**(*Convenience Translation of Consolidated Financial Statements and Related Disclosures***

***and Footnotes Originally Issued in Turkish, See Note I in Section Three)***

Alternatifbank A.Ş.

And it’s Financial Subsidiaries

Consolidated Financial Statements

As of and For the Year Ended 31 December 2015

With Independent Auditors’ Report Thereon

*(Convenience Translation of Consolidated Financial Statements  
 and Related Disclosures and Footnotes Originally Issued in Turkish)*

5 February 2016

*This report includes “Independent Auditors’ Report”*

*comprising 3 pages and; "Consolidated Financial*

*Statements and Related Disclosures and Footnotes”*

*comprising 103 pages.*

**Convenience Translation of the Independent Auditors’ Report**

**Originally Prepared and Issued in Turkish to English**

To the Board of Directors of Alternatifbank Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Alternatifbank Anonim Şirketi (“the Bank”) and its consolidated financial subsidiaries (collectively referred to as “the Group”) which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of changes in equity and consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance 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 consolidatedfinancial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Alternatifbank Anonim Şirketi and its financial subsidiaries as at 31 December 2015, 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

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 for the period 1 January - 31 December 2015, the Parent Bank’s bookkeeping activities are not in compliance with TCC and provisions of the Parent Bank’s articles of association in relation to financial reporting.

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 of KPMG International Cooperative

Murat Alsan, SMMM

Partner

5 February 2016

İstanbul, Turkey

Additional paragraph for convenience translation to English

The accounting principles summarized in note I Section Three, 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 consolidated financial statements and IFRS.

**THE CONSOLIDATED FINANCIAL REPORT OF**

**ALTERNATİFBANK A.Ş. AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015**

Headquarter Address : Cumhuriyet Cad. No:46 34367 Şişli/İstanbul

Telephone : 0 212 315 65 00

Fax : 0 212 225 76 15

Web site : www.abank.com.tr

E-mail : malikontrol@abank.com.tr

The consolidated financial report as of and for the year ended 31 December 2015 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks” as regulated by the Banking Regulation and Supervision Agency, comprises the following sections

* GENERAL INFORMATION ABOUT THE PARENT BANK
* CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
* EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
* INFORMATION ON THE FINANCIAL POSITION OF THE GROUP
* DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
* OTHER EXPLANATIONS AND FOOTNOTES
* DISCLOSURES RELATED TO INDEPENDENT AUDITORS’ REPORT

Associates, subsidiaries and special purpose entities whose financial statements have been consolidated in the consolidated financial report are as follows:

**Subsidiaries:**

1. Alternatif Yatırım A.Ş.

2. Alternatif Finansal Kiralama A.Ş.

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, **in thousands of Turkish Lira (TL)** , 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, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited and presented as attached. Unless otherwise stated, the accompanying unconsolidated financial report presented in thousands of Turkish Lira (TL) and has been subjected to independent audit report as attached.

|  |  |  |  |
| --- | --- | --- | --- |
| Tuncay Özilhan | Meriç Uluşahin | Müge Öner | Kağan Gündüz |
| Chairman of the Board  of Directors | Member of Board of Directors and General Manager | Deputy CEO, CFO | Financial Control Group Head |

|  |  |  |
| --- | --- | --- |
| Kemal Semerciler | Nicholas Charles Coleman | İpek Nezahat Özkan |
| Member of Board of Directors and Head of Audit Committee | Member of Board of Directors and Member of Audit Committee | Member of Board of Directors and Member of Audit Committee |

The authorized contact person for questions on this financial report:

Name-Surname / Title : Kağan Gündüz / Financial Control Group Head

Telephone Number : 0 212 315 65 00

Fax Number : 0 212 226 76 15

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE GROUP**

1. **Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status**

Alternatifbank A.Ş. (“the Bank” or “the Parent Bank”), was established in Istanbul on 6 November 1991 and started Banking activities on February 1992. The Bank’s ordinary shares started to be traded in Istanbul Stock Exchange on 3 July 1995. The Bank is still a privately owned commercial bank status and provides banking services through 59 (31 December 2014:73) branches.

The sale of the shares of the Parent Bank belonging to Anadolu Group companies to The Commercial Bank of Qatar (“CBQ”) has been finalised on 18 July 2013 and the share transfer has been registered in accordance with the Board of Directors meeting at the same date.

The Parent Bank made an application to Capital Market Board and Borsa İstanbul A.Ş. about to leave the partnership and delisting the stock-exchange quotation in accordance with clauses of Capital Market Board “Squeeze-out and Sell-out Rights Communiqué ”on 11 July 2014. “Capital Issue Document” prepared for the capital increase allocated to controlling shareholder Commercial Bank of Qatar in the context of the process of squeeze-out and sell-out rights from the minority in accordance with “Squeeze-out and Sell-out Rights Communiqué” has been approved by Capital Market Board on 23 July 2015. As of this date, Alternatifbank A.Ş. delisted from the stock-exchange.

1. **Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Parent Bank’s Risk Group**

As of 31 December 2015, 75% of the shares of the Parent Bank are owned by Commercial Bank of Qatar. Shareholder’s structure of the Parent Bank is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **Name/Commercial Name** | **Share Amount** | **Share Ratio** | **Share Amount** | **Share Ratio** |
|  |  |  |  |  |
| Commercial Bank of Qatar | 465,000 | 75.00% | 460,341 | 74.25% |
| Anadolu Endüstri Holding A.Ş. | 106,683 | 17.21% | 106,683 | 17.21% |
| Anadolu Aktif Teşebbus ve Makine Ticaret A.Ş. | 48,317 | 7.79% | 48,317 | 7.79% |
| Other | - | - | 4,659 | 0.75% |
| **Total** | **620,000** | **100%** | **620,000** | **100%** |

**GENERAL INFORMATION (Continued)**

1. **Explanation on the Board of Directors, Members of the Audit Committee, President and Executive Vice Presidents, Changes in These Matters (If Any) and Shares in the Parent Bank**

