THE RAPID INCREASE IN BUSINESS AND CORRESPONDING GROWTH IN THE BANK'S BALANCE SHEET, THE TREASURY DEPARTMENT EXPANDED THE VOLUME OF ASSETS CHANNELED INTO INVESTMENT.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

BERNE UNION AND THE AMAN UNION
TURK EXIMBANK MAINTAINED ITS CLOSE RELATIONSHIPS WITH THE BERNE UNION AND THE AMAN UNION, AND CONTINUED TO PARTICIPATE IN MEETINGS, SEMINARS, AND OTHER SIMILAR ORGANIZATIONS HELD THEREBY IN 2016.

INTERNATIONAL RELATIONS

Turk Eximbank continued to work closely with export credit and insurance agencies and international financial institutions in 2016.

The Bank maintained its close relationships with the Berne Union and the Aman Union, and continued to participate in meetings, seminars, and other similar organizations held thereby in 2016.

2016 General Assembly of the Berne Union, of which Turk Eximbank is a member, took place in Warsaw on 9-13 May 2016 and that of the Aman Union in Beirut on 13-15 December 2016. Delegations representing the Bank attended both meetings.

In 2016, close cooperation was maintained with export credit and insurance agencies and international financial institutions within the framework of cooperation agreements signed with US Eximbank (USA); EDC (Canada); COFACE (France); EulerHermes (Germany); ECGD (UK); ONDD (Belgium); ASHRA (Israel); Eximbank of China, SINOSURE, and TEBC (China); Czech Export Bank (Czech Republic); Hungarian Export-Import Bank (Hungary); MECIB and MEXIM (Malaysia); Bancomext (Mexico); NEXI (Japan); SID (Slovenia); KUKE (Poland); EDBI and EGFI (Iran); ECGE and Export Development Bank of Egypt (Egypt); Eximbanka SR (Slovakia); Eximbank Romania (Romania); Eximbank of Russia and Vnesheconombank (Russia); KSURE (South Korea); EKF (Denmark); HBOR (Croatia); MBDP (Macedonia); JLGC (Jordan); GARANT and OeKB (Austria); SACE (Italy); CAGEX (Algeria); and also international agencies such as ICIEC, DHAMAN, MIGA, the Asian Development Bank and the EBRD.

Turkey became a member of the OECD Export Credits and Credit Guarantees Group in April 1998, which was set up to bring the programs implemented by export credit agencies into alignment with the OECD Arrangement on Officially Supported Export Credits, to facilitate information and opinion exchange between the related agencies of member countries, and to ensure unity in policies. A sub-group of the aforementioned group addressing the project-related environmental and social impact and human rights issues, the Environment Practitioners Group held its 33rd meeting in İstanbul hosted by Turk Eximbank on 3-5 November 2016. The Bank participated on behalf of Turkey in the meetings of the OECD Participants Group to the Arrangement on Officially Supported Export Credits (PG) and its sub-group, Country Risk Experts Group and Technical Experts Group, where the Bank holds an observer status since November 2006, and monitored the regulations on officially supported export credits.

The International Working Group on Export Credits (IWG) was set up in 2012 under the leadership of the USA and China to discuss a new international arrangement to which non-OECD emerging countries like Brazil, China, South Africa, India, and Russia that are beginning to get significant shares in export credits would be a party and which would redefine the guidelines and standards pertaining to officially supported export credits, increase transparency and information sharing in export credit-related issues. Turk Eximbank officially represents Turkey at the meetings of this Group during which it makes contributions that are compatible with national policies in view of Turkey's needs and interests.

Turk Eximbank participated in the annual meetings of the Berne Union, the Aman Union, CreditAlliance, Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI), IIF, the World Bank, EIB, IMF, OECD, EBRD, ITFC, the Asian Development Bank and IDB, and maintained top-level contacts with these institutions concerning its funding activities on international markets, its foreign credit activities, as well as with its reinsurers during the year.

Close cooperation has been maintained to co-finance the projects undertaken by Turkish and foreign contractors collectively in a third country with the export credit agencies of other countries under Turk Eximbank's international credits and insurance programs. Within this framework, a draft "Coinsurance Agreement" was created in the Joint Economic and Trade Commission (JETCO) meeting between Turkey and Italy to be signed by and between the official export credit agencies of the two countries, namely Turk Eximbank and SACE. The parties reached a consensus on the wording and the agreement is anticipated to be executed by early 2017.

Turk Eximbank participated in the 22nd Annual Meeting of Asian Exim Banks Forum (AEBF) that it joined in 2015, held in Indonesia in November 2016. The Bank also took part in the Technical Task Force meeting of the AEBF in 2016. The regular attendance of the Bank to the said meetings and training programs are expected to serve to bring the Bank, which is currently an associate member, to permanent member status following the Annual Meeting to be held in 2017. Also during the 2016 Annual Meeting, a Memorandum of Understanding has been signed to open credit lines for financing reciprocal exportation among 11 AEBF-member countries. These credit lines are expected to go live upon the Annual Meeting in 2017.

Besides foreign commercial banks that possess an efficient position in international markets in terms of treasury and borrowing operations, Turk Eximbank maintained close relations in 2016 with the IBRD, EIB, MIGA and ITFC, a member of the Islamic Development Bank Group. In this framework, bilateral business opportunities have been evaluated during international meetings with the above-mentioned institutions.

CLOSE RELATIONS
BESIDES FOREIGN COMMERCIAL BANKS, TURK EXIMBANK MAINTAINED CLOSE RELATIONS IN 2016 WITH INSTITUTIONS LIKE IBRD, EIB, MIGA AND ITFC.

THE ASSESSMENT OF THE ACTIVITIES OF TURK EXIMBANK IN 2016

EFFECTIVE, UNINTERRUPTED, CORRECT, AND SECURE
TURK EXIMBANK'S IT INFRASTRUCTURE IS MANAGED SO AS TO ENSURE ITS EFFECTIVE, UNINTERRUPTED, CORRECT, AND SECURE OPERATION.

INFORMATION TECHNOLOGIES

Turk Eximbank continues to improve both the speed and the efficiency of its operations and the effectiveness of its resource utilization by supporting its service infrastructure with innovations made possible by advances in information technology. Turk Eximbank's IT infrastructure is managed so as to ensure its effective, uninterrupted, correct, and secure operation.

In line with the needs of operational units regarding efficiency, changes in guidelines, and new implementation, scope and technical analysis works carried out all year long in 2016 including software development and updates; compatibility with the existing infrastructure, additional developments and efficient monitoring for transformation projects; intensive testing for deliveries and commissioning; supporting operational units' testing activities; work on the Quality Management System; internal and external audits; and support for Insurance, Risk Management, and Financing transformation projects.

Key highlights of 2016 IT activities included the following:

- Designed for revamping the insurance infrastructure and for vesting it in a process management structure, the Insurance Transformation Project tender was carried out and the project was initiated in July 2016.
- Migrating the lending practices that were being run on Oracle Forms to a process-based environment, the New Credit Project was put into use in November 2016.
- The second phase under the Treasury Risk Management Projects was completed and the third phase was initiated.
- For assisting our banking processes, Decision Support Tree (BRM), Enterprise Service Bus (ESB) and Project and Issue Tracking Tool (Jiri) products were researched and technical specifications were defined, upon which tenders therefor were put out.
- Suppliers, which collect information on external companies in insurance processes, were contacted upon which necessary evaluations were made.
- A tool search was taken on for overseeing Illicit Money Flows and necessary work was carried out with firms.
- In line with the IT vision, work was carried out on Business Intelligence with three suppliers in order to create a platform for reporting to executive management and self-preparation of reports by business units.

The newly-established Information Security, Architecture and Quality Unit carried out the following work for ensuring smooth running of all IT processes and information security across the Bank:

- All IT processes were reviewed, brought into alignment with the new structure, and updated.
- Necessary support was extended to the external auditor and its requirements were fulfilled within the frame of 2016 IT audits.
- The requirements of the Internal Audit Board were fulfilled within the frame of 2016 internal audit.
- During the reporting period, Information Security Committee and Risk Committee activities were carried out on a quarterly basis.

EMPHASIS ON MEDIUM- AND LONG-TERM LOANS

TARGETS AND ACTIVITIES OF TURK EXIMBANK IN THE FORTHCOMING PERIOD

Turk Eximbank's strategy for the forthcoming period is to support the export and FC-earning services mainly through medium- and long-term credit, insurance and guarantee programs.

TO SAFEGUARD AND INCREASE THE COMPETITIVE STRENGTH
TURK EXIMBANK WILL CONTINUE TO PROVIDE SHORT-TERM EXPORT CREDIT AND SHORT-TERM EXPORT CREDIT INSURANCE DURING THE PRE-EXPORT STAGE IN ORDER TO SAFEGUARD AND INCREASE THE COMPETITIVE STRENGTH OF TURKISH EXPORTERS IN PRODUCTS, WHICH ARE IN NEED OF SHORT-TERM FINANCING.

FORTHCOMING PERIOD TARGETS

Turk Eximbank intends to place more emphasis on export credit insurance and guarantee programs as well as medium- and long-term loans within the framework of its new vision, in keeping with the general mission of export finance agencies of developed countries.

Giving Greater Weight to Medium- and Long-Term Project Finance Programs and to Export Credit Insurance and Guarantees

Within the frame of Turk Eximbank's new vision and strategy which is formulated acknowledging that it is one of the institutions most responsible for helping our country achieve its 2023 vision, the Bank will be giving greater weight to medium- and long-term loans, to export credit insurance, and to guarantee operations in keeping with the overall mission of developed countries' export finance agencies in the period ahead. At the same time, however, the Bank will also continue to provide short-term export credit and short-term export credit insurance during the pre-export stage in order to safeguard and increase the competitive strength of Turkish exporters in products, which are in need of short-term financing.

TARGETS AND ACTIVITIES OF TURK EXIMBANK IN THE FORTHCOMING PERIOD

MEDIUM- AND LONG-TERM RESOURCES FROM FOREIGN FINANCIAL INSTITUTIONS
FOR MEDIUM- AND LONG-TERM CREDITS, RESOURCES OBTAINED FROM FOREIGN FINANCIAL INSTITUTIONS ARE ALSO USED IN ADDITION TO TURK EXIMBANK'S OWN RESOURCES.

In the Trademark Credit program, special measures will be taken in terms of contributions to be made to Turkey's strategy based on export of goods and services with high added-value in international trade in the forthcoming period. In this regard, the aim is to increase the disbursement amount by improving financing options to support increased purchasing of brands, especially those operating in foreign countries.

Considering the advantages of the credits extended by Turk Eximbank to exporter companies with medium- and long-term options, the plan is to improve the conditions of medium- and long-term credits further and increase the disbursement volume. It is believed that work carried out with relevant institutions and organizations will come to a positive close, which are aimed at securing speedy introduction of necessary legal framework for giving increased access to medium- and long-term financing to companies, particularly those engaged in FC-earning services such as tourism, software, and transportation.

For medium- and long-term credits, resources obtained from foreign financial institutions are also used in addition to the Bank's own resources. In the period ahead, it is foreseen that the resources provided from international institutions for medium- and long-term credits will increase. In addition, as a result of the positive activities international fund resources carried out with the Bank, it is targeted that other financial services institutions such as domestic leasing and factoring companies will intermediate the disbursement of additional funds that will be allocated to the Bank in line with the demands coming from related fund managements.

Developing and Diversifying Credit Insurance Programs

In order to channel the resources of the commercial banking system into export finance with Turk Eximbank guarantees so as to expand the opportunities for such financing, Turk Eximbank will be continuing its efforts to work with factoring associations in a collaboration similar to the one that it initiated for the first time in 2008 with commercial banks.

In 2017, Turk Eximbank will be seeking to further expand the scope of the Short-Term Domestic Credit Insurance.

The turnover-based policy for which analyses were initiated upon contacting leading insurers in Turkey and in the world, and which takes place among 2017 targets, is planned to be offered as an alternative to the existing comprehensive and limited-buyer policies that it is already making available to exporters.

Launched to make sure that the credit insurance demands of the export sector are met rapidly and adequately, the Internet banking application will continue its mission in 2017, being “user-friendly” for both users and implementers.

The installation of a new insurance software module will allow both the insurance system and its users to benefit from the latest advances of the technology. During 2016, analysis processes were initiated with Vizyoneks, the company awarded with the new insurance module contract under the Insurance Transformation Project. For the project, project teams made up of representatives from insurance business units have been set up, and efforts are ongoing to analyze new business processes and new conduct to bring them into alignment with the new system through regular meetings.

Under the agency agreements signed with ICIEC and DHAMAN, weight will be placed on promoting the services offered by both entities’ programs to encourage their use by Turkish exporters and contractors.

During 2016, the Bank kept studying the shipment-based and turnover-based premium computation models, in view of other systems of ECA and private insurers, as well. In this context, model(s) identified to be fitting will be taken into consideration during the analyses to be performed with Vizyoneks within the frame of new insurance model activities in 2017.

Intended to give the Bank the ability to prepare its own information reports and to provide automatic limits up to certain amounts by establishing efficient rating and scoring models, a domestic scoring system is planned to be completed by mid-2017, whereas an overseas rating and scoring system is to be completed by the end of the year. To this end, studies will be initiated in 2017 and pilot implementations will be conducted to provide automatic limits (discretionary limits) up to certain amounts in the second half of the year.

In order both to develop new products and to render underused ones functionable, work will be carried out to activate Export Credit Insurance for Financial Services Institutions, International Contracting Services Political Risk Insurance, Unfair Calling of Bonds Policy policies, as well as on the feasibility of Indemnity Bond (Surety Bond) and Investment Insurance products.

SHORT-TERM DOMESTIC CREDIT INSURANCE
IN 2017, TURK EXIMBANK WILL BE SEEKING TO FURTHER EXPAND THE SCOPE OF THE SHORT-TERM DOMESTIC CREDIT INSURANCE.

TARGETS AND ACTIVITIES OF TURK EXIMBANK IN THE FORTHCOMING PERIOD

DIVERSIFIED, ATTRACTIVE, AND PRACTICAL PRODUCTS
TURK EXIMBANK WILL SUPPORT TURKISH EXPORTERS WITH DIVERSIFIED, ATTRACTIVE, AND PRACTICAL PRODUCTS CAPABLE OF GIVING THEM A COMPETITIVE ADVANTAGE IN INTERNATIONAL MARKETS.

Objectives of International Credits Programs

A variety of structural problems such as aging populations in developed countries are making emerging economies increasingly more important to the sustainability of global economic growth. However, the high-cost infrastructure projects, which are being planned in developing countries and which are likely to require goods and services to be imported from many other countries substantially, exceed the amount of risk that any single export support agency will be willing to accept. Hence, collaboration among different export support agencies in satisfying the demand for financing that developing countries need for their infrastructure will play a big role in capturing the sustainable growth trend. In this context, the Bank will increase cooperation opportunities with other export credit agencies, and regional and multinational financing firms.

Through its international credits programs and by cooperating with the export credit agencies and financial institutions of developed countries within the framework of its "collaborative competition" approach, Turk Eximbank will support Turkish exporters with diversified, attractive, and practical products capable of giving them a competitive advantage in international markets. Work will also begin on the formulation of a legal framework needed to increase the flexibility of the Bank's operational scope and to empower it in competitive markets.

In order to boost the "medium- and long-term guarantee" aspect of its International Credits Programs, efforts have begun on developing the content of such guarantees and on updating guarantee agreements and other legal documentation. This will support the exportation of Turkish goods and services by making it possible for buyers in other countries to obtain credits backed by Turk Eximbank guarantees at more favorable terms than other financial institutions.

Turk Eximbank will be more proactive in the provision of financing for projects in other countries by extending lines of credit to international banks. In this respect, the Bank will also work toward increasing its financing of private sector projects in other countries.

Because medium- and long-term insurance policies are as yet not very familiar in Turkey, efforts will be made to publicize them to increase awareness of the Export Receivables Discount Program under which a particular export insurance policy can be used as collateral in order to discount export receivables before they are due.

The Bank is cooperating with the Ministry of Economy to enable Turk Eximbank to extend buyer/supplier credits at the OECD Commercial Interest Reference Rate (CIRR) so as to help Turkish exporters gain increased share in strategic markets. Once the relevant infrastructural work is completed, the Bank will carry out marketing activities for efficient use of credits extended at CIRR.

Turk Eximbank will continue to represent Turkey at the International Working Group on Export Credits and OECD group meetings in order to play a more active role among official export credit agencies in the global market, to share knowledge and experience with them, and to have a say in decisions that are taken concerning official export credits.

Within the frame of credits provided to projects undertaken in foreign countries, the Bank will keep cooperating with ICIEC, IDB's insurance corporation, and other insurance agencies for obtaining cover against non-repayment risk by borrowing countries.

Under Law No. 4749, Turk Eximbank may extend concessional or similar type of credits provided that the Bank shall have been appointed by the government and provided further that the Bank's revenue losses shall have been compensated by the Undersecretariat of Treasury.

EXPORT RECEIVABLES DISCOUNT PROGRAM
EFFORTS WILL BE MADE TO INCREASE AWARENESS OF THE EXPORT RECEIVABLES DISCOUNT PROGRAM.

COMPLYING WITH WTO, OECD AND EU NORMS

INTERNATIONAL OBLIGATIONS

COMPLYING WITH INTERNATIONAL REGULATIONS
TURK EXIMBANK, WITHIN ITS PROGRAMS, MUST COMPLY WITH THE NORMS OF THE WTO, THE OECD AND THE EU, AS WELL AS WITH OTHER INTERNATIONAL REGULATIONS.

Turk Eximbank continues to carry out works to comply with WTO, OECD and EU norms as well as other international regulations for its programs, and these rules are taken into consideration while implementing the programs.

International Rules

Turk Eximbank, within its programs, must comply with the norms of the WTO, the OECD and the EU, as well as with other international regulations arising from Turkey's obligations in relation to its membership of the WTO, the OECD ECG and OECD Participants Group, and in relation to the agreement of the Customs Union and the EU accession process. Violation of these increasingly challenging rules and regulations prompts subsidy and anti-dumping investigations, and, in cases where those investigations are concluded unfavorably, leads to sanctions such as anti-dumping tax and countervailing duties. In this context, the process of adjusting Turk Eximbank's programs to adhere to the regulations of the EU, the WTO and the OECD is being carried out, and these rules are taken into account in the programs implemented.

Turk Eximbank activities at OECD ECG

1. Combating the bribery of foreign public officials in international business transactions: Application guidelines concerning rules to be followed by Turk Eximbank in line with an advisory resolution passed by the OECD Ministerial Council on 14 December 2006 were prepared and published in 2007. The Bank is closely monitoring the ECG's activities on this issue.

2. Environmental guidelines: The Environmental Guidelines of the Bank were modified according to the Recommendation Decisions, which were revised in 2007 and became effective with the approval of the OECD Council of Ministers in February 2008. The Environmental Guidelines of Turk Eximbank were revised in accordance with the OECD's Recommendation Decision in 2012.

3. Officially Supported Export Credits within the Framework of Sustainable Lending Practices to Low-Income Countries (LICs): The "Principles and Guidelines for the Promotion of Sustainable Lending Practices to LICs for Officially Supported Export Credits" entered into force upon the reaching of consensus of the OECD ECG in 2008. While Turk Eximbank provided export credit support to low-income countries under these Principles and Guidelines, it also observes the obligations of these countries before IMF and the World Bank. These principles will be binding upon the concessional loans, which may be allocated under the coordination of the Undersecretariat of Treasury within the scope of the tasks to be assigned to Turk Eximbank.

Harmonization with the EU Acquis

The Bank's activities are covered under the "Competition Policy" and "External Relations" chapters of the EU Acquis.

Competition Policy: Owing to their expertise-demanding nature, all short-, medium-, and long-term export credit insurance matters have hitherto been the responsibility of Turk Eximbank. One consequence of the EU Acquis harmonization process is compliance with a rule which states that the marketable risks associated with short-term export credit insurance must be incurred by entities that do not receive state assistance. This means that all of Turk Eximbank's short-term insurance transactions are going to have to be transferred to some other entity. The restructuring involved in complying with this EU directive will be carried out in line with the Undersecretariat of Treasury's instructions and guidance. Turk Eximbank envisages the formation of a separate insurer with the involvement of other insurance companies, banks, and the Turkish Exporters Assembly.

External Relations: Under the headings of the technical issues related to medium- and long-term insurance operations and of transactions which may be co-insured together with the export support agencies of other OECD members, work will be carried out in order to harmonize Turkish national legislation with EU directives governing the mutual obligations of parties involved in such matters.

EU ACQUIS
THE BANK'S ACTIVITIES ARE COVERED UNDER THE "COMPETITION POLICY" AND "EXTERNAL RELATIONS" CHAPTERS OF THE EU ACQUIS.

INFORMATION ON MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES AT TURK EXIMBANK

BOARD OF DIRECTORS AND AUDIT COMMITTEE

OSMAN ÇELİK
CHAIRMAN

Erzincan, 1964. Mr. Çelik holds a BA in Economics from the Middle East Technical University's Faculty of Economics and Administrative Sciences. He worked as an economist with the State Statistical Institute in 1986 and 1987. He then joined Faisal Finance where he worked as a specialist and chief specialist in the Project Evaluation and Preparation Department from 1988 until 1995. He was Project and Marketing Manager at İhlas Finance from 1995 through 1999, and Assistant General Manager of Anadolu Finance from 2000 through 2005. After functioning as Assistant General Manager of Credits at Türkiye Finans Participation Bank from 2006 to 2013, he then served as Assistant General Manager of Commercial Banking from October 2013 and as General Manager from June 2015. Mr. Çelik was appointed as Undersecretary of Treasury on 29 June 2016, in which position he still serves.

Holding a member's seat on the Board of Directors of Turk Eximbank since 12 January 2017, Mr. Çelik was appointed as Chairman of the Board of Turk Eximbank on 21 January 2017.

İBRAHİM ŞENEL
VICE CHAIRMAN

Tokat, 1966. Mr. Şenel holds a BA in Economics from Ankara University's Faculty of Political Sciences. After functioning as an Assistant Specialist at the State Planning Organization between 1989 and 1991, he started working at the Undersecretariat of Treasury and Foreign Trade in 1991.

From 2003 to 2007, he served as Head of Department and Deputy Director General of Exports, and as Deputy Commercial Counselor in Baku. He was Deputy Undersecretary at the Undersecretariat of Customs from 2007 to 2009, Director General of Exports from 2009 to 2011, and Deputy Undersecretary at the Ministry of Economy from 2011 to 2014. On 16 September 2013, he began serving as acting Undersecretary of the Ministry of Economy, and he was assigned as Undersecretary in full capacity on 8 January 2014, a position he still holds. In tandem, Mr. Şenel also functions as a member of the State Aids Monitoring and Supervision Board.

Holding a member's seat on the Board of Directors of Turk Eximbank since 18 March 2015, Mr. Şenel also served as a member of the Audit Committee between 16 September 2015 - 21 January 2017, and has also been serving as the Vice Chairman of the Board of Directors since 25 May 2015.

ADNAN YILDIRIM
MEMBER OF THE BOARD AND ACTING GENERAL MANAGER

Denizli, 1959. Mr. Yıldırım holds a degree in Economics and Public Finance from Ankara University's Faculty of Political Sciences and a master's degree in economics from the Vanderbilt University in the US.

Mr. Yıldırım started his professional life as an assistant auditor on the Board of Auditors at the Ministry of Finance in 1981, where he then worked as an auditor and chief auditor.

He was a Department Head at the Ministry of Finance from 1991 to 1996, before working as the CFO of EGS Group, General Manager of Denizli Free Zone, board member of İpekyolu Vadisi Serbest Bölge Kurucu ve İşletmecisi A.Ş., and Financial Advisor for Aegean Exporters' Association.

Having served as Secretary General of İzmir Chamber of Commerce from 2006 to 2010, Mr. Yıldırım was a founding partner of Pamukkale Consulting and of Batı Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. He held the positions of Advisor to the Chairman of the Aegean Region Chamber of Industry, Advisor to the Board of Directors of İzmir Commodity Exchange, Advisor to the Board of Directors of Kemalpaşa Organized Industrial Site, and Financial Advisor for İzmir Free Zone.

Mr. Yıldırım served as Deputy Minister of Economy in 2014-2015 and as Chief Advisor to the Minister of Economy in 2015-2016. He has been appointed as Acting General Manager of Turk Eximbank on 29 November 2016.

RACİ KAYA
MEMBER OF THE BOARD AND MEMBER OF AUDIT COMMITTEE

Ankara, 1967. Mr. Kaya holds a bachelor's degree in Public Administration from the Middle East Technical University, a master's degree in Economics from Hacettepe University and a doctorate degree from Marmara University. He started his career as an Assistant Specialist of International Relations at Halkbank in 1990. After holding managerial positions at various banks and private sector companies, he worked as Assistant General Manager of Aktif Investment Bank from 2007 through 2014, and as Assistant General Manager of Treasury Management and International Banking from 18 February 2015. Appointed as Acting Assistant Undersecretary of Treasury effective 17 August 2016, Mr. Kaya has been brought to the position of Assistant Undersecretary of Treasury in full capacity from 27 December 2016.

Mr. Kaya has been a member of the Board of Directors of Turk Eximbank since 30 March 2016 and a member of the Bank's Audit Committee since 4 April 2016.

BÜLENT GÖKHAN GÜNAY
MEMBER OF THE BOARD AND MEMBER OF AUDIT COMMITTEE

Sakarya, 1962. Mr. Günay started his career at Türkiye Sınai Kalkınma Bankası (TSKB) in 1986 and then held the positions of Assistant General Manager of Treasury, International Relations, Retail Banking, Securities, Advertising and Public Relations at various banks. From 2002 to 2016, he was Assistant General Manager of Treasury and Retail Banking of Anadolubank, Chief Assistant General Manager and then General Manager of the same bank, from which position he resigned in 2016.

Mr. Günay has been a member of the Board of Directors of Turk Eximbank since 12 January 2017 and a member of the Bank's Audit Committee since 21 January 2017.

MEHMET BÜYÜKEKŞİ
MEMBER OF THE BOARD

Gaziantep, 1961. Mr. Büyükekşi graduated from the Faculty of Architecture, Yıldız Technical University in 1984. He received a degree in Business Administration and English Language Education at Marmara University and in England. He currently serves as the Chairman of the Turkish Exporters Assembly, Board member of Turk Eximbank, Board member of Turkish Airlines, Assembly member of Istanbul Chamber of Commerce, Board member of Istanbul Development Agency, Board member of İstanbul Leather and Leather Products Exporters' Association, Board member of Energy Efficiency Association, and General Coordinator of Ziylan Group.

He has been a member of the board at the Turkish Leather Foundation; Vice Chairman of Turkish Exporters Assembly for five years; Board member of İstanbul Chamber of Industry for eight years, Board member of the Turkish Leather Foundation for 6 years, of TOBB-BİS Organize Sanayi ve Teknoloji Bölgeleri A.Ş., TOBTİM Uluslararası Ticaret Merkezi A.Ş., Turkish Do&Co, and Energy Efficiency Association. He was the Chairman of Turkish Shoes Industrialists' Association; Chairman of the Board of İstanbul Leather and Leather Products Exporters' Association between 2000 and 2006, and Founding Chairman of Turkish Footwear Industry Research, Development and Education Foundation between 1997 and 2008.

Mr. Büyükekşi has been a member of the Board of Directors of Turk Eximbank since 24 October 2002.

IŞINSU KESTELLİ
MEMBER OF THE BOARD

Konya, 1962. Mrs. Kestelli holds a BA in Economics from 9 Eylül University, Faculty of Economics and Administrative Sciences. She is the founding partner of Agrilink Tarım Ürünleri San. ve Tic. Ltd. engaged in international edible oil industry. She became a member of the Edible Oils Professional Committee of İzmir Commodity Exchange in 1992 and was elected a member of the Board of Directors in 1995, where she later served as Vice Chairperson of the Board of Directors from 2003 to 2009. She was elected as Chairperson of the Board of Directors in 2009. She currently serves as the Chairperson of İzmir Commodity Exchange, Board member of Borsa İstanbul A.Ş., member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Strategy Development High Council, Board member of Economic Development Foundation, Board of Trustees member of the Aegean Foundation for Economic Development, member of TOBB Women Entrepreneurs Council, member of Advisory Board of Aegean Young Businessmen Association (EGİAD), Turkey-EU Joint Consultative Committee Member, member of İzmir Economic Development Coordination Board, member of the Advisory Board of Ege University Women's Issues Research Center (EKAM), and member of the Board of Trustees of Anadolu Autism Foundation.

Mrs. Kestelli has been appointed as a member of the Board of Directors of Turk Eximbank on 12 January 2017.

Cavit DAĞDAŞ served as the Chairman of the Board of Directors from 25 May 2015 until 12 January 2017.

Hayrettin KAPLAN served as General Manager and Member of the Board of Directors between 11 February 2011 and 25 November 2016.

A. Doğan ARIKAN served as Member of the Board of Directors between 12 February 2008 and 22 March 2016 and as Member of Audit Committee between 19 April 2013 and 22 March 2016.

Adnan Ersoy ULUBAŞ served as Member of the Board of Directors between 26 February 2003 and 12 January 2017.

Oğuz SATICI served as Member of the Board of Directors between 12 March 2002 and 22 March 2016.

Hatice Zeynep BODUR OKYAY served as Member of the Board of Directors between 25 April 2016 and 12 January 2017.

The Board of Directors of Turk Eximbank held 12 meetings in 2016, 10 in Istanbul and two in Ankara. The Board of Directors has also passed 192 decisions, of which eight were interim decisions. Of these Board of Directors meetings, eight were held with full participation of all members, two with one excused absence and three others with one unexcused absence.

SENIOR MANAGEMENT AND SENIOR MANAGEMENT OF INTERNAL SYSTEMS

MESUT GÜRSOY
ASSISTANT GENERAL MANAGER

Aksaray, Ortaköy, 1963. Mr. Gürsoy graduated from the Business Administration Department of the Faculty of Political Sciences at the University of Ankara. He started his professional career at the Development Bank of Turkey as a Financial Analyst and joined Turk Eximbank in September 1993. Mr. Gürsoy served in different positions in the Project Evaluation and Country Credits Departments before being appointed as Manager of the İzmir Branch in July 2004. Mr. Gürsoy was appointed as Assistant General Manager in charge of Credits on 15 July 2011. Mr. Gürsoy retired as of 24 March 2017.

ENİS GÜLTEKİN
ASSISTANT GENERAL MANAGER

Kars, Sarıkamış, 1976. Mr. Gültekin graduated from the Department of Public Finance of the Faculty of Political Sciences at Ankara University, and received his master's degree from the Finance Department of Illinois University in the US. He started his professional career as an Assistant Specialist at Turk Eximbank in 1998, and served on the Board of Sworn in Bank Auditors at the Undersecretariat of Treasury in 1999, then on the Board of Sworn in Bank Auditors in the Banking Regulatory and Supervision Agency, and became the chief auditor.

Mr. Gültekin was appointed as the Assistant General Manager in charge of Insurance transactions at Turk Eximbank on 17 December 2013.

ALAADDİN METİN
ASSISTANT GENERAL MANAGER

Antalya, Göçük, 1964. Mr. Metin graduated from the Economics Department of the Faculty of Political Sciences at the University of Ankara. He started his professional career as an Assistant Specialist in the State Investment Bank and worked at various posts in the Information Department after the bank was transformed into Turk Eximbank in 1987. After the establishment of the Risk Analysis and Evaluation Division in July 2007, he was appointed as Head of Division.

Mr. Metin was appointed as Assistant General Manager in charge of International Credits on 15 July 2011.

ERTAN TANRIYAKUL
ASSISTANT GENERAL MANAGER

İstanbul, 1962. Mr. Tanrıyakul graduated from the Economics Department at the Middle East Technical University. He started his professional career at the Project Evaluation Department of the State Investment Bank as Assistant Specialist, and worked in Credit Analysis and Treasury Departments after the bank was transformed into Turk Eximbank in 1987, serving until 1992, he took charge as Manager and Head of Department in the Finance Department, responsible for national and international borrowing during the 1992-98 period.

Mr. Tanrıyakul was appointed as Assistant General Manager on 2 March 1998 and is currently in charge of Treasury, Funding, Risk Analysis, Evaluation as Assistant General Manager.

NECATİ YENİARAS
ASSISTANT GENERAL MANAGER

Kars, 1962. Mr. Yeniaras graduated from the Faculty of Economics and Administrative Sciences at the Gazi University and received his masters degree in Economics from the Gazi University. He started his professional career in the accounting department of a private company and became Accounting Manager at the same company. He served in different positions at the Development Bank of Turkey, and was also an Economic Advisor to the State Minister in charge of Economy.

Mr. Yeniaras was appointed to Turk Eximbank as Assistant General Manager on 1 October 1997. He was appointed as Deputy General Manager on 8 March 2010, and was the Deputy General Manager and member of the Board of Directors until 11 February 2011. Mr. Yeniaras is currently the Assistant General Manager in charge of IT, Accounting Transactions and Reporting, Research and Coordination.

AHMET KOPAR
ASSISTANT GENERAL MANAGER

Elazığ, 1955. Mr. Kopar graduated from the Department of Mathematical Engineering at the Karadeniz Technical University and received his master's degree in Statistics from the Academy of Economical and Commercial Sciences, Ankara. He started his professional career as a Programmer in the Turkish State Meteorological Service, and joined Turk Eximbank in May 1987. Mr. Kopar served in different positions at the Information Technology Department before being appointed as the Head of Information Technology Department in October 2000.

Mr. Kopar was appointed as Assistant General Manager at Turk Eximbank on 15 July 2011 and is still in charge of Support Services as Assistant General Manager.

SENIOR MANAGEMENT AND SENIOR MANAGEMENT OF INTERNAL SYSTEMS

MUSTAFA TAYLAN ÖKTEM
CHAIRMAN OF THE BOARD OF INSPECTORS

İskenderun, 1973. Mr. Öktem graduated from Çukurova University's Faculty of Economics and Administrative Sciences, Department of Economy. Starting his professional life as Assistant Inspector at Toprakbank Supervisory Board in 1997, Öktem worked as Inspector, President of Supervisory Board and Branch Director at Asya Participation Bank as of 2003. He joined Turk Eximbank on 12 May 2014.

MURAT ŞENOL
HEAD OF RISK MANAGEMENT

Ankara, 1966. Mr. Şenol graduated from the Economics Department of Hacettepe University. He started his professional career at the Central Bank of the Republic of Turkey in 1988 in the General Directorate of Money Markets and Fund Management. He joined Turk Eximbank in 1995 and worked as Manager in the PSECs, Foreign Trade Companies Short-Term Export Credits and Pre-Export Credits Departments. He was appointed as Chief Risk Officer at Turk Eximbank in 15 July 2011.

A. NİHAT PULAK
HEAD OF INTERNAL CONTROL

Ankara, 1960. Mr. Pulak graduated from the Business Administration Department at the Academy of Economical and Commercial Sciences in Ankara. He started his professional life at Kutlutaş Ltd in 1981 and his banking career at Interbank A.Ş. (Uluslararası Endüstri ve Ticaret Bankası) in 1985. He joined Turk Eximbank as Manager of the Training Department in 1989, and has also worked as Manager in the Credits, Budgeting and Financial Planning fields. Mr. Pulak was appointed as Head of Internal Control on 15 July 2011.

NERGİS CEVHER
HEAD OF COMPLIANCE DEPARTMENT

Isperih, Bulgaria, 1960. Ms. Cevher graduated from the Economics-Insurance Department at Sviştov Dr. A. Asenov, Bulgarian Academy of Economics and Finance. Having joined Turk Eximbank in 1989 in the Pre-Shipment Export Credits Unit, Nergis Cevher worked as an Assistant Manager in the Credit Control Department, and as a Manager in the Performance Credits and Compliance Department. Mrs. Cevher was appointed as Head of Compliance Department of Turk Eximbank on 7 July 2015, in which position she still serves.

