T.C. Ziraat Bankasi A.S.
Athens Central Branch

Ermou Str. 2, 105 63, Syntagma Square, Athens
Reg. Num. 65242/06/B/08/03
General Electronic Commercial Registry (G.E.MI.) Num. 123207101001

The English version is a translation of the original Greek for information purposes only.
In case of a discrepancy, the Greek original will prevail.

Pillar III Disclosures Report for 31.12.2017

Table of Contents

1. Pillar III Disclosures – Legal Basis

Ziraat Bank Branches in Greece Pillar III Report is prepared in accordance with disclosure requirements as referred in Part Eight of the “Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms” (Capital Requirements Regulation, or “CRR”) and the “Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms” (Capital Requirements Directive 4, or “CRD 4”).

1.1 Disclosures enhancements

The Basel Committee on Banking Supervision, published in January 2015, the Revised Pillar 3 Disclosure Requirements, followed by the publication, in December 2016, of the EBA Final Guidelines on disclosure requirements. These Guidelines provide banks with guidance in attaining compliance with the CRR 575/2013 and with the Basel Committee, and are effective from 31.12.2017. Ziraat Bank Branches in Greece made an effort to incorporate the enhancements to the extent possible.

1.2 Approval and publication

The Ziraat Bank Branches in Greece financial statements and the Pillar III disclosures, complement market participants’ information and enhance transparency. The Bank with the aim to apply best practices and cover any new regulatory requirements, updates the extent and type of information provided. The Bank publishes the Pillar III report via its website, within the applicable deadlines.

The disclosures included within this report were verified and approved internally. Consistency checks and reconciliations are performed with accounting and regulatory data. The information in this report is subject to the same level of internal control processes as the information provided by the Bank for its financial reporting.

2. Information about the Bank

Ziraat Bank was established in 1863 and holds the most widespread banking service network in Turkey. The Bank’s mission has been and remains to contribute to the development of all parts of the economy and thus it constitutes one of the country's largest growth promoters.

The Bank is active in Turkey with more than 1,700 branches while it has expanded its activities in 18 foreign countries with more than 80 branches and subsidiaries. The Bank continues to operate in Greece with its stores in Athens, Xanthi, Komotini.

The Bank's activities mainly concern providing loan facilities in the retail and corporate banking, the provision as well as guarantees and collaterals. The capital of Ziraat Bank Branches in Greece amounts to € 33.000.000,00 which relates to an endowment account.

Ziraat Greece's Athens Branch, which is the main Branch, does not have a Board of Directors but is headed by a Senior Country Manager and a set of Committees, according to the Act of the Executive Committee of the Bank of Greece (Act No 58/18/01/2016).

3. Pillar III Disclosures Overview

Ziraat Bank in Greece, quarterly monitors Key Risk Indicators versus their respective Early Warning and Recovery Plan Trigger levels. In all indicators, the Risk Profile of the Bank as of 31.12.2017, significantly satisfied the Early Warning Levels. Through its Early Warning levels the Bank clearly defines the degree of risk it is willing to undertake to achieve its strategic and business objectives.

#	Key Risk Indicator	Definition	Indicator Constituents	31.12.2017	
1	Comm. Equity Tier 1 Ratio (%)	Common Equity Tier 1 / RWA	Common Equity Tier 1	17.496	47,75%
			RWA	36.639	
2	Leverage Ratio (%)	Tier 1 Capital / Exposure Measure	Tier 1 Capital	17.496	33,58%
			Exposure Measure	52.103	
3	ROE (excl. one-off items)	Profit after tax / Total equity (Opening)	Profit after Tax	392	2,21%
			Total Equity (Opening-31/12/2017)	17.728	
4	NPE Ratio	NPE Volume Gross / Total Loan Balance	NPE Volume Gross	5.029	27,15%
			Total Loan Balance	18.524	
5	Liquidity Coverage Ratio (%)	Liquidity Buffer / Net Liquidity Outflow	Liquidity Buffer	2.585	208,96%
			Net Liquidity Outflow	1.237	

Pillar III Disclosures Overview (amounts in € thousand)

3.1 Capital Management

The Bank's Capital Strategy commits to maintain sound capital adequacy both from economic and regulatory perspective. It aims at monitoring and adjusting Bank's capital levels, taking into consideration capital markets' demand and supply, in an effort to achieve the optimal balance between the economic and regulatory considerations. CET1 ratio as of 31.12.2017 was significantly higher than the minimum regulatory threshold.

3.2 Leverage

The leverage ratio, which is defined as Tier 1 capital divided by total exposure, covers the risk that results from an institution's vulnerability due to leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The level of the leverage ratio with reference date 31.12.2017 was significantly over the 3% minimum threshold applied by the competent authorities, implying that the Bank is not taking on excessive leverage risk.