|  |  |  |  |
| --- | --- | --- | --- |
| **Title** | **Name** | **Responsibility** | **Indirect Share Capital (%)** |
| Chairman of Board of Directors | Tuncay Özilhan | - | 3 |
|  |  |  |  |
| Member of Board of Directors and General Manager | Meriç Uluşahin | Member of the Credit Committee and  The Executive Committee of the Board | - |
|  |  |  |  |
| Member of Board of Directors | Ömer Hussain I H Al-Fardan | Vice Chairman and  Chairman of the Executive Committee of the Board | - |
|  | Fahad Abdulrahman Badar | Member of the Credit Committee | - |
|  | Nicholas Charles Coleman | Member of the Audit Committee and Risk Committee | - |
|  | Didem Çerçi | Chairman of the Remuneration Committee,  Member of the Risk Committee and the Credit Committee | - |
|  | İzzat Dajani | Chairman of the Corporate Governance Committee, Member of Risk Committee | - |
|  | Mohd İsmail M Mandani Al-Emadi | Chairman of the Risk Committee | - |
|  | Bahattin Gürbüz | Chairman of the Credit Committee | - |
|  | İpek Nezahat Özkan | Member of the Audit Committee, the Corporate Governance Committee and Executive Committee of the Board and Alternate Member of the Credit Committee | - |
|  | Kemal Semerciler | Chairman of the Audit Committee,  Member of the Corporate Governance Committee | - |
|  | Andrew Charles Stevens | Member of the Remuneration Committee, the Credit Committee and the Executive Committee of the Board | - |
|  | Mehmet Hurşit Zorlu | Member of the Risk Committee, the Remuneration Committee and the Executive Committee of the Board and Alternate Member of the Credit Committee | - |
|  |  |  |  |
| Executive Vice President | Müge Öner | Deputy CEO -Chief Financial Officer | - |
|  | Seher Demet Tanrıöver Çaldağ | Credit Risk Management-Chief Risk Officer | - |
|  | Tanol Türkoğlu | Information Technologies and Operations-  Chief Operating Officer | - |
|  | Işıl Funda Öney Babacan | Information Technologies | - |
|  | Suat Çetin | Operations - Consumer Relations Coordination Officer | - |
|  | Sezin Erken | Retail Banking | - |
|  | Mete Hakan Güner | Commercial Banking | - |
|  | İzzet Metcan | Digital Banking | - |
|  | Musa Kerim Mutluay | Restructuring and Legal Follow-up | - |
|  | Murat Özer | Human Resources | - |
|  | Muzaffer Gökhan Songül | Credit Allocation | - |
|  | Şakir Sömek | Financial Institutions | - |
|  | Aytay Tolga Şenefe | Treasury | - |
|  | Ahmet Kağan Yıldırım | Corporate Banking | - |
|  |  |  |  |
| Chairman of Board of Inspectors | Mustafa Mutlu Çalışkan | Board of Inspectors | - |

**GENERAL INFORMATION (Continued)**

1. **Information on the Parent Bank’s Qualified Shareholders**

According to the Banking Act No: 5411 regarding definition of Qualified Shares and Bank Transactions that are subject to Permission and Indirect Shareholding Regulation’s article 13, direct and indirect qualified shareholders of the Parent Bank’s Capital is as follows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name/Commercial Title** | **Share Amounts (Nominal)** | **Share Ratio** | **Paid-in Capital (Nominal)** | **Unpaid Portion** |
| Commercial Bank of Qatar | 465,000 | 75.00% | 465,000 | - |
| Anadolu Endüstri Holding A.Ş. | 106,683 | 17.21% | 106,683 | - |

**V. Summary Information on the Parent Bank’s Activities and Services**

The Parent Bank’s operations are extending TL and foreign currency cash and non cash loans, performing capital market transactions, opening deposit and making other banking transactions according to regulation principles given by the Bank’s Articles of Association.

As of 31 December 2015, the Parent Bank has 59 branches (31 December 2014: 73 branches) and has 1,038 employees (31 December 2014: 1,231 employees).

Parent Bank and its subsidiaries that are consolidated with the Parent Bank are called “Group” as a whole. As of 31 December 2015, The Group has 1,107 employees (31 December 2014: 1,340 employees).

**VI. Differences Between the Communique on Preperation of Consolidated Financial Statements of Banks and Turkish Accounting Standarts and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which Are Deducted From Equity or Not Included in These Three Methods**

None.

**VII. Existing or Potential, Actual or Legal Obstacles to Immediate Transfer of Equity, or Repayment of Debt Between the Parent Bank and Its Subsidiaries**