THE COMMITTEES FOR RISK MANAGEMENT AND BANK TRANSACTIONS AT TURK EXIMBANK

Audit Committee

Member:	Bülent Gökhan GÜNAY (Member of the Board)*
Member:	Raci KAYA (Member of the Board)*

The Audit Committee was established by the decision of the Board of Directors dated 31 October 2006. On behalf of the Board of Directors, the Audit Committee is authorized and responsible for: ensuring the efficiency and adequacy of the internal control, risk management and internal audit systems; monitoring the operations of internal systems, accounting and reporting systems, and the integrity of the information generated by them in compliance with related legislation; and, during the Board of Directors' process of choosing independent auditors, rating institutions, evaluation and support services firms, performing pre-assessment of candidates and regularly monitoring the activities of the selected institutions. The Regulations on the Procedure and Principles of the Operations of the Audit Committee was approved by the Board's decision dated 5 February 2007.

* Raci KAYA, who has been appointed as Member of the Board of Directors to succeed A. Doğan ARIKAN at Turk Eximbank's General Assembly convened on 22 March 2016, has been assigned as a member of the Audit Committee on 4 April 2016. Bülent Gökhan GÜNAY has replaced İbrahim ŞENEL as a member of the Audit Committee on 21 January 2017.

Executive Committee

Chairman:	Adnan YILDIRIM (Acting General Manager)*
Member:	Mesut GÜRSOY (Assistant General Manager in charge of Credits)**
Member:	Enis GÜLTEKİN (Assistant General Manager in charge of Insurance)
Member:	Alaaddin METİN (Assistant General Manager in charge of International Credits)
Member:	Ertan TANRIYAKUL (Assistant General Manager in charge of Funding)
Member:	Necati YENİARAS (Assistant General Manager in charge of Coordination/Technology)
Member:	Ahmet KOPAR (Assistant General Manager in charge of Support Services)

The Executive Committee was established by the Board of Directors Decree No. 97/17-70, dated 6 August 1997. The main function of the Committee is to negotiate the issues to be submitted to the Board of Directors for approval. It also analyzes and evaluates draft arrangements on credit principles as well as technical and administrative issues. The main responsibilities of this Committee are: to manage assets and liabilities; to submit eligible credit applications of both domestic and overseas projects to the Board of Directors for approval; and to carry out duties assigned by the Board of Directors. Reports on the balance sheet, income statement, financial structure, placement and funding activities are submitted to the Board of Directors at least quarterly.

* Hayrettin KAPLAN served as the General Manager and Chairman of the Executive Committee until 25 November 2016.
** Mesut GÜRSOY retired on 24 March 2017.

Credit Committees

Credit Committee *

Chairman:	Adnan YILDIRIM (Acting General Manager)**
Member:	Bülent Gökhan GÜNAY (Member of the Board)***
Member:	Raci KAYA (Member of the Board)***

The Credit Committee is vested with the authority to issue a credit up to a maximum of 10% of the Bank equities to a real or legal person, and carries out duties assigned by the Board of Directors within the framework of the procedures and principles stated in the legislation in line with Article 31 of the Bank's Articles of Association.

* Designated as per the Board of Directors decision no. 03 dated 21 January 2017.

** Hayrettin KAPLAN served as General Manager and head of the Credit Committee until 25 November 2016.
*** Oğuz SATICI and A. Doğan ARIKAN served as members of the Credit Committee until 22 March 2016 and Adnan Ersoy ULUBAŞ served as member of the Credit Committee between 22 March 2016 and 12 January 2017.

THE COMMITTEES FOR RISK MANAGEMENT AND BANK TRANSACTIONS AT TURK EXIMBANK

General Directorate Credit Committee

Chairman:	Adnan YILDIRIM (Acting General Manager)
Member:	Mesut GÜRSOY (Assistant General Manager in charge of Credits)*, Alaaddin METİN (Assistant General Manager in charge of International Credits)
Member:	Head of Relevant Department/Regional Director/Branch Director

The General Directorate Credit Committee is vested with the authority to issue credit up to a maximum 1% of the Bank equities, limited to the credits provided with 100% first-class warranties. These include letters of guarantee issued by the banks, surety and guarantees, domestic bank confirmation to the irrevocable letter of credit, Credit Guarantee Fund (CGF) guarantees, Bank Overdraft Account Declarations, the transfer or deposit of the claims of the real and legal persons in the public institutions, the transfer of the rights stemmed or to be stemmed within the scope of the Short-Term Export Credit Insurance Policy or the Specific Export Credit Insurance Post-Shipment Risk Policy of the Bank related to the export amounts or insured export claims guarantee, security, surety, acceptance, endorsement, confirmation or Bank Overdraft Account Declarations to be issued by factoring companies operating in Turkey and having limits from the Bank, other deposits classified among the Determination of the Nature of Credits and Other Receivables and the First Group of Deposits specified in the Regulations regarding the Procedures and Principles of the Provisions for These by Banks.

* Mesut GÜRSOY retired on 24 March 2017.

Unit Credit Allocation Committee

Chairman:	Mesut GÜRSOY (Assistant General Manager in charge of Credits)*, Alaaddin METİN (Assistant General Manager in charge of International Credits)
Member:	Head of Relevant Department/Regional Director/Branch Director
Member:	Head of Relevant Department Manager/Regional Director/Assistant Branch Director

This Committee is vested with the authority to issue credit up to a maximum of nine per thousand of the Bank equities (90% of authorization of the General Directorate that equals to 1% of the Bank equities), limited to the credits provided with 100% first-class warranties. These include letters of guarantee issued by the banks, surety and guarantees, domestic bank confirmation to the irrevocable letter of credit, CGF guarantees, Bank Overdraft Account Declarations, the transfer or deposit of the claims of the real> and legal persons in the public institutions, the transfer of the rights stemmed or to be stemmed within the scope of the Short-Term Export Credit Insurance Policy or Specific Export Credit Insurance Post-Shipment Risk Policy of the Bank related to the export amounts or insured export claims guarantee, security, surety, acceptance, endorsement, confirmation or Bank Overdraft Account Declarations to be issued by factoring companies operating in Turkey and having limits from the Bank, other deposits classified among the Determination of the Nature of Credits and Other Receivables and the First Group of Deposits specified in the Regulations regarding the Procedures and Principles of the Provisions for These by Banks.

* Mesut GÜRSOY retired on 24 March 2017.

SUMMARY REPORT FOR 2016 SUBMITTED BY THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY OF TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. (TURK EXIMBANK)

Anti-globalist policies…

Having had yet another difficult year owing to sluggish world trade, to low investment, and to mounting political uncertainties, the global economy is now expected to have grown 3.1% in 2016, a mere 0.1% percentage point above its 2015 performance. However in projections for the world economy in both 2017 and 2018 the outlook is that, notwithstanding the uncertainties posed by adverse risks, growth will recover and that annual rates on the order of 3.4% and 3.6% will be reached respectively during the next two years.

Despite an unexpectedly weak performance in the first half of the year, the US economy recovered in the second with growth nearly fulfilling its potential. Expectations that the victory of Donald Trump in the country's November presidential elections signaled the advent of expansionist monetary policies caused the value of the US dollar to rise against all other currencies. What with inflation coming close to its target and continued recovery in job markets, expectations of an accelerated normalization of monetary policy were strengthened. So indeed the US Federal Reserve Bank decided in December to raise its short-term lending rates by 25 basis points and the consensus after the Fed meeting appeared to be that the number of interest rate hikes that could be expected to take place in 2017 was now higher than what it had been before. The IMF for its part also revised its growth projections for the US economy upwards and said that it now expects rates of 1.9% in 2017 and 2.0% in 2018.

In Europe, where the European Central Bank's expansionist monetary policy and moderately expansionist fiscal policies could be expected to support growth, the uncertainties stirred up by the results of a UK referendum to take Britain out of the European Union further weakened investor confidence and adversely impacted on growth instead. Steady -albeit unexpectedly low- economic growth in Germany, the EU's biggest economy, accompanied by comparable performances in France, Spain, and Portugal, increased expectations that the modest recovery might just endure. Nonetheless the EU's economic revival faces risks not the least of which are the weakness of Greece's economic outlook, chronic fragilities in the EU's banking system, and strong showings by anti-EU political parties in the wake of the UK's Brexit decision. It was for such reasons as these and taking both inflation- and growth-related risks into account that the ECB decided at its December 2016 meeting to extend the duration of its quantitative easing program until the end of 2017 even as the bank lowered the total amount from EUR 80 billion to EUR 60 billion after the month of March. The IMF now says that the euro area grew by an estimated 1.7% in 2016 and is likely to grow by rates of 2.3% and 2.5% in 2017 and 2018 respectively.

Despite the UK's decision to withdraw from the EU as a result of the Brexit referendum and the greater economic uncertainties that this leads to, Britain's economy grew by 2.2% in 2016, largely because domestic demand was livelier than had been anticipated. The IMF projects UK growth rates of 1.5% and 1.4% in 2017 and 2018 respectively. In Japan, both investment and exports remained generally weak despite the government's postponement of a consumption tax and its efforts to support private consumption expenditures by means of such measures as raising its initial budget estimate and expansionary monetary policy. Japan appears to have grown by 0.9% in 2016 and a growth rate of just 0.8% is seen as being likely in 2017.

Growth among the world's emerging economies was supported in the first eleven months of 2016 by such factors as the Fed's slower-than-expected monetary policy renormalization, by expectations of low interest rates in developed countries, by a lessening of concerns about the Chinese economy, and by a more moderate macroeconomic outlook in other emerging economies and a relative recovery in commodity prices late in the year. Nonetheless there are still many disparities in emerging countries' economic performance: although growth remains strong in East Asia, especially in India and China, it appears to be stubbornly weak in Latin America, the Middle East, and Sub-Saharan Africa. Growth in the Middle East was impeded by geopolitical risks and by low oil prices all year long in 2016 while in Sub-Saharan Africa, Nigeria appears to be the principal cause of the weakness of the region's economic performance. Growth rates among the developing countries are currently put at 4.1% and 4.5% in 2016 and 2017 respectively.

In reports published by the IMF, the World Bank, and the OECD, the view is expressed that there will be a recovery in the world economy and that this will be led primarily by the developing countries. However there are also many risks which could put paid to those expectations. One in particular is a penchant for protectionist policies in international trade, which both increases uncertainties about the global economy and worsens the outlook for growth. Strong showings by anti-EU views in European elections that are on the 2017 calendar as well as the hazards inherent in the EU's banking system all exacerbate the adverse risks confronting not just the EU's economy but that of the world as a whole. As for the perils which might impact on the

SUMMARY REPORT FOR 2016 SUBMITTED BY THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY OF TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. (TURK EXIMBANK)

emerging economies, the Middle East's increasing worse geopolitical risks and the possibility that the Fed may push up interest rates faster as its monetary policy renormalization unfolds are but two of the more salient ones.

Developments in the Turkish economy…

In December 2016, the Turkish Statistical Institute changed the methodology employed to calculate GDP. According to this new method, the Turkish economy grew by 6.1% in 2015 and by 4.5% in the first half of 2016. A failed coup in July had an adverse impact on the economy in the third quarter, with the result that a negative (1.8%) rate of growth was registered during those three months, a quite unexpected contraction. The upshot is that the Turkish economy grew by 2.4% in the first nine months of 2016. Leading indicators are signaling that growth was in recovery by the last quarter of the year however. While the government for its part sought to support the demand side by increasing public-sector outlays, total exports likewise showed signs of picking up from the beginning of the year onwards thanks to the consistent and positive contributions of EUR-denominated shipments and to the gradual waning of negative parity effects. Taking all of these factors into account, growth in the Turkish economy is expected to have been on the order of 2.1% in 2016.

Despite all of the geopolitical risks in its neighborhood, Turkey's export trade performed somewhat better in 2016 than it did the year before. This can be attributed to steady albeit moderate recovery in the European Union, to diminishing negative parity effects, and to improved relations with Russia. Whereas in 2015 Turkey's exports were down by 8.7% year-on, in 2016 they declined by only 0.9% and weighed in at USD 142.6 billion in value. On the imports side, the previously ongoing contraction continued to pick up speed until March 2016 after which it began to lose momentum once oil prices started to recover. The net effect of these developments is that Turkey's import trade declined by 4.2% year-on in 2016 and amounted to USD 198.6 billion in value. In this context then the country's foreign trade deficit as of end-2016 was USD 56 billion or 11.7% less than what it was twelve months earlier.

Despite these developments in foreign trade however, recovery in the country's current account deficit was frustrated by a decline in net tourism receipts between January and November 2016. In the first eleven months of the year the current account deficit increased by 5.4% as compared with the same period of the previous year and reached USD 28.6 billion.

As a result of significant last-quarter exchange rate volatility, modest increases in oil prices, and higher taxes on tobacco products and alcoholic beverages, twelve-month inflation at year-end 2016 was 8.53%, a bit more than a whole percentage point above the Turkish Central Bank's 7.5% target.

Turk Eximbank continued to support Turkish export industries with financing in 2016…

Turk Eximbank supplied a total of USD 21.9 billion worth of credit to Turkey's export industries in 2016. The number of firms benefiting from the Bank's financing last year was 6,388, of which 63% (4,024 firms) were classified as SMEs (small- and medium-sized enterprises).

The aggregate value of all shipments covered by Turk Eximbank Export Credit Insurance amounted to USD 11 billion in value in 2016. Total premiums collected under all of the Bank's insurance programs were worth USD 37.1 million while the number of firms actively making use of their allocated limits was more than 47 thousand.

Taking into account the strong interest shown by exporters in Turk Eximbank rediscounting as a major source of financing of late, the Central Bank raised the export rediscount limit assigned to Turk Eximbank from USD 15 billion to USD 17 billion in July 2016. The repayment term was increased to 360 days on exports of high-tech manufactured goods and on exports of goods and FC-earning services to new markets. In the twelve months to 31 December 2016, a total of USD 16.5 billion was lent as Turk Eximbank rediscount credit, one consequence of which was that such credit accounted for an 83.4% share of all of the Bank's short-term lending last year.

In line with the Bank's goal of improving the functionality of buyer's credit, innovative approaches have been taken in order to enrich the product portfolio of Turk Eximbank's international lending programs since 2014. As a result of formulating and revising lending programs in line with exporters' needs and expectations, there has been considerable diversification in the financing alternatives that Turk Eximbank can make available to their buyers. The Bank has been steadily increasing the direct credit support provided to buyers of late with the result that the total value of Turk Eximbank-supplied buyer's credit increased from USD 137 million in 2015 to USD 271 million in 2016. Last year the Bank also issued 91 letters of intent concerning export deals and/or projects with goods and services export potential. The aggregate value of these letters, which were sent to a total of 36 countries, was USD 11.3 billion.

In international project finance, lending under a EUR 48.5 million line of credit extended to a project in Senegal was completed last year while a total of USD 114.9 million was lent under a USD 135.9 million agreement for a project in Ghana. USD 288 million was also lent to a railroad project in Ethiopia, whose USD 300 million total value represents the biggest line of credit allocated by Turk Eximbank to date. Two new credit agreements were also entered into last year: a EUR 197.5 million agreement that was signed on 4 April 2016 for a business center project in the Republic of Congo and a USD 190.5 million agreement that was signed on 2 November 2016 for a stadium project in Cameroon. In the case of Turk Eximbank's international trade finance credit programs, the total number of export deals financed in 2016 was 74, more than three times the 23 projects in 2015, while the number of countries in which the Bank's programs were active increased from 7 to 19 and the aggregate value of all such lending grew from USD 9.8 million to USD 15.9 million.

Of all of Turk Eximbank's insurance programs, its Short-Term Export Credit Insurance Program is the one for which demand is the greatest. The Bank's Domestic Credit Insurance Program that provides coverage for exporters' domestic receivables likewise attracted considerable attention. In order to make it easier for exporters to put up their guarantees, in 2016 Turk Eximbank also continued to accept its short-term export credit insurance policies as collateral for the CBRT-sourced post-shipment rediscount credit financing that it supplies. Last year about USD 325 million worth of Turk Eximbank support was provided for shipments covered by the bank's Post-Shipment Rediscount Credit Program.

In 2016 Turk Eximbank's nominal capital was increased from TL 2.5 billion to TL 3.7 billion, a total of USD 5.2 billion worth of funding was obtained from international markets, and debt repayments amounting to USD 3.3 billion were made.

Explanations about Turk Eximbank's Balance Sheet and Profit & Loss Statement

Turk Eximbank's total assets reached TL 68.3 billion (USD 19.4 billion) as of 31 December 2016.

Turk Eximbank's total assets consist of 90% loans, 5% liquid assets and 5% securities held-to-maturity and other assets.

The Bank's loan portfolio reached TL 61.6 billion as of the end of 2016, and increased by 43% over the previous year. Of the total credits, 63% (TL 38.7 billion) are short-term credits and 37% (TL 22.9 billion) are medium- and long- term credits. By using appropriate risk management techniques, Turk Eximbank has shown great efforts to collect receivables on time and in full. Thus, although the Bank extends most of its resources as loans to the export sector, the NPLs ratio is low, at 0.4%, when compared to the banking sector average.

Turk Eximbank's liabilities reached TL 68.3 billion as of the end of 2016. Of these, 8% (TL 5.2 billion) was shareholder's equity, 87% (TL 59.7 billion) was funds obtained from domestic and external markets, and 5% (TL 3.4 billion) was provisions and other liabilities.

The Bank's shareholders' equity was TL 5.2 billion, of which 71% (TL 3.7 billion) was paid-up capital, 21% (TL 1.1 billion) was capital reserves and profit reserves, and 8% (TL 421 million) was net profit.

The TL 59.7 billion in real foreign resources used for funding the Bank's assets consisted of TL 32,184 million worth of credits provided from the Central Bank of the Republic of Turkey, TL 19,535 million credits provided from domestic and foreign banks, TL 7,827 million in marketable securities issued, TL 88 million in subordinated credits and TL 69 million in funds provided under repurchase agreements.

The Bank's nominal capital, which was TL 3.7 billion as of 31 December 2016, was fully paid-up.

As per Article 13 implemented by BRSA, entitled "Exemptions of Regulations Concerning the Determination of Natures of Credits and Other Receivables of Banks and Procedures and Principles of the Provisions for These by Banks", although the private and general provisioning ratio for the Bank for the transaction is set at zero percent, Turk Eximbank makes provisions within prudent banking principles.

The liquid assets-to-short-term liabilities ratio of Turk Eximbank has been realized at 100% as of 31 December 2016.

SUMMARY REPORT FOR 2016 SUBMITTED BY THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY OF TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. (TURK EXIMBANK)

As the balance of Turk Eximbank is concentrated on credits, its effects can be seen on incomes. Of the Bank's TL 1,643 million in total interest income, 96% (TL 1,571 million) came from interest earned from credits. On the other hand, the Bank's interest expense was TL 784 million, of which 47% (TL 369 million) was interest paid on marketable securities issued and 51% (TL 398 million) was interest paid on borrowings from domestic and international money markets through funding and bond issue. Other interest expenses were TL 16 million and net interest income was TL 859 million.

The Bank's net profit was TL 421 million as of 31 December 2016, yielding return on assets and return on equity ratios of 0.6% and 8.8%, respectively.

The Bank's financial statements have been audited by the independent auditing company Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (part of consultancy KPMG) in line with International Auditing Standards and the audit was finalized without any critique on 24 February 2017. The financial statements have been prepared in accordance with Article 37 of Banking Law No. 5411, the Regulation on Principles and Procedures Regarding Accounting Applications and Maintenance of Documents for Banks (published in issue No. 26333 of the Official Gazette dated 1 November 2006), Turkish Accounting Standards, Turkish Financial Reporting Standards, and other legislation related to accounting and financial reporting published by the BRSA and the BRSA comments, as well as in accordance with the Bank's accounting records.

In line with the Bank's Articles of Association and relevant legislation, we hereby present the summary report of audited financial statements as of 31 December 2016.

Osman ÇELİK
Chairman

İbrahim ŞENEL Vice Chairman	Adnan YILDIRIM Member	Mehmet BÜYÜKEKŞİ Member
Raci KAYA Member	Işınsu KESTELLİ Member	Bülent Gökhan GÜNAY Member

ORGANIZATIONAL ACTIVITIES

Organizational Developments

The following took place within the frame of the reorganization undertaken at Turk Eximbank in 2016:

- Loan Processes and Implementations Division under Loan Allocation and Marketing Department was affiliated to Loan Operation Department;
- Treasury Division under the Office of the Assistant General Manager of Finance Treasury Department was renamed as Capital and Money Markets Division;
- Derivatives Division was set up under Treasury Department;
- Office of the Assistant General Manager of Coordination & Technology was renamed as Office of the Assistant General Manager of IT, Financial Affairs & Coordination;
- IT Department was renamed as IT Infrastructure Operation and Management Department;
- IT Division was renamed as IT Infrastructure and Service Management Division;
- Banking Software Development and Business Innovation Department was set up under the Office of the Assistant General Manager of IT, Financial Affairs & Coordination;
- Project, Business Innovation and Quality Management Division was set up under the Banking Software Development and Business Innovation Department;
- System Development Division was renamed Banking Software Development Division and was affiliated to the Banking Software Development and Business Innovation Department;
- Accounting Procedures and Reporting Department was renamed Accounting and Financial Reporting Department;
- Accounting Procedures and Reporting Division was renamed as Accounting and Financial Reporting Division;
- Research Division under the Economic Research Department was renamed as Economic Research and Coordination Division and was directly affiliated to the Office of the Assistant General Manager of IT, Financial Affairs and Coordination;
- Economic Research Department was shut down;
- HR Department was set up under the Office of the Assistant General Manager of Support;
- HR Division under the Office of the Assistant General Manager of Support was affiliated to the HR Department.

HUMAN RESOURCES PRACTICES

Human Resources Policy

The Bank's human resources policy is executed according to the general principles dictated in the Bank's Articles of Association and Human Resources Regulations.

The main principles of the Bank's human resources policy are as follows:

1. To employ an efficient number of competent, exceptionally skilled, creative and inquisitive personnel who have a capacity for analytical thinking, for the execution of the Bank's activities in order to reach its goals;

2. To take special care in recruiting and authorizing personnel according to principles of equity and under equal conditions, determining the recruitment criteria in writing by use of titles, and applying these criteria;

3. To provide personnel with an equal-opportunity work environment in which they can utilize and improve their abilities and qualifications;

4. To establish an employee personal rights and wage system that increases personnel motivation and encourages them to work at the Bank, allowing the Bank to employ manpower with qualifications and numbers required by the service.

There are 10 different ranks (titles) within Turk Eximbank. The specialized nature of the Bank's operations requires a highly qualified and professional staff, hence career development is very important. After two years of service, assistant specialists prepare a thesis, and after three years, they take a qualification exam to be appointed as specialists. In 2016, 114 personnel were recruited and 24 personnel resigned.

Training Studies

The Bank's training policy reflects an understanding of how to improve both the theoretical and practical knowledge and skills of its personnel regarding their duties, thereby changing their attitudes in a positive way through the principles of efficiency, savings and effectiveness in their services.

Training needs analyses are performed each year to consider the qualifications of the Bank's personnel and units, and a plan is established to determine in what ways and from which resources their training needs will be met. Within this framework, trainings were either held in-house or received through outside professional institutions. In addition, the Bank may send personnel abroad for the same purpose.

In line with the training needs of the Bank's departments, it benefits from the training given in the periodic training catalogs prepared and through seminars and conferences on current subjects. In addition, the relevant training facilities of other well-qualified and specialized private training institutions are utilized, and the attendance of the Bank's personnel at these facilities is enforced.

In 2016, 526 personnel attended 171 training programs, with 1,210 participants in total.

Regarding foreign language training, training programs were put into use for English, French and Italian in 2016. A total of 81 personnel utilized this foreign language training of which 10 was general class and 26 was private class.

Within the scope of the internship program of the Bank, 37 students (three high school students and 30 university students) served an internship at the General Directorate and the Aegean District Office during the semester and summer periods in 2016.

Public Relations

News about Turk Eximbank is announced to the public by disclosure to the press. A press coverage and daily economic news bulletin and monthly e-bulletins are prepared in the electronic environment and presented for the use of the Bank's employees. News articles that appear in the press are collected and forwarded to relevant units.

Information Request, BİMER (Prime Ministry Communications Center) and CİMER (Presidency Communication Center) applications have been reviewed and responses drafted in the light of related departments' feedback were sent to applicants.

A Strategy Assessment and Training meeting was held with the OECD Environment Expert Group. The Bank participated in the "Monthly Export Figures" meetings held by the Turkish Exporters' Assembly, and presented information about the programs offered by Turk Eximbank to exporter companies.

Social network accounts of Turk Eximbank on Facebook and Twitter were actively used.

Brochures indicating the activities of the Bank were designed and printed, and the annual report was presented and distributed at meetings, events and various organizations.

Through package agreements for telephone and data lines, usage properties were improved and more discounted prices began to be applied.

Archiving was established and carried out in line with the circulars and regulations of the General Directorate of State Archives.

Records were kept on internal and external document flow, thus ensuring a smooth system.

Incoming documents were distributed electronically, thereby reducing paper consumption. In 2017, the Bank will take part in workshops, training programs and summits in relation to Electronic Document Management System practices.

FINANCIAL INFORMATION

RELATIONS OF TURK EXIMBANK WITH ITS RISK GROUP

Turk Eximbank does not have a Risk Group, since the Bank is fully owned by the Turkish Treasury and does not have subsidiaries or affiliates which it controls, either directly or indirectly.

Support Services Obtained by Turk Eximbank

Within the scope of the BRSA's "Regulation on Support Services to be Received by Banks" that went into force upon its publication in the Official Gazette issue 28106 dated 5 November 2011, Turk Eximbank received four support services detailed below in 2016.

Support Service Provider	Service Received by the Bank
Reisswolf Arşiv Yönetimi A.Ş.	Retention of hard-copy documents
ELC Stratejik Bilgi Sis. ve Yön. Danış. Eğitim Yazılım Paz. San. Tic. Ltd. Şti.	SAP TRM software maintenance and support services
Fineksus Bilişim Çözümleri Ticaret A.Ş.	SWIFT Service Bureau GWCP&DRCP and SWIFT Alliance System Support & Consultancy
V.R.P. Veri Raporlama Programlama Bilişim Yaz. ve Danış. Hiz. Tic. A.Ş.	Internet branch application maintenance
JFORCE Bilişim Teknoloji A.Ş.	Software training, consultancy and support services provision for new loan application development
Proya Profesyonel Yazılım Çözüm ve Dan. Tic. Ltd. Şti.	Software training, consultancy and support services provision for new loan application development

FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

The General Assessment of the Audit Committee for the Year 2016 Regarding Activities and Risk Management, Internal Control and Internal Audit Systems at Turk Eximbank

As the sole official export credit agency in Turkey, Turk Eximbank supports the export sector with its credit, guarantee and insurance programs through non-profit activities. However, the Bank also seeks to ensure the most appropriate rate of return in order to maintain its capital and financial strength, and it complies with broadly accepted banking and investment principles in all its activities. In this regard, while conducting its legal function, which is "to provide financial support to the export sector", the Bank maintains its risk level without weakening its financial strength.

As per the provisions of the legislation issued by the BRSA regarding Banking Law No. 5411, necessary organizational changes were made at the Bank on 31 October 2006, internal systems of the Bank were established with their current status, and an Audit Committee was established. Internal Audit, Internal Control, Risk Management and Compliance departments carry out their activities under the supervision of the Audit Committee made up of two members elected by the Board of Directors from amongst its own members.

Internal Audit

The Internal Audit Department carries out its responsibilities to the Board of Directors via the Audit Committee, which was established to perform the supervisory and regulatory obligations of the Board of Directors and to perform the following tasks within the framework of Audit Committee Regulation issued in line with the principles established within the scope of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process:

- Analyzing the compliance of the Bank's activities with the relevant laws, legislation, regulations, decrees, communiqués, instructions and other statutes;
- Reviewing and evaluating the efficiency and adequacy of the Bank's internal control and risk management systems;
- Conducting investigations and examinations of operations, accounts and activities in the Bank's headquarters units, branches and liaison offices.

Internal Audit activities have been performed in an impartial and independent manner using a risk-based approach, with the aim of ensuring that the current resources are used efficiently and that all activities make the maximum contribution to the Bank. The annual audit plans are prepared and implemented using risk assessments of the risk appraisal report. In order to ensure effective continuity of internal audit activities, the Internal Audit Department has performed inspections at the units, branches and representatives of the Bank within the framework of the annual audit plan. The Audit Department reports to the Board of Directors by way of the Audit Committee and to the related senior management, and it monitors the measures taken against inappropriate conduct. In addition, the Board of Directors keeps abreast of the activities of the Internal Audit Department through its quarterly and annual activity reports submitted via the Audit Committee.

According to the relevant legislation issued by the BRSA, the Bank must present a "management declaration" to its external independent auditors, signed by the Board of Directors for each audit period, concerning the current situation and internal control activities carried out on information systems and banking processes. In this regard, the control and audit activities intended to be the basis of this management declaration were prepared by the Internal Control Department and the Internal Audit Department for information systems and banking processes, and the report prepared was presented to the Board of Directors. The Management Declaration was signed by the Board of Directors on 21 January 2017 and submitted to the external auditor on the same date.

The five-person Audit Committee continued its activities in 2016 with the aim of developing the activities of the Bank and adding value to them, and it ensured that the internal control activities that form the basis of the management declaration are performed in a coordinated manner.

FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

Internal Control

The Internal Control System was established regarding the legislation provisions issued by the BRSA to protect the Bank's assets and to ensure that the Bank's activities are carried out in compliance with the laws, relevant legislation, in-house policies, rules and banking instructions efficiently and effectively; to secure the reliability and integrity of accounting and financial reporting systems; and to ensure that the information is obtained accurately.

Within the scope of this system, the duties of the Department of Internal Control, established to monitor and control the activities of the executive units by developing various control mechanisms, are defined as follows within the framework of the Department of Internal Control Regulation and the Department of Internal Control Application Principles, and came into effect upon approval from the Board of Directors:

- To control communication channels and information systems in the Bank,
- To produce classifications of functional duties;
- To carry out the primary activities of the Bank; and
- To ensure the compliance of accounting and financial reporting systems

with both internal and general rules and practices. The Internal Control Department, within the scope of its tasks, carried out its activities in 2016 by giving priority to the process and procedures within the framework of the materiality criteria as determined by a risk-oriented perspective.

Within this context, credit, insurance, treasury, payment systems (SWIFT, EFT, RPS), and accounting and financial reporting processes were controlled regularly throughout the year. In the course of these activities, individual permissions to access the system modules and screens and to create accounting entries were checked with consideration of conformity to the duties of the related personnel. In addition, the principle of separation of functional tasks (data entry, control, approval) and the checkpoints of the several transaction limits were audited in terms of their presence and mechanisms.

The quarterly reports of the Internal Control Department relating internal control activities were presented to the Audit Committee regularly. The control and audit activities that form the basis of the Management Declaration were prepared by the Internal Control Department and the Internal Audit Department for information systems and banking processes, and the report prepared was presented to the Board of Directors.

During the routine examination, control and monitoring activities in 2016, and as a result of the manual examinations and systemic screen tests of banking processes carried out for the preparatory studies for the Management Declaration, there are no findings that pose risks for the Bank.

Risk Management

According to the Charter and Procedures of the Risk Management Department approved by the Board of Directors, the Risk Management Department is responsible for:

- Defining, measuring, analyzing, managing and monitoring all risks faced by the Bank; developing and researching risk policies and procedures to be approved by the Board of Directors; and
- Computing profits and costs regarding all risks and management of such, together with related line departments, and reporting the results to the Audit Committee and Senior Management.

Risk management activities

Credit Risk: Risks arising from lending and guarantee transactions within the limits imposed by law and by the Bank's own policies were monitored. Since the greatest risk category to which the Bank was exposed was domestic and overseas bank credits, the internal rating system for banks was used in the measurement of the Banks' limits. Credit Risk is reported to the BRSA according to the BRSA's Standard Method.

Market Risk: Market risk is calculated monthly using the Standard Method devised by the BRSA and is considered in the calculation of the Capital Adequacy Ratio. In addition, as almost the entire portfolio subject to market risk is hedged, market risk is very low. The Bank implements hedge accounting principles regarding derivative transactions.

Operational Risk: Risks arising from banking activities are identified, assessed and monitored. An IT risk matrix was created for monitoring and managing the IT risks.

In addition, reports consisting of scenario analysis such as Gap Analysis, Duration, Ratio and Asset-Liability and Stress Tests were submitted to the upper management of the Bank.

Stress Tests: In addition to the Standard Method, and since Turk Eximbank provides credit mainly through the commercial banking system, the economic capital figures are regularly calculated through the ratings given by international rating agencies to the commercial banks to which we have allocated credits. Also regularly calculated are Possibility of Default (PD) and Loss Given Default (LGD). These calculations are renewed under stress factors including scenarios where PDs change negatively and LGDs increase sharply.

The credit risk stress tests carried out with the Internal Models indicate that, with its stable and strong capital structure, the Bank can operate free of any problems while under intense stress factors.

Notes on risk management prepared pursuant to Communiqué on Financial Statements to be Publicly Disclosed by Banks and the Descriptions and Notes thereto which was published in the Official Gazette issue 28337 dated 28 June 2012, and to Communiqué on Disclosures about Risk Management to be Announced to Public by Banks, which was published in the Official Gazette issue 29511 dated 23 October 2015, are drawn up on a quarterly basis, which are then coordinated by the Accounting and Financial Reporting Department for external audit.

Regulatory Compliance

Regulatory Compliance Division was established on 7 July 2015 and is charged with following up legal and administrative regulations in order to ensure alignment of the Company's operations with the legislation governing the Bank. The Division makes sure that the Bank's internal practices incorporate the said regulatory framework, takes part in anti-bribery activities with respect to export credits before the OECD, and supports the establishment of related internal policies and procedures. In addition, the Division carries out the activities for putting into practice the regulations in relation to anti money-laundering and prevention of terrorist financing. The Division is also assigned with exchanging opinions with regulatory and supervisory authorities, and sharing the opinions received with related units.

Dealing with a broad range of responsibilities, the Regulatory Compliance Division is staffed with four employees.

Arrangements Introduced within the frame of BASEL Requirements

In 2016, the Bank continued to submit reports regarding credit and operational risks and on Capital Adequacy and Equity to the BRSA within the frame of Basel-II Requirements that officially took effect as of 1 July 2012. The Bank achieved full compliance with all legal limits and ratios stipulated by the requirements. On the other hand, the BRSA resolved that the Liquidity Coverage Ratio (LCR), a Basel-III requirement, be implemented as zero percent for development and investment banks due to their different structures until otherwise decided by the Board. Also ongoing was the reporting of the Standard Ratio of Banking Book Interest Rate Risk, which started to be reported from September 2011 within the frame of the Second Pillar of Basel-II as per the BRSA circular dated 23 August 2011, and which is used to measure the sensitivity of the Bank's balance sheet to interest rate shocks. The ratio, which is legally required to be 20% maximum, remained at very low levels in 2016, as it did in 2015, owing to the Bank's solid equity and the balanced composition of assets and liabilities.

The Bank continued to submit Risk Report forms launched upon the BRSA letter no. 22361 dated 19 September 2014 to the BRSA following the system improvements undertaken in 2016.

FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

Best Practice Guides

The work for achieving alignment with the Best Practice Guides the BRSA published to secure full compliance with Basel standards under the Regulatory Consistency Assessment Programme (RCAP) is carried out in coordination with the relevant units.