3.3 Credit risk

Credit risk is the potential risk of losses arising from the debtor's inability to meet the terms of any liability or the default of a debtor, including the non-payment of capital or interest, or both. The Head Office has developed detailed lending policies that adequately define the credit risk limits, taking into account the concentration segments and limits. Credit risk is overseen by the Credit Committee

To address credit risk, both the Head Office departments and the Bank in Greece have a policy of maintaining strong credit risk controls. In particular, the portfolio is monitored using monthly portfolio reports, which can check the likelihood of default, tracking lists, write-offs and provisions. This preparation and review is accomplished by the Risk Management Department of the Head Office and the Management Committee of Athens. The portfolio is monitored through internal risk reports and transaction reports (daily), both of which are finally submitted to the senior management. The Bank's credit risk is considered low.

3.4 Liquidity risk

Liquidity risk is the risk that the Bank will confront in case the latter is not able to meet its overdue liabilities, thereby creating a risk to its financial condition due to insufficient resources, the failure to liquidate the assets, the inability of finding other financing sources or any other failure to meet contractual obligations. Liquidity risk in the Bank is primarily the result of the commitments it has made in its areas of activity.

The Bank assessed the level of liquidity necessary to cover both systemic and idiosyncratic risks. The Athens Management Committee has set a liquidity risk limit ensuring that the liquidity is kept at such a level as to cover an unexpected outflow and at the same time enable the Bank to meet its financial liabilities for a prolonged period of time. In order to meet internal and regulatory requirements, the Bank maintains at all times an appropriate liquidity reserve that can be easily used to meet its contractual obligations.

Liquidity risk management is undertaken by the Financial department and overseen by Senior Management according to the relevant procedures followed by the Bank.

3.5 Interest rate risk

Interest rate risk is the current or future risk for earnings and capital arising from adverse changes in interest rates. The Bank's exposure to this risk is linked to mismatches in assets and liabilities and fluctuations in interest rates in the Bank's portfolio.

The Bank generates the biggest part of its income from interest and from the Bank's portfolio and therefore has a relatively high exposure to interest rate risk. Its primary products are corporate and banking products such as accounts, trading and lending facilities. Interest is charged at fixed interest rates or floating rates depending on the asset's financing or its structure. The Bank conducts stress tests on a monthly basis and does not avoid taking risks by taking positions that may have a negative impact on stress scenarios, going beyond the approved limits.

Interest rate risk management is undertaken by the Operations department and overseen by Senior Management according to the relevant procedures followed by the Bank.

Both the Head Office and the Bank aim to minimize interest rate risk and, as far as possible, seek to match the structure of interest rates to liabilities by creating a natural counterpart. Given the hedging strategy and the financial compensation, the interest rate risk is considered low.

3.6 Market risk

Market risk is the risk of loss arising from market risk factors on balance sheet trading book items. The Head Office's Market Risk Management objective is to manage and control market risk reports within acceptable parameters while optimizing risk performance. The key market risk exposures arise from bonds in the trading book. The Management and the Athens Management Committee regularly monitor exposures to market risk and movements in the value of the Bank's investments.

3.7 Currency risk

The Bank does not receive any speculative FX position and, based on the controls applied, the foreign exchange risk is considered to be low.

3.8 Operational risk

Operational risk is the risk of creating extreme loss resulting from inadequate or failed internal processes, people and systems, or exposure to external events.

Operational risk is a major risk when it comes to the internal operations of the Bank and the entire group. The main operational risks relate, in particular, to staff (eg loss of key persons), infrastructure, financial transactions and customer interaction, as well as the regulatory requirements, which may to change in the future and may lead to an increase in reports and additional costs.

The Bank aims to maintain strong operating systems and controls trying to maintain a low level of operational risk through regular cash flow controls, customer audits as part of the Due Diligence process, in order to ensure that the Bank does not contribute to the financing of money laundering activities procedures through customer financing activities.

3.9 Reputation risk

This particular risk represents the risk of damage to the reputation of the Bank or the Head Office to all stakeholders (clients, regulators, shareholders, investors or the public).

Any press releases are also monitored to check for any negative publicity that would damage the reputation of the institution. The reputation risk is considered to be low for the Bank and it is addressed through documented policies and supervised by a strong governance process.

Athens, 23 July 2018

The Legal Representatives

Senior Country Manager	Country Director & Financial Manager	Marketing Manager
Özcan Asanoğlu	Vassilios K. Fotiou	Müge Türkkan- Andreiotis
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