None.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **I.** | **BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)** | **Note** | **31 December 2015** | | | **31 December 2014** | | |
|  |  | **(Section** |
|  | **ASSETS** | **Five)** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **I.** | CASH AND BALANCES WITH CENTRAL BANK | **I-a** | **51,568** | **1,493,930** | **1,545,498** | **165,485** | **1,192,759** | **1,358,244** |
| **II.** | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)** | **I-b** | **22,625** | **5,037** | **27,662** | **58,226** | **15,971** | **74,197** |
| 2.1 | Financial Assets Held for Trading |  | 22,625 | 5,037 | 27,662 | 58,226 | 15,971 | 74,197 |
| 2.1.1 | Public Sector Debt Securities |  | 1 | 421 | 422 | 1,400 | 355 | 1,755 |
| 2.1.2 | Equity Securities |  | - | - | - | 96 | - | 96 |
| 2.1.3 | Derivative Financial Assets Held for Trading |  | 22,624 | 4,616 | 27,240 | 20,661 | 15,616 | 36,277 |
| 2.1.4 | Other Marketable Securities |  | - | - | - | 36,069 | - | 36,069 |
| 2.2 | Financial Assets at Fair Value through Profit and Loss |  | - | - | - | - | - | - |
| 2.2.1 | Government Debt Securities |  | - | - | - | - | - | - |
| 2.2.2 | Equity Securities |  | - | - | - | - | - | - |
| 2.2.3 | Loans |  | - | - | - | - | - | - |
| 2.2.4 | Other Marketable Securities |  | - | - | - | - | - | - |
| **III.** | **BANKS** | **I-c** | **289,918** | **322,078** | **611,996** | **71,781** | **33,434** | **105,215** |
| **IV.** | **MONEY MARKETS PLACEMENTS** |  | **350,105** | **-** | **350,105** | **6,774** | **-** | **6,774** |
| 4.1 | Interbank Money Market Placements |  | - | - | - | 6,774 | - | 6,774 |
| 4.2 | Receivables from Istanbul Stock Exchange Money Market |  | 50,017 | - | 50,017 | - | - | - |
| 4.3 | Receivables from Reverse Repurchase Agreements |  | 300,088 | - | 300,088 | - | - | - |
| **V.** | **FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)** | **I-d** | **354,939** | **462,164** | **817,103** | **791,737** | **104,371** | **896,108** |
| 5.1 | Share Certificates |  | 5,882 | - | 5,882 | 161 | - | 161 |
| 5.2 | Government Debt Securities |  | 343,916 | 323,156 | 667,072 | 791,574 | 104,371 | 895,945 |
| 5.3 | Other Marketable Securities |  | 5,141 | 139,008 | 144,149 | 2 | - | 2 |
| **VI.** | **LOANS** | **I-e** | **5,112,325** | **4,193,337** | **9,305,662** | **5,863,873** | **2,035,667** | **7,899,540** |
| 6.1 | Loans |  | 4,884,144 | 4,185,677 | 9,069,821 | 5,703,830 | 2,024,080 | 7,727,910 |
| 6.1.1 | Loans to the Bank’s Risk Group |  | 15,853 | 194,899 | 210,752 | 253 | 85,716 | 85,969 |
| 6.1.2 | Public Sector Debt Securities |  | - | - | - | - | - | - |
| 6.1.3 | Other |  | 4,868,291 | 3,990,778 | 8,859,069 | 5,703,577 | 1,938,364 | 7,641,941 |
| 6.2 | Non Performing Loans |  | 496,909 | 20,432 | 517,341 | 416,043 | 24,830 | 440,873 |
| 6.3 | Specific Provisions (-) |  | 268,728 | 12,772 | 281,500 | 256,000 | 13,243 | 269,243 |
| **VII.** | **FACTORING RECEIVABLES** |  | **-** | **-** | **-** | **-** | **-** | **-** |
| **VIII.** | **HELD-TO-MATURITY SECURITIES (Net)** | **I-f** | **-** | **-** | **-** | **-** | **-** | **-** |
| 8.1 | Public Sector Debt Securities |  | - | - | - | - | - | - |
| 8.2 | Other Marketable Securities |  | - | - | - | - | - | - |
| **IX.** | **INVESTMENTS IN ASSOCIATES (Net)** | **I-g** | **-** | **-** | **-** | **-** | **-** | **-** |
| 9.1 | Accounted for under Equity Method |  | - | - | - | - | - | - |
| 9.2 | Unconsolidated Associates |  | - | - | - | - | - | - |
| 9.2.1 | Financial Investments |  | - | - | - | - | - | - |
| 9.2.2 | Non-financial Investments |  | - | - | - | - | - | - |
| **X.** | **INVESTMENTS IN SUBSIDIARIES (Net)** | **I-h** | **-** | **-** | **-** | **-** | **-** | **-** |
| 10.1 | Unconsolidated Financial Subsidiaries |  | - | - | - | - | - | - |
| 10.2 | Unconsolidated Non-Financial Subsidiaries |  | - | - | - | - | - | - |
| **XI.** | **ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)** | **I-i** | **-** | **-** | **-** | **-** | **-** | **-** |
| 11.1 | Consolidated Under Equity Method |  | - | - | - | - | - | - |
| 11.2 | Unconsolidated |  | - | - | - | - | - | - |
| 11.2.1 | Financial Joint Ventures |  | - | - | - | - | - | - |
| 11.2.2 | Non-Financial Joint Ventures |  | - | - | - | - | - | - |
| **XII.** | **LEASE RECEIVABLES (Net)** | **I-j** | **243,003** | **788,646** | **1,031,649** | **188,832** | **462,577** | **651,409** |
| 12.1 | Financial Lease Receivables |  | 287,166 | 885,242 | 1,172,408 | 221,280 | 525,499 | 746,779 |
| 12.2 | Operational Lease Receivables |  | - | - | - | - | - | - |
| 12.3 | Other |  | 6,568 | 12,979 | 19,547 | 4,246 | 9,751 | 13,997 |
| 12.4 | Unearned Income ( - ) |  | 50,731 | 109,575 | 160,306 | 36,694 | 72,673 | 109,367 |
| **XIII.** | **HEDGING DERIVATIVE FINANCIAL ASSETS** | **I-k** | **-** | **-** | **-** | **-** | **-** | **-** |
| 13.1 | Fair Value Hedge |  | - | - | - | - | - | - |
| 13.2 | Cash Flow Hedge |  | - | - | - | - | - | - |
| 13.3 | Net Foreign Investment Hedge |  | - | - | - | - | - | - |
| **XIV.** | **TANGIBLE ASSETS (Net)** | **I-l** | **29,493** | **-** | **29,493** | **31,601** | **-** | **31,601** |
| **XV.** | **INTANGIBLE ASSETS (Net)** | **I-m** | **82,808** | **-** | **82,808** | **74,558** | **-** | **74,558** |
| 15.1 | Goodwill |  | 49,647 | - | 49,647 | 49,647 | - | 49,647 |
| 15.2 | Other |  | 33,161 | - | 33,161 | 24,911 | - | 24,911 |
| **XVI.** | **INVESTMENT PROPERTY (Net)** | **I-n** | **-** | **-** | **-** | - | - | - |
| **XVII.** | **TAX ASSET** | **II-i** | **26,707** | **-** | **26,707** | **24,242** | **-** | **24,242** |
| 17.1 | Current Tax Asset |  | - | - | - | - | - | - |
| 17.2 | Deferred Tax Asset |  | 26,707 | - | 26,707 | 24,242 | - | 24,242 |
| **XVIII.** | **ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)** | **I-o** | **-** | **-** | **-** | **-** | **-** | **-** |
| 18.1 | Assets Held for Sale |  | - | - | - | - | - | - |
| 18.2 | Assets of Discontinued Operations |  | - | - | - | - | - | - |
| **XIX.** | **OTHER ASSETS** | **I-p** | **196,319** | **39,821** | **236,140** | **209,790** | **15,989** | **225,779** |
|  | **TOTAL ASSETS** |  | **6,759,810** | **7,305,013** | **14,064,823** | **7,486,899** | **3,860,768** | **11,347,667** |