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) Report that banks are obliged to submit under the BRSA "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published in the Official Gazette issue 29057 dated 11 July 2014 drawn up using the 2015 data was delivered in March 2016, whereas the 2017 report prepared with 2016 data will be approved by the Audit Committee and the Board of Directors, and be delivered to the BRSA by the Risk Management Division in March.

Raci KAYA Member of the Audit Committee	Bülent Gökhan GÜNAY Member of the Audit Committee

EVALUATION OF FINANCIAL POSITION

Turk Eximbank's total assets reached TL 68.3 billion (USD 19.4 billion) as of 31 December 2016.

Assets

Turk Eximbank's total assets consist of 90% loans, 5% liquid assets and 5% securities held-to-maturity and other assets.

The Bank's loan balance reached TL 61.6 billion as of the end of 2016, and increased by 43% over the previous year. Of the total credits, 63% (TL 38.7 billion) are short-term credits and 37% (TL 22.9 billion) are medium- and long- term credits. By using appropriate risk management techniques, Turk Eximbank has shown great efforts to collect receivables on time and in full. Thus, although the Bank extends most of its resources as loans to the export sector, the NPLs ratio is low, at 0.4%, when compared to the banking sector average.

Liabilities

Turk Eximbank's liabilities reached TL 68.3 billion as of the end of 2016. Of these, 8% (TL 5.2 billion) was shareholder's equity, 87% (TL 59.7 billion) was funds obtained from domestic and external markets, and 5% (TL 3.4 billion) was provisions and other liabilities.

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The Bank's nominal capital, which was TL 3.7 billion as of 31 December 2016, was fully paid-up.

As per Article 13 implemented by BRSA, entitled "Exemptions of Regulations Concerning the Determination of Natures of Credits and Other Receivables of Banks and Procedures and Principles of the Provisions for These by Banks", although the private and general provisioning ratio for the Bank for the transaction is set at zero percent, Turk Eximbank makes provisions within prudent banking principles.

Solvency

The liquid assets-to-short-term liabilities ratio of Turk Eximbank has been realized at 100% as of 31 December 2016.

Profit & Loss Statement and Profitability

As the balance of Turk Eximbank is concentrated on credits, its effects can be seen on incomes. Of the Bank's TL 1,643 million in total interest income, 96% (TL 1,571 million) came from interest earned from credits. On the other hand, the Bank's interest expense was TL 784 million, of which 47% (TL 369 million) was interest paid on marketable securities issued and 51% (TL 398 million) was interest paid on borrowings from domestic and international money markets through funding and bond issue. Other interest expenses were TL 16 million and net interest income was TL 859 million.

The Bank's net profit was TL 421 million as of 31 December 2016, yielding return on assets and return on equity ratios of 0.6% and 8.8%, respectively.

RISK MANAGEMENT POLICIES BASED ON RISK TYPES

Credit Risk

Credit risk indicates the failure of a borrower to fulfill its capital, interest payments and other obligations, the failure of an institution exporting securities to fulfill its obligations in cash credits, and losses arising from indemnity payment by the Bank to a financing institution afforded with a guarantee or to an exporter, contractor or institution afforded with insurance cover in non-cash credits.

The risk weights of the Bank's assets are determined within the boundaries of the regulations of the BRSA.

The framework of the annual activities of Türkiye İhracat Kredi Bankası A.Ş. is set out in the Law Concerning the Transformation of Devlet Yatırım Bankası into Türkiye İhracat Kredi Bankası A.Ş., dated 25 March 1987; the Law dated 26 September 1990 and Law No. 3659 amending Law No. 3332; other relevant legislation; regulations regarding bank activities; and the Turk Eximbank Annual Program, approved by the Supreme Advisory and Credit Guidance Committee (SCLGC) as per Article 25 of Decree No. 87/11914 (regulating the "Articles of Association" of the Bank) of the Council of Ministers dated 21 August 1987. The SCLGC is chaired by the Prime Minister, or the Minister, with whom the Bank is affiliated, and other members are the executives of related government departments.

Loans are extended under various credit programs within the framework of the authority given to the Board of Directors by the SCLGC for the realization of the Bank's objectives as set out in its annual programs.

Losses sustained by Turk Eximbank due to political risks undertaken for the sake of credit, guarantee and insurance activities are covered by the Undersecretariat of Treasury according to Article 4/C, added to Law No. 3332 under Law No. 3659 and Law No. 4749 on the Regulation of Public Finance and Debt Management dated 28 March 2002. The Decree on the Credit, Guarantee and Insurance Support Provided by Türkiye İhracat Kredi Bankası Anonim Şirketi went into force by the Council of Ministers Decree dated 15 July 2009 and numbered 2009/15198.

The limits of international credits are set by the Annual Programs within the foreign economic policy of Turkey by SCLGC and are approved by the Council of Ministers. International credits are granted by approval of the Board of Directors and approval of the Minister to whom the Undersecretariat of Treasury is reporting, according to Article 10 of Act No. 4749 dated 28 March 2002 on the Regulation of Public Finance and Debt Management. Applications for grant loans are made by the ministries of economy and/or finance of related countries to the Turkish Treasury and are put into effect upon the approval of the Council of Ministers of Turkey. The limit of a country is restricted by both the maximum risk that can be undertaken and the maximum amount that can be utilized annually.

The fundamental collateral of the international credits is the sovereign guarantee of the counter country or the guarantee of banks that Turk Eximbank accepts as accredited. Sovereign guarantee letters are regulated by the Finance or Economy Ministry related to the counter country legislations. Letters of Guarantee cover the principal, interest and all other obligations of the borrower and are valid until the maturity date. In addition to state guarantees, additional guarantees such as debt notes may be requested depending on the status of the debtor and project, the "comfort letter", and the "deposit account" issued by the authorities of the relevant countries.

The Bank reviews various reports of the OECD on country risk classification, reports of the members of the Berne Union, and reports of independent credit rating institutions, as well as the financial statements of banks and the country reports prepared by the Bank during the assessment and review of loans granted.

The risks and limits of companies and banks are monitored by both loan and risk analysis departments on a daily and weekly basis.

The risk ratings of banks are determined by analyzing financial and other indicators, such as the group to which a bank belongs, the shareholders of a bank, whether a bank is part of a financial holding company, the situation of a bank's sister companies, whether a bank is a foreign bank, the situation of the ultimate parent company, ratings issued by international rating agencies, and evaluation of subjective criterion like management quality and information from the press.

Besides the financial and organizational information given by companies, the Bank receives intelligence from other sources (such as the Risk Centralization Records of the Central Bank of the Republic of Turkey, the Turkish Trade Registry Gazettes, the registration information from the Chamber of Commerce, other companies in the same sector, etc.) for proof and for detailed research on companies. At the same time, the Bank takes into consideration the overall situation of the sector of the company in question; the economic and political circumstances of foreign target markets; and the advantages and disadvantages of the company compared to domestic and/or foreign competing companies. If the company is a subsidiary of a holding company or is a member of a group of companies, the bank loans of the group and the scenarios which may affect the activities of the group are investigated and the risk of the whole group is considered while analyzing the company.

All operations denominated in foreign currency and other derivative transactions of the Bank are carried out under the limits approved by the Board of Directors.

Sectoral and regional distributions of credit risks are conducted in parallel with the export composition of Turkey, and this is monitored by the Bank regularly.

Guarantees that are indemnified are converted to loans by decision of the Credit Committee. They are weighted as overdue loans and then recorded as "non-performing loans items" and classified according to their collateral.

Turk Eximbank is not obliged to conform to Article 54 of Banking Law No. 5411 on loan limits. Nevertheless, the Bank obeys the general credit limit constraints mentioned in the Banking Law (on single customer risk, affiliated customers group risk, etc.). As per guaranteeing policy, since credits are mostly extended based on the risk of the domestic bank, the Bank can undertake risk of up to 20% of the cash and non-cash total credit risk amount, excluding treasury transactions for a single bank, in order to fulfill its mission to provide credits depending on the economic conjuncture.

Turk Eximbank's short-, medium- and long-term credit programs are carried out with respect to financial conditions (terms, interest rates, collaterals, etc.) and procedures approved by the Board of Directors. Cost of funds, maturity of the transaction, structure of the collateral and variation in market interest rates are taken into consideration. The Bank's mission to provide financing opportunities with costs that will lead exporters to gain competitive advantages in existing markets and risky or new countries is also considered during the process of pricing loans.

Each year, Turk Eximbank cedes the commercial and political risks borne under its Short-Term Export Credit Insurance Program to a group of domestic and overseas reinsurance companies under renewed agreements. Turk Eximbank holds a certain portion of the aforementioned risks that can be indemnified from its own sources. This portion was 40% in 2016.

Premium rates for Short-Term Export Credit Insurance vary according to criteria such as the risk classification of the buyer's country, payment terms, credit length and the legal status of the buyer (private or public). The premium rates increase as the risk classification of the buyer's country rises and/or as the payment terms are longer. The premium rates are revised regularly and are valid after being approved by the Board of Directors. The quotation strategy, which is the basis for determining premium rates, is generated taking into account domestic market conditions, international quotations of export credit insurance services, and the size of accumulated losses in past years.

Short-Term Export Credits and Credits for Foreign Currency-Earning Services are granted to companies upon approval by the Credit Committee of the General Directorate within the limits and conditions determined by the Board of Directors. This authorization is limited to 1% of the Bank's equity.

The collateral required for the Pre-Shipment Export Credits Program is the Debtor Bank's Current Account Undertaking Contract, similar to a comprehensive bond, issued by intermediary commercial banks in accordance with their respective credit limits allocated by Turk Eximbank.

The short-term credits and guarantee limits (local-currency and foreign-currency) of such intermediary banks are also approved by the Board of Directors. These limits can be changed under restrictions determined by the Board of Directors.

RISK MANAGEMENT POLICIES BASED ON RISK TYPES

Direct lending secured by fundamental collateral amounts to 100% of the principal, interest and export commitment risk of the loan. Fundamental collateral is generally secured in the form of letter of bank guarantees, government securities and Credit Guarantee Fund guarantees.

In the Bank's annual program, within the framework of the insurance and buyers' credit facilities including foreign risk, the limit of a country implies the "maximum limit that can be undertaken", and the exposure limit of a country implies "maximum amount that can be utilized annually".

Within the framework of the authority given by the Board of Directors, up to the authorized amount of buyers' limits are granted by the underwriting department. The higher amounts are granted directly by the Board of Directors.

The maximum amount of credit risk to which the Bank may be exposed is indicated in the Application Principles of relevant credits, and these amounts are determined by the decision of the Board of Directors.

Taking into consideration the Provisioning Regulations of the Bank:

- The Bank sets aside 100% provision specifically for non-performing receivables (the Bank is exempted from the regulation regarding general provisions);
- For its insurance activities, the Bank additionally sets aside fixed collateral of an amount determined with the approval of the relevant Minister, and sets aside variable collateral out of the definite rate of the premium income. In addition, in case of claims payments, the Bank sets aside specific provisions based on the coverage rate indicated in the insurance policy out of quota Bank's share.
- The Bank sets aside provisions for probable risks for the insurance activities.

Market Risk

Market risk is defined as the probability of loss at the Bank's on- and off-balance-sheet positions due to price, interest and exchange-rate movements arising from market fluctuations, leading to variations in income statement items and profitability of shareholders' equity.

For the purpose of protecting against market risk to which the Bank may be exposed as a result of its financial activities, all tradable local- and foreign-currency security portfolios are evaluated against the current market rates on a daily basis ("mark to market"). To limit possible losses due to market risk, the Bank's Board of Directors has set limits on the maximum position amounts that can be undertaken, maximum transaction amounts and the stop-loss levels. The limits are applied to all kinds of trading operations conducted in both lira and foreign currency, including the bond portfolio.

The market risk portion of the Capital Adequacy Analysis Form covering "interest risk" and "exchange rate risks" (Turk Eximbank has no equity position), is calculated by using the "Standard Method and Market Risk Measurement Method" put forward by the BRSA. "Exchange rate risk" is reported weekly, and "market risk", including both exchange and interest rate risks, are reported monthly.

Currency Risk

The Bank's foreign exchange positions are monitored daily. All positions are managed by authorized personnel within the limits set out in the Risk Management Principles approved by the Bank's Board of Directors, considering the market developments and expectations.

The Bank gives high importance to implementing the strategy of matching its assets and liabilities in terms of currency, maturity and interest. In this framework, debt management is pursued in accordance with the Bank's asset structure to the greatest possible extent. In cases where this is not possible, the Bank tries to achieve a matching strategy using the appropriate types of swap transactions (cross-currency swaps, interest swaps or currency swaps) or by changing the asset structure of the Bank in such ways as may be possible under the given conditions.

The Bank follows a balanced strategy with respect to exchange rate risk between assets and liabilities.

The exchange rate risk for each currency is monitored separately and on a daily basis. The effects of the Bank's activities and of market conditions on the Bank's positions are closely monitored, and the necessary measures are taken promptly. Due to foreign currency denominated credits, the lira against foreign currency and the foreign currency against foreign currency operations are heavily used on a daily basis so as to manage foreign currency exposure.

Interest Rate Risk

The interest structure (fixed or floating) of interest-sensitive assets and liabilities, and their weight in total assets and liabilities, are evaluated to determine the probable effects of changes in market rates on the Bank's profitability. The Bank's approach is that all assets and liabilities bearing fixed interest rates will be repriced at maturity, and that those bearing floating rates are at the payment terms. By using this approach, the Bank calculates the interest-sensitive gap or surplus for each period (1 months, 1-3 months, 3-6 months, 6-12 months, more than 12 months, etc.) remaining to contractual reprising dates (gapping report). The gapping report is used to predict how the Bank will be affected by the probable market rate changes at any period of time provided that all assets and liabilities sensitive to interest are sorted according to the interest renewal periods.

Maturity mismatches are monitored periodically for dollar-denominated assets and liabilities (separately in all foreign currencies and with the total in dollars), and lira-denominated assets and liabilities are monitored via tables showing weighted averages of days to maturity, which are prepared periodically.

The Bank places high importance on matching the fixed and floating interest-bearing assets and liabilities for each currency separately according to the Risk Management Principles approved by the Board of Directors. There is a 20% ratio restriction on floating/fixed interest-bearing assets and liabilities mismatches to total assets, in order to limit the negative impacts of rate changes on the Bank's profitability.

Currently the Bank matches medium- and long-term floating interest-bearing foreign currency denominated assets to fixed interest-bearing liabilities denominated in another foreign currency by interest rate and cross-currency swaps. In addition, interest rate swaps have been used to cover the mismatch between medium- and long-term fixed-rate-bearing liabilities and medium- and long-term fixed-interest assets.

In accordance with the "Regulation on Calculation and Evaluation of Interest Rate Risk Arising from the Banking Accounts with Standard Shock Methods" issued by the BRSA and published in the Official Gazette, issue No. 28034, on 23 August 2011, submission of a report that is intended to act as a stress test by measuring the impact of interest rate shocks (of between +5% and -4% for lira and between +2% and -2% for foreign currencies) on the Bank's balance sheet, has continued in 2016.

According to the circular, the ratio of net present value changes caused by interest rate shocks on the equity of the related month must not exceed 20%.

The standard ratio of the interest rate of banking book items risk remains well below the legal limit owing to the Bank's solid equity structure and the very low share of fixed-rate products within assets and liabilities.

RISK MANAGEMENT POLICIES BASED ON RISK TYPES

Liquidity Risk

The Bank's cash flows are prepared under positive, neutral and negative scenarios taking into account the collection of loans and prospective funds for better liquidity management. The Bank's Board of Directors determines the minimum liquidity levels and urgent liquidity sources.

The Bank meets its short-term liquidity needs via domestic and foreign banks, and meets its long-term liquidity needs via international institutions like the World Bank or Japan Bank for International Cooperation through medium- and long-term funds and issued marketable securities.

The Bank tries to match short-term loans with short-term borrowings and long-term loans with long-term borrowings, and tries to minimize the maturity mismatch of assets and liabilities.

The Bank prepares weekly, monthly and annual cash flow forecasts in TL and foreign currency separately by considering the debt payment obligations, estimated loan grants, loan collections, possible capital additions and political risk loss compensations as well as the current loan stocks and cash balances. The Bank determines the need and timing of additional funds based on the results of these cash flow forecasts.

Operational Risk

Operational risk is defined as the probability of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Within the framework of the BRSA regulations, determination of the appropriate amount of operational are calculated on the basis of the "Fundamental Indicator" approach used in capital adequacy calculations since.

Support Services

The Risk Management Department prepared detailed "Risk Analysis Reports" and "Risk Management Program" related to SWIFT Services, Treasury and Risk Management Software, Installation, Development and Consultancy Service, Internet Branch Application Maintenance Service and Archive Management Service, which fall under the scope of the "Regulation on Support Services to be Received by Banks" published in the Official Gazette issue 28106 dated 5 November 2011 as notified by the independent auditor responsible for Turk Eximbank's audit, and submitted the same to the Board of Directors with the approval of the Audit Committee on 26 September 2016.

CREDIT RATINGS ASSIGNED TO TURK EXIMBANK BY INTERNATIONAL RATING AGENCIES

The issuer credit ratings assigned to the Bank by Moody's and Fitch Ratings as of the end of 2016 are as follows:

	Foreign Currency		Local Currency	
	Long-term	Short-term	Long-term	Short-term
Moody's	Ba1 (Stable outlook)			
Fitch[4]	BBB- (Negative outlook)	F3	BBB- (Negative outlook)	F3

[4] Fitch Ratings assigned Turk Eximbank an FC rating of BB+ / B on 2 February 2017 with a "stable" outlook.

FINANCIAL INDICATORS FOR THE 2012-2016 PERIOD

Balance Sheet Accounts (TL thousand)

	2016	2015	2014	2013	2012
Loans	61,609,764	43,159,126	31,889,864	23,035,036	13,352,060
Total Assets	68,276,314	44,437,795	33,742,277	24,809,762	15,468,467
Loans Borrowed	51,807,130	33,109,841	24,387,152	17,286,700	9,108,492
Funds Provided under Repurchase Agreements	69,000	200,000	220,064	163,945	10,006
Securities Issued (Net)	7,827,323	5,088,218	4,054,191	2,604,828	2,238,610
Equity	5,200,734	4,780,705	4,314,915	3,901,865	3,675,364
Paid-up Capital	3,700,000	2,500,000	2,400,000	2,200,000	2,000,000

Profit-Loss Statement Accounts (TL thousand)

	2016	2015	2014	2013	2012
Interest Income	1,643,054	1,193,866	962,847	603,088	573,737
Interest Income on Loans	1,570,550	1,134,114	886,588	546,059	467,415
Interest Expenses	(784,056)	(482,628)	(333,491)	(218,900)	(178,037)
Net Interest Income	858,998	711,238	629,356	384,188	395,700
Other Operating Income	142,282	125,702	124,812	86,838	88,270
Provisions for Loans and Other Receivables	(26,305)	(24,685)	(18,905)	(36,653)	(61,565)
Other Operating Expenses	(229,036)	(191,451)	(173,214)	(139,573)	(141,051)
Net Period Profit	421,325	489,406	427,009	245,927	221,191

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR YEAR ENDED 31 DECEMBER 2016 WITH INDEPENDENT AUDITORS' REPORT THEREON

INDEPENDENT AUDITORS' REPORT

Akis Bağımsız Denetim ve
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(Convenience Translation of Consolidated Year End Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

To the Board of Directors of Türkiye İhracat Kredi Bankası Anonim Şirketi,
Report on the Unconsolidated Financial Statements

We have audited the unconsolidated balance sheet of Türkiye İhracat Kredi Bankası Anonim Şirketi ("the Bank") as at 31 December 2016 and the unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Unconsolidated Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published 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 about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İhracat Kredi Bankası Anonim Şirketi as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 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 TCC and provisions of the Bank's articles of association in relation to financial reporting.
2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

Orhan Akova
Partner, SMMM

24 February 2017
Istanbul, Turkey

Additional paragraph for convenience translation to English

The accounting principles summarized in note 1 section 3, may differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

THE UNCONSOLIDATED FINANCIAL REPORT OF TÜRKİYE İHRACAT KREDİ BANKASI AŞ ("TÜRK EXIMBANK") AS OF 31 DECEMBER 2016

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO THE FINANCIAL POSITION OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

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

24 February 2017

Cavit DAĞDAŞ	Adnan YILDIRIM	Necati YENİARAS	Muhittin AKBAŞ
Chairman of Board of Directors	Acting General Manager	Executive Vice President	Head of Accounting and Reporting Unit

İbrahim ŞENEL	Raci KAYA
Vice Chairman of the Board of Directors/Member of the Audit Committee	Member of the Board of Directors/ Member of the Audit Committee

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

Name-Surname/Title : Muhittin AKBAŞ/Head of Accounting and Reporting Unit
Telephone Number : (216) 666 55 00
Fax Number : (216) 666 55 99

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

SECTION ONE

GENERAL INFORMATION

I. Bank's date of foundation, initial status, history regarding the changes in this status

Türkiye İhracat Kredi Bankası AŞ ("the Bank" or "Eximbank") was established as Turkey's "Official Export Credit Agency" on 25 March 1987 with Act number 3332 as a development and investment bank and accordingly, the Bank does not accept deposits.

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

The total share capital of the Bank is TL 3.700.000.000 (Three billion and seven-hundred million). The Bank's paid-in-capital committed by the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("the Turkish Treasury") consists of 3.700.000.000 shares of TL 1 nominal each.

In the context of decision taken at the Ordinary General Meeting on 22 March 2016, the Bank increased its capital from TL 2.500.000 to TL 3.700.000 by increasing TL 599.657 of TL 1.200.000 from inflation adjustment, TL 439.790 from legal reserves transferred from profit of 2015, TL 160.542 from the reserves and TL 11 from the profit not distributed in the previous years. On 2 May 2016, the capital increase process was completed subsequent to the BRSA's permission dated 28 April 2016.

At the Extraordinary General Assembly held on 12 January 2017, it was decided to apply the registered capital system in the Bank. The relevant decision has been registered in the trade registry and has been announced in the Turkish Trade Registry Gazette numbered 9252, dated 30 January 2017.

III. Explanation on the Board of directors, members of the audit committee, president and executive vice presidents and their shareholding at the Bank, if applicable

	Name:	Academic Background:
Chairman of the Board of Directors:[1]	Cavit DAĞDAŞ [3]	Graduate
Vice Chairman of the Board of Directors[1]:	İbrahim ŞENEL	Undergraduate
Members of the Board of Directors[1]:	Adnan YILDIRIM [2]	Graduate
	Dr. Raci KAYA	Postgraduate
	Mehmet BÜYÜKEKŞİ	Undergraduate
	Adnan Ersoy ULUBAŞ	Undergraduate
	Zeynep BODUR OKYAY	Undergraduate
	Oğuz SATICI [1]	Undergraduate
	A.Doğan ARIKAN [1]	Undergraduate
Members of the Audit Committee:	İbrahim ŞENEL [3]	Graduate
	Dr. Raci KAYA	Postgraduate
	A.Doğan ARIKAN [1]	Undergraduate
General Manager:	Adnan YILDIRIM [2]	Graduate
Deputy General Managers:	Necati YENİARAS	Graduate
	Mesut GÜRSOY	Undergraduate
	Enis GÜLTEKİN	Undergraduate
	M.Ertan TANRIYAKUL	Undergraduate
	Ahmet KOPAR	Graduate
	Alaaddin METİN	Undergraduate

[1] In the General Assembly of the Bank held on 22 March 2016, Cavit DAĞDAŞ, İbrahim ŞENEL, Mehmet BÜYÜKEKŞİ, Adnan Ersoy ULUBAŞ, Dr. Raci KAYA and Zeynep BODUR OKYAY were appointed as board members for 3 years, Oğuz SATICI and A.Doğan ARIKAN's board membership's have ended. In the Board of Directors meeting dated 4 April 2016 Cavit DAĞDAŞ was appointed as Chairman of the Board of Directors, İbrahim ŞENEL was appointed as Vice Chairman of the Board of Directors and Dr. Raci KAYA, Mehmet BÜYÜKEKŞİ, Adnan Ersoy ULUBAŞ and Zeynep BODUR OKYAY were appointed as board members.

[2] Dr. Hayrettin Kaplan has resigned from the position of General Manager of the Bank on 25 November 2016 due to his retirement. As of 28 November 2016 Adnan YILDIRIM was appointed as the Acting General Manager of the Bank by the Ministry of Economy.

[3] In the Extraordinary General Assembly of the Bank held on 12 January 2017, Osman ÇELİK was appointed as the Chairman of the Board of Directors and İbrahim ŞENEL will continue his duty as Vice Chairman of the Board of Directors, Bülent Gökhan GÜNAY was appointed as member of the Audit Committee.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Acting General Manager of the Bank is Adnan Yıldırım, Deputy General Manager responsible for Loans of the Bank is Mesut GÜRSOY, Deputy General Manager responsible for Accounting Transactions and Reporting, Information Technologies and Economic Research is Necati YENİARAS (Coordination/Technology), Deputy General Manager responsible for Social Affairs and Communication, Human Resources and Board of Examination of the Bank is Ahmet KOPAR (Support Services), Deputy General Manager responsible for Insurance and Guarantee Operations of the Bank is Enis GÜLTEKİN, Deputy General Manager responsible for International Loans of the Bank is Alaaddin METİN and Deputy General Manager responsible for Risk Analysis and Assessment, Finance and Treasury Operations of the Bank is Mustafa Ertan TANRIYAKUL.

The Bank's chairman and members of the board of directors, the members of the audit committee, general manager and deputy general managers do not own shares of the Bank.

IV. Information on the shareholders owning control shares

Name/Commercial title	Share amount	Share percentage	Paid-in capital	Unpaid portion	Upper Limit of Registered Capital
The Turkish Treasury	All	100%	3.700.000	-	10.000.000

The Bank has decided to use the capital stock system that is registered in the Bank in the extraordinary general meeting that took place on 12 January 2017. The decision has been submitted to the trade register and has been published on Turkey Trade Registry Gazette No. 9252 on 30 January 2017.

V. Brief information on the Bank's service type and fields of operation

The Bank has been founded to support the development of export, venture investments, foreign trade through diversification of the exported goods and services, by increasing the share of exporters and entrepreneurs in international trade, to encourage foreign investments and production and sales of foreign currency earning commodities and to create new markets for the exported commodities, to provide exporters and overseas contractors with support to increase their competitiveness.

As a means of aiding export development services, the Bank performs loan, guarantee and insurance services in order to financially support export and foreign currency earning services. While performing the above mentioned operations, in addition to its own equity, the Bank provides short, medium or long term, domestic and foreign currency lending through borrowings from domestic and foreign money and capital markets.

On the other hand, the Bank also performs fund management (treasury) operations related with its core banking operations. These operations are Turkish Lira and foreign currency capital market operations, Turkish Lira and foreign currency money market operations, foreign currency market operations and derivative transactions, all of which are approved by the Board of Directors. As a result of Decision No. 4106 dated 11 March 2011 of the Banking Regulation and Supervisory Board published in Official Gazette No. 27876, dated 16 March 2011, permission was granted to the Bank to allow it to be engaged in the purchase and sale of foreign exchange-based options. The losses due to the political risks arising on loan, guarantee and insurance operations of the Bank, are transferred to the Turkish Treasury according to article 4/c of Act number 3332 that was appended by Act number 3659 and according to Act regarding the Public Financing and Debt Management, No 4749, dated 28 March 2002. In addition, Banking Regulation and Supervision Agency authorized the Bank to operate in "Purchase and sale of precious metals and stones" and "purchase and sale of the transaction based on the precious metals" on 8 April 2014 and published in the Official Gazette No. 28966 within the scope of paragraphs (h) and (i) paragraph of article number 4 of the Banking Law No. 5411.

VI. Short explanation about those entities subject to full consolidation or proportionate consolidation with the differences regarding the consolidation transactions performed in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, those deducted from the equities or not included in these three methods

There are not any transactions of the Bank subject to consolidation.

VII. Existing or potential, actual or legal barriers for the immediate transfer of equities among the subsidiaries of the Bank or the repayment of debts

The Bank does not have any subsidiaries.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2016			PRIOR PERIOD Audited 31 December 2015		
	ASSETS	Notes	TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH AND BALANCES WITH CENTRAL BANK	(1)	987	370.004	370.991	1.227	-	1.227
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS (Net)		12.703	116.578	129.281	11.382	2.923	14.305
2.1	Trading Financial Assets		12.703	116.578	129.281	11.382	2.923	14.305
2.1.1	Government Debt Securities		10.678	-	10.678	10.593	-	10.593
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets	(3)	2.025	116.578	118.603	789	2.923	3.712
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(4)	120.537	2.397.511	2.518.048	41.667	122.735	164.402
IV.	MONEY MARKETS		368.160	-	368.160	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		368.160	-	368.160	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(6)	21.124	-	21.124	18.051	-	18.051
5.1	Share Certificates		21.124	-	21.124	18.051	-	18.051
5.2	Government Debt Securities		-	-	-	-	-	-
5.3	Other Marketable Securities		-	-	-	-	-	-
VI.	LOANS AND RECEIVABLES	(7)	8.045.787	53.563.977	61.609.764	6.961.396	36.197.730	43.159.126
6.1	Loans and receivables		7.956.484	53.563.977	61.520.461	6.961.396	36.197.730	43.159.126
6.1.1	Loans to Bank's risk group		-	-	-	-	-	-
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		7.956.484	53.563.977	61.520.461	6.961.396	36.197.730	43.159.126
6.2	Loans under Follow-up		233.087	-	233.087	131.688	-	131.688
6.3	Specific Provisions (-)		(143.784)	-	(143.784)	(131.688)	-	(131.688)
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD-TO-MATURITY SECURITIES (Net)	(8.2)	98.549	-	98.549	255.968	-	255.968
8.1	Government Debt Securities		98.549	-	98.549	255.968	-	255.968
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(9)	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-Financial Investments in Associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	(10)	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	JOINT VENTURES (Net)	(11)	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	FINANCIAL LEASE RECEIVABLES	(12)	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	(13)	354.757	105.554	460.311	25.270	79.868	105.138
13.1	Fair Value Hedge		354.757	65.274	420.031	25.270	50.690	75.960
13.2	Cash Flow Hedge		-	40.280	40.280	-	29.178	29.178
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)		7.404	-	7.404	13.189	-	13.189
XV.	INTANGIBLE ASSETS (Net)		2.759	-	2.759	2.230	-	2.230
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		2.759	-	2.759	2.230	-	2.230
XVI.	INVESTMENT PROPERTY (Net)	(16)	2.331	-	2.331	-	-	-
XVII.	TAX ASSET		-	-	-	-	-	-
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		-	-	-	-	-	-
XVIII.	ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
18.1	Held for Sale Purpose	(18)	-	-	-	-	-	-
18.2	Related to Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS		521.403	2.166.189	2.687.592	104.841	599.318	704.159
	TOTAL ASSETS		9.556.501	58.719.813	68.276.314	7.435.221	37.002.574	44.437.795

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2016			PRIOR PERIOD Audited 31 December 2015		
	LIABILITIES	Notes	TL	FC	TOTAL	TL	FC	TOTAL
I.	**DEPOSITS**	(1)	**-**	**-**	**-**	**-**	**-**	**-**
1.1	Deposits of Bank's risk group		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	(2)	**217**	**41.105**	**41.322**	**333**	**302**	**635**
III.	**BORROWINGS**	(3.1)	**-**	**51.718.845**	**51.718.845**	**50.110**	**32.938.140**	**32.988.250**
IV.	**MONEY MARKETS**		**69.000**	**-**	**69.000**	**200.000**	**-**	**200.000**
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		69.000	-	69.000	200.000	-	200.000
V.	**MARKETABLE SECURITIES ISSUED (Net)**	(4)	**-**	**7.827.323**	**7.827.323**	**-**	**5.088.218**	**5.088.218**
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	7.827.323	7.827.323	-	5.088.218	5.088.218
VI.	**FUNDS**		**13**	**-**	**13**	**16**	**-**	**16**
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		13	-	13	16	-	16
VII.	**MISCELLANEOUS PAYABLES**		**12.851**	**2.734.597**	**2.747.448**	**13.096**	**885.251**	**898.347**
VIII.	**OTHER LIABILITIES**	(5)	**3.498**	**190.848**	**194.346**	**4.709**	**82.971**	**87.680**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**FINANCIAL LEASE PAYABLES (Net)**	(6)	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**	(7)	**1.515**	**149.014**	**150.529**	**32.854**	**9.969**	**42.823**
11.1	Fair Value Hedge		1.515	149.014	150.529	32.854	9.969	42.823
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	(8)	**230.229**	**-**	**230.229**	**223.922**	**-**	**223.922**
12.1	General Loan Loss Provision		130.214	-	130.214	130.214	-	130.214
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		51.383	-	51.383	44.953	-	44.953
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		48.632	-	48.632	48.755	-	48.755
XIII.	**TAX LIABILITY**	(9)	**8.240**	**-**	**8.240**	**5.608**	**-**	**5.608**
13.1	Current Tax Liability		8.240	-	8.240	5.608	-	5.608
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
14.1	Held for Sale Purpose		**-**	**-**	**-**	**-**	**-**	**-**
14.2	Related to Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	(10)	**-**	**88.285**	**88.285**	**-**	**121.591**	**121.591**
XVI.	**SHAREHOLDERS' EQUITY**	(11)	**5.201.168**	**(434)**	**5.200.734**	**4.780.372**	**333**	**4.780.705**
16.1	**Paid-in capital**		3.700.000	-	3.700.000	2.500.000	-	2.500.000
16.2	**Capital Reserves**		10.477	(434)	10.043	606.992	333	607.325
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		11.960	-	11.960	8.886	-	8.886
16.2.4	Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5	Intangible Fixed Assets Revaluation Differences		-	-	-	-	-	-
16.2.6	Revaluation Differences of Investment Property		-	-	-	-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Funds (Effective portion)		-	(434)	(434)	-	333	333
16.2.9	Value increase of Non-current Asset Held for Sale and Discounted Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(1.483)	-	(1.483)	598.106	-	598.106
16.3	**Profit Reserves**		**1.069.366**	**-**	**1.069.366**	**1.183.974**	**-**	**1.183.974**
16.3.1	Legal Reserves		328.050	-	328.050	302.905	-	302.905
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3.	Extraordinary Reserves		718.573	-	718.573	858.326	-	858.326
16.3.4.	Other Profit Reserves		22.743	-	22.743	22.743	-	22.743
16.4	**Profit or Loss**		**421.325**	**-**	**421.325**	**489.406**	**-**	**489.406**
16.4.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.4.2	Current Period Profit/Loss		421.325	-	421.325	489.406	-	489.406
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5.526.731**	**62.749.583**	**68.276.314**	**5.311.020**	**39.126.775**	**44.437.795**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2016			PRIOR PERIOD Audited 31 December 2015		
		Notes	TL	FC	TL	FC	TL	FC
A.	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**6.246.845**	**45.344.216**	**51.591.061**	**4.226.667**	**22.644.583**	**26.871.250**
I.	**GUARANTEES AND WARRANTIES**	**(1.2)**	**-**	**3.863.578**	**3.863.578**	**-**	**2.754.481**	**2.754.481**
1.1.	Letters of Guarantee		-	-	-	-	-	-
1.1.1.	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.	Other Letters of Guarantee		-	-	-	-	-	-
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	-	-	-	-	-
1.3.1.	Documentary Letters of Credit		-	-	-	-	-	-
1.3.2.	Other Letters of Credit		-	-	-	-	-	-
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7.	Factoring Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		-	3.863.578	3.863.578	-	2.754.481	2.754.481
1.9.	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**2.438.531**	**17.164.838**	**19.603.369**	**1.717.787**	**8.464.215**	**10.182.002**
2.1.	Irrevocable Commitments		-	2.920.904	2.920.904	-	1.051.140	1.051.140
2.1.1.	Asset Purchase and Sale Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Loan Granting Commitments		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		-	-	-	-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	2.920.904	2.920.904	-	1.051.140	1.051.140
2.2.	Revocable Commitments		2.438.531	14.243.934	16.682.465	1.717.787	7.413.075	9.130.862
2.2.1.	Revocable Loan Granting Commitments		2.438.531	14.243.934	16.682.465	1.717.787	7.413.075	9.130.862
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**3.808.314**	**24.315.800**	**28.124.114**	**2.508.880**	**11.425.887**	**13.934.767**
3.1.	Hedging Derivative Financial Instruments		3.547.489	15.952.012	19.499.501	2.356.135	9.416.970	11.773.105
3.1.1.	Transactions for Fair Value Hedge		3.511.269	15.881.596	19.392.865	2.319.915	9.358.706	11.678.621
3.1.2.	Transactions for Cash Flow Hedge		36.220	70.416	106.636	36.220	58.264	94.484
3.1.3.	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS FOR THE YEAR ENDED 31 DECEMBER 2016
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