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **I.** | **BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)** | **Note** | **31 December 2015** | | | **31 December 2014** | | |
|  |  | **(Section** |
|  | **LIABILITIES** | **Five)** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **I.** | **DEPOSITS** | **II-a** | **3,410,988** | **2,827,495** | **6,238,483** | **3,940,146** | **1,712,425** | **5,652,571** |
| 1.1 | Deposits from Bank’s Risk Group |  | 238,127 | 112,564 | 350,691 | 650,681 | 584,368 | 1,235,049 |
| 1.2 | Other |  | 3,172,861 | 2,714,931 | 5,887,792 | 3,289,465 | 1,128,057 | 4,417,522 |
| **II.** | **DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING** | **II-b** | **1,093** | **13,766** | **14,859** | **2,406** | **10,023** | **12,429** |
| **III.** | **FUNDS BORROWED** | **II-c** | **125,343** | **4,136,794** | **4,262,137** | **137,120** | **2,398,453** | **2,535,573** |
| **IV.** | **MONEY MARKET FUNDS** |  | **242,379** | **116,444** | **358,823** | **363,386** | **82,101** | **445,487** |
| 4.1 | Funds from Interbank Money Market |  | - | - | - | - | - | - |
| 4.2 | Funds from Istanbul Stock Exchange Money Market |  | 800 | - | 800 | 43,232 | - | 43,232 |
| 4.3 | Funds Provided Under Repurchase Agreements |  | 241,579 | 116,444 | 358,023 | 320,154 | 82,101 | 402,255 |
| **V.** | **MARKETABLE SECURITIES ISSUED (Net)** |  | **142,088** | **735,736** | **877,824** | **281,356** | **586,742** | **868,098** |
| 5.1 | Bills |  | 142,088 | 735,736 | 877,824 | 233,771 | 586,742 | 820,513 |
| 5.2 | Asset Backed Securities |  | - | - | - | - | - | - |
| 5.3 | Bonds |  | - | - | - | 47,585 | - | 47,585 |
| **VI.** | **FUNDS** |  | **-** | **-** | **-** | **-** | **-** | **-** |
| 6.1 | Borrower Funds |  | - | - | - | - | - | - |
| 6.2 | Other |  | - | - | - | - | - | - |
| **VII.** | **MISCELLANEOUS PAYABLES** |  | **94,534** | **124,914** | **219,448** | **148,449** | **82,749** | **231,198** |
| **VIII.** | **OTHER LIABILITIES** | **II-d** | **128,043** | **11,042** | **139,085** | **144,436** | **6,083** | **150,519** |
| **IX.** | **FACTORING PAYABLES** |  | **-** | **-** | **-** | **-** | **-** | **-** |
| **X.** | **LEASE PAYABLES (Net)** | **II-e** | **-** | **-** | **-** | **-** | **-** | **-** |
| 10.1 | Finance Lease Payables |  | - | - | - | - | - | - |
| 10.2 | Operating Lease Payables |  | - | - | - | - | - | - |
| 10.3 | Other |  | - | - | - | - | - | - |
| 10.4 | Deferred Financial Lease Expenses (-) |  | - | - | - | - | - | - |
| **XI.** | **DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES** | **II-f** | **113** | **-** | **113** | **8,578** | **-** | **8,578** |
| 11.1 | Fair Value Hedge |  | 113 | - | 113 | 8,578 | - | 8,578 |
| 11.2 | Cash Flow Hedge |  | - | - | - | - | - | - |
| 11.3 | Net Foreign Investment Hedge |  | - | - | - | - | - | - |
| **XII.** | **PROVISIONS** | **II-g** | **140,217** | **3** | **140,220** | **103,671** | **7** | **103,678** |
| 12.1 | General Loan Loss Provision |  | 93,386 | - | 93,386 | 62,858 | - | 62,858 |
| 12.2 | Provisions for Restructuring |  | - | - | - | - | - | - |
| 12.3 | Reserve for Employee Benefit |  | 9,326 | - | 9,326 | 8,622 | - | 8,622 |
| 12.4 | Insurance Technical Provisions (Net) |  | - | - | - | - | - | - |
| 12.5 | Other Provisions |  | 37,505 | 3 | 37,508 | 32,191 | 7 | 32,198 |
| **XIII.** | **TAX LIABILITY** | **II-h** | **28,497** | **-** | **28,497** | **30,938** | **-** | **30,938** |
| 13.1 | Current Tax Liability |  | 28,497 | - | 28,497 | 30,938 | - | 30,938 |
| 13.2 | Deferred Tax Liability | II-i | - | - | - | - | - | - |
| **XIV.** | **PAYABLES FOR ASSET-HELD-FOR-RESALE AND DISCONTINUED OPERATIONS (Net)** |  | **-** | **2,660** | **2,660** | **2,393** | **3,479** | **5,872** |
| 14.1 | Held for Sale |  | - | 2,660 | 2,660 | 2,393 | 3,479 | 5,872 |
| 14.2 | Discontinued Operations |  | - | - | - | - | - | - |
| **XV.** | **SUBORDINATED LOANS** | **II-j** | **-** | **767,558** | **767,558** | **-** | **329,826** | **329,826** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | **II-k** | **1,026,512** | **(11,396)** | **1,015,116** | **972,634** | **266** | **972,900** |
| 16.1 | Paid-in Capital |  | 620,000 | - | 620,000 | 620,000 | - | 620,000 |
| 16.2 | Capital Reserves |  | (17,511) | (11,396) | (28,907) | (9,597) | 266 | (9,331) |
| 16.2.1 | Share Premium |  | 54 | - | 54 | 119 | - | 119 |
| 16.2.2 | Share Cancellation Profits |  | - | - | - | (3,296) | - | (3,296) |
| 16.2.3 | Marketable Securities Valuation Reserve | II-k.8 | (16,041) | (11,396) | (27,437) | (6,420) | 266 | (6,154) |
| 16.2.4 | Tangible Assets Revaluation Reserve |  | - | - | - | - | - | - |
| 16.2.5 | Intangible Assets Revaluation Reserve |  | - | - | - | - | - | - |
| 16.2.6 | Investment Property Revaluation Reserve |  | - | - | - | - | - | - |
| 16.2.7 | Bonus Shares Obtained from Investments in Associates, Subsidiaries and  Joint Ventures |  | - | - | - | - | - | - |
| 16.2.8 | Hedging Reserves (Effective portion) |  | - | - | - | - | - | - |
| 16.2.9 | Value Differences of Assets Held for Resale and Discontinued Operations |  | - | - | - | - | - | - |
| 16.2.10 | Other Capital Reserves |  | (1,524) | - | (1,524) | - | - | - |
| 16.3 | Profit Reserves |  | 358,143 | - | 358,143 | 232,062 | - | 232,062 |
| 16.3.1 | Legal Reserves |  | 24,972 | - | 24,972 | 20,052 | - | 20,052 |
| 16.3.2 | Status Reserves |  | - | - | - | - | - | - |
| 16.3.3 | Extraordinary Reserves |  | 333,171 | - | 333,171 | 212,010 | - | 212,010 |
| 16.3.4 | Other Profit Reserves |  | - | - | - | - | - | - |
| 16.4 | Profit or (Loss) |  | 65,869 | - | 65,869 | 120,955 | - | 120,955 |
| 16.4.1 | Prior Years’ Profit or (Loss) |  | (4,007) | - | (4,007) | (15,636) | - | (15,636) |
| 16.4.2 | Current Year Profit or (Loss) |  | 69,876 | - | 69,876 | 136,591 | - | 136,591 |
| 16.5 | Minority Shares | II-l | 11 | - | 11 | 9,214 | - | 9,214 |
|  | **TOTAL LIABILITIES** |  | **5,339,807** | **8,725,016** | **14,064,823** | **6,135,513** | **5,212,154** | **11,347,667** |

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **II. OFF-BALANCE SHEET ITEMS** | |  |  | **31 December 2015** |  | **31 December 2014** | | |
|  | | **Note (Section Five)** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
|  | |  |  |  |  |  |  |  |
| **A OFF-BALANCE SHEET COMMITMENTS (I+II+III)** | **OFF-BALANCE SHEET COMMITMENTS (I+II+III)** |  | **5,226,557** | **9,883,775** | **15,110,332** | **3,866,422** | **3,744,418** | **7,610,840** |
| **I.** | **GUARANTEES AND WARRANTIES** | **III-a-3.1** | **1,227,311** | **1,946,660** | **3,173,971** | **1,287,724** | **986,441** | **2,274,165** |
| 1.1 | Letters of Guarantee | III-a-2.2 | 1,227,311 | 1,013,753 | 2,241,064 | 1,287,724 | 567,518 | 1,855,242 |
| 1.1.1 | Guarantees Subject to State Tender Law |  | 26,863 | 10,339 | 37,202 | 37,089 | 13,923 | 51,012 |
| 1.1.2 | Guarantees Given for Foreign Trade Operations |  | - | - | - | - | - | - |
| 1.1.3 | Other Letters of Guarantee |  | 1,200,448 | 1,003,414 | 2,203,862 | 1,250,635 | 553,595 | 1,804,230 |
| 1.2 | Bank Acceptances | III-a-2.1 | - | 35,849 | 35,849 | - | 43,905 | 43,905 |
| 1.2.1 | Import Letter of Acceptance |  | - | 35,849 | 35,849 | - | 43,905 | 43,905 |
| 1.2.2 | Other Bank Acceptances |  | - | - | - | - | - | - |
| 1.3 | Letters of Credit | III-a-2.1 | - | 345,726 | 345,726 | - | 362,242 | 362,242 |
| 1.3.1 | Documentary Letters of Credit |  | - | 345,726 | 345,726 | - | 362,242 | 362,242 |
| 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 |  | - | 551,332 | 551,332 | - | 12,776 | 12,776 |
| 1.9 | Other Warrantees |  | **-** | **-** | **-** | - | - | - |
| **II.** | **COMMITMENTS** |  | **661,729** | **370,952** | **1,032,681** | **957,422** | **99,298** | **1,056,720** |
| 2.1 | Irrevocable Commitments |  | 642,402 | 303,575 | 945,977 | 912,954 | 47,502 | 960,456 |
| 2.1.1 | Asset Purchase and Sales Commitments |  | 7,151 | 78,176 | 85,327 | 19,715 | 29,007 | 48,722 |
| 2.1.2 | Deposit Purchase and Sales Commitments |  | - | 204,579 | 204,579 | - | - | - |
| 2.1.3 | Share Capital Commitments to Associates and Subsidiaries |  | - | - | - | - | - | - |
| 2.1.4 | Commitments for Loan Limits | III-a-1 | 228,546 | - | 228,546 | 237,190 | - | 237,190 |
| 2.1.5 | Securities Issue Brokerage Commitments |  | - | - | - | - | - | - |
| 2.1.6 | Commitments for Reserve Deposit Requirements |  | - | - | - | - | - | - |
| 2.1.7 | Commitments for Cheques |  | 234,439 | - | 234,439 | 311,229 | - | 311,229 |
| 2.1.8 | Tax and Fund Liabilities from Export Commitments |  | 3,738 | - | 3,738 | 3,738 | - | 3,738 |
| 2.1.9 | Commitments for Credit Card Limits |  | 125,780 | - | 125,780 | 161,841 | - | 161,841 |
| 2.1.10 | Promotion Commitments for Credit Cards and Banking Services |  | - | - | - | - | - | - |
| 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 |  | 42,748 | 20,820 | 63,568 | 179,241 | 18,495 | 197,736 |
| 2.2 | Revocable Commitments |  | 19,327 | 67,377 | 86,704 | 44,468 | 51,796 | 96,264 |
| 2.2.1 | Revocable Commitments for Loan Limits |  | - | - | - | - | - | - |
| 2.2.2 | Other Revocable Commitments |  | 19,327 | 67,377 | 86,704 | 44,468 | 51,796 | 96,264 |
| **III.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | **III-b** | **3,337,517** | **7,566,163** | **10,903,680** | **1,621,276** | **2,658,679** | **4,279,955** |
| 3.1 | Hedging Derivative Financial Instruments |  | 220,000 | - | 220,000 | 220,000 | - | 220,000 |
| 3.1.1 | Transactions for Fair Value Hedge |  | 220,000 | - | 220,000 | 220,000 | - | 220,000 |
| 3.1.2 | Transactions for Cash Flow Hedge |  | - | - | - | - | - | - |
| 3.1.3 | Transactions for Foreign Net Investment Hedge |  | - | - | - | - | - | - |
| 3.2 | Trading Derivative Financial Instruments |  | 3,117,517 | 7,566,163 | 10,683,680 | 1,401,276 | 2,658,679 | 4,059,955 |
| 3.2.1 | Forward Foreign Currency Buy/Sell Transactions |  | 165,022 | 169,878 | 334,900 | 115,544 | 407,060 | 522,604 |
| 3.2.1.1 | Forward Foreign Currency Transactions-Buy |  | 77,419 | 79,246 | 156,665 | 54,407 | 206,572 | 260,979 |
| 3.2.1.2 | Forward Foreign Currency Transactions-Sell |  | 87,603 | 90,632 | 178,235 | 61,137 | 200,488 | 261,625 |
| 3.2.2 | Swap Transactions Related to Foreign Currency and Interest Rates |  | 2,842,823 | 5,000,065 | 7,842,888 | 1,007,213 | 1,972,806 | 2,980,019 |
| 3.2.2.1 | Foreign Currency Swap-Buy |  | 1,196,966 | 2,729,152 | 3,926,118 | 358,543 | 1,142,834 | 1,501,377 |
| 3.2.2.2 | Foreign Currency Swap-Sell |  | 1,645,857 | 2,270,913 | 3,916,770 | 648,670 | 829,972 | 1,478,642 |
| 3.2.2.3 | Interest Rate Swap-Buy |  | - | - | - | - | - | - |
| 3.2.2.4 | Interest Rate Swap-Sell |  | - | - | - | - | - | - |
| 3.2.3 | Foreign Currency, Interest rate and Securities Options |  | 109,672 | 2,349,530 | 2,459,202 | 278,519 | 278,813 | 557,332 |
| 3.2.3.1 | Foreign Currency Options-Buy |  | 43,385 | 626,975 | 670,360 | 130,832 | 148,922 | 279,754 |
| 3.2.3.2 | Foreign Currency Options-Sell |  | 66,287 | 603,127 | 669,414 | 147,687 | 129,891 | 277,578 |
| 3.2.3.3 | Interest Rate Options-Buy |  | - | 559,714 | 559,714 | - | - | - |
| 3.2.3.4 | Interest Rate Options-Sell |  | - | 559,714 | 559,714 | **-** | **-** | **-** |
| 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 |  | - | 46,690 | 46,690 | - | - | - |
| **B.** | **CUSTODY AND PLEDGES RECEIVED (IV+V+VI)** |  | **37,398,536** | **16,992,419** | **54,390,955** | **31,039,866** | **8,801,182** | **39,841,048** |
| **IV.** | **ITEMS HELD IN CUSTODY** |  | **1,235,505** | **920,190** | **2,155,695** | **1,327,551** | **627,049** | **1,954,600** |
| 4.1 | Customer Fund and Portfolio Balances |  | 282,335 | - | 282,335 | 135,917 | - | 135,917 |
| 4.2 | Investment Securities Held in Custody |  | 440,482 | 17,717 | 458,199 | 718,864 | 21,282 | 740,146 |
| 4.3 | Cheques Received for Collection |  | 258,787 | 20,059 | 278,846 | 195,748 | 40,493 | 236,241 |
| 4.4 | Commercial Notes Received for Collection |  | 29,649 | 1,951 | 31,600 | 34,397 | 3,590 | 37,987 |
| 4.5 | Other Assets Received for Collection |  | - | - | - | - | - | - |
| 4.6 | Assets Received for Public Offering |  | - | - | - | - | - | - |
| 4.7 | Other Items Under Custody |  | 224,252 | 880,463 | 1,104,715 | 242,625 | 561,684 | 804,309 |
| 4.8 | Custodians |  | - | - | - | - | - | - |
| **V.** | **PLEDGES RECEIVED** |  | **36,150,274** | **16,072,070** | **52,222,344** | **29,704,422** | **8,174,006** | **37,878,428** |
| 5.1 | Marketable Securities |  | - | - | - | - | 1,191 | 1,191 |
| 5.2 | Guarantee Notes |  | 27,224,938 | 10,804,073 | 38,029,011 | 22,911,508 | 6,706,148 | 29,617,656 |
| 5.3 | Commodity |  | 147,207 | 75,869 | 223,076 | 43,017 | 127,431 | 170,448 |
| 5.4 | Warranty |  | - | - | - | - | - | - |
| 5.5 | Immovable |  | 7,260,996 | 4,294,007 | 11,555,003 | 6,327,811 | 1,147,610 | 7,475,421 |
| 5.6 | Other Pledged Items |  | 1,517,133 | 898,121 | 2,415,254 | 422,086 | 191,626 | 613,712 |
| 5.7 | Pledged Items-Depository |  | - | - | - | - | - | - |
| **VI.** | **ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES** |  | **12,757** | **159** | **12,916** | **7,893** | **127** | **8,020** |
|  |  |  |  |  |  |  |  |  |
|  | **TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)** |  | **42,625,093** | **26,876,194** | **69,501,287** | **34,906,288** | **12,545,600** | **47,451,888** |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **INCOME STATEMENT**   **INCOME AND EXPENSE ITEMS** | | **Note (Section**  **Five)** | **1 January – 31 December 2015** | **1 January – 31 December 2014** |
| **I.** | **INTEREST INCOME** | **IV-a** | **1,147,765** | **1,115,986** |
| 1.1 | Interest on Loans | IV-a-1 | 967,077 | 876,212 |
| 1.2 | Interest Received from Reserve Requirements |  | 3,194 | 223 |
| 1.3 | Interest Received from Banks | IV-a-2 | 10,474 | 2,246 |
| 1.4 | Interest Received from Money Market Transactions |  | 27,150 | 990 |
| 1.5 | Interest Received from Marketable Securities Portfolio | IV-a-3 | 60,853 | 174,028 |
| 1.5.1 | Trading Financial Assets |  | 862 | 11,028 |
| 1.5.2 | Financial Assets at Fair Value through Profit or Loss |  | - | - |
| 1.5.3 | Available-for-sale Financial Assets |  | 59,991 | 43,579 |
| 1.5.4 | Held-to-maturity Investments |  | - | 119,421 |
| 1.6 | Financial Lease Income |  | 73,121 | 54,406 |
| 1.7 | Other Interest Income |  | 5,896 | 7,881 |
| **II.** | **INTEREST EXPENSE** | **IV-b** | **601,929** | **627,752** |
| 2.1 | Interest on Deposits |  | 416,476 | 399,660 |
| 2.2 | Interest on Funds Borrowed | IV-b-1 | 123,113 | 78,497 |
| 2.3 | Interest Expense on Money Market Transactions |  | 24,364 | 117,878 |
| 2.4 | Interest on Securities Issued |  | 35,114 | 26,886 |
| 2.5 | Other Interest Expenses |  | 2,862 | 4,831 |
| **III.** | **NET INTEREST INCOME (I - II)** |  | **545,836** | **488,234** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME/EXPENSE** |  | **64,609** | **50,931** |
| 4.1 | Fees and Commissions Received |  | 78,982 | 62,823 |
| 4.1.1 | Non-cash Loans |  | 31,862 | 27,249 |
| 4.1.2 | Other | IV-k | 47,120 | 35,574 |
| 4.2 | Fees and Commissions Paid |  | 14,373 | 11,892 |
| 4.2.1 | Non-cash Loans |  | 506 | 637 |
| 4.2.2 | Other | IV-k | 13,867 | 11,255 |
| **V.** | **DIVIDEND INCOME** | **IV-c** | **-** | **197** |
| **VI.** | **TRADING INCOME / LOSS (Net)** | **IV-d** | **(39,752)** | **(27,480)** |
| 6.1 | Trading Gains/Losses on Securities |  | 4,950 | 542 |
| 6.2 | Trading Gains/Losses on Derivative Financial Instruments | IV-d | 67,550 | 719 |
| 6.3 | Foreign Exchange Gains/Losses |  | (112,252) | (28,741) |
| **VII.** | **OTHER OPERATING INCOME** | **IV-e** | **170,094** | **82,368** |
| **VIII.** | **TOTAL OPERATING INCOME (III+IV+V+VI+VII)** |  | **740,787** | **594,250** |
| **IX.** | **PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)** | **IV-f** | **211,041** | **137,455** |
| **X.** | **OTHER OPERATING EXPENSES (-)** | **IV-g** | **432,137** | **293,547** |
| **XI.** | **NET OPERATING INCOME/(LOSS) (VIII-IX-X)** |  | **97,609** | **163,248** |
| **XII.** | **EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER** |  | **-** | **-** |
| **XIII.** | **INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD** |  | **-** | **-** |
| **XIV.** | **INCOME/(LOSS) ON NET MONETARY POSITION** |  | **-** | **-** |
| **XV.** | **INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+…+XIV)** | **IV-h** | **97,609** | **163,248** |
| **XVI.** | **TAX PROVISION FOR CONTINUING OPERATIONS (±)** | **IV-i** | **27,734** | **26,425** |
| 16.1 | Current Tax Provision |  | 24,664 | 32,163 |
| 16.2 | Deferred Tax Provision |  | 3,070 | (5,738) |
| **XVII.** | **NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV± XVI)** |  | **69,875** | **136,823** |
| **XVIII.** | **INCOME FROM DISCONTINUED OPERATIONS** |  | **-** | **-** |