			CURRENT PERIOD Audited 31 December 2016			PRIOR PERIOD Audited 31 December 2015		
		Notes	TL	FC	TL	FC	TL	FC
3.2.	Trading Transactions		260.825	8.363.788	8.624.613	152.745	2.008.917	2.161.662
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		30.368	31.705	62.073	50.150	47.302	97.452
3.2.1.1.	Forward Foreign Currency Transactions-Buy		3.764	28.008	31.772	26.765	22.053	48.818
3.2.2.2.	Forward Foreign Currency Transactions-Sell		26.604	3.697	30.301	23.385	25.249	48.634
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		229.017	8.330.603	8.559.620	102.595	1.961.615	2.064.210
3.2.2.1.	Foreign Currency Swap-Buy		-	3.643.040	3.643.040	102.595	625.232	727.827
3.2.2.2.	Foreign Currency Swap-Sell		229.017	3.346.961	3.575.978	-	724.611	724.611
3.2.2.3.	Interest Rate Swap-Buy		-	670.301	670.301	-	305.886	305.886
3.2.2.4.	Interest Rate Swap-Sell		-	670.301	670.301	-	305.886	305.886
3.2.3.	Foreign Currency, Interest rate and Securities Options		1.440	1.480	2.920	-	-	-
3.2.3.1	Foreign Currency Options-Buy		720	740	1.460	-	-	-
3.2.3.2	Foreign Currency Options-Sell		720	740	1.460	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5.	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**136.744**	**18.343.038**	**18.479.782**	**113.115**	**16.878.488**	**16.991.603**
IV.	**ITEMS HELD IN CUSTODY**		-	-	-	-	-	-
4.1.	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		-	-	-	-	-	-
4.3.	Cheques Received for Collection		-	-	-	-	-	-
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**22.412**	**203.613**	**226.025**	**22.412**	**172.250**	**194.662**
5.1.	Marketable Securities		-	23.661	23.661	-	19.577	19.577
5.2.	Guarantee Notes		-	-	-	-	-	-
5.3	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Immovable		9.400	48.246	57.646	9.400	39.920	49.320
5.6.	Other Pledged Items		13.012	131.706	144.718	13.012	112.753	125.765
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTEES**		**114.332**	**18.139.425**	**18.253.757**	**90.703**	**16.706.238**	**16.796.941**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**6.383.589**	**63.687.254**	**70.070.843**	**4.339.782**	**39.523.071**	**43.862.853**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	INCOME AND EXPENSE ITEMS	Notes	CURRENT PERIOD Audited 1 January - 31 December 2016	PRIOR PERIOD Audited 1 January - 31 December 2015
I.	**INTEREST INCOME**	(1)	**1.643.054**	**1.193.866**
1.1	Interest on loans		1.570.550	1.134.114
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks		38.296	32.433
1.4	Interest Received from Money Market Transactions		8.286	2.005
1.5	Interest Received from Marketable Securities Portfolio		24.934	24.599
1.5.1	Trading Financial Assets		915	1.698
1.5.2	Financial Assets Designated at Fair Value Through Profit or (loss)		-	-
1.5.3	Available-for-sale Financial Assets		-	-
1.5.4	Held to maturity Investments		24.019	22.901
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		988	715
II.	**INTEREST EXPENSE**	(2)	**784.056**	**482.628**
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		398.351	191.166
2.3	Interest Expense on Money Market Transactions		-	-
2.4	Interest on Securities Issued		369.261	271.867
2.5	Other Interest Expenses		16.444	19.595
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**858.998**	**711.238**
IV.	**NET FEES AND COMMISSIONS INCOME**		**13.856**	**13.798**
4.1	Fees and Commissions Received		34.753	25.475
4.1.1	Non-cash Loans		-	-
4.1.2	Other		34.753	25.475
4.2	Fees and Commissions Paid		20.897	11.677
4.2.1	Non-cash Loans		-	-
4.2.2	Other		20.897	11.677
V.	**DIVIDEND INCOME**		-	-
VI.	**TRADING INCOME/LOSS (Net)**	(3)	**(338.470)**	**(145.196)**
6.1	Trading Gains/Losses on Securities		9	(719)
6.2	Trading Gains/Losses on Derivative Financial Assets		662.142	556.359
6.3	Foreign Exchange Gains/Losses		(1.000.621)	(700.836)
VII.	**OTHER OPERATING INCOME**	(4)	**142.282**	**125.702**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**676.666**	**705.542**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	(5)	**26.305**	**24.685**
X.	**OTHER OPERATING EXPENSES (-)**	(6)	**229.036**	**191.451**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**421.325**	**489.406**
XII.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**	**-**
XIII.	**PROFIT/(LOSS) ON EQUITY METHOD**		-	-
XIV.	**GAIN/(LOSS) ON NET MONETARY POSITION**		-	-
XV.	**PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)**		**421.325**	**489.406**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**		-	-
16.1	Current Tax Provision		-	-
16.2	Deferred Tax Provision		-	-
XVII.	**NET PROFIT/LOSS FROM CONTINUED OPERATIONS (XV±XVI)**		**421.325**	**489.406**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
18.1	Income from Non-current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
19.1	Expenses for Non-current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses from Discontinued Operations		-	-
XX.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII - XIX)**		-	-
XXI.	**PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)**		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX ± XXI)**		-	-
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**		**421.325**	**489.406**
	Earnings/Loss per share (Full TL)		0,11387	0,19576

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS RECOGNIZED UNDER SHAREHOLDERS EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	Notes	CURRENT PERIOD Audited 1 January - 31 December 2016	PRIOR PERIOD Audited 1 January - 31 December 2015
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS		3.074	(2.487)
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES		-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS		-	-
V.	PROFIT/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value changes)		(767)	333
VI.	PROFIT/LOSS ON FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of fair value changes)		-	-
VII.	EFFECT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS		-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS		68	(102)
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES		-	-
X.	NET PROFIT/LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+…+IX)		2.375	(2.256)
XI.	CURRENT PERIOD PROFIT/LOSS		421.325	489.406
11.1	Net change in fair value of marketable securities (Transfer to Profit/Loss)		-	(10)
11.2	Part of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement		-	-
11.3	Part of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement		-	-
11.4	Other		421.325	489.416
XII.	TOTAL PROFIT/LOSS RELATED TO CURRENT PERIOD (X±XI)		423.700	487.150

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

	CHANGES IN THE SHAREHOLDERS' EQUITY	Notes	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves
I.	**Opening Balance - 31 December 2015**		**2.400.000**	**-**	**-**	**-**	**280.954**	**-**
II.	**Changes in Accounting Policies according to TAS 8**		-	-	-	-	-	-
2.1	Effects of errors		-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-
III.	**New Balance (I+II)**		**2.400.000**	**-**	**-**	**-**	**280.954**	**-**
	Changes in the period							
IV	**Increase/Decrease due to the Merger**		-	-	-	-	-	-
V.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-
VI.	**Hedging Transactions**		-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-
6.2	Foreign Net Investment Hedge		-	-	-	-	-	-
VII.	**Property and Equipment Revaluation Differences**		-	-	-	-	-	-
VIII.	**Intangible Fixed Assets Revaluation Differences**		-	-	-	-	-	-
IX.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-
X.	**Foreign Exchange Differences**		-	-	-	-	-	-
XI.	**Changes due to the Disposal of Assets**		-	-	-	-	-	-
XII.	**Changes due to the Reclassification of Assets**		-	-	-	-	-	-
XIII.	**Effect of Changes in Equity of Investments in Associates**		-	-	-	-	-	-
XIV.	**Capital Increase**		100.000	-	-	-	-	-
14.1	Cash increase		-	-	-	-	-	-
14.2	Internal Resources		100.000	-	-	-	-	-
XV.	**Share Premium**							
XVI.	**Share Cancellation Profits**							
XVII.	**Paid-in-capital inflation adjustment difference**							
XVIII.	**Other**		-	-	-	-	-	-
XIX.	**Current Year Net Profit or Loss**		-	-	-	-	-	-
XX.	**Profit Distribution**		**-**	**-**	**-**	**-**	**21.951**	**-**
20.1	Dividends Paid		-	-	-	-	-	-
20.2	Transfer to Reserves		-	-	-	-	21.951	-
20.3	Other		-	-	-	-	-	-
	Period End Balance		**2.500.000**	**-**	**-**	**-**	**302.905**	**-**
	Current Period - 31 December 2016							
I.	**Prior Period End Balance**		**2.500.000**	**-**	**-**	**-**	**302.905**	**-**
	Changes in the period							
II.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-
III.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-
IV.	**Hedging Transactions Funds**		-	-	-	-	-	-
4.1	Cash flow Hedge		-	-	-	-	-	-
4.2	Foreign Net Investment Hedge		-	-	-	-	-	-
V.	**Property and Equipment Revaluation Differences**		-	-	-	-	-	-
VI.	**Intangible Fixed Assets Revaluation Differences**		-	-	-	-	-	-
VII.	**Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-
VIII.	**Foreign Exchange Differences**		-	-	-	-	-	-
IX.	**Changes due to the disposal of assets**		-	-	-	-	-	-
X.	**Changes due to the reclassification of assets**		-	-	-	-	-	-
XI.	**Effect of Changes in Equity of Investments in Associates**		-	-	-	-	-	-
XII.	**Capital Increase**		1.200.000	-	-	-	-	-
12.1	Cash increase		-	-	-	-	-	-
12.2	Internal Resources		1.200.000	-	-	-	-	-
XIII.	**Share Premium**		-	-	-	-	-	-
XIV.	**Share Cancellation Profits**		-	-	-	-	-	-
XV.	**Paid-in-capital inflation adjustment difference**		-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-
XVII.	**Current Year Net Profit or Loss**		-	-	-	-	-	-
XVIII.	**Profit Distribution**		-	-	-	-	25.145	-
18.1	Dividends Paid		-	-	-	-	-	-
18.2	Transfers to Reserves		-	-	-	-	25.145	-
18.3	Other		-	-	-	-	-	-
	Period End Balance		**3.700.000**	**-**	**-**	**-**	**328.050**	**-**

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

Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
574.618	**620.951**	**-**	**427.009**	**11.383**	**-**	**-**	**-**	**-**	**4.314.915**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
574.618	**620.951**	**-**	**427.009**	**11.383**	**-**	**-**	**-**	**-**	**4.314.915**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(2.497)	-	-	-	-	**(2.497)**
-	-	-	-	-	-	-	333	-	**333**
-	-	-	-	-	-	-	333	-	333
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(100.000)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(100.000)	-	-	-	-	-	-	-	-	-
-	(102)	-	-	-	-	-	-	-	**(102)**
-	-	489.406	-	-	-	-	-	-	**489.406**
383.708	**-**	**-**	**(427.009)**	**-**	**-**	**-**	**-**	**-**	**(21.350)**
-	-	-	(21.350)	-	-	-	-	-	(21.350)
383.708	-	-	(405.659)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
858.326	**620.849**	**489.406**	**-**	**8.886**	**-**	**-**	**333**	**-**	**4.780.705**
858.326	**620.849**	**-**	**489.406**	**8.886**	**-**	**-**	**333**	**-**	**4.780.705**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	3.074	-	-	-	-	3.074
-	-	-	-	-	-	-	(767)	-	(767)
-	-	-	-	-	-	-	(767)	-	(767)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(600.343)	(599.657)	-		-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(600.343)	(599.657)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	68	-	-	-	-	-	-	-	68
-	-	421.325	-	-	-	-	-	-	421.325
460.590	-	-	(489.406)	-	-	-	-	-	(3.671)
-	-	-	(3.671)	-	-	-	-	-	(3.671)
460.590	-	-	(485.735)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
718.573	**21.260**	**421.325**	**-**	**11.960**	**-**	**-**	**(434)**	**-**	**5.200.734**

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Notes	CURRENT PERIOD Audited 1 January - 31 December 2016	PRIOR PERIOD Audited 1 January - 31 December 2015
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit before changes in operating assets and liabilities**		**3.120.294**	**2.845.301**
1.1.1	Interest received		1.582.438	1.187.437
1.1.2	Interest paid		(745.193)	(466.475)
1.1.3	Dividend received		-	-
1.1.4	Fees and commissions received		34.753	25.475
1.1.5	Other income		804.433	676.003
1.1.6	Collections from previously written-off loans and other receivables		54.854	41.833
1.1.7	Payments to personnel and service suppliers		(126.080)	(90.304)
1.1.8	Taxes paid		(2.632)	(926)
1.1.9	Other		1.517.721	1.472.258
1.2	**Changes in operating assets and liabilities**		**(2.215.799)**	**(3.744.462)**
1.2.1	Net (increase)/decrease in trading securities		(4.143)	38.354
1.2.2	Net (increase)/decrease in fair value through profit/(loss) financial assets		-	-
1.2.3	Net (increase)/decrease in due from banks		-	822
1.2.4	Net (increase)/decrease in loans		(18.389.918)	(11.238.757)
1.2.5	Net (increase)/decrease in other assets		(1.983.319)	(419.158)
1.2.6	Net increase/(decrease) in bank deposits		-	-
1.2.7	Net increase/(decrease) in other deposits		-	-
1.2.8	Net increase/(decrease) in funds borrowed		16.328.408	7.466.019
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase/(decrease) in other liabilities		1.833.173	408.258
I.	**Net cash provided from banking operations**		**904.495**	**(899.161)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**155.280**	**49.293**
2.1	Cash paid for acquisition of associates, subsidiaries and joint ventures (Business Partners)		-	-
2.2	Cash obtained from disposal of associates, subsidiaries and joint ventures (Business Partners)		-	-
2.3	Purchases of property and equipment	(14)	(1.591)	(1.641)
2.4	Disposals of property and equipment		3.454	7.402
2.5	Cash paid for purchase of available-for-sale investments		-	-
2.6	Cash obtained from sale of available-for-sale investments		-	-
2.7	Cash paid for purchase of investment securities	(1.8.4)	(18.250)	(160.054)
2.8	Cash obtained from sale of investment securities	(1.8.4)	172.196	204.489
2.9	Other		(529)	(903)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from financing activities**		**1.487.164**	**(60.096)**
3.1	Cash obtained from funds borrowed and securities issued		1.539.386	-
3.2	Cash used for repayment of funds borrowed and securities issued		(48.551)	(38.746)
3.3	Issued capital instruments		-	-
3.4	Dividends paid		(3.671)	(21.350)
3.5	Payments for finance leases		-	-
3.6	Other		-	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**544.631**	**9.662**
V.	**Net increase in cash and cash equivalents**		**3.091.570**	**(900.302)**
VI.	**Cash and cash equivalents at the beginning of the period**		**165. 629**	**1.065.931**
VII.	**Cash and cash equivalents at the end of the period**		**3.257.199**	**165.629**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

VII. PROFIT DISTRIBUTION STATEMENT	Current Period 31 December 2016(*)	Prior Period 31 December 2015
I. DISTRIBUTION OF PROFIT		
1.1. Current Year Income	429.923	499.394
1.2 Taxes And Duties Payable (-)	8.598	9.988
1.2.1 Corporate Tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	8.598	9.988
A. NET INCOME FOR THE YEAR (1.1-1.2)	**421.325**	**489.406**
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	-	24.470
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	**-**	**464.936**
1.6. First Dividend To Shareholders (-)	-	3.671
1.6.1 To Owners Of Ordinary Shares	-	3.671
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.7. Dividends To Personnel (-) (**)	-	6.178
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 Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	675
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	460.590
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 Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And Loss Sharing Certificates	-	-
2.4 Dividends To Personnel (-)	-	-
2.5 Dividends To Board Of Directors (-)	-	-
III. EARNINGS PER SHARE		
3.1 To Owners Of Ordinary Shares	0,1139	0,1958
3.2 To Owners Of Ordinary Shares (%)	11,39	19,58
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 (%)	-	-

(*) As of the report date, there is no decision related to 2016 profit distribution, therefore, distributable net profit of the period is not presented.

(**) The amount of dividend distributed to personnel has been provided in 2015 net profit. Therefore, it is not included in profit distribution, but presented for information.

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

1. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Accounting Applications for Banks and Safeguarding of Documents

The Bank prepares its legal records, financial statements and underlying documents in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"). In preparing financial statements, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and related interpretations ("TAS/TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority have been applied.

Accounting policies applied and valuation methods used in the preparation of the unconsolidated financial statements are expressed in detail below.

Amounts in the financial statements and related explanations and disclosures are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

The financial statements are prepared as Turkish Lira ("TL") in accordance with the historical cost basis except for the financial assets at fair value through profit or loss, available-for-sale financial assets whose fair value can be reliably measured, derivative financial assets and liabilities held for trading purpose and derivative financial assets and liabilities held for cash flow hedges.

The preparation of the unconsolidated financial statements in conformity with TAS requires the Bank management to use of certain make assumptions and estimates on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement.

2. Accounting policies and valuation principles applied in the preparation of the financial statements

The accounting policies and valuation principles applied in the preparation of the financial statements are determined and applied in accordance with the principles of TAS. These accounting policies and valuation principles are explained in Notes II to XXIII below.

3. Preparing financial statements in the consolidated financial statements, the ratios of items for which different accounting policies have been applied and their related items in the consolidated financial statements

None.

4. Additional paragraph for convenience translation to English

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

5. Presentation of the information regarding the consolidated affiliates

None.

II. Explanations on strategy of using financial instruments and explanations on foreign currency transactions

The Bank uses derivatives to balance its foreign currency asset/liability positions for managing its exposure to currency risk.

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates of the Bank prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of "foreign exchange gains/losses".

As of 31 December 2016, the exchange rates used in translation of foreign currency denominated balances into Turkish Lira are TL 3,5208 for US dollar, TL 3,7000 for Euro, TL 3,0069 for 100 JPY and TL 4,3207 for GBP.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

III. Explanations on forward transactions, options and derivative instruments

The Bank uses derivative financial instruments in order to avoid exposure to foreign currency and interest rate risks.

As of the balance sheet date, there are outstanding currency and interest rate swap purchase and sales contracts and forward transactions in TL and foreign currency.

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded in profit or loss. The following periods of initial reporting, they are measured with their fair values. The result of this assessment, offsetting debit and credits stemming from each contract debit and credits are reflected to the financial statements as a contract-based single asset and liability. The method of accounting gain or loss changes according to related derivative transaction whether to be held for cash flow hedges or not and to the content of hedge account.

The Bank notifies in written the relationship between hedging instrument and related account, risk management aims of hedge and strategies and the methods using to measure of the hedge effectiveness. The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions under fair value hedges are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/Losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to "Trading gains/losses on derivative financial instruments" account in the income statement.

The Bank is protected from cash flow risk arising from floating-rate liabilities in foreign currency and TL by cross-currency swaps. In this context, the fair value changes of the effective portion of the hedging instruments are accounted under the "hedge funds" account within equity. In the period in which the cash flows affect the income statement for the hedged item, the hedging instrument relating to the profit/loss extracted from equity and recognized in the income statement.

In cash flow hedge accounting, if it is not continued to hedge because of termination, realization, sale, stop hedging and inefficient hedge effectiveness of hedging instruments, hedge oriented account amounts that realized under shareholders' equity will transferred to profit/loss accounts.

The Bank classifies its derivative instruments except for derivatives held for cash flow hedges as "Held-for-hedging" or "Held-for-trading" in accordance with "Financial Instruments: Turkish Accounting Standard for Recognition and Measurement ("TAS 39")". According to this, certain derivative transactions while providing effective economic hedges under the Bank's risk management position, are recorded under the specific rules of TAS 39 and are treated as derivatives "Held-for-trading".

Payables and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values. Derivative instruments are remeasured at fair value after initial recognition. If the fair value of a derivative financial instrument is positive, it is disclosed under the main account "Financial assets at fair value through profit or loss" in "Derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities held for trading". Differences in the fair value of trading derivative instruments are accounted under "trading income/loss" in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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IV. Explanations on interest income and expense

Interest income and expenses are recognized in profit or loss on an accrual basis.

The Bank ceases accruing interest income on non-performing loans. Interest income is recorded for non-performing loans when the collection is made.

V. Explanations on fee and commission income and expenses

All fees and commission income/expenses are recognized on an accrual basis, except for certain commission income and fees for various banking services which are recorded as income at the time of collection.

VI. Explanations on financial assets

The Bank categorizes and recognitions its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

Financial assets at the fair value through profit or loss category have two sub categories: "Trading financial assets" and "Financial assets designated at fair value through profit/loss at initial recognition."

Trading financial assets are initially recognized at cost. Acquisition and sale transactions of trading financial assets are recognized and derecognized at the settlement date.

The government bonds and treasury bills recognized under trading financial assets which are traded on Borsa İstanbul AŞ ("BIST") are valued with weighted average prices settled on the BIST as of the balance sheet date; and those government bonds and treasury bills traded on the BIST but which are not subject to trading on the BIST as of the balance sheet date are valued with weighted average prices at the latest trading date.

The financial assets classified under trading financial assets and whose fair values cannot be measured reliably are carried at amortized cost using the "effective yield method". The difference between the purchase cost and the amortized cost at the selling date is recorded as interest income.

If the selling price of a trading financial asset is above its amortized cost as of the sale date, the positive difference between the selling price and the amortized cost is recognized as income under trading gains on securities and if the selling price of a trading security is lower than its amortized cost as of the sale date, the negative difference between the selling price and the amortized cost is recognized as expense under trading losses on securities.

Derivative financial instruments are classified as trading financial assets unless they are designated as hedging instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note 2.3 of Section Three.

The Bank does not have any financial assets designated as financial assets at fair value through profit or loss.

Held-to-maturity financial assets are assets that are not classified under loans and receivables with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Loans and receivables are financial assets that are originated by the Bank by providing money, services or goods to borrowers other than trading financial assets and financial assets held for the purpose of short-term profit making. Available for sale financial assets are financial assets other than loans and receivables, held to maturity financial assets and financial assets at fair value through profit or loss. Held-to-maturity financial assets and available-for-sale financial assets are initially recognized at cost.

All regular way purchases and sales of financial assets are recognized and derecognized at the settlement date. The Bank holds Government Bonds, Treasury Bills and foreign currency bonds issued in Turkey and abroad by the Turkish Treasury under the held-to-maturity portfolio.

Held-to-maturity financial assets are initially recognized at cost and are subsequently carried at amortized cost using the effective interest method. Interest earned from held-to-maturity financial assets is recorded as interest income. All regular way purchases and sales of held-to-maturity financial assets are accounted at the settlement date. There are not any financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

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Available-for-sale financial assets are marketable securities other than "Held-to-maturity investments" and "Trading securities". Available-for-sale financial assets are subsequently remeasured at fair value. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at amortized cost, less provision for impairment.

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized under shareholders' equity as "Marketable securities value increase fund", until the collection of the fair value of financial assets, the sale of the financial assets, permanent impairment in the fair values of such assets or the disposal of the financial assets. When these securities are disposed of or the fair value of such securities is collected, the accumulated fair value differences in the shareholders' equity are reflected to profit or loss.

Bank loans and receivables; consist of other than those, goods or services to be created by the purchase-sale or the financial assets that held for sale in the short term. Bank loans and receivables are initially recognized at cost value. Banks are accounted for at cost-based loans at amortized cost, they are classified as short and long-term loans, open and covered. FX type loans are recognized at fixed prices and are revalued with the Bank's spot foreign exchange buying rate at the end of the period.

VII. Explanations on impairment of financial assets

Financial assets are considered as impaired when the recoverable amount of financial assets, which is calculating expected future cash flows with using "internal rate of return" method, are lower than book value. A provision is made for the diminution in value of the impaired financial asset and this is charged against the income for the year.

The Bank is exempted from the general and specific provisions in accordance with Article 13 "Exceptions" of The Regulation on Principles and Procedures Related to the Determination of the Qualifications of Banks' Loans and Other Receivables and Provisioning for these Loans and Other Receivables which says specific and general provision rates for transactions made in accordance with Law No: 3332 dated 25 March 1987 are considered as zero percent.

VIII. 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 related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously. Otherwise, no offsetting is made in relation with the financial assets and liabilities.

IX. Explanations on sales and repurchase agreements and securities lending transactions

The Bank does not have any sales and repurchase agreements and securities lending transactions at the balance sheet date.

X. Explanations on assets held for sale and discontinued operations and explanations on liabilities related with these assets

Assets which meet the criteria to be classified as held for sale are measured by the book value and no more amortization is made for these assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan.

Furthermore, the asset (or group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is sufficient evidence that the related delay has occurred beyond the Bank's control and that the Bank's plans for selling the related asset (or group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

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

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XI. Explanations on goodwill and other intangible assets

As of 31 December 2016 and 31 December 2015, the Bank does not have any goodwill in its accompanying financial statements.

Intangible assets consist of computer software licenses. Intangible assets result in net book value as of the balance sheet date by deducting their acquisition cost to accumulated amortization. Intangible assets are amortized by the straight-line method, considering their useful life and amortization rates published by Republic of Turkey Ministry of Finance. During the current year, there has been no change in the depreciation method. The Bank does not expect any changes in accounting estimates, useful lives, depreciation method and residual value during the current and the following periods.

Implemented yearly amortization rates as follows;

Intangible assets:	33%

XII. Explanations on property and equipment

All property and equipment are initially recognized at cost. Subsequently property and equipment are carried at cost less accumulated depreciation at the balance sheet date. Depreciation is calculated over the cost of property and equipment using the straight-line method over its estimated useful life. There has been no change in the depreciation method during the current period.

The depreciation rates are as follows;

Buildings:	2%
Furniture, fixtures and vehicles:	6-33%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment. Gains and losses on the disposal of property and equipment are booked to the income statement accounts for the period at an amount equal to the book value. Where the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution in value is charged to the income statement. Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized over the cost of the tangible asset. The capital expenditures include the cost components that increase the useful life, capacity of the asset or quality of the product or that decrease the costs.

There are not any pledges, mortgages or any other contingencies and commitments over property and equipment that restrict their usage. The Bank does not expect any changes in accounting estimates that will have a material impact in future periods in relation with the property and equipment.

XIII. Explanations on investment property

Investment properties consist of assets held to obtain rent and/or unearned increment profit. These properties are carried on accompanying unconsolidated financial statements at cost less accumulated depreciation and impairment. Investment properties are depreciated in accordance with the useful life principles with straight-line depreciation method. Gains and losses resulted from disposal of investment properties or withdrawn from service of a tangible asset are determined as the difference between sales proceeds and the carrying amount of the asset and included in the income statement.

XIV. Explanations on lease

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease instalments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognized. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not perform financial leasing transactions as a "Lessor".

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

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XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities except for the specific and general provisions recognized for loans and other receivables are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated reliably it is considered that a "Contingent" liability exists. When the amount of the obligation can be estimated reliably and when there is a high possibility of an outflow of resources from the Bank, the Bank recognizes a provision for such liability.

As of the balance sheet date, there is not any contingent liability based on past events for which there is a possibility of an outflow of resources and whose obligation can be reliably estimated.

XVI. Explanations on obligations related to employee rights

Under the Turkish Labor Law, the Bank is required to pay a specific amount to employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law.

Obligations related to employee termination and vacation rights are calculated for in accordance with "Turkish Accounting Standard for Employee Benefits" ("TAS 19").

Revised TAS 19 are effective being published on the Official Gazette dated 12 March 2013 by Public Oversight Accounting and Auditing Standards Authority. According to revised TAS 19, once the Actuarial Gains and Losses occur, they are recorded under equity and are not associated with the income statement. Benefit costs arising interest cost due to being 1 year more closer to the payment of benefit and service cost as a result of given service by employee are required to be shown in income statement.

TL 68 accounted as actuarial valuation difference is recorded under equity, TL 1.453 accounted as service and interest cost is associated with the income statement accounts. Assumptions used in the calculation are shown below.

	Current Period 31.12.2016	Prior Period 31.12.2015
Discount ratio	11,20%	10,65%
Inflation	8,00%	7,65%
Salary increase rate	9,00%	8,65%

As of 31 December 2016, the calculated employment termination obligation amounts to TL 17.050. For the year ended 31 December 2016, the Bank also provided a 100% provision for vacation pay liability relating to prior periods amounting to TL 12.033.

For all year long, the Bank has made provision for principally of success fee amounting TL 14.500 to be paid in January 2017, and dividend to personnel, amounting TL 7.800 to be paid in 2017, from 2016 profit.

XVII. Explanations on taxation

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 3rd Article of the same act; the above mentioned exemption became valid from 1 January 1988. In accordance with clause 9 of the Provisional Article 1 of Corporate Tax Law No. 5520, which states "The provision of Article 35 shall not apply to exemptions, allowances and deductions included in other laws in relation to Corporation Tax prior to the effective date of the Law No. 5520", the exemption from Corporation Tax continues. Accordingly, deferred tax asset or liability is not recognized in these financial statements.

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XVIII. Additional explanations on borrowings

Trading financial liabilities and derivative instruments are carried at their fair values and other financial liabilities including debt securities issued are carried at "Amortized cost" using the "Effective interest method".

In October 2011, the Bank issued bonds amounting USD 500 million (TL 1.760.400). The bond is subject to annual fixed interest payment of 5,88% every six months and the total maturity is five years and also, the bond issued on April 2012 with an amount of USD 500 million (TL 1.456.600) is subject to biannual fixed payment of 5.88% and its total maturity is seven years. In addition to this bond, there was a bond increase corresponding to USD 250 million (TL 880.200) as of October 2012 and also the bond issued on September 2014 with amount of USD 500 million (TL 1.760.400) which is subject to annual fixed interest payment of 5 per cent every six months and the total maturity is seven years. In February 2016, the Bank has issued bonds amounting USD 500 million (TL 1.760.400) subject to fixed payment of 5.375% and with total maturity of five years. In October 2016, the Bank has issued bonds amounting USD 500 million (TL 1.760.400) that is subject to fixed payment of 5.375% and with its total maturity of five years. The Bank applied hedge accounting for the measurement of derivative financial instruments which are related to the bonds issued and accounted for hedge accounting during this period.

Moreover, the Bank has provided fixed rate TL loans that were provided as part of the foreign source FC with floating rate of by Rediscount Credit Programs of the CBRT. Hedge accounting has been made to the risk of currency risk as a result of these measurement of derivative transactions was calculated within the scope of hedge accounting was also reflected to the relevant accounts.

The amounts calculated on the basis of related hedge accounting and details about derivatives details are disclosed in fourth section Note III.

XIX. Explanations on issuance of share certificates

As the Bank's total paid-in capital is owned by the Turkish Treasury, there is no cost related to share issuance. Profit appropriation of the Bank is resolved at the General Assembly meeting. As of 22 March 2016, dividend distribution for 2015 was approved by Banking Regulation and Supervision Agency.

XX. Explanations on avalized drafts and acceptances

The Bank keeps its guarantee bills and acceptances in the off-balance liabilities.

XXI. Explanations on government grants

As of the balance sheet date, the Bank does not utilize any government grant.

XXII. Explanations on segment reporting

The Bank emphasizes the scope of business method for segment reporting by considering the Bank's main source and character of risks and earnings. The Bank's activities mainly concentrate on corporate and investment banking.

XXIII. Explanations on other issues

The Bank does not accept deposits. The Bank has been mandated to export loan operations, export loan insurance and export grants. On the other hand, the Bank also performs domestic and foreign currency money, capital and FX market operations within the context of Treasury operations.

The Bank engages in derivative transactions, currency and interest rate swaps, forward and option transactions and obtains funds by means of syndicated loans, subordinated loans, bond issuance and bank borrowings.

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK

I. Information about shareholders' equity items

Equity amount and capital adequacy standard ratio are calculated within the framework of "Regulation Regarding Equities of Banks" and "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy".

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As of 31 December 2016, the shareholders' equity of the Bank is TL 5.326.438 and the capital adequacy standard ratio is 13,41%. Calculations as at 31 December 2015 were made within the scope of abolished regulations, equity amount is TL 4.945.331 and capital adequacy standard ratio is 18.94%. The capital adequacy standard ratio of the Bank is above the minimum ratio determined by the relevant legislation.