| 18.1 | Income from Non-Current Assets Held for Resale |  | - | - |
| 18.2 | Sale Income from Associates, Subsidiaries and Joint Ventures |  | - | - |
| 18.3 | Other Income from Discontinued Operations |  | - | - |
| **XIX.** | **EXPENSES FROM DISCONTINUED OPERATIONS (-)** |  | **-** | **-** |
| 19.1 | Expense from Non-Current Assets Held for Resale |  | - | - |
| 19.2 | Sale Losses from Associates, Subsidiaries and Joint Ventures |  | - | - |
| 19.3 | Other Expenses from Discontinued Operations |  | - | - |
| **XX.** | **INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)** |  | **-** | **-** |
| **XXI.** | **TAX PROVISION FOR DISCONTINUED OPERATIONS (±)** |  | **-** | **-** |
| 21.1 | Current tax provision |  | - | - |
| 21.2 | Deferred tax provision |  | - | - |
| **XXII.** | **NET INCOME/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)** |  | **-** | **-** |
| **XXIII.** | **NET INCOME/LOSS (XVII+XXII)** | **IV-j** | **69,875** | **136,823** |
| 23.1 | Group’s Profit/Loss |  | 69,876 | 136,591 |
| 23.2 | Non-controlling interest (-) | IV-l | (1) | 232 |
|  | Earnings / (Loss) per share in (Full TL) |  | 0.1127 | 0.2328 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| 1. **STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDER’S EQUITY** | | | |
|  |  |  |  |
| **INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY** | | 31 December 2015 | **31 December 2014** |
|  |  |  |  |
| **I.** | **ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS** | **(26,604)** | **33,132** |
| **II.** | **REVALUATION DIFFERENCES OF TANGIBLE ASSETS** | **-** | **-** |
| **III.** | **REVALUATION DIFFERENCES OF INTANGIBLE ASSETS** | **-** | **-** |
| **IV.** | **FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS** | **-** | **-** |
| **V.** | **INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS**  **(Effective Part of Fair Value Changes)** | **-** | **-** |
| **VI.** | **PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)** | **-** | **-** |
| **VII.** | **EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS** | **-** | **-** |
| **VIII.** | **OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS** | **(1,524)** | **-** |
| **IX.** | **DEFERRED TAX ON VALUATION DIFFERENCES** | **5,321** | **1,538** |
| **X.** | **NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)** | **(22,807)** | **34,670** |
| **XI.** | **CURRENT PERIOD INCOME/LOSS** | **69,876** | **136,591** |
| 11.1 | Net Change in Fair Value of Marketable Securities (Transfer to Income Statement) | 2,845 | 10,263 |
| 11.2 | Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement | - | - |
| 11.3 | Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement | - | - |
| 11.4 | Other | 67,031 | 126,328 |
| **XII.** | **TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)** | **47,069** | **171,261** |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **V. STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY**  **31 December 2014** | **Note**  **(Section**  **Five)** | **Paid-in Capital** | **Adjustment to Share Capital** | **Share Premium** | **Share Cancellation**  **Profits** | **Legal Reserves** | **Status Reserves** | **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 Equity Except for Minority Shares** | **Minorty shares** | **Total Shareholders’ Equity** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **I.** | **Prior Period End Balance** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Changes in the Period** |  | **420,000** | **-** | **98** | **-** | **15,165** | **-** | **119,148** | **-** | **71,267** | **10,846** | **(40,824)** | **-** | **-** | **-** | **-** | **595,700** | **10,753** | **606,453** |
| **II.** | **Increase/Decrease due to the Merger** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **III.** | **Marketable Securities Valuation Differences** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **34,670** | **-** | **-** | **-** | **-** | **34,670** | **-** | **34,670** |
| **IV.** | **Hedging Reserves (Effective Portion)** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 | Cash Flow Hedge |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.2 | Foreign Investment Hedge |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **V.** | **Revaluation Differences of Tangible Assets** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **VI.** | **Revaluation Differences of Intangible Assets** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **VII.** | **Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **VIII.** | **Foreign Exchange Difference** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **IX.** | **Changes due to the Disposal of Assets** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **X.** | **Changes due to the Reclassification of the Assets** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XI.** | **Effects of Changes in Equity of Investments  in Associates** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XII.** | **Capital Increase** |  | **200,000** | **-** | **21** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **200,021** | **-** | **200,021** |
| 12.1 | Cash |  | 200,000 | - | 21 | - | - | - | **-** | - | **-** | **-** | **-** | **-** | **-** | **-** | **-** | 200,021 | **-** | 200,021 |
| 12.2 | Internal Resources |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | **-** | **-** | **-** | **-** | - | **-** | - |
| **XIII.** | **Share Premium** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XIV.** | **Share Cancellation Profits** |  | **-** | **-** | **-** | **(3,296)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(3,296)** | **-** | **(3,296)** |
| **XV.** | **Adjustment to Share Capital** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XVI.** | **Other** |  | - | - | - | - | - | - | - | - | **-** | **-** | **-** | **-** | **-** | **-** | **-** | - | (1,771) | (1,771) |
| **XVII.** | **Net Profit or Loss for the Period** |  | - | - | - | - | - | - | - | **-** | **136,591** | **-** | **-** | **-** | **-** | **-** | **-** | **136,591** | **232** | **136,823** |
| **XVIII.** | **Profit Distribution** |  | **-** | **-** | **-** | **-** | **4,887** | **-** | **92,862** | **-** | **(71,267)** | **(26,482)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 18.1 | Dividend Paid |  | - | - | - | - | - | - | - | - |  | - | **-** | **-** | - | **-** | **-** | - | **-** | - |
| 18.2 | Transfers to Reserves |  | - | - | - | - | 4,887 | - | 92,862 | - | (71,267) | (26,482) | **-** | **-** | - | - | **-** | - | **-** | - |
| 18.3 | Other |  | - | - | - | - | - | - | - | - | - | - | **-** | **-** | - | - | **-** | - | **-** | - |
|  | **Period End Balance**  **(I+II+III+… +XVIII)** |  | **620,000** | **-** | **119** | **(3,296)** | **20,052** | **-** | **212,010** | **-** | **136,591** | **(15,636)** | **(6,154)** | **-** | **-** | **-** | **-** | **963,686** | **9,214** | **972,900** |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **V. STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY**  **31 December 2015** | **Note**  **(Section**  **Five)** | **Paid-in Capital** | **Adjustment to Share Capital** | **Share Premium** | **Share Cancellation**  **Profits** | **Legal Reserves** | **Status Reserves** | **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 Equity Except for Minority Shares** | **Minorty shares** | **Total Shareholders’ Equity** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **I.** | **Prior Period End Balance** |  | **620,000** | **-** | **119** | **(3,296)** | **20,052** | **-** | **212,010** | **-** | **136,591** | **(15,636)** | **(6,154)** | **-** | **-** | **-** | **-** | **963,686** | **9,214** | **972,900** |
| **II.** | **Increase/Decrease due to the Merger** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **III.** | **Marketable Securities Valuation Differences** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(21,283)** | **-** | **-** | **-** | **-** | **(21,283)** | **-** | **(21,283)** |
| **IV.** | **Hedging Reserves (Effective Portion)** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 | Cash Flow Hedge |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.2 | Foreign Investment Hedge |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **V.** | **Revaluation Differences of Tangible Assets** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VI.** | **Revaluation Differences of Intangible Assets** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VII.** | **Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VIII.** | **Foreign Exchange Difference** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **IX.** | **Changes due to the Disposal of Assets** |  | **-** | **-** | **(85)** | **3,296** | **(1,727)** | **-** | **(1,036)** | **-** | **-** | **3,286** | **-** | **-** | **-** | **-** | **-** | **3,734** | **-** | **3,734** |
| **X.** | **Changes due to the Reclassification of the Assets** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XI.** | **Effects of Changes in Equity of Investments  in Associates** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **596** | **-** | **-** | **-** | **-** | **-** | **596** | **(9,202)** | **(8,606)** |
| **XII.** | **Capital Increase** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 12.1 | Cash |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 12.2 | Internal Resources |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XIII.** | **Share Premium** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XIV.** | **Share Cancellation Profits** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XV.** | **Adjustment to Share Capital** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XVI.** | **Other** |  | **-** | **-** | **20** | **-** | **-** | **-** | **-** | **(1,524)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,504)** | **-** | **(1,504)** |
| **XVII.** | **Net Profit or Loss for the Period** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **69,876** | **-** | **-** | **-** | **-** | **-** | **-** | **69,876** | **(1)** | **69,875** |
| **XVIII.** | **Profit Distribution** |  | **-** | **-** | **-** | **-** | **6,647** | **-** | **122,197** | **-** | **(136,591)** | **7,747** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 18.1 | Dividend Paid |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 18.2 | Transfers to Reserves |  | - | - | - | - | 6,647 | - | 122,197 | - | (136,591) | 7,747 | - | - | - | - | - | - | - | - |
| 18.3 | Other |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
|  | **Period End Balance**  **(I+II+III+… +XVIII)** |  | **620,000** | **-** | **54** | **-** | **24,972** | **-** | **333,171** | **(1,524)** | **69,876** | **(4,007)** | **(27,437)** | **-** | **-** | **-** | **-** | **1,015,105** | **11** | **1,015,116** |

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **VI. STATEMENT OF CASH FLOWS** | | **Note**  **(Section Five)** | **31 December 2015** | **31 December 2014** | |
|  |  |  |  |  |
| **A.** | **CASH FLOWS FROM BANKING OPERATIONS** |  |  |  |
|  |  |  |  |  |
| 1.1 | Operating Profit Before Changes in Operating Assets and Liabilities |  | 1,508,867 | 992,282 |
|  |  |  |  |  |
| 1.1.1 | Interest Received |  | 1,106,932 | 1,233,958 |
| 1.1.2 | Interest Paid |  | (570,645) | (631,469) |
| 1.1.3 | Dividend Received |  | - | 197 |
| 1.1.4 | Fees and Commissions Received |  | 78,982 | 62,823 |
| 1.1.5 | Other Income |  | 82,590 | 15,956 |
| 1.1.6 | Collections from Previously Written-off Loans and Other Receivables |  | 105,729 | 74,450 |
| 1.1.7 | Payments to Personnel and Service Suppliers |  | (157,199) | (159,239) |
| 1.1.8 | Taxes Paid |  | (38,140) | (34,381) |
| 1.1.9 | Other |  | 900,618 | 429,987 |
|  |  |  |  |  |
| 1.2 | Changes in Operating Assets and Liabilities |  | (852,230) | (2,973,577) |
|  |  |  |  |  |
| 1.2.1 | Net (Increase)/Decrease in Trading Securities |  | 35,842 | 38,539 |
| 1.2.2 | Net (Increase)/Decrease in Fair Value through Profit/Loss Financial Assets |  | - | - |
| 1.2.3 | Net (Increase)/Decrease in due from Banks |  | (215,253) | (42,111) |
| 1.2.4 | Net (Increase)/Decrease in Loans |  | (2,818,407) | (1,743,687) |
| 1.2.5 | Net (Increase)/Decrease in Other Assets |  | (13,961) | (702,379) |
| 1.2.6 | Net Increase/(Decrease) in Bank Deposits |  | 161,428 | (44,691) |
| 1.2.7 | Net Increase/(Decrease) in Other Deposits |  | 423,382 | 719,614 |
| 1.2.8 | Net Increase/(Decrease) in Funds Borrowed |  | 1,699,716 | (9,046) |
| 1.2.9 | Net Increase/(Decrease) in Payables |  | - | - |
| 1.2.10 | Net Increase/(Decrease) in Other Liabilities |  | (124,977) | (1,189,816) |
|  |  |  |  |  |
| **I.** | **Net Cash Provided from Banking Operations** |  | **656,637** | **(1,981,295)** |
|  |  |  |  |  |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |
|  |  |  |  |  |
| **II.** | **Net Cash Provided from Investing Activities** |  | **72,413** | **1,127,026** |
|  |  |  |  |  |
| 2.1 | Cash Paid for Acquisition of Investments, Associates and Subsidiaries |  | - | - |
| 2.2 | Cash Obtained from Disposal of Investments, Associates and subsidiaries |  | 900 | - |
| 2.3 | Purchases of Property and Equipment |  | (27,500) | (13,160) |
| 2.4 | Disposals of Property and Equipment |  | 20,008 | 14,848 |
| 2.5 | Cash Paid for Purchase of Investments Available-for-sale |  | (1,047,154) | (235,844) |
| 2.6 | Cash Obtained from Sale of Investments Available-for-sale |  | 1,126,159 | 345,449 |
| 2.7 | Cash Paid for Purchase of Investment Securities |  | - | (220,830) |
| 2.8 | Cash Obtained from Sale of Investment Securities |  | - | 1,236,563 |
| 2.9 | Other |  | - | - |
|  |  |  |  |  |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |
|  |  |  |  |  |
| **III.** | **Net Cash Provided from Financing Activities** |  | **439,727** | **779,040** |
|  |  |  |  |  |
| 3.1 | Cash Obtained from Funds Borrowed and Securities Issued |  | 644,559 | 779,019 |
| 3.2 | Cash used for Repayment of Funds Borrowed and Securities Issued |  | (204,767) | (200,000) |
| 3.3 | Issued Capital Instruments |  | - | 200,000 |
| 3.4 | Dividends Paid |  | - | - |
| 3.5 | Payments for Finance Leases |  | - | - |
| 3.6 | Other |  | (65) | 21 |
|  |  |  |  |  |
| **IV.** | **Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents** |  | **(341,282)** | **(78,724)** |
|  |  |  |  |  |
| **V.** | **Net Increase in Cash and Cash Equivalents (I+II+III+IV)** |  | **827,495** | **(153,953)** |
|  |  |  |  |  |
| **VI.** | **Cash and Cash Equivalents at Beginning of the Period** |  | **459,281** | **613,234** |
|  |  |  |  |  |
| **VII.** | **Cash and Cash Equivalents at End of the Period** |  | **1,286,776** | **459,281** |