	Current Period 31.12.2016	Amount as per the regulation before 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL	**5.197.328**	
Paid-in Capital to be Entitled for Compensation after All Creditors	3.700.000	
Share Premium	-	
Legal Reserves	1.069.366	
Other Comprehensive Income according to TAS	11.960	
Profit	421.325	
Net Current Period Profit	421.325	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	**5.202.651**	
Deductions From Common Equity Tier I Capital	**5.323**	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	-	
Leasehold improvements on operational leases (-)	2.185	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	1.655	
Deferred Tax Assets that Rely on Future Profitability Excluding Those Arising from Temporary Differences (net of related tax liability)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	1.483	
Direct and Indirect Investments of the Bank on its own Tier 1 Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage servicing rights (amount above 10% threshold) (-)	-	

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Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier 1 Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier 1 Capital (-)	-	
Mortgage servicing rights (amount above 10% threshold) (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be defined by the regulator (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	**5.323**	
Total Common Equity Tier I Capital	**5.197.328**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier 1 Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-	
Other items to be Defined by the regulator (-)	-	
Items to be Deducted from Tier 1 Capital during the Transition Period	**1.104**	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	1.104	
Net Deferred Tax Asset/Liability not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-	
Deduction from Additional Tier 1 Capital when there is not enough Tier II Capital (-)	-	

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	Current Period 31.12.2016	Amount as per the regulation before 1/1/2014 (*)
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**5.196.224**	
TIER II CAPITAL	**130.214**	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	130.214	
Total Deductions from Tier II Capital	**130.214**	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be Defined by the regulator (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**130.214**	
Total Equity (Total Tier I and Tier II Capital)	**5.326.438**	
Deductions from Total Equity	**5.326.438**	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovable's Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the regulator (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 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. (-)	-	

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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 (-)	-	
CAPITAL	**5.326.438**	
Total Capital (Total of Tier I Capital and Tier II Capital)	**5.326.438**	
Total Risk Weighted Assets	**39.711.831**	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Ratio (%)	13,09	
Tier I Capital Ratio (%)	13,09	
Capital Adequacy Ratio (%)	13,41	
BUFFERS		
Bank-specific total Common Equity Tier I Capital Ratio	0,625	
Capital Conservation Buffer Ratio (%)	0,625	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)		
Additional Common Equity Tier I Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	8,59	
Amounts Lower Than Excesses as per Deduction Rules	**21.124**	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	21.124	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation	**130.214**	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	130.214	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4		
(effective between 01.01.2018-01.01.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(*) Represents the amounts taken into consideration according to transition clauses

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	Prior Period 31.12.2015 (*)
TIER CAPITAL	
Paid in Capital to be Entitled for compensation after all Creditors	2.500.000
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	1.783.631
Other Comprehensive Income according to TAS	23.544
Profit	489.406
Net Current Period Profit	489.406
Prior Period Profit	-
Provisions for possible losses	42.008
Bonus shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Tier 1 Capital before Deductions	**4.838.589**
Deductions from Tier 1 Capital	**22.134**
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	15.876
Leasehold Improvements on Operational Leases (-)	5.366
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	892
Net Deferred tax assets/liabilities (-)	-
Shares obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Banks does not own 10% or less of the Issued share Capital Exceeding the 10% Threshold of above Tier 1 Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Banks does not own 10% or less of the Issued share Capital Exceeding the 10% Threshold of above Tier 1 Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier 1 Capital (-)	-
Net Deferred tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier 1 Capital (-)	-
Amount Exceeding the 15% Threshold of Tier 1 Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Rations Banks(-)	-
The Portion of Net Portion of the Investments in Equity of Unconsolidated Banks and Financial Institutions where the Bank own 10% or more of the Issues Share Capital Not Deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deductions (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other Items to be Defined by the BRSA (-)	-
Deductions from Tier 1 Capital in cases where there are no adequate Additional Tier 1 or Tier II Capitals (-)	-
Total regulatory adjustments to Tier 1 capital	**22.134**
Tier Capital	**4.816.455**
ADDITIONAL CORE CAPITAL	**-**
Preferred Stock not Included in Tier I Capital and the related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	**-**

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	Prior Period 31.12.2015 (*)
Deductions from Core Capital	**-**
Direct and Indırect Investments of the Bank on its own Additional Core Capital(-)	-
Total of Net Long Positions of the Investments in the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Direct and Indirect Investments in Additional Tier I Capital of Unconsolidated Banks of Financial Institutions where the Banks owns more than 10% of the Issued Share Capital (-)	-
Other Items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	**-**
Total Additional Core Capital	**-**
Deductions from Core Capital	**1.338**
Goodwill and other Intangible Assets and Related Deferred taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Rations of Banks (-)	1.338
Net Deferred Tax Assets/Liabilities not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Rations of Banks (-)	-
Total Core Capital	**4.815.117**
Supplementary Capital	**130.214**
Debts Instruments and the Related Issuance Premiums Defined by the BRSA (issued or obtained after 1.1.2014)	-
Debts Instruments and the Related Issuance Premiums Defined by the BRSA (issued or obtained before 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	130.214
Tier II Capital Before	130.214
Deductions from Tier II Capital	**-**
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank own 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other Items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	**130.214**

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	Prior Period 31.12.2015 (*)
CAPITAL	**4.945.331**
Loans Granted against the Article 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for sale but Retained more than Five Years (-)	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulations on Measurement and Assessment of the Capital Adequacy Rations of Banks (-)	-
Other Items to be Defined by the BRSA(-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Banks own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capitals as per the Temporary Article 2, Clause 1 of the Regulations(-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Banks own 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capitals as per the Temporary Article 2, Clause 1 of the Regulations(-)	-
The Portion of Net Long Position of the Investments in Equity ıtems of Unconsolidated Banks and Financial Institutions Where the Banks own 10% or more of the Issued Share Capital of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2 Clause 1 of the Regulations (-)	-
EQUITY	**4.945.331**
Amounts Lower then Excesses as per Deduction Rules	**18.051**
Remaining Total of the Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	18.051
Remaining Total of the Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-

(*) Equity calculation has been changed with "Regulations Regarding the Amendment of the Regulation on Owners' Equity of Banks," which was enacted as of 31 March 2016, and the information given in the previous period was calculated within the scope of abrogated regulations.

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II. Credit risk

According to Article No. 25 of the decree (regulating the "Articles of Association" of the Bank) of the Council of Ministers dated 17 June 1987; the scope of the annual operations of the Bank is determined by the Bank's Annual Program that is approved by the Supreme Advisory and Credit Guidance Committee ("SCLGC"). The SCLGC is chaired by the Prime Minister or State Minister appointed by the Prime Minister and includes executive managers. The Board of Directors of the Bank is authorized to allocate the risk limits of loans and guarantee and insurance premiums to country, sector and commodity groups, within the boundaries of the Annual Program.

As the Bank does not accept deposits, it is not subject to the provisions of Article 77 of the Banking Act No. 5411. However, the Bank applies general loan restrictions stated in the 54th article of the Banking Law.

Limit controls on the basis of the company and bank, financial statements provided for the related credits, profit and loss statements as the appendix of these statements, along with cash/non-cash guarantees given for the relevant transactions are regularly inspected by the Internal Control and Monitoring Unit. Credit ratings for the credits and other receivables are followed by the Risk Analysis and Evaluation Division together with the Credit and Risk Assessment Directorate.

In accordance with the collateral policy, domestic short, medium and long term loans are based on risk of bank.

The cash and non-cash limits of domestic banks for short, medium and long-term credits are approved by the Board of Directors.

The Bank's Board of Directors authorized loan extensions to real and corporate persons in the scope of the Article 5 of the Regulation for Banks' Loan Transactions ("Loan Transactions Regulation") and these authorization levels were determined as restricted by loans made available with certain collateral mentioned in the Article 5 of the Loan Transactions Regulation.

The risk limits of the foreign country loans are determined by annual programs which are approved by the SCLGC within the foreign economic policy.

Country loans are granted with the approval of the Board of Directors and the approval of the Minister and the Council of Ministers, according to article 10 of Act number 4749 dated 28 March 2002 related to the regulation of Public Finance and Debt Management.

The fundamental collateral of the foreign country loans are the government guarantees of the counter country and the guarantees of banks that the Bank accepts as accredited.

The limit of a country is restricted by both the maximum limit that can be undertaken and the maximum amount that can be used annually which are determined by the Bank's Annual Program.

Each year, 60% of risks that emerge in the Short Term Export Insurance Program is transferred to international reinsurance companies under renewed agreements.

According to article 4/C of Act number 3332 that was appended by Act number 3659 and the Act number 4749 regarding the regulation of Public Financing and Debt Management dated 28 March 2002, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury.

The Bank reviews reports of OECD country risk groupings, reports of the members of the International Union of Credit (Berne - Union) and Investment Insurers, reports of independent credit rating institutions and the financial statements of the banks during the assessment and review of loans granted. At the same time, the Bank benefits from the reports prepared in-house related with the country loans and short-term country risk groupings.

Risks and limits of the banks and companies are monitored daily and weekly by the responsible departments.

The cash and non-cash limits of the Bank for transactions in terms of foreign currency and the other financial instruments are approved by the Board of Directors.

Business and geographic distribution of the loan risks run parallel with the export composition of Turkey and this is followed up by the Bank regularly.

Non-cash loans turned into cash loans are classified under follow-up accounts with the approval of the Loan Committee. Uncollected non-cash loans are subject to the same risk weights as cash loans and classified under the relevant follow-up accounts in relation to their collateral.

The Bank provides a 100% impairment provision for non-performing loans and other receivables without considering the relevant collaterals in line with a prudent approach.

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As of 31 December 2016, the Bank has decided to assign a total of TL 38.331 (31 December 2015: TL 27.825) as free provision for the possible recompensation that may result from exportation.

In accordance with the letter sent by the Turkish Treasury No.B.02.0.1.HM.KİT.03.02.52321/4-51898 dated 6 November 1997 and the "Application Procedures of Amounts Transferred by the Undersecretariat of Treasury to Türkiye İhracat Kredi Bankası AŞ" each year, the Bank's political risks arising on loan, guarantee and insurance operations and deferred receivables are communicated to the Turkish Treasury by the end of each September.

As of 31 December 2016, the Bank has no credits due to redemption plan or any credits due to restructured standard credits or assets. The Bank has a total sum of TL 2.962.354 as standard credits and assets and has a total of TL 42.385 as loans under close monitoring which have been subject to changes in contract.

For transactions in the frame of the Law No. 3332 dated 25 March 1987, "General and special provision rates are considered to be zero" clause according to 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" published in the Official Gazette No.26333 dated 1 November 2006 exemptions entitled article 13, although the Bank is within the exemption up to date by prudence within the scope of statute transaction occurs and within the context of exemption as of 1 January 2013, the Bank applied to BRSA and in accordance with the confirmation from BRSA, general provision amount of TL 62.475 was cancelled which had been made as a provision till 30 June 2013.

The proportion of the Bank's top 100 cash loan balances (whose risk belongs to the Bank) in total cash loans portfolio is 54% and 52% as of 31 December 2016 and 31 December 2015, respectively.

The proportion of the Bank's top 200 cash loan balances (whose risk belongs to the Bank) in total cash loans portfolio is 67% and 67% as of 31 December 2016 and 31 December 2015, respectively.

The proportion of the Bank's top 100 non-cash loan balances (whose risk belongs to the Bank) in total cash loans portfolio is 58% and 58% as of 31 December 2016 and 31 December 2015, respectively.

The proportion of the Bank's top 200 non-cash loan balances (whose risk belongs to the Bank) in total cash loans portfolio is 72% and 72% as of 31 December 2016 and 31 December 2015, respectively.

As of 31 December 2016, the share of cash and non-cash receivable amounts belonging to its top 100 and 200 credit customers in the total cash and non-cash loans are 54% and 68%, respectively (31 December 2015: 53% and 68%).

The Bank grants loans only to corporate customers in line with its mandate and follows its credit portfolio under categories specified below:

	Current Period 31.12.2016		Prior Period 31.12.2015	
	Corporate	**Personnel loans**	**Corporate**	**Personnel loans**
Standard loans	61.278.334	9.297	43.070.241	7.569
Loans under close monitoring	232.830	-	81.316	-
Loans under follow-up	233.087	-	131.688	-
Gross	**61.744.251**	**9.297**	**43.283.245**	**7.569**
Specific provision	(143.784)	-	(131.688)	-
Net	**61.600.467**	**9.297**	**43.151.557**	**7.569**

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As of 31 December 2016 and 31 December 2015, there is not any past due loans classified under standard loans and the details of the loans under close monitoring are as follows:

	Current Period 31.12.2016	Prior Period 31.12.2015
Past due up to 30 days	-	69.963
Past due 30-60 days	603	-
Past due 60-90 days	-	11.353
Total (*)	**603**	**81.316**

(*) Represents loans classified under close monitoring that past due up to 90 days. Total amount of loans under close monitoring which was classified in close monitoring with not past due, is TL 230.337.

As of 31 December 2016 and 31 December 2015, the fair value of collaterals held for loans granted by the Bank are as follows:

	Current Period 31.12.2016	Prior Period 31.12.2015
Loans under close monitoring	232.830	81.316
Loans under legal follow-up	233.087	131.688
Total	**465.917**	**213.004**

As of 31 December 2016, the Bank does not have any repossessed collaterals (31 December 2015: None).

Loan rating system of the Bank

Risk evaluation of banks and other financial institutions:

The Bank requests independent auditor's report (financial statements and notes) and net foreign currency position from banks and other financial institutions on a quarterly basis.

Financial statement information derived from the independent audit or review reports of banks and other financial institutions is recorded to a database into a standard format and percentage changes and ratios related with capital adequacy, asset quality, liquidity and profitability of banks and other financial institutions are calculated. In addition, the standard ratio percentages for capital adequacy, asset quality, liquidity and profitability ratios are redefined periodically considering the operations of the banking groups and acceptable intervals for standards ratios are defined.

In relation with the standard ratios, the financial analysis groups are defined by assigning grades from 1 to 4 to banks and other financial institutions. Group with grade 1 consists of the lowest risk profile of banks and financial institutions and group with grade 4 consists of the highest risk profile of banks and financial institutions.

In accordance with the financial analysis group of the Banks and other financial institutions, the final risk groups are determined by considering some qualitative criteria like shareholding structure, group companies, credit ratings from international credit rating institutions, quality of management and information obtained from media.

As of 31 December 2016, loans granted by the Bank to domestic banks and other financial institutions amount to TL 6.637.509 (31 December 2015: TL 5.229.118). The concentration level of the loans to Banks and other financial institutions customers in accordance with the defined financial analysis groups of the Bank are as follows:

		Current Period 31 December 2016	Prior Period 31 December 2015
	Rating Class	Concentration Level (%)	Concentration Level (%)
Low	1-2	65%	67%
Medium	3	23%	25%
High	4	12%	8%

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The risk evaluation of companies:

In the risk evaluation of the companies, the Bank obtains financial and organizational information both from the companies and also from various sources (such as CBRT records, Trade Registry Gazette, Chamber of Trade records, information obtained from the Undersecretariat of Foreign Trade, Banks, companies operating in the same sector) and uses comprehensive investigation and verification methods. In addition to the analysis of last three year financial statements of companies, the Bank also analyzes the current status of the sectors in which the companies operate, economic and political changes affecting the target sectors in the international markets, the advantages and disadvantages of the companies compared to their rival companies operating in or outside Turkey. In case the company is a member of a group of companies not organized as holding companies, the developments that affect the group's operations are monitored and outstanding bank debts of group are also assessed and company analysis reports are prepared taking into account the group risk as well. The Bank does not utilize a separate rating system regarding the risk assessment of the companies.

As of 31 December 2016 and 31 December 2015, the classification of the loans to banks and other financial institutions and companies and individuals are as follows:

	Current Period 31.12.2016		Prior Period 31.12.2015	
	Loans	**Specific Provision (%)**	**Loans**	**Specific Provision (%)**
Standard loans	99,25%	-	99,51%	-
Loans under close monitoring	0,38%	-	0,19%	-
Loans under follow-up	0,37%	62%	0,30%	100%
Total	**100%**	**0,23%**	**100%**	**0,30%**

The Bank's maximum exposure to credit risk as of 31 December 2016 and 31 December 2015:

	Current Period 31.12.2016	Prior Period 31.12.2015
Banks	2.518.048	164.402
Interbank Money Market Placements	368.160	-
Loans to Domestic Banks and Other Financial Institutions	6.637.509	5.229.118
Loans to Foreign Banks and Other Financial Institutions	1.710.880	742.691
Loans to Companies and Individuals	53.172.072	37.187.317
Financial Assets at Fair Value Through Profit or Loss(1)	10.678	10.593
Trading Derivative Financial Assets	118.603	3.712
Held-to-Maturity Investments	98.549	255.968
Other Assets	481.435	123.189
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	3.863.578	2.754.481
Commitments	-	-
Total	**68.979.512**	**46.471.471**

(1) Except derivative financial assets held for trading.

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The Risk Profile According to Substantial Regions

		Risk Groups (*)						
		Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables
Current Period								
1	Domestic	2.240.500	-	-	-	-	20.475.314	56.794.099
2	European Union Countries	-	-	-	-	-	1.817.088	1.514.725
3	OECD Countries	-	-	-	-	-	6.769	195.465
4	Offshore Banking Regions	-	-	-	-	-	-	97.003
5	USA, Canada	-	-	-	-	-	55.159	188.268
6	Other Countries	1.615.901	-	-	-	-	24.536	727.598
7	Affiliate, Subsidiary and Jointly Controlled Partnerships	-	-	-	-	-	-	-
8	Undistributed Assets/Liabilities	-	-	-	-	-	-	-
9	**Total**	**3.856.401**	-	-	-	-	**22.378.866**	**59.517.158**

(*) EU countries, OECD countries except USA and Canada

The Risk Profile According to Substantial Regions

		Risk Groups (*)						
		Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables
Prior Period								
1	Domestic	1.291.666	-	-	-	-	13.520.126	37.422.093
2	European Union Countries	-	-	-	-	-	62.915	1.280.181
3	OECD Countries	-	-	-	-	-	908	186.333
4	Offshore Banking Regions	-	-	-	-	-	-	93.672
5	USA, Canada	-	-	-	-	-	32.955	154.565
6	Other Countries	640.295	-	-	-	-	102.467	549.385
7	Affiliate, Subsidiary and Jointly Controlled Partnerships	-	-	-	-	-	-	-
8	Undistributed Assets/Liabilities	-	-	-	-	-	-	-
9	**Total**	**1.931.961**	-	-	-	-	**13.719.371**	**39.686.229**

(*) EU countries, OECD countries except USA and Canada

Risk Groups (*)									
Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Collateralized with Real Estate	Non-performing Receivables	Receivables determined to have high levels of risk by the Board	Securities with Mortgage Guarantees	Securitization Positions	Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	Investments in the Nature of Collective Investment Organization	Other Receivables (Net)	Total
2.775.441	16.392	89.303	-	-	-	-	-	2.716.301	85.107.350
466.366	-	-	-	-	-	-	-	-	3.798.179
48.711	-	-	-	-	-	-	-	-	250.945
26.725	-	-	-	-	-	-	-	-	123.728
28.822	-	-	-	-	-	-	-	-	272.249
152.613	-	-	-	-	-	-	-	-	2.520.648
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3.498.678	**16.392**	**89.303**	-	-	-	-	-	**2.716.301**	**92.073.099**

Risk Groups (*)									
Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Non-performing Receivables	Receivables determined to have high levels of risk by the Board	Securities with Mortgage Guarantees	Securitization Positions	Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	Investments in the Nature of Collective Investment Organization	Other Receivables(Net)	Total
1.288.479	18.084	-	-	-	-	-	-	1.053.143	54.593.591
211.225	-	-	-	-	-	-	-	-	1.554.321
20.193	-	-	-	-	-	-	-	-	207.434
12.379	-	-	-	-	-	-	-	-	106.051
12.765	-	-	-	-	-	-	-	-	200.285
64.919	-	-	-	-	-	-	-	-	1.357.066
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1.609.960	**18.084**	-	-	-	-	-	-	**1.053.143**	**58.018.748**

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

The Risk Profile According to Sector or Third Party

	Sectors and third parties	Conditional or Unconditional Receivables from Central Administrations or Central Banks	Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	Conditional or Unconditional Receivables from Multi-lateral Development Banks	Conditional or Unconditional Receivables from International Organizations	Conditional or Unconditional Receivables from Banks and Intermediary Institutions	Conditional and Unconditional Corporate Receivables
1	Agriculture	-	-	-	-	-	754.426	5.990.054
1.1	Farming and Livestock	-	-	-	-	-	542.557	4.307.841
1.2	Forestry	-	-	-	-	-	127.622	1.013.301
1.3	Fishery	-	-	-	-	-	84.247	668.912
2	Industry	-	-	-	-	-	4.040.818	32.083.639
2.1	Mining and Quarry Sector	-	-	-	-	-	-	-
2.2	Manufacturing Industry	-	-	-	-	-	3.705.254	29.419.296
2.3	Electric, Gas and Water	-	-	-	-	-	335.564	2.664.343
3	Construction	1.615.901	-	-	-	-	486.878	3.865.761
4	Services	-	-	-	-	-	15.988.621	12.449.323
4.1	Wholesale and retail trade	-	-	-	-	-	453.996	3.604.672
4.2	Hotel and Restaurant Services	-	-	-	-	-	-	-
4.3	Transportation and Communications	-	-	-	-	-	1.084.363	8.609.731
4.4	Financial institutions	-	-	-	-	-	14.420.675	-
4.5	Real Estate and Leasing Services	-	-	-	-	-	-	-
4.6	Professional Services	-	-	-	-	-	-	-
4.7	Training Services	-	-	-	-	-	-	-
4.8	Health and Social Services	-	-	-	-	-	29.587	234.920
5	Other	2.240.500	-	-	-	-	1.108.123	5.128.381
6	Total	**3.856.401**	-	-	-	-	**22.378.866**	**59.517.158**

Conditional and Unconditional Retail Receivables	Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	Non-performing Receivables	Receivables determined to have high levels of risk by the Board	Securities with Mortgage Guarantees	Securitization Positions	Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	Investments in the Nature of Collective Investment Organization	Other Receivables (Net)	TL	FC	Total
290.755	-	9.482	-	-	-	-	-	-	896.647	6.148.070	7.044.717
209.101	-	6.819	-	-	-	-	-	-	644.838	4.421.480	5.066.318
49.185	-	1.604	-	-	-	-	-	-	151.680	1.040.032	1.191.712
32.469	-	1.059	-	-	-	-	-	-	100.129	686.558	786.687
1.557.325	-	50.797	-	-	-	-	-	-	4.802.578	32.930.001	37.732.579
-	-	-	-	-	-	-	-	-	-	-	-
1.427.999	-	46.578	-	-	-	-	-	-	4.403.754	30.195.373	34.599.127
129.326	-	4.219	-	-	-	-	-	-	398.824	2.734.628	3.133.452
187.643	16.392	6.120	-	-	-	-	-	-	578.663	5.600.032	6.178.695
604.284	-	19.711	-	-	-	-	-	21.124	4.405.136	24.677.927	29.083.063
174.969	-	5.707	-	-	-	-	-	-	539.581	3.699.763	4.239.344
-	-	-	-	-	-	-	-	-	-	-	-
417.912	-	13.632	-	-	-	-	-	-	1.288.785	8.836.853	10.125.638
-	-	-	-	-	-	-	-	21.124	2.541.605	11.900.194	14.441.799
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
11.403	-	372	-	-	-	-	-	-	35.165	241.117	276.282
858.671	-	3.193	-	-	-	-	-	2.695.177	1.224.227	10.809.818	12.034.045
3.498.678	**16.392**	**89.303**	-	-	-	-	-	**2.716.301**	**11.907.251**	**80.165.848**	**92.073.099**

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Distribution of the Risks related to Maturity by Remaining Periods to Maturity

	Remaining Period to Maturity				
Risk Groups	**1 month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**More than 1 Year**
Conditional or Unconditional Receivables from Central Administrations or Central Banks	2.163.307	-	10.020	68.182	1.614.891
Conditional or Unconditional Receivables from Regional Administrations or Local Administrations	-	-	-	-	-
Conditional or Unconditional Receivables from Administrative Units and Non-commercial Ventures	-	-	-	-	-
Conditional or Unconditional Receivables from Multi-lateral Development Banks	-	-	-	-	-
Conditional or Unconditional Receivables from International Organizations	-	-	-	-	-
Conditional or Unconditional Receivables from Banks and Intermediary Institutions	14.737.737	933.336	1.608.690	3.383.496	1.655.607
Conditional and Unconditional Corporate Receivables	13.122.960	9.405.192	11.785.437	9.219.961	15.983.609
Conditional and Unconditional Retail Receivables	579.458	442.803	488.076	899.125	1.089.217
Conditional and Unconditional Receivables Guaranteed with Real Estate Mortgages	-	-	-	-	16.392
Non-performing Receivables (Net)	32.307	1.893	9.621	-	45.481
Receivables determined to have high levels of risk by the Board	-	-	-	-	-
Securities with Mortgage Guarantees	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Current Receivables from Banks and Intermediary Institutions and Current Corporate Receivables	-	-	-	-	-
Investments in the Nature of Collective Investment Organization	-	-	-	-	-
Other Receivables(net)	2.716.302	-	-	-	-

There are not any credit rating company or export credit agency assigned.

Risk Amounts by Risk Weights

Risk Weight	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**200%**	**Mitigation in Shareholders' Equity**
The amount before credit risk mitigation	169.733	-	1.661.743	11.845.839	2.822.235	56.336.639	89.303	-	6.427
The amount after credit risk mitigation	236.618	-	1.592.857	66.335.523	382.985	4.295.217	80.293	-	6.427

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Various Information by Significant Sectors or Counter-Party Types

		Loans			
	Significant Sectors/Counter Parties	**Impaired**	**Non-performed**	**Value Adjustments**	**Provisions**
1	Agriculture	-	4.046	-	4.046
2	Energy	-	579	-	579
3	Food	-	13.078	-	8.198
4	Textile	-	87.010	-	54.355
5	Paper and Related Products	-	2.215	-	2.215
6	Chemistry and Related Products	-	2.545	-	1.854
7	Metal Industry	-	23.982	-	9.799
8	Ceramic	-	154	-	154
9	Machinery and Equipment	-	38.683	-	4.440
10	Electrical Household Appliances	-	3.600	-	3.600
11	Medical Devices	-	48	-	48
12	Ship	-	39.615	-	39.615
13	Motor Vehicles	-	3.346	-	695
14	Furniture	-	698	-	698
15	Construction	-	250	-	250
16	Wholesale	-	3.556	-	3.556
17	Shipping	-	25	-	25
18	Consulting	-	258	-	258
19	Leather and Leather Products Industry	-	42	-	42
20	Other Manufacturing Industry	-	2.172	-	2.172
21	Other	-	7.185	-	7.185
	Total	-	**233.087**	-	**143.784**

Information Regarding Value Adjustments and Change of Credit Provisions

		Opening Balance	**Provision amounts allocated within the period**	**Cancellation of Provisions**	**Other Adjustments**	**Ending Balance**
1	Specific Provisions	131.688	14.575	(2.479)	-	143.784
2	General Provisions	130.214	-	-	-	130.214

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

III. Currency risk

1. If the parent bank is subject to the exchange risk, the effects of such occurrence are estimated and the Board of Directors determines the limits regarding the positions monitored daily

The Bank's foreign exchange position is followed daily, and the transactions are performed in accordance with the expectations in the market and within the limits determined by the Risk Management Principles approved by the Board of Directors of the Bank.

2. The scale of the hedging performed through hedge-oriented derivatives for debt instruments in foreign currency and net foreign currency investments

The basic principle for foreign currency assets and liabilities is to secure a balance between currency type, maturity and interest type. For this purpose, borrowing strategies are determined in accordance with the Bank's asset structure to the extent possible. When this determination is not possible, the Bank aims to change the asset structure or utilize derivative instruments such as "cross currency" (currency and interest) and currency swaps.

	TL	USD	GBP	EUR	JPY
TRADING DERIVATIVE FINANCIAL INSTRUMENTS	**260.825**	**4.299.705**	**28.517**	**3.276.400**	**759.166**
Forward Transactions	**30.368**	**31.705**	**-**	**-**	**-**
Forward Foreign Exchange Purchase Transactions	3.764	28.008	-	-	-
Forward Foreign Exchange Sell Transactions	26.604	3.697	-	-	-
Swap Transactions	**229.017**	**4.268.000**	**28.517**	**3.274.920**	**759.166**
Swap Money Purchase Transactions	-	-	-	-	-
Swap Money Purchase Transactions FC - TL	-	228.852	-	-	-
Swap Money Purchase Transactions FC-FC	-	2.698.546	-	-	715.642
Swap Money Sale Transactions FC-TL	229.017	-	-	-	-
Swap Money Sale Transactions FC-FC	-	-	28.517	3.274.920	43.524
Swap Interest Purchase Transactions FC-FC	-	670.301	-	-	-
Swap Interest Sale Transactions FC-FC	-	670.301	-	-	-
Option Money Purchase Transactions	**1.440**	**-**	**-**	**1.480**	**-**
Money Purchase of Options	720	-	-	740	-
Money Sale of Options	720	-	-	740	-
HEDGING DERIVATIVE FINANCIAL ASSETS	**3.547.489**	**15.590.507**	**-**	**361.505**	**-**
Forward Transactions	**3.511.269**	**3.760.619**	**-**	**-**	**-**
Forward Foreign Exchange Purchase Transactions	-	3.760.619	-	-	-
Forward Foreign Exchange Sell Transactions	3.511.269	--	-	-	-
Swap Transactions	**36.220**	**11.829.888**	**-**	**361.505**	**-**
Swap Money Purchase Transactions	-	492.912	-	-	-
Swap Money Sale Transactions	36.220	-	-	361.505	-
Swap Interest Purchase Transactions	-	5.668.488	-	-	-
Swap Interest Sale Transactions	-	5.668.488	-	-	-

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

As of the balance sheet date, the Bank has used "Fair Value Hedge Accounting" starting from 1 January 2013.

Financial derivatives which are used for Fair Value Hedge Accounting are cross currency and interest swaps.

	31 December 2016		
	Principal[1]	**Asset**	**Liability**
Derivative Financial Instruments			
Cross currency swap and interest rate swaps	12.120.977	65.274	149.014
Forward foreign currency buy/sell transactions	7.271.888	354.757	1.515
Total	**19.392.865**	**420.031**	**150.529**

[1] Sum of purchase and sale.

The method of derivatives' fair value measurement shown above is explained in the accounting policy in Section Three No 3.

Fair value hedge accounting

Starting from 1 January 2013, the Bank has hedged the possible fair value effects of changes in libor interest rates on 5,375% and 5,875% fixed interest rate debt securities amounting USD 500 million with maturity 5 years and USD 610 million with maturity 7 years funding by using interest rate swaps. USD debt securities issued in total amount to USD 750 million with 5,875% fixed interest rate and maturity 7 years by the Bank. Remaining risk amount to USD 140 million hedged with cross currency swaps in year 2012 but this remaining portion is not subject to fair value hedge accounting. Starting from September 2014, the Bank issued 5% fixed interest rate debt securities with seven years maturity amounting USD 500 million and they are not subject to fair value hedge accounting.

In addition, the fair value changes resulting from the movements of the libor interest rates of the treasury bills with 5,375 percent fixed interest rate and USD 500 million five-year treasury bills in February 2016 and October 2016 were calculated by using interest rate swap transactions in February 2016 and October 2016 with fair value hedge accounting.

Starting from 31 May 2014, the Bank hedged the possible fair value difference risk of CBRT Rediscount loans amounting to TL 3.276.649 related to interest rate changes with forward transactions by using fair value hedge accounting. Forward transactions have been changed to fair value hedge accounting because the fair value changes related to the TL interest rate are protected against changes in TL interest rate movements due to the rediscount-TL loans.

The impact of application fair value hedge accounting is summarized below:

31 December 2016

Hedging instrument	**Asset liability hedging**	**Risk hedge**	**Fair value of hedged asset**		**Net fair value of hedging account**
			Asset	**Liability**	
Interest rate swaps	Fixed interest rate US dollar debt securities	Fixed interest rate risk	65.274	149.014	-
Forward Transactions	Originated CBT- Rediscount TL Loans	Interest rate risk	354.757	1.515	-

The Bank evaluates the effectiveness of the hedge accounting at initial date and at every reporting period. Effectiveness test is performed by using "Dollar off-set method". The Bank continues the hedge accounting if the effectiveness is between 80% and 125%.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading gains and losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the fair value hedge accounting in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way in accordance with the Bank's risk management policies. Effectiveness tests were chosen among methods allowed within the context of TAS 39 in accordance with the Bank's risk management policies. The Bank's assumptions, which used for determining fair values of derivative instruments, were used while calculating fair value of hedged items on the effectiveness tests. The effectiveness tests are performed and effectiveness of risk relations are measured on a monthly basis. The effectiveness tests are performed rewardingly at the beginning of risk relations. If the underlying hedge does not conform to the accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, in the context of the fair value hedge, adjustments on the carrying value of the hedged item is reflected on the on "Derivative Financial Transactions Gains/Losses" accounts by using straight line method of amortization.

Cash flow hedge accounting

Starting from 13 August 2015, the Bank uses "Cash Flow Hedge" accounting.

The impact of application cash flow hedge accounting is summarized below:

	31 December 2016		
	Principal[(1)]	**Asset**	**Liability**
Derivative Financial Instruments			
Cross Currency Swap Interest Transactions	106.636	40.280	-
Total	**106.636**	**40.280**	**-**

[(1)] Sum of purchase and sale.

The method of derivatives' cash flow hedge shown above is explained in section three no 3 accounting policy.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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The impact of cash flow hedge accounting is summarized below:

31 December 2016					
Hedging Instrument	**Hedging Asset and Liability**	**Risk Hedge**	**Fair value of hedged asset**		**Net fair value of hedging account**
			Asset	**Liability**	
Cross Currency Swap Transactions	Fixed interest rate US dollar debt securities	Currency Risk	40.280	-	(434)

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the cash flow hedge accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with the Bank's risk management policies. The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the cash flow hedge accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur the net cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

3. Policy on foreign currency risk management

The Bank has followed a balanced policy of assets and liabilities with respect to currency risk during the year. As of 31 December 2016, the net foreign Currency Position/Shareholders' Equity ratio is 0,11% (31 December 2015: 0,5%). Foreign currency position is followed daily by the type of foreign currency. The Bank monitors the changes in the market conditions and their effect over the activities and positions of the Bank and make decisions in line with the strategies of the Bank

4. Approach adopted under internal capital adequacy assessment process for monitoring the adequacy of internal capital for current and future activities

Fully paid capital by the Turkish Republic Treasury, the Bank's legal capital is evaluated prospectively, in order to protect capital adequacy under the some stress scenario like rapid and large scale currency and interest rate changes the Bank calculates capital requirement. The Bank both within own group and within the all banking system works with shareholders equity and capital ratio which are above the average. First pillar credit for calculation of legal capital adequacy, adding to market and operational risk, interest rate risk (BHFOR) due to second pillar banking calculations and concentration risk are considered.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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5. The Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below

DATE	26/12/2016	27/12/2016	28/12/2016	29/12/2016	30/12/2016
USD	3,5029	3,5101	3,5298	3,5335	3,5208
AUD	2,5196	2,5238	2,5443	2,5438	2,5420
DKK	0,4928	0,4931	0,4968	0,4967	0,4978
SEK	0,3797	0,3804	0,3831	0,3852	0,3863
CHF	3,4158	3,4118	3,4357	3,4460	3,4413
100JPY	2,9883	2,9914	3,0036	3,0360	3,0069
CAD	2,5919	2,5951	2,6004	2,6120	2,6097
NOK	0,4028	0,4029	0,4058	0,4064	0,4071
GBP	4,3026	4,3108	4,3342	4,3328	4,3207
SAR	0,9337	0,9353	0,9403	0,9414	0,9386
EUR	3,6626	3,6652	3,6939	3,6932	3,7000
KWD	11,4287	11,4485	11,5202	11,5436	11,4984
XDR	4,8676	4,8776	4,9050	4,9102	4,8925
BGN	1,8727	1,8742	4,9050	1,8881	1,8919
IRR	0,0108	0,1086	0,1091	0,1091	0,0109
RON	0,8063	0,8080	0,8136	0,8117	0,8152
RUB	0,5755	0,5767	0,5816	0,0586	0,0580

6. The simple arithmetic averages of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date are presented in the table below

Currency	Average December 2016
USD	3,4924
AUD	2,5639
DKK	0,4952
SEK	0,3789
CHF	3,4328
100JPY	3,0086
CAD	2,6162
NOK	0,4078
GBP	4,3590
SAR	0,9308
EUR	3,6824
KWD	11,4180
XDR	4,8531
BGN	1,8827
IRR	0,0108
RON	0,8148
RUB	0,0564

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7. Information related to Bank's Currency Risk

Current Period 31 December 2016	**EUR**	**USD**	**Other FC**	**Total**
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased)	370.004	-	-	**370.004**
Banks	382.560	2.006.163	8.788	**2.397.511**
Financial Assets at Fair Value Through Profit or Loss [1]	-	-	-	**-**
Interbank Money Market Placements	-	-	-	**-**
Available-for-sale Financial Assets	-	-	-	**-**
Loans	27.669.329	25.844.659	49.989	**53.563.977**
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	105.554	-	**105.554**
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	1.854.896	170.656	140.637	**2.166.189**
Total Assets	**30.276.789**	**28.127.032**	**199.414**	**58.603.235**
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	24.342.524	26.635.726	740.595	**51.718.845**
Marketable Securities Issued	-	7.827.323	-	**7.827.323**
Miscellaneous Payables	2.287.738	342.654	104.205	**2.734.597**
Derivative Financial Liabilities for Hedging Purposes	-	149.014	-	**149.014**
Other Liabilities	5.203	273.280	216	**278.699**
Total Liabilities	**26.635.465**	**35.227.997**	**845.016**	**62.708.478**
Net Balance Sheet Position	**3.641.324**	**(7.100.965)**	**(645.602)**	**(4.105.243)**
Net off Balance Sheet Position	**(3.636.425)**	**7.205.240**	**643.601**	**4.212.416**
Financial Derivative Assets	740	13.547.726	715.642	14.264.108
Financial Derivative Liabilities	3.637.165	6.342.486	72.041	10.051.692
Non-Cash Loans	52.968	3.810.377	233	3.863.578
Prior Period 31 December 2015				
Total Assets	15.856.735	21.110.467	35.372	37.002.574
Total Liabilities	14.833.344	24.288.450	4.981	39.126.775
Net on Balance Sheet Position	**1.023.391**	**(3.177.983)**	**30.391**	**(2.124.201)**
Net off Balance Sheet Position	**(1.010.867)**	**3.263.993**	**(27.843)**	**2.225.283**
Financial Derivative Assets	-	6.825.585	-	6.825.585
Financial Derivative Liabilities	1.010.867	3.561.592	27.843	4.600.302
Non-Cash Loans	8.411	2.746.070	-	2.754.481

[1] In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Income Accruals of Derivative Financial Instruments TL 116.578 and Foreign Currency Expense Accruals of Derivative Financial Instruments TL 41.105 are not included.

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The effect of the Bank's currency positions as of 31 December 2016 and 31 December 2015 on net profit and equity under the assumption of devaluation of TL against other currencies by 10% with all other variables held constant is as follows:

	Current Period 31.12.2016		Prior Period 31.12.2015	
	Gain/(Loss) Effect	Effect on Equity[1]	Gain/(Loss) Effect	Effect on Equity[1]
USD	9.231	10.427	7.712	8.601
EUR	490	490	1.252	1.252
JPY	-	-	-	-
Other foreign currency	(200)	(200)	255	255
Total, net	**9.521**	**10.717**	**9.220**	**10.108**

[1] Effect on equity also includes effect on net profit.

As of 31 December 2016 and 31 December 2015, the effect of the appreciation of TL by 10% against other currencies with all other variables held constant on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

IV. Interest rate risk

The Bank estimates the effects of the changes in interest rates over the profitability of the Bank by analyzing TL and foreign currency denominated interest rate sensitive assets and liabilities considering both their interest components as being fixed rate or variable rate and also analyzing their weights among the Bank's total assets and liabilities. Long or short positions (gapping report) arising from interest rate risk are determined by currency types at the related maturity intervals (1 month, 1-3 months, 3-12 months, 1-5 years and over 5 years) as of the period remaining to reprising date, considering the reprising of TL and foreign currency-denominated "interest sensitive" assets and liabilities at maturity date (for fixed rate) or at interest payment dates (for floating rate). By classifying interest sensitive assets and liabilities according to their reprising dates, Bank's exposure to possible variations in market interest rates are determined.

The Bank determines maturity mismatches of assets and liabilities by analyzing the weighted average days to maturity of TL and foreign currency-denominated (for each currency and their USD equivalent) assets and liabilities.

According to the Risk Management Policy approved by the Board of Directors, the Bank emphasizes the matching of foreign currency denominated assets and liabilities with fixed and floating interest rates. The Bank also pays special attention to the level of maturity mismatch of assets and liability with floating and fixed interests in order to restrict negative effects of interest rate changes on the Bank's profitability.

As of 31 December 2016, the Bank has hedged the risk between variable interest rate liabilities and fixed interest rate assets with 4 short term, 11 long term interest swaps denominated in USD.

As of 31 December 2016, 9 FC- FC and, 4 FC-TL short-term, and 1 FC- TL and 6 FC-FC long-term currency swap transactions, 1 FC-TL forward and 419 TL-FC forward transactions have been carried out.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

1. Interest rate sensitivity of assets, liabilities and off-balance sheet items

(Periods remaining to reprising dates)

Current Period End 31.12.2016	Up to 1 Month	1 - 3 Months	3 - 12 Months	1- 5 Years	Over 5 Year	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	-	-	-	-	370.991	370.991
Banks	2.133.055	-	-	-	-	384.993	2.518.048
Financial Assets at Fair Value Through Profit/Loss	118.590	13	-	2.051	8.627	-	129.281
Interbank Money Market Placements	368.160	-	-	-	-	-	368.160
Available-for-sale Financial Assets	-	-	-	-	-	21.124	21.124
Loans (1)	11.352.636	16.689.889	32.995.452	482.484	-	89.303	61.609.764
Held-to-maturity investments	59.395	-	39.154	-	-	-	98.549
Other Assets	44.475	96.426	236.812	82.598	-	2.700.086	3.160.397
Total Assets	**14.076.311**	**16.786.328**	**33.271.418**	**567.133**	**8.627**	**3.566.497**	**68.276.314**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	69.000	-	-	-	-	-	69.000
Miscellaneous Payables	-	-	8.780	-	-	2.738.668	2.747.448
Issued Marketable Securities	-	90.558	335.515	6.042.471	1.358.779	-	7.827.323
Funds Borrowed from other Financial Institutions	3.679.258	16.297.728	29.095.987	2.645.872	-	-	51.718.845
Other Liabilities (2)	9.232	51.183	189.543	38.416	-	5.625.324	5.913.698
Total Liabilities	**3.757.490**	**16.439.469**	**29.629.825**	**8.726.759**	**1.358.779**	**8.363.992**	**68.276.314**
Balance Sheet Long Position	10.318.821	346.859	3.641.593	-	-	-	14.307.273
Balance Sheet Short Position	-	-	-	(8.159.626)	(1.350.152)	(4.797.495)	(14.307.273)
Off-balance Sheet Long Position	3.108.334	4.666.413	4.750.032	-	-	-	12.524.779
Off-balance Sheet Short Position	(3.074.717)	(4.667.193)	(4.831.424)	-	-	-	(12.573.334)
Total Position	**10.352.438**	**346.079**	**3.560.201**	**(8.159.626)**	**(1.350.152)**	**(4.797.495)**	**(48.555)**

(1) "Non-interest bearing" column of loans is composed of non-performing loans amounting TL 89.303

(2) In other liabilities line the "non-interest bearing" column amounting TL 5.625.324, includes equity amounting to TL 5.200.734 and provisions amounting to TL 230.229.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

(Periods remaining to reprising dates)

Prior Period End 31.12.2015	**Up to 1 month**	**1-3 Months**	**3 -12 Months**	**1-5 Years**	**Over 5 Year**	**Non-Interest Bearing**	**Total**
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	-	-	-	-	1.227	1.227
Banks	146.366	-	-	-	-	18.036	164.402
Financial Assets at Fair Value Through Profit or Loss	678	287	2.747	1.963	8.630	-	14.305
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-	-	18.051	18.051
Loans	5.876.095	11.989.871	24.590.526	693.138	9.496	-	43.159.126
Held-to-maturity Investments	59.399	-	186.633	9.936	-	-	255.968
Other Assets	679	287	2.747	-	-	821.003	824.716
Total Assets	**6.083.217**	**11.990.445**	**24.782.653**	**705.037**	**18.126**	**858.317**	**44.437.795**
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	200.000	-	-	-	-	-	200.000
Miscellaneous Payables	-	-	5.084	5.085	-	888.178	898.347
Marketable Securities Issued	-	-	3.560.744	57.340	1.470.134	-	5.088.218
Funds Borrowed From Other Financial Institutions	2.983.845	12.326.037	17.678.368	-	-	-	32.988.250
Other Liabilities(1)	7.094	2.562	161.001	-	-	5.092.323	5.262.980
Total Liabilities	**3.190.939**	**12.328.599**	**21.405.197**	**62.425**	**1.470.134**	**5.980.501**	**44.437.795**
Balance Sheet Long Position	2.892.278	-	3.377.456	642.612	-	-	6.912.346
Balance Sheet Short Position	-	(338.154)	-	-	(1.452.008)	(5.122.184)	(6.912.346)
Off-balance Sheet Long Position	461.561	871.815	5.621.568	-	-	-	6.954.944
Off-balance Sheet Short Position	(455.399)	(874.744)	(5.649.679)	-	-	-	(6.979.822)
Total Position	**2.898.440**	**(341.083)**	**3.349.345**	**642.612**	**(1.452.008)**	**(5.122.184)**	**(24.878)**

(1) In other liabilities line the "non-interest bearing" column amounting TL 5.092.323, includes equity amounting to TL 4.780.705 and provisions amounting to TL 223.922.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Average interest rates for monetary financial instruments

As of 31 December 2016, average interest rates applied to monetary financial instruments are shown below;

	EUR	USD	JPY	TL
Current Period End 31.12.2016				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	0,40	-	-
Banks	0,09	0,54	-	9,82
Financial Assets at Fair Value Through Profit/Loss	-	-	-	8,30
Interbank Money Market Placements	-	-	-	10,29
Available-for-sale Financial Assets	-	-	-	-
Loans	1,54	2,09	1,68	8,41
Held-to-maturity Investments	-	-	-	10,72
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	8,82
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities	-	5,38	-	-
Funds Borrowed from Other Financial Institutions	0,55	0,98	1,70	-

As of 31 December 2015, average interest rates applied to monetary financial instruments are shown below;

	EUR	USD	JPY	TL
Prior Period End 31.12.2015				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	-	-	-	-
Banks	0,30	0,36	-	10,77
Financial Assets at Fair Value Through Profit/Loss	-	4,44	-	6,02
Interbank Money Market Placements	-	-	-	10,30
Available-for-sale Financial Assets	-	-	-	-
Loans	1,68	1,80	1,93	7,91
Held-to-maturity Investments	-	6,81	-	10,00
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	10,11
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities	-	5,35	-	-
Funds Borrowed from Other Financial Institutions	0,61	0,64	-	11,35

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

V. Share position risk resulting from the banking accounts

1. Categorization of the risks by their relations with the earnings indicated in the equities and their purposes including strategic reasons and general information on used accounting techniques along with the assumptions regarding the relevant practices, the factors affecting the evaluation, and significant changes

Being an investee of the Bank, with a share ratio of 9,78%, Garanti Faktoring AŞ shares are listed in the stock exchange. As of the end of the month, these shares are assessed on the basis of their value in the stock exchange and once recognized, they are followed in the account of available-for-sale securities in line with Turkish Accounting Standards.

The Bank has 1,69% share of Credit Guarantee Fund. Following the registration and announcement articles of association of 6362 numbered Capital Markets Board (CMB) in the frame of article "four percent of the capital is assigned to the available member of Borsa İstanbul AŞ (BIST) by bonus issue", each Borsa İstanbul AŞ (C) group shareholding interest, 1 kurus nominal, 15.971.094 in total, TL 160 amounted share is assigned to the Bank by bonus share issues.

2. The balance sheet value, the fair value and, if the ones listed in the exchange stock have critical difference compared to the fair value, the comparison with the market price

		Comparison		
	Share Investments	**The balance sheet value**	**Fair Value**	**The balance sheet value**
1	Stock Investment Group A	-	-	-
	Listed on stock Exchange	-	-	-
2	Stock Investment Group B	-	-	-
	Listed on stock Exchange	-	-	-
3	Stock Investment Group C	-	-	-
	Listed on stock exchange	-	-	-
	Stock Investment Group	-	-	-

3. Types and amounts of the positions quoted to the stock market, private and equity investments with sufficient diversity and other risks

Garanti Faktoring AŞ shares are included in B Group shares are valued with stock market price and the total sum of these valued shares is TL 16.245 as of the date of the report.

4. Cumulative gain or loss due to sales and liquidation within the period

There is not any cumulative gain or loss due to sales and liquidation within the period.

5. Total sum of unrealized gain or loss, total revaluation appreciation and the amounts related to those which have been included in the core and supplementary capital

			Revaluation appreciation		Unrealized gain and loss		
	Portfolio	**Gain/loss realized within the period**	**Total**	**Those included in supplementary capital**	**Total**	**Those included in core capital**	**Those included in supplementary capital**
1	Private equity investments	-	-	-	-	-	-
2	Shares quoted to the stock market	-	6.043	-	-	-	-
3	Other shares	-	-	-	-	-	-
4	**Total**	**-**	**6.043**	**-**	**-**	**-**	**-**

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

6. The bank has chosen a capital requirement calculation method as stated in the official statements concerning credit risk standard qualifications and internal-based rating approach to credit risk total has affected the stock investments diffraction.

The Bank is calculating the credit risk with the standard method. Stock investments are calculated according to the table below.

	Account Balance	Amount subject to credit risk	Capital obligation
Quoted Shares	10.202	10.202	816
Unquoted Shares	4.879	4.879	390
Securities increment value	6.043	6.043	484

VI. Liquidity risk

a) The Bank's risk capacity, the BRSA Banks' Liquidity Adequacy Measurement and Assessment of are foreseen in the legal limit. General policy of the Bank's liquidity risk, cost-effective in amounts that can meet the needs of potential cash flow under various operational conditions are based on maintaining a liquidity level. For this purpose, the existing loan stock and move weekly from existing cash balances, including the monthly and annual basis, debt payment obligations, estimated disbursements, credit collections, taking into account the political risk of loss compensation with potential capital inflows Turkish lira and foreign currency denominated cash flow statements are prepared separately and the need for additional resources from the movement and timing of cash flows results are determined. The Bank's cash flow, credit collections and optimistic in terms of additional resources can be found, it is organized in a way that helps the neutral and pessimistic scenarios under decision in terms of liquidity management mechanisms. As well as liquidity ratios liquidity management, other balance sheet ratios, liquid assets in the amount and maturity structure and rules relating to the diversification of funding sources are taken into account.

b) The Bank's sole shareholder is the Republic of Turkey Undersecretariat of Treasury. Therefore another partnership structure is not available. In terms of liquidity, share of resources that has original maturity longer than 1 year, cannot exceed 20% share in total resources of future repayments.

c) The Bank maintains its short term liquidity needs through short term loans from international and domestic banks and long term liquidity needs through capital markets funds such as medium and long term loans and bonds issued by international institutions such as the World Bank and the European Investment Bank. The Bank tries to fund short-term loans from short-term, medium-long-term loans from medium-long-term sources, and tries to reduce the inconsistency in this issue as much as possible.

d) The Bank's main sources of funds denominated in USD and EUR and TL denominated loans are financed with equity and liabilities side in USD and EUR denominated loans to avoid to foreign currency risk in its credit is granted.

e) In terms of liquidity, Bank prefer to use borrowing limits from Central bank, Foreign Exchange markets and other domestic and foreign sources only in emergency situations. In addition, due to the status of the bank's investment and participation bank to eliminate the risk of sudden absence of deposits and draws are a significant contribution to the reduction of liquidity risk. As well as resource availability before then and syndicated loans to V. S. type accumulating money before amortization of external liabilities of the bank's liquidity risk mitigation fundamental principles such as the implementation of these techniques are redeemed.

f) Stress tests of banks' internal systems made by the end of the period. Within the frame of Regulation on Internal Capital Adequacy Assessment Process and BRSA best practice guidelines. Then sent to BRSA at the end of March of the following year. The bank stress test results are also reported to senior management and considered on Banks' domestic decisions.

g) The first measure for unexpected liquidity needs that may arise, having more short term assets with a high liquidity rather than short term greater amount of liabilities

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

In this context:

Increasing the level of liquid assets and/or

Trying to extend the maturity of existing debt and/or,

Limited new loan demand are covered and/or,

Maturity of the loans be shortened and/or,

Limits of traded financial institutions are constantly reviewed and/or,

Part of the securities turn into more liquid form through outright sale or repurchase.

1. Liquidity Coverage Ratio (%) Max and Minimum Weeks

Current Period							
Week Info	**TL+FC (Max)**	**Week Info**	**TL+FC (Min)**	**Week Info**	**FC (Max)**	**Week Info**	**FC (Min)**
11.11.2016	99,34	7.10.2016	30,26	11.11.2016	93,85	7.10.2016	20,75

Prior Period							
Week Info	**TL+FC (Max)**	**Week Info**	**TL+FC (Min)**	**Week Info**	**FC (Max)**	**Week Info**	**FC (Min)**
27.11.2015	11,35	6.11.2015	4,74	All weeks Between 02.10.2015 01.01.2016	-	All weeks Between 02.10.2015 01.01.2016	-

According to The Banking Regulation and Supervision Agency's 7123 numbered and 12 December 2016 dated decision unless otherwise stated, the consolidated and non-consolidated total money and foreign money liquidation rates shall be considered zero for development and investment banks. The aforementioned rates are still being reported to the Agency.

Also Eximbank is subject to the liquidity coverage ratio outlined in Regulations Considering the Calculation and Assessment of Bank Liquidity Coverage Ratio and the bank is keeping these ratios above the stated limit.

Also since the bank is an issuing house and only operates in exportation financing, Türk Eximbank is trying to utilize all its assets so as not to keep them idle. Otherwise, Türk Eximbank has the resources to keep the weekly liquidity coverage ratio above the limits specified in the related regulation regarding the liquidity coverage ratio in total and foreign currency basis. However, the alternative cost of this application will show itself as a reduction of support for the export and real sector.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2. Liquidity Coverage Ratio

		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
Current Period (31.12.2016)		**TL+FC**	**FC**	**TL+FC**	**FC**
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)			600.004	546.181
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	-	-	-	-
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	3.509.804	3.509.804	3.509.804	3.509.804
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	-	-	218.070	214.620
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	1.131.953	1.131.739
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	149.549	127.387
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	174.493	174.493
16	**Total Cash Outflows**			**5.183.869**	**5.158.043**
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	6.043.595	4.736.001	6.043.595	4.736.001
19	Other cash inflows	62.858	2.928	62.858	2.928
20	**Total Cash Inflows**	**6.106.453**	**4.738.929**	**6.106.453**	**4.738.929**
21	**Total HQLA**			**600.004**	**546.181**
22	**Total Net Cash Outflows**			**1.387.808**	**1.589.450**
23	**Liquidity Coverage Ratio (%)**			**43,23%**	**34,36%**

(*) The average of last three months' liquidity coverage ratio calculated by monthly and weekly simple averages.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
Prior Period (31.12.2015)		**TL+FC**	**FC**	**TL+FC**	**FC**
High-Quality Liquid Assets					
Cash Outflows					
1	Total high-quality liquid assets (HQLA)			57.724	-
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	-	-	-	-
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	4.112.767	4.108.482	2.063.047	2.058.761
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	1.003.858	681.653	1.003.857	681.652
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	6.950	4.702	2.780	1.881
14	Other revocable off-balance sheet commitments and contractual obligations	9.771.219	7.686.049	488.560	384.302
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	**Total Cash Outflows**			**3.558.244**	**3.126.596**
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	5.666.804	4.506.735	3.638.772	2.752.493
19	Other cash inflows	931.742	919.637	931.742	919.636
20	**Total Cash Inflows**	**6.598.546**	**5.426.372**	**4.570.514**	**3.672.129**
				Max Limit applied values	
21	**Total HQLA**			**57.724**	**-**
22	**Total Net Cash Outflows**			**889.561**	**782.309**
23	**Liquidity Coverage Ratio (%)**			**6,49%**	**-**

(*) The average of last three months' liquidity coverage ratio calculated by monthly and weekly simple averages.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

With regard of the Liquidity Coverage Ratio banks explain the essential issues as follows;

a) The LCR which has been introduced to ensure banks to preserve sufficient stock of high quality assets to meet their net cash outflows that may occur in the short term is calculated as per the Communiqué on "Measurement and Assessment of the Liquidity Coverage Ratio of Banks'. The ratio is directly affected by the level of unencumbered high quality assets which can be liquidated at any time and net cash inflows and outflows arising from the Bank's assets, liabilities and off-balance sheet transactions.

b) The Bank's high quality liquid asset stock primarily consists of cash, the accounts held at CBRT and unencumbered government bonds which are issued by Turkish Treasury.

c) Important funding sources of the Bank are funds from CBRT rediscount loans, short-term loans from domestic and overseas banks, medium and long-term funds borrowed from international organizations like World Bank, JBIC and funds obtained from capital market transactions by issuing debt securities.

d) Cash flows of derivatives that will be taken into account in calculation of liquidity coverage ratio. Cash outflows of derivatives that arise from margin obligations, are reflected to the results in accordance with the methodology articulated in the related legislation

e) Total amount of funds borrowed from a single counterparty or a risk group is closely and instantaneously monitored, taking liquidity concentration limits into account. The Bank distribute funding sources between CBRT, domestic banks and international development and investment banks carefully and balanced manner. Bank's principle to take first quality collaterals like guarantee letters and aval. To prevent concentration risk the bank monitoring the breakdown of the collaterals taken from banks and made policy limit controls for to not take risks up to 20% of each banks' total cash and non-cash loans.

f) Taking into account the legal and operational liquidity transfer inhibiting factors, the needed funds and the liquidity risk exposure based on Banks itself, the branches in foreign countries and consolidated partnerships.

None.

g) Taken in the calculation of liquidity coverage ratio but not included in the disclosure template in the second paragraph and the information regarding the other cash inflows and cash outflows items which are thought to be related to the Bank's liquidity profile:

None.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

3. Groupings of assets and liabilities on the remaining period to maturity

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated[1]	Total
Current Period 31.12.2016								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and CBRT	370.991	-	-	-	-	-	-	**370.991**
Banks	384.993	2.133.055	-	-	-	-	-	**2.518.048**
Financial Assets at Fair Value Through Profit or Loss	-	2.171	12	-	118.470	8.628	-	**129.281**
Interbank Money Market Placements	-	368.160	-	-	-	-	-	**368.160**
Available-for-sale Financial Assets	21.124	-	-	-	-	-	-	**21.124**
Loans [4]	-	7.568.774	10.987.395	27.633.671	14.468.494	862.127	89.303	**61.609.764**
Held-to-maturity Investments	-	45.820	-	52.729	-	-	-	**98.549**
Other Assets	-	44.474	71.032	130.830	105.553	108.422	2.700.086	**3.160.397**
Total Assets	**777.108**	**10.162.454**	**11.058.439**	**27.817.230**	**14.692.517**	**979.177**	**2.789.389**	**68.276.314**
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	448.559	12.128.387	25.535.023	6.668.277	6.938.599	-	**51.718.845**
Funds From Interbank Money Market	-	69.000	-	-	-	-	-	**69.000**
Marketable Securities Issued	-	-	90.558	331.532	6.146.454	1.258.779	-	**7.827.323**
Miscellaneous Payables	-	-	-	8.780	-	-	2.738.668	**2.747.448**
Other Liabilities[2][3]	-	9.232	580	43.127	124.665	110.770	5.625.324	**5.913.698**
Total Liabilities	-	**526.791**	**12.219.525**	**25.918.462**	**12.939.396**	**8.308.148**	**8.363.992**	**68.276.314**
Liquidity Gap	**777.108**	**9.635.663**	**(1.161.086)**	**1.898.768**	**1.753.121**	**(7.328.971)**	**(5.574.603)**	**-**
Net Off Balance Sheet Position	-	**35.891**	**61.861**	**151.732**	**59.655**	**104.006**	**-**	**413.145**
Derivative Financial Assets	-	1.011.921	711.136	3.390.049	5.116.642	4.018.063	-	**14.247.811**
Derivative Financial Liabilities	-	1.015.527	649.265	3.240.378	5.056.986	3.914.147	-	**13.876.303**
Non-Cash Loans	-	-	-	-	-	-	3.863.578	**3.863.578**
Prior Period 31.12.2015								
Total Assets	37.314	3.854.708	7.758.240	20.478.017	11.449.875	140.062	719.579	44.437.795
Total Liabilities	-	814.450	10.670.386	18.779.602	5.090.716	3.102.140	5.980.501	44.437.795
Net Liquidity Gap	**37.314**	**3.040.258**	**(2.912.146)**	**1.698.415**	**6.359.159**	**(2.962.078)**	**(5.260.922)**	**-**
Net Off-Balance Sheet Position	**-**	**6.163**	**(2.929)**	**(90.720)**	**60.724**	**1.885**	**-**	**(24.877)**
Derivative Financial Assets	-	461.562	740.721	3.063.204	2.184.900	504.558	-	6.954.945
Derivative Financial Liabilities	-	455.399	743.650	3.153.924	2.124.176	502.673	-	6.979.822
Non-Cash Loans	**-**	**-**	**-**	**-**	**-**	**-**	2.754.481	2.754.481

[1] Assets such as property and equipment and intangible assets, investments, subsidiaries, office supply inventory, prepaid expenses, miscellaneous receivables and other assets are classified in this column.

[2] Liabilities that are necessary for banking activities and that cannot be liquidated in the short-term, such as equity, provisions, miscellaneous payables are classified in this column.

[3] In other liabilities line amount of TL 5.625.324 at the "unallocated" column, includes the shareholders' equity amounting to TL 5.200.734 and provisions amounting to TL 230.229.

[4] Loans consist of net value of non-performing loans at "non-interest bearing" column amounting TL 89.303.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

4. The undiscounted cash flows of liabilities based on the remaining period to maturity dates are as follows:

31 December 2016	Book Value	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Liabilities								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	51.718.845	6.897.573	9.370.564	24.417.231	6.464.869	4.684.999	-	51.835.236
Funds borrowed from Interbank money market	69.000	69.000	-	-	-	-	-	69.000
Marketable securities issued	7.827.323	-	91.321	341.104	7.455.884	1.949.643	-	9.837.952
Miscellaneous payables	2.747.448	-	-	8.780	-	-	2.738.668	2.747.448
Other liabilities	482.735	9.232	580	43.127	124.665	110.771	194.360	482.735
Total liabilities	**62.845.351**	**6.975.805**	**9.462.465**	**24.810.242**	**14.045.418**	**6.745.413**	**2.933.028**	**64.972.371**
Guarantees and commitments	**-**	**-**	**-**	**3.863.578**	**-**	**-**	**-**	**3.863.578**

31 December 2015	Book Value	Demand and up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Liabilities								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	32.988.250	593.409	10.668.318	17.258.998	2.891.137	1.748.342	-	33.160.204
Funds borrowed from Interbank money market	200.000	200.000	-	-	-	-	-	200.000
Marketable securities issued	5.088.218	-	36.415	1.699.707	2.797.182	1.529.430	-	6.062.734
Miscellaneous payables	898.347	-	-	5.084	5.085	-	888.178	898.347
Other liabilities	258.353	7.094	2.550	78.619	82.394	-	87.696	258.353
Total liabilities	**39.433.168**	**800.503**	**10.707.283**	**19.042.408**	**5.775.798**	**3.277.772**	**975.874**	**40.579.638**
Guarantees and commitments		**-**	**-**	**2.754.481**	**-**	**-**	**-**	**2.754.481**

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

5. The undiscounted cash inflows and outflows of derivatives of the Bank

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives						
- Outflow	684.958	53.741	61.694	1.966.671	1.652.588	4.419.652
- Inflow	685.339	58.289	97.174	1.868.956	1.455.170	4.164.928
Interest rate derivatives						
- Outflow	-	2.533	681.992	-	-	684.525
- Inflow	-	4.310	678.869	-	-	683.179
Derivatives held for hedging						
Foreign exchange derivatives						
- Outflow	291.806	655.455	2.582.796	458.332	-	3.988.389
- Inflow	327.330	720.186	2.742.080	536.349	-	4.325.945
Interest rate derivatives						
- Outflow	-	32.312	277.241	4.929.024	1.991.787	7.230.364
- Inflow	-	33.117	282.301	4.807.017	1.949.643	7.072.078
Total outflow	**976.764**	**744.041**	**3.603.723**	**7.354.027**	**3.644.375**	**16.322.930**
Total inflow	**1.012.669**	**815.902**	**3.800.424**	**7.212.322**	**3.404.813**	**16.246.130**

31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Derivatives held for trading						
Foreign exchange derivatives						
- Outflow	210.309	13.039	97.069	1.032.440	804.199	2.157.056
- Inflow	211.377	15.382	106.882	1.146.492	781.217	2.261.350
Interest rate derivatives						
- Outflow	44.079	-	265.911	-	-	309.990
- Inflow	43.868	1.231	264.642	-	-	309.741
Derivatives held for hedging						
Foreign exchange derivatives						
- Outflow	201.390	744.555	1.373.971	-	-	2.319.916
- Inflow	206.490	741.202	1.283.220	-	-	2.230.912
Interest rate derivatives						
- Outflow	-	-	1.622.008	1.621.432	-	3.243.440
- Inflow	-	-	1.639.056	2.038.056	-	3.677.112
Total outflow	**455.778**	**757.594**	**3.358.959**	**2.653.872**	**804.199**	**8.030.402**
Total inflow	**461.735**	**757.815**	**3.293.800**	**3.184.548**	**781.217**	**8.479.115**

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VII. Leverage ratio

a) Explanations on Differences between Current and Prior Years' Leverage Ratios

Because of the increasing volume of the insurance and balance sheet, the leverage ratio of the Bank decreased compared to previous year. However, it is still above of 3% Basel and BRSA standards.

The Bank has not prepared consolidated financial statements as the Bank does not have any subsidiaries.

b) Comparison of the total amount of assets and the total amount of risk included in the Consolidated Financial Statements in accordance with TAS

None.

c) The leverage ratio table is presented below:

	Current Period(*)	Prior Period(*)
On-Balance Sheet Items		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	66.140.749	44.784.646
Assets amounts deducted in determining Basel III Tier 1 capital	(6.456)	(7.874)
Total on balance sheet exposures	66.134.293	44.776.772
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	9.278	1.621
The potential amount of credit risk with derivative financial instruments and credit derivatives	744.026	191.057
The total amount of risk on derivative financial instruments and credit derivatives	753.304	192.678
Investment securities or commodity collateral financing transactions		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	-	-
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	-	-
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	21.815.662	12.578.447
Adjustments for conversion to credit equivalent amounts	(14.005.579)	(8.569.498)
The total risk of off-balance sheet items	7.810.083	4.008.949
Capital and Total Exposures		
Tier 1 Capital	5.176.461	4.764.396
Total Exposures	74.697.680	48.978.399
Leverage Ratio		
Leverage Ratio	6,93%	9,73%

(*) Three-month average of the amounts in Leverage Ratio table.

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VIII. Presentation of financial assets and liabilities at their fair values

In the table below, the book value and fair value of the financial assets and liabilities which are not denominated with their fair values in financial statements of the parent bank are shown.

	Carrying Value		Fair Value	
	Current Period 31.12.2016	Prior Period 31.12.2015	Current Period 31.12.2016	Prior Period 31.12.2015
Financial Assets				
Due From Interbank Money Market[1]	-	-	-	-
Banks[1]	2.518.048	164.402	2.518.048	164.402
Available-for-sale Financial Assets	4.879	4.370	4.879	4.370
Held-to-maturity Investments	98.549	255.968	100.353	262.125
Loans	61.609.764	43.159.126	62.484.286	44.443.714
Financial Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	51.807.130	33.309.841	53.509.041	33.572.245
Issued Marketable Securities	7.827.323	5.088.218	8.063.949	6.062.734
Miscellaneous Payables[1]	2.747.448	898.347	2.747.448	898.347

[1] As the maturities of related accounts are mainly less than 1 month, the carrying amount calculated using the effective interest rate (internal rate of return) method approximates its fair value.

Fair value of investments held to maturity is determined as Level 1.

Fair value of loans and other financial institutions' funds are determined as Level 2.

Carrying amounts of other financial institutions' funds related to fair value hedge are shown as fair values.

Fair value measurement classification

In the table below, valuation method of financial instruments valued by fair value is given. Valuation methods according to the levels are defined as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using 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: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	10.678	118.603	-	129.281
Available-for-sale financial assets(1)	16.245	-	-	16.245
Derivative financial assets held for fair value hedges	-	460.311	-	460.311
Financial liabilities				
Trading derivative financial liabilities	-	41.322	-	41.322
Derivative financial assets held for fair value hedges	-	150.529	-	150.529

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	14.305	-	-	14.305
Available-for-sale financial assets(1)	13.681	-	-	13.681
Derivative financial assets held for fair value hedges	-	105.138	-	105.138
Financial liabilities				
Trading derivative financial liabilities	-	635	-	635
Derivative financial assets held for fair value hedges	-	42.823	-	42.823

(1) Represents the balance of Garanti Faktoring AŞ which is quoted on BIST and accounted under available for sale financial assets.

IX. Explanations on activities carried out on behalf and account of other parties

The Bank has carried out no transactions on behalf of and account of others and there are not any trust transactions.

X. Targets and policies of risk management

1. The Bank's risk management policy

Eximbank, as Turkey's official Export Support Organization, provides export sector with credit, guarantee and insurance programs. While the Bank is not primarily engaged in profit-making activities, it maintains the level of risk that it must undertake when it fulfills its legal functions of "providing financial support to the export sector" with an approach that does not weaken the financial power and conforms to generally accepted banking and investment policies.

Eximbank supports exporters, export oriented manufacturers and exporters with contractors, entrepreneurs and foreign exchange earning companies operating with short, medium and long term cash/non-cash loans, insurance and guarantee programs. The bank applies the principle of obtaining a first quality guarantee such as a guarantee letter from a commercial bank for loans the Bank is using. Cash, non-cash credit and treasury transaction limits for guarantee letters and warranties issued by the banks to constitute the guarantees of the credits granted by the banks through Türk Eximbank and the loans granted directly to the firm are determined and monitored within the framework of financial analysis and risk assessment studies of domestic banks. In order to avoid the risk of concentration, the bank-based distribution of collateral is monitored closely and the policy of undertaking risk up to 20% of total cash and non-cash total credit risk, except treasury transactions for a single bank, is followed by limit controls. The Bank's Board of Directors determines and regularly monitors the level of risk appetite, which indicates the level of risk that the Bank wishes to carry out in order to reach its targets, taking into account the risk capacity.

The risk management process, which is organized within the framework of risk management regulations and serves to create a common risk culture across the organization; is a structure in which risks are defined in line with international regulations, and measurement, analysis, monitoring and reporting activities are carried out in this framework. In this context, the Risk Management Department develops the necessary systems to carry out its activities, monitors the compliance of the risks with the policies and standards and the Bank limits, and continues to work on compliance with the relevant legal regulations and Basel criteria. In addition to the standard approaches used for statutory reporting, reporting risk measures are also developed through internal models and are supported by applied stress tests.

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(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

Limit checks on both company and bank basis, cash and non-cash collaterals for such loans, account status documents provided for the financial analysis/allocation process and profit/loss statements as a proxy are supervised by the Inspection Board Presidency and the Internal Control Presidency over the selected files. Credit ratings of loans and other receivables are followed up by Risk Analysis and Evaluation Department and Risk Monitoring Department. Firms and banks' risks and limits are monitored on a daily and weekly basis, with the units responsible for issuing loans and without risk monitoring.

The risk management process, which is organized within the framework of risk management regulations and serves to create a common risk culture across the organization; Analysis, monitoring, reporting, and auditing activities are carried out in accordance with the principles of "independence of interdependence of executive units and internal supervision and supervision units, which take the risk of" good corporate governance "in the foreground, in harmony with international regulations. Internal systems are responsible for coordinating the dissemination of the institutional culture necessary to ensure that operational risks are managed by the risk-taking staff.

The capital adequacy standard ratio is calculated by distributing risk weighted assets and non-cash loans according to the risk weight ratios in the relevant legislation. The standard method for credit and market risk and the basic indicator approach for operational risk are calculated.

With the Risk Assessment Report, the Bank's risk is reported on an integrated basis to the senior management on a regular basis. Besides, the risks arising from treasury transactions and the total risks directly and indirectly on commercial banks are monitored and reported on a daily basis by the related units.

The Stress Tests, the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process text, and the BRSA Good Practice Guidelines, are made at the end of the year and sent to the BRSA until the end of March of the following year. The results of the stress test at the Bank are also reported to the upper management and are taken into account in the bank's internal decisions. Within the scope of ICAAP, credit risk, market risk and operational risk as well as interest rate risk arising from banking accounts, risk concentration of banks and collateralized banks, and liquidity risk assessments are included in the calculation of legal capital requirement.

The Bank issuing the loans with the guarantee of the commercial banks in Turkey (guarantee letter, warranty etc.) is not subject to any risk arising from the companies. On the other hand, a systemic risk that may be experienced in the banking sector is monitored closely and the intention and controls are used to prevent concentration on the bank basis.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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2. Overview of risk weighted amounts

		Risk Weighted Amount		Minimum Capital Requirements
		Current Period 31.12.2016	Prior Period 31.12.2015	Current Period 31.12.2016
1	**Credit risk (excluding counterparty credit risk) (CCR)**	**37.799.302**	**25.101.653**	**3.023.944**
2	Of which standardized approach (SA)	37.799.302	25.101.653	3.023.944
3	Of which internal rating-based (IRB) approach	-	-	-
4	**Counterparty credit risk**	**389.925**	**91.483**	**31.194**
5	Of which standardized approach for counterparty credit risk (SA-CCR)	389.925	91.483	31.194
6	Of which internal model method (IMM)	-	-	-
7	**Equity positions in banking book under basic risk weighting or internal rating-based approach**	**-**	**-**	**-**
8	**Equity investments in funds - look-through approach**	**-**	**-**	**-**
9	**Equity investments in funds - mandate-based approach**	**-**	**-**	**-**
10	**Equity investments in funds - 1250% weighted risk approach**	**-**	**-**	**-**
11	**Settlement risk**	**-**	**-**	**-**
12	**Securitization positions in banking accounts**	**-**	**-**	**-**
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	**Market risk**	**446.963**	**97.425**	**35.757**
17	Of which standardized approach (SA)	446.963	97.425	35.757
18	Of which internal model approaches (IMM)	-	-	-
19	**Operational Risk**	**1.075.641**	**826.104**	**86.051**
20	Of which Basic Indicator Approach	1.075.641	826.104	86.051
21	Of which Standardized approach (SA)	-	-	-
22	Of which Advanced measurement approach	-	-	-
23	**The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)**	**-**	**-**	**-**
24	**Floor adjustment**	**-**	**-**	**-**
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**39.711.831**	**26.116.665**	**3.176.946**

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3. Linkages between Financial Statements and Risk Amounts

Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values of items in accordance with Turkish Accounting Standards					
	Carrying values in financial statements prepared as per TAS	**Subject to credit risk**	**Subject to counterparty credit risk**	**Securitization Positions**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Cash and CBRT	370.991	370.991	-	-	-	-
Financial Assets Held for Trading	129.281	-	118.603	-	10.678	-
Financial Assets At Fair Value Through Profit/Loss	-	-	-	-	-	-
Banks	2.518.048	2.518.048	-	-	-	-
Money Market Placements	368.160	368.160	-	-	-	-
Financial Assets Available-for-Sale	21.124	21.124	-	-	-	-
Loans and Receivables	61.609.764	61.609.764	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Investment Held-to-Maturity	98.549	98.549	-	-	-	-
Subsidiaries	-	-	-	-	-	-
Investment in Associates	-	-	-	-	-	-
Joint-Ventures	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	460.311	-	460.311	-	-	-
Tangible Assets	7.404	5.218	-	-	-	2.186
Intangible Assets	2.759	-	-	-	-	2.759
Investment Properties	2.331	2.331	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations	-	-	-	-	-	-
Other Assets	2.687.592	2.687.592	-	-	-	-
Total Assets	**68.276.314**	**67.681.777**	**578.914**	**-**	**10.678**	**4.945**
Liabilities						
Deposits	-	-	-	-	-	
Derivative Financial Liabilities Held for Trading	41.322	-	41.322	-	-	-
Funds Borrowed	51.718.845	-	-	-	-	51.718.845
Money Market Funds	69.000	-	69.000	-	-	-
Marketable Securities Issued	7.827.323	-	-	-	-	7.827.323
Funds	13	-	-	-	-	13
Miscellaneous Liabilities	2.747.448	-	-	-	-	2.747.448
Other Liabilities	194.346	-	-	-	-	194.346
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	150.529	-	150.529	-	-	-
Provisions	230.229	-	-	-	-	230.229
Tax Liability	8.240	-	-	-	-	8.240
Assets Held For Sale and Related to Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	88.285	-	-	-	-	88.285
Shareholders' Equity	5.200.734	-	-	-	-	5.200.734
Total Liabilities	**68.276.314**	**-**	**260.851**	**-**	**-**	**68.015.463**

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The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		Total	Credit Risk	Securitization Positions	Counterparty credit risk	Market risk	Not Subject to Capital Requirements or Deducted from Capital
1	Asset carrying value amount under regulatory in financial statement	68.276.314	67.681.777	-	578.914	10.678	4.945
2	Liabilities carrying value amount under regulatory in financial statement	68.276.314	-	-	-	-	-
3	Total net amount scope of financial statement	-	-	-	-	-	-
4	Off-balance sheet amounts	4.319.340	4.319.340	-	-	-	-
5	Differences in valuations	-	-	-	-	-	-
6	Differences due to different netting rules	-	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-	-
9	**Risk Amounts**	**72.595.654**	**72.001.117**	-	**578.914**	**10.678**	**4.945**

a) The scope of the Bank's accounting consolidation and legal consolidation is exactly the same and there is no difference.

b) According to TAS, there is no difference between the Bank's risk assessed amounts and risk amounts.

c) Bank position transactions are all kinds of money market, capital market, foreign exchange market and derivative market transactions (excluding transactions for purchases and sales) made by the Treasury Department for the management of currency, interest rate and liquidity risk.

For the purpose of hedging against the market risk that the Bank may be exposed to through the trading portfolio, all trading securities portfolio, trading/foreign currency and foreign currency/Turkish currency transactions are evaluated on a daily basis with the current market rates.

In order to limit possible loss that may arise from market risk, the maximum amounts that can be carried per day, the maximum amount of transactions and the limit of termination of damages shall be applied within the limits set by the Board of Directors for all Turkish Currency and Foreign Exchange transactions for trading purposes. In other words, these limitations are determined on a product basis and are also subject to limitations according to the duties and authorities of the traders, and compliance with these limits is automatically made by the system.

Securities held to maturity are valued by internal rate of return.

5. Public Explanations on Credit Risk

A letter of guarantee from commercial banks, warranty etc. for the loans the Bank uses. As well as the principle of receiving first quality guarantee. For this reason, the "institutional receivables" risk category is largely transformed into "receivables from banks and intermediary institutions".

In order to avoid the risk of concentration, the bank-based distribution of collateral is monitored closely and the policy of undertaking risk up to 20% of total cash and non-cash total credit risk, except treasury transactions for a single bank, is followed by limit controls. In addition, credit limits to be used by a single company are determined by the Credit Committee within the limits of the Board of Directors and legal limits.

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In order to ensure that credits are in line with company and bank limits, there are controls on the system that prevent limit overruns. These checks are periodically tested by the Internal Control unit. The limits of the banks that receive guarantees are monitored daily by the Bank Analysis Department. Limit change requirements are regularly monitored and necessary updates are made by the Board of Directors.

Limit checks on both company and bank basis, cash and non-cash collaterals for such loans, account status documents provided for the financial analysis/allocation process, and profit/loss statements as an annex are selected by the Inspection Board Presidency and Internal Control Presidency Supervised. Credit ratings of loans and other receivables are followed up by Risk Analysis and Evaluation Department and Risk Monitoring Department. Firms and banks' risks and limits are monitored on a daily and weekly basis, with the units responsible for issuing loans and without risk monitoring.

The Risk Assessment Report prepared by the Risk Management Department and senior management and board of directors lending programs are periodically informed on the basis of total risks and problem loans. The Bank Analysis Department monitors the existing risks on an intermediary bank basis on a daily basis.

5.1. Credit quality of assets

		Gross Carrying Value in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values
		Defaulted	Non-defaulted		
1	Loans	233.087	61.779.329	402.652	61.609.764
2	Debt Securities	-	110.950	1.723	109.227
3	Off-balance sheet exposures	-	-	-	-
4	**Total**	**233.087**	**61.890.279**	**404.375**	**61.718.991**

5.2. Changes in stock of default loans and debt securities

1	**Defaulted loans and debt securities at end of the previous reporting period**	**131.688**
2	Loans and debt securities that have defaulted since the last reporting period	161.067
3	Receivables back to non-defaulted status	-
4	Amounts written off	(4.814)
5	Other changes	(54.854)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**233.087**

5.3. Additional Explanation about the Credit Quality of Asset

Additional qualitative disclosures about the credit quality of assets

Due credit borrowers are considered as overdue receivables in terms of accounting practices because they are not executed or can not be executed by the debtor on the loan repayment schedule.

In case the credit borrower is not exercised within 90 days following the occurrence of diligence, the overdue receivable is classified in the following loans according to the "Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Forwarded". In accordance with the related regulation, provision is made based on the credit classes over the remainder of the main debt of the loan after consideration of the credit guarantees.

In addition, despite the fact that in accordance with Article 13 entitled "Exceptions to the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Shared", the specific and general provision rates for the transactions to be carried out under the Bank's Establishment Law are taken as zero percent, The Bank allocates provisions within prudent banking principles.

Loans and other receivables restructured or rescheduled in order to provide liquidity to the borrower and to collect the receivables of the borrower pursuant to the related provisions of the regulation are followed by debt to the relevant loan accounts after the conditions specified in the said Regulation are fulfilled. As of 31 December 2016, there are no restructured or rescheduled loans among the non-performing loans and there receivables are restructured or rescheduled loans and receivables with a total amount of TL 3.004.739 among standard loans and loans in close follow-up.

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Additional quantitative disclosures about the credit quality of assets

a) According to the geographical area of the receivables, according to the sector and according to the remaining demand

Explanations about the breakdown of receivables according to geographical regions, sectors and residuals are included in the "Explanations on Credit Risk" section.

b) Amounts of receivables that are provisioned on geographical regions and sector basis and related provisions and amounts deleted from assets

Current Period	**Non-Performing Loans (*)**	**Specific Provision**
Domestic	465.917	143.784
EU Countries	-	-
OECD Countries	-	-
Off-shore Banking Regions	-	-
USA, Canada	-	-
Other Countries	-	-
Total	**465.917**	**143.784**

Current Period	**Non-Performing Loans (*)**	**Specific Provision**
Agriculture	**40.711**	**4.046**
Farming and Stockbreeding	12.841	3.676
Forestry	27.515	15
Fishery	355	355
Manufacturing	**413.502**	**128.464**
Mining and Quarrying	579	579
Production	412.923	127.885
Electricity, Gas and Water	-	-
Construction	**250**	**250**
Services	**5.236**	**4.806**
Wholesale and Retail Trade	3.556	3.556
Hotel, Food and Beverage services	-	-
Transportation and Telecom	455	25
Financial Institutions	292	292
Real Estate and Rental Services	308	308
Self-employment Services	625	625
Educational Services	-	-
Health and Social Services	-	-
Other	6.218	6.218
Total	**465.917**	**143.784**

(*) Non-performing receivables include non-performing loans and loans under close monitoring.

As of 31 December 2016, the total of non-performing loans written off from assets is amounting to TL 4.814.

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c) Aging Analysis for overdue receivables

Current Period	Past due items (*)
Up to 3 months	238.805
3-12 months	108.047
1-5 years	576
5 years and over	118.489
Total	**465.917**

(*) Non-performing receivables include non-performing loans and loans under close monitoring.

d) Analysis of restructured loans according to making provision

Current Period	Restructured Receivables
Restructured Standard Loans and Other Receivables	2.962.354
Loans and Other Receivables Under Close Monitoring	42.385
Restructured Non-performing Loans	-
Total	**3.004.739**

5. Public Explanations on Credit Risk

5.4. Credit risk mitigation techniques

5.4.1. Politics and processes of offsetting balance sheet and off-balance sheet items

The Bank does not make balance sheet and off-balance sheet as risk mitigation techniques.

5.4.2. Basic characteristics of policies and processes related to the assessment and management of collateral

The Bank receives a letter of guarantee for all cash loans granted by the banks in Turkey and abroad. Within this scope, the limits given to the banks are checked regularly and amendments are made with the decision of the Board of Directors when necessary.

5.4.3. Intensification of market and credit risk arising from credit risk mitigation tools used

Non-cash, non-cash credit and treasury transaction limits for guarantee letters and avors issued by the banks to constitute the guarantee of the credits granted by the banks through Eximbank and the loans granted directly to the firm are determined and monitored within the framework of financial analysis and risk assessment studies of domestic banks. In order to avoid the risk of concentration, the bank-based distribution of collateral is monitored closely and the policy of undertaking risk up to 20% of total cash and non-cash total credit risk, except treasury transactions for a single bank, is followed by limit controls.

5.4.4. Risk Decreasing Techniques - General Overview

		Exposures unsecured	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	9.297	61.600.467	61.520.174	-	-	-	-
2	Debt securities	37.715	71.512	65.000	-	-	-	-
3	**Total**	**47.012**	**61.671.979**	**61.585.174**	-	-	-	-
4	Of which defaulted	-	89.303	-	-	-	-	-

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According to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, the external rating grades of the counterparties of Fitch Ratings International Rating Agency are used in determining the risk weights for the entire risk class from central government or central banks. There has been no change in the KDK used during the period.

5.4.5. Standard approach - Exposure credit risk and credit risk mitigation effects

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk Groups	On-balance sheet amount	Off-balance sheet amount	On-balance sheet Amount	Off-balance sheet amount	Risk-weighted amount	Risk-weighted amount density (%)
1	Exposures to sovereigns and their central banks	2.085.404	1.700.799	2.155.501	19.821	1.037.911	47,71
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	9.990.223	11.534.466	62.694.983	2.387.551	32.078.269	49,29
7	Exposures to corporates	50.337.671	9.179.487	-	1.538.281	1.538.281	100,00
8	Retail exposures	2.446.483	1.052.195	9.297	373.687	287.239	75,00
9	Exposures secured by residential property	16.392	-	16.392	-	16.392	100,00
10	Exposures secured by commercial property	-	-	-	-	-	-
11	Past-due loans	89.303	-	89.303	-	124.945	139,91
12	Exposures in higher-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	2.695.177	-	2.695.177	-	2.695.141	100,00
17	Equity investments	21.124	-	21.124	-	21.124	100,00
18	**Total**	**67.681.777**	**23.466.947**	**67.681.777**	**4.319.340**	**37.799.302**	**52,50**

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5.4.6. Standard Approach - Receivables according to risk classes and risk weights

	Risk Groups/Risk Weights	0%	10%	20%	50% (1)	75%	100%	150%	200%	Others	Total risk amount (2)
1	Exposures to sovereigns and their central banks	99.500	-	-	2.075.822	-	-	-	-	-	2.175.322
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	1.583.733	63.474.555	-	24.246	-	-	-	65.082.534
7	Exposures to corporates	-	-	-	-	-	1.538.281	-	-	-	1.538.281
8	Retail exposures	-	-	-	-	382.984	-	-	-	-	382.984
9	Exposures secured by residential property	-	-	-	-	-	16.392	-	-	-	16.392
10	Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	9.010	-	-	80.293	-	-	89.303
12	Exposures in higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	21.124	-	-		21.124
17	Other exposures	36	-	-	-	-	2.695.141	-	-	-	2.695.177
18	**Total**	**99.536**	**-**	**1.583.733**	**65.559.387**	**382.984**	**4.295.184**	**80.293**	**-**	**-**	**72.001.117**

(1) Secured by residential property

(2) Exposures post-CCF and CRM

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6. Explanations on counterparty credit risk

6.1. Qualitative Explanations on Counterparty credit risk

For transactions made with foreign banks, the amount and the maturity limit are established by the resolution of the Board of Directors. Limits are checked by Treasury Department. The majority of transactions that create counterparty risk in the bank are money and interest swaps and forward transactions intended for hedging purposes.

6.2. Counterparty credit risk (CCR) approach analysis

		Replacement Cost	Potential Credit Risk	EEPE	Alpha used for computing regulatory EAD	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
1	Standardized Approach -CCR (for derivatives)	10.537	766.654		1,40	776.192	385.750
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					66.117	223
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					169	34
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						386.007

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6.3. Credit valuation adjustment (CVA) for capital obligation

		Risk Amounts (After use of credit risk mitigation techniques)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at Risk component (including the 3*multiplier)		
2	(ii) Stressed Value at Risk component (including the 3*multiplier)		
3	Total portfolio value with standardized approach CVA capital charge	14.268.592	-
4	Total subject to the CVA capital charge	7.789	3.892

6.4. CCR Exposures by Risk Class and Risk Weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Risk Groups									
Conditional and unconditional exposures to sovereigns and their central banks	70.197	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and securities firms	68.885	-	9.125	776.135	-	33	-	-	389.925
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other Exposures	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total	**139.082**	**-**	**9.125**	**776.135**	**-**	**33**	**-**	**-**	**389.925**

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6.5. Collateral for CCR

	Collateral used in derivative transactions				Collateral used in other transactions	
	Collateral received		Posted collateral		Collateral received	Posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	65.000	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	**65.000**	-

6.6. Exposures to central counterparties

		Risk Amount After CCF	RWA
1	**Total risks arising from transactions with qualified central counterparty**		26
2	Regarding the risks arising from transactions in the Central counterpart (excluding the initial guarantee and guarantee fund amount)	-	-
3	(I) Derivative financial instruments	-	-
4	(II) Other derivative financial instruments	-	-
5	(III) Repo-reverse and repo transactions, credit securities transactions and securities or commodity lending or borrowing transactions	-	26
6	(IV) Netting groups to which cross product netting is applied	-	-
7	Supervised initial coverage	-	
8	Unsupervised initial coverage	-	-
9	Amount of paid guarantee funds	-	-
10	Undeclared guarantee fund commitment	-	-
11	**Total risks arising from non-qualified central counterpart transactions**		-
12	Related to the risks arising from the transactions in the central counterpart (excluding the initial guarantee and guarantee fund amount)	-	-
13	(I) Derivative financial instruments	-	-
14	(II) Other derivative financial instruments	-	-
15	(III) Repo-reverse and repo transactions, credit securities transactions and securities or commodity lending or borrowing transactions	-	-
16	(IV) Netting groups to which cross product netting is applied	-	-
17	Supervised initial coverage	-	
18	Unsupervised initial coverage	-	-
19	Amount of paid guarantee funds	-	-
20	Undeclared guarantee fund commitment	-	-

6.7. Counterparty credit risk based on risk class and probability of default

None.

6.8. Counterparty credit risk based on credit variety

None.

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7. Change Table of Risk Weighted Amounts Based on Internal Rating (IDF) Approach

None.

7.1. Internal Rating (IDF) Portfolio and Default Probability credit risk amounts based on interval

None.

7.2. Effect of Credit Derivatives Used as Internal Rating (IDF) Credit Risk Mitigation Technique on Risk Weighted Amount

None.

7.3. Specialized loans based on Internal Rating (IDF) and stock investments subject to simple risk weighting approach

None.

7.4. Risk Weighted Assets within Internal Model Methodology

None.

8. Market Risk Explanations

8.1. Qualitative information to be disclosed to the public regarding market risk

Market risk refers to the possibility of loss that may arise due to interest, exchange rate and price changes arising from fluctuations in the financial markets in the positions of the Bank on its balance sheet and off-balance sheet accounts and consequent changes in the Bank income/expense item and equity profitability. In order to hedge against the market risk that the Bank may be exposed to as a result of financial activities, all Turkish Lira (TL) and foreign currency securities portfolio for trading purposes are evaluated on a daily basis with the current rates in the market. In order to limit the possible loss that may arise from market risk, the maximum amount of transactions that can be carried per day, including securities transactions, the maximum amount of transactions and the limit for termination of damages are applied within the limits set by the Board of Directors for all trading transactions. "Exchange Rate" and "Interest Rate" are calculated based on the "Standard Method and Market Risk Measurement Method" published by the BRSA in the calculation of the market risk exposed to the Bank in the Capital Adequacy Analysis Form.

Derivative transactions are initially measured at fair value and transaction costs that are attributable to them are recognized in profit or loss as they are incurred. They are valued with their fair values in subsequent periods. This valuation result is reflected in the financial statements as a single asset or liability on a contract basis by netting off the receivables and payables arising from each contract within their fair values. The method of accounting for the resulting profit or loss varies depending on whether the derivative is intended for hedging or not and the content of the hedged asset.

8.2. Standardized Approach

		Risk Weighted Amounts
	Outright Products	
1	Interest rate risk (general and specific)	264.025
2	Equity risk (general and specific)	-
3	Foreign exchange risk	182.550
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	388
7	Scenario approach	-
8	Securitizations	-
9	**Total**	**446.963**

8.3. Internal model approach for trading account

None.

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8.4. Comparison of Risk Exposure Value (VAR) estimates with profit/loss

None.

9. Explanations on Operational Risk

The operational risk capital requirement is calculated according to Regulation on Measurement and Evaluation of Capital Adequacy of Banks' article number 24, is measured using the Basic Indicator Approach once a year in parallel with domestic regulations.

The information contained in the following table when using the basic indicator method:

	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	402.983	618.962	699.082	3/3	15	86.051
Value at operational risk (Total*12.5)						1.075.641

10. The interest rate risk of the banking book items

The interest rate risk ratio of the banking book items are conducted on a monthly basis and reported to BRSA.

	Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity - Loss/Shareholders' Equity
1	TL	500	(97.182)	(1,82)%
	TL	(400)	83.659	1,57%
2	EUR	200	(11.250)	(0,21)%
	EUR	(200)	1.379	0,03%
3	USD	200	150.330	2,82%
	USD	(200)	(164.315)	(3,08)%
	Total (for Negative Shocks)		(79.277)	(1,48)%
	Total (for Positive Shocks)		41.898	(0,79)%

XI. Explanations on Securitization

1. Securitization positions on banking accounts

None.

2. Securitization positions in trading accounts

None.

3. Securitization positions in banking accounts and related capital requirement

None.

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XII. Explanations on operating segments

Information regarding operating segments as of 31 December 2016 and 31 December 2015 has been given in the following table:

Current Period 31.12.2016	**Corporate Banking**	**Investment Banking**	**Undistributed**	**Total Operations of the Bank**
Interest income	**1.571.538**	**71.516**	**-**	**1.643.054**
Interest income on loans	1.570.550	-	-	1.570.550
Interest received from banks	-	38.296	-	38.296
Interest received from money market transactions	-	8.286	-	8.286
Interest received from marketable securities	-	24.934	-	24.934
Other interest income	988	-	-	988
Interest expense	**(414.795)**	**(369.261)**	**-**	**(784.056)**
Interest on loans borrowed	(398.351)	-	-	(398.351)
Interest of repo transactions	-	-	-	-
Interest paid for money market transactions	-	-	-	-
Interest on securities issued	-	(369.261)	-	(369.261)
Other interest expenses	(16.444)	-	-	(16.444)
Net fees and commissions income	**34.753**	**(20.897)**	**-**	**13.856**
Fees and commissions received	34.753	**-**	**-**	34.753
Fees and commissions paid	-	(20.897)	-	(20.897)
Trade profit/loss (net)	**-**	**662.151**	**(1.000.621)**	**(338.470)**
Profit/loss on capital market transactions	-	9	-	9
Profit/loss on derivative financial transactions	-	662.142	-	662.142
Foreign exchange profit/loss	-	-	(1.000.621)	(1.000.621)
Other operating income	**142.282**	**-**	**-**	**142.282**
Provision for impairment of loan and other receivables	**(13.348)**	**(924)**	**(12.033)**	**(26.305)**
Other operating expenses	**-**	**-**	**(229.036)**	**(229.036)**
Net period profit	**1.320.430**	**342.585**	**(1.241.690)**	**421.325**
Total segment assets	**61.609.764**	**3.595.473**	**3.071.077**	**68.276.314**
Financial assets designated at fair value through profit or loss	-	10.678	-	10.678
Trading derivative financial receivables	-	118.603	-	118.603
Receivables from banks and money markets	-	2.886.208	-	2.886.208
Available for sale financial assets	-	21.124	-	21.124
Loans and receivables	61.609.764	-	-	61.609.764
Held-to-maturity investments	-	98.549	-	98.549
Derivative financial debts with an aim of hedging	-	460.311	-	460.311
Property and equipment (net)	-	-	7.404	7.404
Intangible assets (net)	-	-	2.759	2.759
Other assets	-	-	3.060.914	3.060.914
Total segment liabilities	**51.985.976**	**7.937.645**	**8.352.693**	**68.276.314**
Trading derivative financial liabilities	-	41.322	-	41.322
Loans and funds received	51.807.130	-	-	51.807.130
Borrowings from money markets	-	69.000	-	69.000
Securities issued	-	7.827.323	-	7.827.323
Provisions	178.846	-	51.383	230.229
Equity	-	-	5.200.734	5.200.734
Other liabilities	-	-	3.100.576	3.100.576

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Prior Period 31.12.2015	Corporate Banking	Investment Banking	Undistributed	Total Operations of the Bank
Interest income	**1.134.829**	**59.037**	**-**	**1.193.866**
Interest income on loans	1.134.114	-	-	1.134.114
Interest received from banks	-	32.433	-	32.433
Interest received from money market transactions	-	2.005	-	2.005
Interest received from marketable securities	-	24.599	-	24.599
Other interest income	715	-	-	715
Interest expense	**(191.213)**	**(291.415)**	**-**	**(482.628)**
Interest on loans borrowed	(191.166)	-	-	(191.166)
Interest paid for repo transactions	-	(19.548)	-	(19.548)
Interest paid for money market transactions	-	-	-	-
Interest on securities issued	-	(271.867)	-	(271.867)
Other interest expenses	(47)	-	-	(47)
Net fees and commissions income	**25.475**	**(11.677)**	**-**	**13.798**
Fees and commissions received	25.475	-	-	25.475
Fees and commissions paid	-	(11.677)	-	(11.677)
Trade profit/loss (net)	**-**	**555.640**	**(700.836)**	**(145.196)**
Profit/loss on capital market transactions	-	(719)	-	(719)
Profit/loss on derivative financial transactions	-	556.359	-	556.359
Foreign exchange profit/loss	-	-	(700.836)	(700.836)
Other operating income	**125.702**	**-**	**-**	**125.702**
Provision for impairment of loan and other receivables	**(9.199)**	**(541)**	**(14.945)**	**(24.685)**
Other operating expenses	**-**	**-**	**(191.451)**	**(191.451)**
Net period profit	**1.085.594**	**311.044**	**(907.232)**	**489.406**
Total segment assets	**43.159.126**	**559.091**	**719.578**	**44.437.795**
Financial assets designated at fair value through profit or loss	-	10.593	-	10.593
Trading derivative financial receivables	-	3.712	-	3.712
Receivables from banks and money markets	-	165.629	-	165.629
Available for sale financial assets	-	18.051	-	18.051
Loans and receivables	43.159.126	-	-	43.159.126
Held-to-maturity investments	-	255.968	-	255.968
Derivative financial debts with an aim of hedging	-	105.138	-	105.138
Property and equipment (net)	-	-	13.189	13.189
Intangible assets (net)	-	-	2.230	2.230
Other assets	-	-	704.159	704.159
Total segment liabilities	**33.288.810**	**5.288.853**	**5.860.132**	**44.437.795**
Trading derivative financial liabilities	-	635	-	635
Loans and funds received	33.109.841	-	-	33.109.841
Borrowings from money markets	-	200.000	-	200.000
Securities issued	-	5.088.218	-	5.088.218
Provisions	178.969	-	44.953	223.922
Equity	-	-	4.780.705	4.780.705
Other liabilities	-	-	1.034.474	1.034.474

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to assets

1. Cash equivalents and the account of the CBRT

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Cash/Foreign currency	36	-	29	-
CBRT	951	370.004	1.198	-
Other	-	-	-	-
Total	**987**	**370.004**	**1.227**	**-**

Information related to the account of the CBRT

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Demand Unrestricted Account	951	370.004	1.198	-
Time Unrestricted Account	-	-	-	-
Time Restricted Account	-	-	-	-
Total	**951**	**370.004**	**1.198**	**-**

2. With their net values and comparison, information on financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Financial assets under repo transactions	4.242	-	6.986	-
Financial assets given as collateral/blocked	-	-	-	-
Total	**4.242**	**-**	**6.986**	**-**

3. Positive differences table related to trading derivative financial assets

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Forward Transactions	1.758	-	413	-
Swap Transactions	267	116.574	376	2.923
Futures Transactions	-	-	-	-
Options	-	4	-	-
Other	-	-	-	-
Total	**2.025**	**116.578**	**789**	**2.923**

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4. Information on banks and foreign bank accounts

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	120.537	1.302.475	41.667	73.845
Foreign	-	1.095.036	-	48.890
Head Quarters and Branches Abroad	-	-	-	-
Total	**120.537**	**2.397.511**	**41.667**	**122.735**

Foreign Bank Account

	Unrestricted Amount		Restricted Amount	
	Current Period 31.12.2016	**Prior Period 31.12.2015**	**Current Period 31.12.2016**	**Prior Period 31.12.2015**
European Union Countries	1.033.072	15.027	-	-
USA, Canada	55.195	32.955	-	-
OECD Countries[1]	6.769	908	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	**1.095.036**	**48.890**	**-**	**-**

[1] OECD countries except EU countries, USA and Canada

5. With net values and comparison, available-for-sale financial assets subject to repo transactions and given as collateral/ blocked

As of 31 December 2016 and 31 December 2015, there is not any available-for-sale marketable securities given as collateral.

6. Information on available-for-sale financial assets

	Current Period 31.12.2016	Prior Period 31.12.2015
Debt Securities		
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Share Certificates		
Quoted to Stock Exchange	16.245	13.681
Not Quoted	4.879	4.370
Impairment Provision (-)	-	-
Total	**21.124**	**18.051**

As of 31 December 2016 and 31 December 2015 available for sale financial assets of the Bank consist of Garanti Faktoring AŞ and Kredi Garanti Fonu AŞ with the shareholding percentages of 9,78% and 1,69%, respectively.

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7. Information related to loans

7.1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period 31.12.2016		Prior Period 31.12.2015	
	Cash loans	Non-cash Loans	Cash loans	Non-cash Loans
Direct Loans Granted to Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	9.297	-	7.569	-
Total	**9.297**	**-**	**7.569**	**-**

7.2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
Cash Loans	Loans and Other Receivables	Loans and Other Receivables		Loans and Other Receivables	Restructured Loans and Other Receivables	
		The ones whose payment plans have changed (extended)	Other		The ones whose payment plans have changed (extended)	Other
Non-specialized Loans	57.842.381	2.804.109	-	190.015	42.385	-
Working capital loans	-	-	-	-	-	-
Export Loans	46.109.233	2.229.205	-	183.207	41.210	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	6.598.400	39.109	-	-	-	-
Consumer Loans	9.297	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Other	5.125.451	535.795	-	6.808	1.175	-
Specialized Loans	**482.896**	**158.245**	-	**430**	-	-
Other Receivables	-	-	-	-	-	-
Total	**58.325.277**	**2.962.354**	-	**190.445**	**42.385**	-

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7.3. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled

Number of Amendments Related to the Extension of the Payment Plan	Standard loans and other receivables	Loans under close monitoring and other receivables
Extended for 1 or 2 Times	2.634.102	-
Extended for 3, 4 or 5 Times	313.383	30.624
Extended for More than 5 Times	14.869	11.761

The Time Extended via the Amendment on Payment Plan	Standard loans and other receivables	Loans under close monitoring and other receivables
0-6 Months	1.720.897	-
6 - 12 months	586.516	11.761
1-2 Years	147.644	-
2-5 Years	307.576	-
5 Years and More	199.721	30.624

7.4. On the basis of the relevant bank type and the following tables; Loans according to maturity structure

	Standard loans and other receivables		Loans under close monitoring and other receivables	
	Loans and Other Receivables	Loans and Other Receivables	Loans and Other Receivables	Restructured Loans and Other Receivables
Short-term Loans and other receivables	36.912.872	1.668.352	15.544	10.586
Non-specialized Loans	36.848.557	1.544.476	15.114	10.586
Specialized Loans	63.876	123.876	430	-
Other Receivables	439	-	-	-
Medium and Long-term Loans and Other Receivables	21.412.405	1.294.002	174.901	31.799
Non-specialized Loans	15.868.373	723.838	168.093	30.624
Specialized Loans	419.020	34.369	-	-
Other Receivables	5.125.012	535.795	6.808	1.175

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7.5. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards

There are not any consumer loans, consumer credit cards and personnel credit cards.

As of 31 December 2016, the Bank granted personnel loans amounting to TL 9.297.

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Consumer Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	**9.297**	-	**9.297**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	9.297	-	9.297
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Credit Deposit Account-TL (Real Person)	-	-	-
Credit Deposit Account-FC (Real Person)	-	-	-
Total	**9.297**	-	**9.297**

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7.6. Information on commercial installment loans and corporate credit cards

None.

7.7. Distribution of loans according to borrowers based on the following table

	Current Period 31.12.2016	Prior Period 31.12.2015
Public	3.707.478	2.150.857
Private	57.812.983	41.008.269
Total	**61.520.461**	**43.159.126**

7.8. Distribution of domestic and foreign loans

	Current Period 31.12.2016	Prior Period 31.12.2015
Domestic Loans	59.809.581	42.402.710
Foreign Loans	1.710.880	756.416
Total	**61.520.461**	**43.159.126**

7.9. Loans granted to investments in associates and subsidiaries

None.

7.10. Specific provisions accounted for loans

	Current Period 31.12.2016	Prior Period 31.12.2015
Loans and Receivables with Limited Collectability	-	-
Loans and Receivables with Doubtful Collectability	51.312	39.216
Uncollectible Loans and Receivables	92.472	92.472
Total	**143.784**	**131.688**

7.11. Information on non-performing loans (Net)

7.11.1. Information on non-performing loans and other receivables that are restructured or rescheduled

None.

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7.11.2. Information on the movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	**Loans and Other Receivables with Doubtful Collectability**	**Uncollectible Loans and Other Receivables**
Balance at the Beginning of the Period	-	39.216	92.472
Additions During the Period	140.440	20.627	-
Transfers from Non-performing Loans Accounts	-	-	-
Transfers to Other Non-Performing Loans Accounts	-	-	-
Collections During the Period	(51.137)	(3.717)	-
Write-offs	-	(4.814)	-
Corporate and Commercial Loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	(4.814)	-
Balance at the End of the Period	89.303	51.312	92.472
Specific Provisions	-	(51.312)	(92.472)
Net Balance Sheet Amount	**89.303**	**-**	**-**

7.11.3. Information on non-performing loans that are granted as foreign currency loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	**Loans and Other Receivables with Doubtful Collectability**	**Uncollectible Loans and Other Receivables**
Current Period: 31.12.2016			
Balance at the End of the Period	84.706	48.523	89.794
Specific Provisions	-	(48.523)	(89.794)
Net Balance Sheet Amount	84.706	-	-
Prior Period: 31.12.2015			
Balance at the End of the Period	-	38.162	80.232
Specific Provisions	-	(38.162)	(80.232)
Net Balance Sheet Amount	-	-	-

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7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net) 31.12.2016			
Loans Granted to Real Persons and Corporate Entities (Gross)	89.303	51.312	92.472
Specific Provision Amount	-	(51.312)	(92.472)
Loans Granted to Real Persons and Corporate Entities (Net)	89.303	-	-
Banks (Gross)	-	-	-
Specific Provision Amount	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net) 31.12.2015			
Loans Granted to Real Persons and Corporate Entities (Gross)	-	39.216	92.180
Specific Provision Amount	-	(39.216)	(92.180)
Loans Granted to Real Persons and Corporate Entities (Net)	-	-	-
Banks (Gross)	-	-	292
Specific Provision Amount	-	-	(292)
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount	-	-	-
Other Loans and Receivables (Net)	-	-	-

7.11.5. The main features of the collection policy for the uncollectible loans and other receivables

In order to liquidate the problematic receivables, all possible alternatives are assessed to be able to collect the maximum amount in line with the current legislation. In case the receivable is not collected within the allowed period, the receivable is collected by compensating the collateral. In case the collateral is not adequate for liquidating the receivable, negotiations with the debtors are attempted. The legal process commences for the receivables for which collection, settlement or rescheduling is not possible.

The Bank obtains Current Account Letter of Undertaking of the Debtor for loans granted to financial sector and obtains Letter of Undertaking of the Company for loans granted to companies to secure the repayment of the loans granted. The Bank attempts to liquidate the receivables from banks who acted as an intermediary for loans granted and whose banking licenses are cancelled upon application to the Savings Insurance and Deposit Fund.

7.11.6. Explanations on the write-off policy

Where sound indicators exist that would suggest that the collection of the Bank's foreign compensation receivables is almost impossible or that the costs to be incurred for the collection of the receivable amount would be higher than the amount of the receivable, the receivable amount is written-off from the assets upon the decision of the Executive Committee.

Write-off of the non-performing loans and receivables is considered, during the legal follow-up process concerning the collection of receivables.

8. Held-to-maturity investments

As of 31 December 2016, all of the marketable securities of the Bank classified under trading and held-to-maturity categories are government bonds and treasury bills.

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8.1. Information on investments subject to repo transaction and given as collateral/blocked

Held-to-maturity investments subject to repo transactions:

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Government bonds and similar marketable securities	66.432	-	202.689	-
Total	**66.432**	**-**	**202.689**	**-**

Held-to-maturity investments given as collateral/blocked:

	Current Period 31.12.2016	Prior Period 31.12.2015
Government bonds and similar marketable securities	15.589	12.643
Total	**15.589**	**12.643**

There are not any held-to-maturity investments held for structured position.

8.2. Information on held-to-maturity government debt securities

	Current Period 31.12.2016	Prior Period 31.12.2015
Government Bonds	98.549	255.968
Treasury Bills	-	-
Other Public Debt Securities	-	-
Total	**98.549**	**255.968**

8.3. Information on held-to-maturity investment securities

	Current Period 31.12.2016	Prior Period 31.12.2015
Debt Securities		
Quoted to Stock Exchange	98.549	255.968
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	**98.549**	**255.968**

8.4. The movement of held-to-maturity investment securities

	Current Period 31.12.2016	Prior Period 31.12.2015
Balance at the beginning of the period	255.968	296.954
Foreign exchange differences on monetary assets	-	5.613
Purchases during the year	18.250	160.054
Disposals through sales and redemptions[1]	(172.196)	(204.489)
Impairment provision[2]	(3.473)	(2.164)
Balance at the end of the period	**98.549**	**255.968**

[1] There is not any disposal through sales. The amount shown at the disposals through sales and redemptions line represents only the redemption amount of securities.

[2] Consisted of interest accruals.

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9. Following information investments in associates account (net)

None.

10. Information on subsidiaries (net)

There is not any subsidiary.

11. Information related to the jointly controlled partnerships

None

12. Information on lease receivables (net)

None.

13. Positive differences table related to hedging derivative financial assets

Derivative Financial Assets Held for Cash Flow Hedges	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Fair Value Hedge[1]	354.757	65.274	25.270	50.690
Cash Flow Hedge	-	40.280	-	29.178
Net Investment in Abroad Hedge[1]	-	-	-	-
Total	**354.757**	**105.554**	**25.270**	**79.868**

[1] Explained in section four note 3.

14. Explanations on property and equipment

	Immovables	Tangibles-Financial Leased Assets	Vehicles	Other Tangibles	Leasehold Improvements	Total
Cost						
1 January 2015	9.619	287	2.956	8.597	14.257	35.716
Additions	-	-	-	1.641	-	1.641
Disposals	(3.483)	(160)	-	(18)	-	(3.661)
Transfers	-	-	-	-	-	-
31 December 2015	**6.136**	**127**	**2.956**	**10.220**	**14.257**	**33.696**
Accumulated Depreciation						
1 January 2014	5.036	287	1.302	5.498	5.827	17.950
CY depreciation	140	-	571	1.099	3.064	4.874
Disposals	(2.141)	(160)	-	(16)	-	(2.317)
Transfers	-	-	-	-	-	-
31 December 2015	**3.035**	**127**	**1.873**	**6.581**	**8.891**	**20.507**
Net book value 31 December 2015	**3.101**	**-**	**1.083**	**3.639**	**5.366**	**13.189**

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	Immovables	Tangibles-Financial Leased Assets	Vehicles	Other Tangibles	Leasehold Improvements	Total
Cost						
1 January 2016	6.136	127	2.956	10.220	14.257	33.696
Additions	-	-	423	1.168	-	1.591
Disposals	-	-	-	(170)	-	(170)
Transfers	(4.566)	-	-	-	-	(4.566)
31 December 2016	**1.570**	**127**	**3.379**	**11.218**	**14.257**	**30.551**
Accumulated Depreciation						
1 January 2015	3.035	127	1.873	6.581	8.891	20.507
CY depreciation	125	-	605	1.135	3.180	5.045
Disposals	-	-	-	(170)	-	(170)
Transfers	(2.235)	-	-	-	-	(2.235)
31 December 2016	**925**	**127**	**2.478**	**7.546**	**12.071**	**23.147**
Net book value						
31 December 2016	**645**	**-**	**901**	**3.672**	**2.186**	**7.404**

As of 31 December 2016 and 31 December 2015, there is not any impairment in property and equipment.

15. Explanations on intangible assets

The Bank classified computer software licenses under intangible assets.

Useful life of intangible assets is estimated as three years and the depreciation rate is 33,33% in accordance with the Tax Procedural Law.

a) Cost and accumulated amortization at the beginning and end of the period:

As of 31 December 2016, the cost and the accumulated amortization of intangible assets are TL 6.104 and TL 3.345, respectively; at the beginning of the period, the gross book value and the accumulated amortization are TL 4.911 and TL 2.681, respectively.

b) Reconciliation of movements for the current period and the prior period:

	Current Period 31.12.2016	Prior Period 31.12.2015
Net Book Value at the Beginning of the Period	2.230	1.875
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	1.193	903
Sales and Write-Off	-	-
Amounts Recorded under Revaluation Fund for Increase or Decrease in Value	-	-
Recorded Impairments in the Income Statement	-	-
Cancelled Impairments from Income Statement	-	-
Amortization Expense (-)	(664)	(548)
Net Currency Translation Differences of Foreign Subsidiaries		-
Other Changes in the Book Value		-
Net Book Value at the End of the Period	2.759	2.230

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16. Information on investment properties

The former Istanbul service building, which is included in the tangible fixed assets of the Bank, has been given to the Prime Ministry Investment Support and Promotion Agency and classified as investment property in accordance with TAS 40.

	Current Period 31.12.2016	Prior Period 31.12.2015
Cost	4.566	-
Depreciation Expense	(2.235)	-
Net Value at the end of the Period	2.331	-

17. Information on deferred tax asset

As stated at Section 3 Note 2.16, the Bank is exempt from corporate tax, and accordingly, no deferred tax asset or liability is recognized in the accompanying financial statements.

18. Explanations on assets held for sale and explanations related to discontinued operations

None.

19. If the other assets' items in the balance sheet exceed 10% of the total of the balance sheet, excluding the off-balance sheet commitments, the sub-accounts constituting at least 20% of these accounts

None.

II. Explanations and notes on liabilities items

1. Information on deposits/funds received

The Bank does not accept deposits.

2. Table of negative differences for trading derivative financial liabilities

	Current Period 31.12.2016		Prior Period 31.12.2015	
Trading Derivative Financial Liabilities	**TL**	**FC**	**TL**	**FC**
Forward Transactions	50	-	308	-
Swap Agreements	167	41.101	25	302
Futures Transactions	-	-	-	-
Options	-	4	-	-
Other	-	-	-	-
Total	**217**	**41.105**	**333**	**302**

As of 31 December 2016, the Bank does not have any trading financial liabilities other than trading derivative financial liabilities (31 December 2015: None).

As of 31 December 2016, the Bank does not have deferred day one profits and losses (31 December 2015: None).

3. Information on banks and other financial institutions

3.1. General information on banks and other financial institutions

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	**FC**	**TL**	**FC**
Borrowings from CBRT	-	32.184.331	-	22.588.506
From Domestic Banks and Institutions	-	1.153.938	50.110	999.589
From Foreign Banks, Institutions and Funds	-	18.380.576	-	9.350.045
Total	**-**	**51.718.845**	**50.110**	**32.938.140**

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3.2. Information on maturity structure of borrowings

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	**FC**	**TL**	**FC**
Short-Term	-	39.307.351	50.110	28.318.685
Medium and Long-Term	-	12.499.779	-	4.741.046
Total	**-**	**51.807.130**	**50.110**	**33.059.731**

Medium and long-term loans include subordinated loans amounting to TL 88.045 (31 December 2015: TL 121.402) and interest accruals amounting to TL 240 (31 December 2015: TL 189).

a. Additional explanations over areas of concentration of the liabilities of the Bank

As of 31 December 2016 and 31 December 2015, the main liabilities of the Bank are presented in the table below on the bases of the sources of the funds:

Funds borrowed	**Current Period 31.12.2016 (*)**	**Prior Period 31.12.2015 (*)**
CBRT Loans	32.184.331	22.588.506
Syndicated loans	8.541.338	4.315.374
European Investment Bank	2.488.295	1.532.590
International Islamic Trade Finance Corporation (ITFC)	1.360.398	-
World Bank	807.625	704.126
ING European Financial Services	742.023	638.160
Vida Finance	716.146	-
Islamic Development Bank	599.851	-
Mizuho Corporate Bank Ltd	556.064	478.185
HSBC London	451.026	133.073
Citibank Dublin	406.070	244.923
ING DIBA	397.411	-
Bank of Tokyo Mitsubishi Turkey	370.773	318.655
Avrupa Konseyi Kalkınma Bankası	370.000	159.113
Standard Chartered Bank	353.092	291.992
ABC International	339.900	418.736
Commercial Bank of Qatar	248.508	129.771
Bank of Tokyo Mitsubishi London	184.038	-
Emirates NBD	163.003	72.936
Doha Bank	141.630	218.830
Garanti International	111.692	29.192
Subordinated Loans	88.285	121.591
Banka Kombetare Tregtare Sh. A.	74.020	-
İşbank AG	37.589	-
Ziraat Bank International	37.020	-
Credit Europe N.V.	37.002	111.455
ICBC	-	146.662
ING Bank NV	-	159.217
ING Bank A.Ş.	-	23.866
Türkiye Sınai Kalkınma Bankası	-	95.488
Türkiye Kalkınma Bankası	-	50.111
Akbank	-	127.289
Total	**51.807.130**	**33.109.841**

(*) Includes credit principal balances and related rediscount amounts.

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The Bank performed the following repayments during the year 2016:

	Repayment Amount - USD	Repayment Amount - EUR	Repayment Date
Citibank	10.000.000	-	04.01.2016
Avrupa Yatırım Bankası	1.914.559	-	13.01.2016
ABC International Bank	-	41.949.153	13.01.2016
Doha Bank	15.000.000	-	20.01.2016
Avrupa Yatırım Bankası	1.903.235	-	10.02.2016
ABC International Bank	-	22.447.183	19.02.2016
Dünya Bankası	4.148.051	1.109.760	01.03.2016
Syndication Loans	87.000.000	499.000.000	02.03.2016
Avrupa Yatırım Bankası	-	1.470.588	04.04.2016
Subordinated Loans	8.333.000	-	15.04.2016
Citibank	24.000.000	-	03.05.2016
Standard Chartered Bank	50.000.000	-	03.05.2016
ABC International Bank	-	33.000.000	11.05.2016
Commercial Bank of Qatar	14.500.000	-	16.05.2016
GarantiBank International N.V	10.000.000	-	18.05.2016
Standard Chartered Bank	50.000.000	-	23.05.2016
Doha Bank	25.000.000	-	24.05.2016
Credit Europe N.V.	-	35.000.000	24.05.2016
Mizuho Bank	-	50.000.000	27.05.2016
Emirated NBD	25.000.000	-	31.05.2016
ING Bank N.V.	-	50.000.000	07.06.2016
HSBC London	15.000.000	-	08.06.2016
Doha Bank	25.000.000	-	17.06.2016
Avrupa Yatırım Bankası	-	1.470.588	17.06.2016
Commercial Bank of Qatar	11.867.230	-	21.06.2016
International Islamic Trade Finance Corporation (ITFC)	350.000.000	-	11.07.2016
Avrupa Yatırım Bankası	1.914.559	-	13.07.2016
Syndication Loans	51.000.000	229.909.091	18.07.2016
Commercial Bank of Qatar	10.000.000	-	19.07.2016
Citibank	10.000.000	-	25.07.2016
Commercial Bank of Qatar	18.000.000	-	27.07.2016
Commercial Bank of Qatar	7.000.000	-	01.08.2016
ICBC London	38.649.912	-	09.08.2016
Avrupa Yatırım Bankası	1.903.235	-	10.08.2016
ICBC London	11.350.088	-	16.08.2016
Dünya Bankası	4.148.051	1.109.760	01.09.2016
HSBC London	15.183.774	-	01.09.2016
Mizuho Bank	-	100.000.000	02.09.2016
MIGA Syndication Loans	10.416.667	5.555.556	28.09.2016
Avrupa Yatırım Bankası	-	1.470.588	03.10.2016
Subordinated Loans	8.333.000	-	14.10.2016
International Islamic Trade Finance Corporation (ITFC)	50.000.000	-	18.10.2016
ABC International Bank	15.000.000	-	20.10.2016
Bank of Tokyo Mitsubishi Turkey	-	100.000.000	03.11.2016

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	Repayment Amount - USD	Repayment Amount - EUR	Repayment Date
Citibank	20.000.000	-	04.11.2016
HSBC London	15.179.311	-	07.11.2016
ABC International Bank	12.000.000	-	16.11.2016
Doha Bank	10.000.000	-	21.11.2016
Citibank	20.000.000	-	15.12.2016
ABC International Bank	10.000.000	-	15.12.2016
Avrupa Yatırım Bankası	-	1.470.588	19.12.2016

4. Information regarding securities issued

The liability of the Bank resulting from bond issuance at past years is presented as follows:

Information regarding securities issued	Current Period 31.12.2016	Prior Period 31.12.2015
Securities Issued	7.921.800	5.098.100
Discount on Issuance of Securities (-)	200.721	64.862
Bond Interest Accrual	106.244	54.980
Total	**7.827.323**	**5.088.218**

In April 2012, the Bank issued bonds amounting USD 500 million (TL 1.760.400). The bond is subject to annual fixed interest payment of 5,875% every six months and the total maturity is seven years.

In October 2012, the Bank issued bonds amounting USD 250 million (TL 880.200). The bond is subject to annual fixed interest payment of 5,875% every six months and the total maturity is seven years.

In September 2014, the Bank issued bonds amounting USD 500 million (TL (1.760.400). The bond is subject to annual fixed interest payment of 5,000% every six months and the total maturity is seven years.

In February 2016, the Bank issued bonds amounting USD 500 million (TL 1.760.400). The bond is subject to annual fixed interest payment of 5,375% every six months and the total maturity is five years.

In September 2016, the Bank issued bonds amounting USD 500 million (TL (1.760.400). The bond is subject to annual fixed interest payment of 5,375% every six months and the total maturity is seven years.

5. If the other liabilities items in the balance sheet exceed 10% of the total of the balance sheet, the sub-accounts constituting at least 20% of these (names and amounts)

Other liabilities item on Balance Sheet, together with the amounts not to exceed 10% of the total balance sheet is provided below.

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Securities issued positive price differences	-	152.004	-	41.950
Country Loans- Risk Premiums	-	30.192	-	36.084
Insurance Transactions	292	6.298	450	-
Iraq Loan followed on behalf of Turkish Treasury	2.048	-	2.471	-
Political Risk Loss Account	-	957	-	738
Other	1.158	1.397	1.788	4.199
Total	**3.498**	**190.848**	**4.709**	**82.971**

6. Information on liabilities arising from financial leasing transactions (net)

None.

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7. Negative differences table related to hedging derivative financial liabilities

	Current Period 31.12.2016		Prior Period 31.12.2015	
Derivative Financial Assets Held for Cash Flow Hedges	**TL**	**FC**	**TL**	**FC**
Fair Value Hedge	1.515	149.014	32.854	9.969
Cash Flow Hedge	-	-	-	-
Net Investment in Abroad Hedge	-	-	-	-
Total	**1.515**	**149.014**	**32.854**	**9.969**

(1) Explained in Section Four note 4.3

8. Information on provisions

8.1. Information on general provisions

	Current Period 31.12.2016	Prior Period 31.12.2015
General Provisions	130.214	130.214
Provisions for Group I. Loans and Receivables	126.575	126.575
- Allocated for the ones whose payment term was extended	10.173	10.173
Provisions for Group II. Loans and Receivables	2.407	2.407
- Allocated for the ones whose payment term was extended	2.190	2.190
Provisions for Non Cash Loans	985	985
Other	247	247

8.2. Information on provisions for decrease in foreign exchange differences of foreign currency indexed loans and financial leasing receivables principal amounts

There is not any foreign currency indexed loans of the Bank.

8.3. Specific provisions for non-cash loans that are not liquidated

None.

8.4. Information on other provisions

8.4.1. Information on provisions for probable risks

	Current Period 31.12.2016	Prior Period 31.12.2015
Provisions for Probable Risks	38.331	42.008

In accordance with the decision of the Executive Committee, as there is not any improvement in the collection of the receivables amounting to USD 4.868.428 (followed under miscellaneous receivables account) from the Ministry of Internal Affairs General Headquarters of Gendarme and Ministry of Defense under the scope of Russian Federation Deferred Loan for the last six years, the Bank has provided 100% additional impairment provision.

As of 31 December 2016, the Bank recognized provisions amounting to TL 38.331 (31 December 2015: TL 27.825) considering probable compensation payments in relation to the export receivables.

Accordingly, the sum of the provisions recognized by the Bank amounts to TL 38.331 as of 31 December 2016 (31 December 2015: TL 42.008).

8.4.2. Information on other provisions exceeding 10% of total provisions

Other provisions amounting to TL 48.632, consist of insurance reserve expense amounting to TL 38.331 and other provisions amounting to TL 10.301.

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9. Explanations on tax liability

9.1. Explanations on current tax liability

9.1.1. Information on provision for taxes

None.

9.1.2. Information on taxes payable

	Current Period 31.12.2016	Prior Period 31.12.2015
Corporate Taxes Payable[1]	-	-
Taxation on Revenue From Securities	6	8
Property Tax	-	-
Banking Insurance Transaction Tax	2.628	1.408
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	297	161
Other	1.531	1.154
Total	**4.462**	**2.731**

(1) As stated at Section 3 Note 17 the Bank is exempt from corporate tax.

9.1.3. Information on premium payables

	Current Period 31.12.2016	Prior Period 31.12.2015
Social Security Premiums - Employee	817	724
Social Security Premiums - Employer	2.655	1.920
Bank Social Aid Pension Fund Premiums - Employee	-	-
Bank Social Aid Pension Fund Premiums - Employer	-	-
Pension Fund Membership Fee and Provisions - Employee	-	-
Pension Fund Membership Fee and Provisions - Employer	-	-
Unemployment Insurance - Employee	102	78
Unemployment Insurance - Employer	204	155
Other	-	-
Total	**3.778**	**2.877**

9.2. Information on deferred tax liability

None.

10. Information on subordinated loans

Date	Number	Maturity	Interest Rate	Institution
23.07.2001	1	17 year	Six Months LIBOR + 0,75	Turkish Treasury (World Bank Sourced)

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	88.285	-	121.591
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	-	-	-
Total	**-**	**88.285**	**-**	**121.591**

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11. Information on shareholders' equity

11.1. Presentation of paid-in capital

	Current Period 31.12.2016	Prior Period 31.12.2015
Common Stock	3.700.000	2.500.000
Preferred Stock	-	-

In the context of decision taken at the Ordinary General Meeting on 22 March 2016, the Bank increased its capital from TL 2.500.000 to TL 3.700.000 by increasing TL 599.657 of TL 1.200.000 from inflation adjustment, TL 439.790 from legal reserves transferred from profit of 2015, TL 160.542 from the reserves and TL 11 from the profit not distributed in the previous years. On 2 May 2016, the capital increase process was completed in response to the BRSA's permission dated 28 April 2016.

11.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.700.000	10.000.000

The Bank has decided to use the capital stock system that is registered in the Bank in the extraordinary general meeting that took place on 12 January 2017. The decision has been submitted to the trade register and has been published on Turkey Trade Registry Gazette No. 9252 on 30 January 2017.

11.2.1. Information on the share capital increase during the period and their sources

Increase Date	Increase Amount	Cash	Issued of income reserves for increasing	Issued of Capital reserves for increasing
02.05.2016	1.200.000	-	11	1.199.989

11.2.2. Information on share capital increase from revaluation funds during the current period

There is not any share capital increase from the revaluation fund during the current period.

11.2.3. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period

The Bank has not any capital commitment as of 31 December 2016 and the total share capital of the Bank amounting to TL 3.700.000 is fully paid.

11.3. The effects of anticipations based on the financial figures for prior periods regarding the Bank's income, profitability and liquidity, and the anticipations regarding the uncertainty of these indicators on the shareholders' equity

The credit, interest and the foreign currency risk policies of the Bank were determined to minimize the losses that may result from these risks. The Bank aims to obtain a reasonable positive return on equity in real terms in relation with its banking transactions and to protect its equity from the effects of inflation. On the other hand, the proportion of doubtful receivables to the total loans is considered as low and an impairment provision is provided in full for all doubtful receivables. Accordingly, the Bank does not expect losses that may materially affect its equity. In addition, the free capital of the Bank is high and is getting steadily stronger.

11.4. Information on privileges given to shares representing the capital

The common shares of the Bank are owned by the Treasury.

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11.5. Information on marketable securities value increase fund

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries and Joint Ventures	7.633	-	-	-
Valuation Difference	4.327	-	8.886	-
Foreign Currency Differences	-	-	-	-
Total	**11.960**	**-**	**8.886**	**-**

III. Explanations and notes related to off-balance sheet accounts

1. Explanations on off-balance sheet commitments

1.1. Type and amount of irrevocable commitments

As of 31 December 2016 the Bank has irrevocable commitment amounting TL 2.920.904 i (31 December 2015: TL 1.051.140).

1.2. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

None.

1.2.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit

	Current Period 31.12.2016	Prior Period 31.12.2015
Letters of Guarantee	-	-
Endorsements	-	-
Guarantees and bails given for export	-	-
Guarantees given for Export Loan Insurance	3.863.578	2.754.481
Total	**3.863.578**	**2.754.481**

1.2.2. Revocable, irrevocable guarantees and other similar commitments and contingencies

None.

1.2.3. Total amount of non-cash loans

	Current Period 31.12.2016	Prior Period 31.12.2015
Non-cash loans given against cash loans	-	
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans(1)	3.863.578	2.754.481
Total	**3.863.578**	**2.754.481**

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1.3. Information on sectorial risk concentrations of non-cash loans

	Current Period 31.12.2016				Prior Period 31.12.2015			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-
Real Estate and Leasing Services	-	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	3.863.578	100	-	-	2.754.481	100
Total	-	-	**3.863.578**	**100**	**-**	**-**	**2.754.481**	**100**

1.4. Information on the non-cash loans classified under Group I and Group II

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash loans				
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	3.863.578	-	

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
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1.5. Information on derivative transactions

	Current Period 31.12.2016	Prior Period 31.12.2015
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	**7.284.011**	**1.549.890**
Forward Transactions	62.073	97.452
Swap Transactions	7.219.018	1.452.438
Futures Transactions	-	-
Option Transactions	2.920	-
Interest Related Derivative Transactions (II)	**1.340.602**	**611.772**
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	1.340.602	611.772
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivative Transactions:(1) (III)	**-**	**-**
A. Total Trading Derivative Transactions (I+II+III)	**8.624.613**	**2.161.662**
Types of Hedging Derivative Transactions		
Fair Value Hedges	19.392.865	11.678.621
Cash Flow Hedges	106.636	94.484
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions (4)	**19.499.501**	**11.773.105**
Total Derivative Transactions (A+B)	**28.124.114**	**13.934.767**

(1) Includes currency and interest swap transactions.

1.6. Explanations on credit derivatives and risk of exposure from these derivatives

Derivative transactions processes in terms of (hedging) maximum protection of the balance sheet risks by minimizing mismatches between assets and liabilities of the Bank's. As a result of these transactions, the Bank is exposed to the risk of changes in fair value. As a result of the actions taken, fixed-rate bonds against the cross-currency swaps and interest rate swaps issued by the Bank are available.

Except for derivative financial transactions subjected to hedge accounting, the Bank is not only preserved from the risk financially, but also it has financial derivative instruments recorded as trading derivative assets and trading derivative liabilities. For this purposes the Bank mainly uses foreign currency and interest rate swaps. With these instruments, the Bank aims to prevent the currency risk and interest rate risk.

1.7. Explanations on contingent assets and liabilities

The Bank recognizes contingent assets if the probability of the inflow of economic benefits is virtually certain. In case the inflow of economic benefits is probable but not virtually certain, such contingent asset is disclosed.

As of 31 December 2016 and 31 December 2015, there is not any contingent assets.

The Bank recognizes provision for contingent liability when the probability of occurrence is high and the contingent liability can be reliably estimated; if the contingent liability cannot be reliably estimated, the contingent liability is disclosed. When the likelihood of the occurrence of the contingent liability is remote or low, it is disclosed.

In this respect, as of 31 December 2016, there are 136 legal proceedings outstanding against the Bank amounting to USD 5.990 thousand, EUR 31 thousand and TL 616 thousand as confirmed from the lawyer letter prepared by the legal department of the Bank.

In addition, there are 240 legal proceedings outstanding filed by the Bank. These legal proceedings amount to TL 192 thousand, USD 33 thousand and EUR 10 thousand.

1.8. Explanations on services in the name of others

The Bank does not have any custody and deposit activities in the name of real and legal persons.

The Bank also provides insurance to some extent for the export receivables of exporter companies against commercial and political risks under the scope of export loan insurance program.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

IV. Explanations and notes related to income statement

1. Within the scope of interest income

1.1. Information on interest income on loans

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Interest income on the Loans				
Short-term Loans	622.874	355.427	455.451	276.943
Medium and Long-term Loans	81.282	510.554	73.531	328.175
Interest on Loans Under Follow-up	195	218	4	10
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	**704.351**	**866.199**	**528.986**	**605.128**

1.2. Information on interest income from banks

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
CBRT	-	839	-	-
Domestic Banks	29.463	4.001	30.313	1.897
From Foreign Banks	1.778	2.215	142	81
From Headquarters and Branches Abroad	-	-	-	-
Total	**31.241**	**7.055**	**30.455**	**1.978**

1.3. Information on interest income on marketable securities

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
From Trading Financial Assets	915	-	1.643	55
From Financial Assets at Fair Value through Profit or Loss	-		-	-
From Available-for-Sale Financial Assets	-	-	-	-
From Held-to-Maturity Investments	24.019	-	22.090	811
Total	**24.934**	**-**	**23.733**	**866**

1.4. Information on interest income received from associates and subsidiaries

There is not any interest income from associates and subsidiaries.

2. Within the scope of interest expense

2.1. Information on interest expense on borrowings

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	FC	TL	FC
Banks				
CBRT	-	152.449	-	76.086
Domestic Banks	158	12.903	117	6.745
Foreign Banks	-	231.609	411	107.807
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	1.232	-	-
Total	**158**	**398.193**	**528**	**190.638**

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2.2. Information on interest expense given to associates and subsidiaries

There is not any interest expense given to associates and subsidiaries.

2.3. Interest paid to marketable securities issued

	Current Period 31.12.2016		Prior Period 31.12.2015	
	TL	**FC**	**TL**	**FC**
Interests paid to marketable securities issued	-	369.261	-	271.867

2.4. With respect to deposit and participation accounts

2.4.1. Maturity structure of the interest expense on deposits

The Bank does not accept deposits.

2.4.2. Maturity structure of the share paid of participation accounts

There is not any participation account.

3. Information on trading income/loss (Net)

	Current Period 31.12.2016	Prior Period 31.12.2015
Gain	**13.680.479**	**7.569.083**
Trading Gains on Securities	9	74
Trading Gains on Derivative Financial Transactions	1.212.604	718.499
Foreign Exchange Gains	12.467.866	6.850.510
Loss (-)	**14.018.949**	**7.714.279**
Trading Losses on Securities	-	793
Trading Losses from Derivative Financial Transactions	550.462	162.140
Foreign Exchange Loss	13.468.487	7.551.346

4. Explanations on other operating income

In the current period, the Bank recorded premium income amounting to TL 100.537 (31 December 2015: TL 90.032) within the frame of Short Term Export Credit Insurance, commission taken from reinsurance companies amounting to TL 22.956 (31 December 2015: TL 22.369) adjustment on previous years expenses amounting to TL 3.996 (31 December 2015: TL 6.740) and regarding domestic export credit insurance transactions amounting to TL 7.044 (31 December 2015: TL 3.490)

Except for the matters above, there is not any extraordinary case or an important matter in other operating income that may result with a material effect on the net period income for the years 2016 and 2015.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

5. Provision expenses related to loans and other receivables of the Bank

	Current Period 31.12.2016	Prior Period 31.12.2015
Specific Provisions for Loans and Other Receivables	13.347	9.199
Group III Loans and Receivables	-	-
Group IV Loans and Receivables	13.347	9.199
Group V. Loans and Receivables	-	-
Doubtful receivables such as fees, commissions and other receivables	-	-
General Provision Expenses	-	-
Provision Expense for Probable Risks	12.034	13.677
Marketable Securities Impairment Expense	924	1.809
Financial Assets at Fair Value through Profit or Loss	924	1.809
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	-	-
Total	**26.305**	**24.685**

6. Information related to other operating expenses

	Current Period 31.12.2016	Prior Period 31.12.2015
Personnel Expenses	106.268	88.894
Reserve for Employee Termination benefits	1.453	1.262
Bank Social Aid Provision Fund Deficit Provision	-	-
Vacation Pay Liability, net	1.478	1.097
Impairment Expenses of Tangible Fixed Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	5.045	4.876
Impairment Expenses of Intangible Fixed Assets	-	-
Impairment Expenses of Goodwill	-	-
Amortization Expenses of Intangible Assets	664	548
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses of Non-current Asset Held for Sale and Discounted Operations	-	-
Other Operating Expenses	24.789	20.877
Operational Lease Expenses	5.191	4.620
Maintenance Expenses	595	345
Advertisement Expenses	36	23
Other Expenses	18.967	15.889
Loss on Sale of Assets	-	-
Other(1)	89.339	73.897
Total	**229.036**	**191.451**

(1) Other operating expenses include the premium amount of TL 58.063 (31 December 2015: TL 50.858) paid to reinsurance companies within the scope of short-term export credit insurance.

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

7. Explanation on tax provisions for continuing and discontinued operations

None.

8. Explanation on net income/loss for the period

8.1. If the nature, size and the reoccurrence rate of the income and expense resulting from the ordinary banking activities are important to explain the performance of the Bank in the current period, the nature and the amount of these transactions

Not needed.

8.2. If the changes in the estimates of the financial statement accounts may affect the profit/loss in the following periods, related periods and the necessary information

None.

8.3. If the other accounts in the income statement exceed 10% of the total of the income statement, the sub-accounts constituting at least 20% of these accounts

None.

V. Explanations and notes related to changes in shareholders' equity

1. Information about the adjustment related to the application of Financial Instruments Accounting Standards in the current period

1.1. The increase after the revaluation of the available-for-sale investments

The fair value gains of the available-for-sale investments, other than the hedging instruments, amounting to TL 11.960 are recorded under the "Marketable Securities Value Increase Fund" account under equity.

1.2. Information for the increases in the accounts related to cash flow hedges

	Current Period 31.12.2016	Prior Period 31.12.2015
Hedging Reserves (Effective portion)	(767)	333

1.2.1 The reconciliation and confirmation for the cash flow hedges accounts at the beginning and end of the period

Opening Balance	Current Period 31.12.2016	Prior Period 31.12.2015
Hedging Reserves (Effective portion)	333	-

Ending Balance	Current Period 31.12.2016	Prior Period 31.12.2015
Hedging Reserves (Effective portion)	(434)	333

1.2.2. Under the cash flow hedges, the current period charge of the income or loss under equity related with a derivative or a non-derivate financial asset and liability designated as cash flow hedge instruments

When protected from cash flow risk, a derivative designated as a hedging instrument and (434) TL hedge funds (effective portion) are recorded in equity as to the gain or loss on non-derivative financial assets and liabilities.

1.2.3. Reconciliation of foreign exchange differences at the beginning and end of the period

None.

2. Information related to distribution of profit

2.1. The amount of dividend declared before the approval date of the financial statements but after the balance

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

2.2. Earnings per share proposed to be distributed to shareholders after the balance sheet date

Profit distributions are approved by the General Assembly of the Bank. As of the report date, no profit distribution decision has been made by the General Assembly for 2016 profit.

3. Amount transferred to legal reserves

	Current Period 31.12.2016	Prior Period 31.12.2015
Amount transferred to Legal Reserves under Dividend Distribution	25.145	21.951

4. Information on issuance of share certificates

4.1. For all share groups; any restrictions, preferential terms and rights for distribution of dividends and payment of share capital.

None.

5. Explanations on other share capital increases

None.

VI. Explanations and notes related to statement of cash flows

1. Information on the cash and cash equivalents

1.1. Information on cash and cash equivalents at the beginning of the period

The components constituting the cash and cash equivalents and the accounting policies used for the determination of these components:

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as "Cash" and interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash equivalents".

Beginning of the Period	**31.12.2016**	**31.12.2015**
Cash and effectives	36	41
Interbank Money Market Placements	2.889.003	990.785
Money market placements	368.160	75.105
Total Cash and Cash Equivalents	**3.257.199**	**1.065.931**

1.2. Information on the cash and cash equivalents at the end of the period

	Current Period 31.12.2016	Prior Period 31.12.2015
Cash	**370.991**	**1.227**
Cash and effectives	36	29
Central Bank	370.955	1.198
Cash Equivalents	**2.886.208**	**164.402**
Banks and other financial institutions	2.518.048	164.402
Money market placements	368.160	-
Cash and Banks	**3.257.199**	**165.629**
Banks Accrual	-	-
Total Cash and Cash Equivalents	**3.257.199**	**165.629**

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED.)

1.3. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 1.517.721 (31 December 2015: TL 1.472.258) mainly consists of fees and commissions paid, foreign exchange losses, other operating income excluding collections from doubtful receivables and other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 1.833.173 (31 December 2015: TL 408.258) consists mainly of changes in miscellaneous payables, other liabilities and taxes and other duties payable.

VII. Explanations and notes related to Bank's risk group

In accordance with the paragraph 5 of article 49 of the Banking Law No. 5411, the Bank does not have any shareholding which it controls directly or indirectly and with which it constitutes a risk group.

1. Explanations and notes related to the domestic, foreign, off-shore branches or affiliates and foreign representatives of the Bank

Information on the Bank's domestic and foreign branches and foreign representatives of the Bank

	Number	Number of Employees			
Domestic Branch	4	631			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	**Statutory Share Capital**
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure

VIII. Explanations and notes related to events after balance sheet

In the Extraordinary General Assembly held on 12 January 2017, the Chairman of the Board of Directors of the Bank, Osman Çelik, was elected as the Chairman of the Board of Directors instead of Cavit Dağdaş. Bülent Gökhan Günay has been appointed as a member of the Audit Committee replacing Ibrahim Şenel, who currently serves as Deputy Chairman of the Bank.

At the same Extraordinary General Meeting, it was decided to apply the registered capital system in the Bank. The relevant decision has been registered in the trade register and has been announced in the Turkish Trade Registry Gazette No. 9252 dated 30 January 2017.

SECTION SIX

INDEPENDENT AUDITORS' REPORT

I. Explanations on independent auditors' report

1. Explanations on auditors' report

The unconsolidated financial statements as of and for the period ended 31 December 2016 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative, a Swiss entity). The auditors' report dated 24 February 2017 has been presented in the instruction of the unconsolidated financial statements.

II. Explanations and notes prepared by independent auditors

None.

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