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

|  |  |  |
| --- | --- | --- |
| **VII. PROFIT DISTRIBUTION STATEMENT (\*)** | **31 December 2015 (\*\*)** | **31 December 2014 (\*\*\*)** |
|  |  |  |
| **I.** **DISTRIBUTION OF CURRENT YEAR INCOME** |  |  |
|  |  |  |
| 1.1. CURRENT YEAR INCOME | 85,109 | 156,540 |
| 1.2. TAXES AND DUTIES PAYABLE (-) | 25,598 | 32,098 |
| 1.2.1. Corporate Tax (Income tax) | 24,664 | 32,098 |
| 1.2.2. Income withholding tax | - | - |
| 1.2.3. Other taxes and duties | 934 | - |
|  |  |  |
| **A. NET INCOME FOR THE YEAR (1.1-1.2)** | **59,511** | **124,442** |
|  |  |  |
| 1.3. PRIOR YEAR LOSSES (-) | **-** | **-** |
| 1.4. FIRST LEGAL RESERVES (-) | - | 6,222 |
| 1.5. OTHER STATUTORY RESERVES (-) | - | - |
|  |  |  |
| **B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)] (\*)** | **59,511** | **118,219** |
|  |  |  |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1. To Owners of Ordinary Shares | - | - |
| 1.6.2. To Owners of Privileged Shares | - | - |
| 1.6.3. To Owners of Preferred Shares | - | - |
| 1.6.4. To Profit Sharing Bonds | - | - |
| 1.6.5. To Holders of Profit and Loss Sharing Certificates | - | - |
| 1.7. DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8. DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9. SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1. To Owners of Ordinary Shares | - | - |
| 1.9.2. To Owners of Privileged Share | - | - |
| 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 (-) | - | - |
| 1.11. STATUTORY RESERVES (-) | - | - |
| 1.12. EXTRAORDINARY RESERVES | - | 118,219 |
| 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 | 0.1127 | 0.2217 |
| 3.2. TO OWNERS OF ORDINARY SHARES ( % ) | 11.27 | 22.17 |
| 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 ( % ) | - | - |

(\*) The statement of profit distribution presents the Parent Bank’s figures due to not having consolidated profit distribution.

(\*\*) Profit distribution is decided by the Board of Directors of the Parent Bank. Annual General Meeting has not been held as of reporting date.

(\*\*\*) Statement of profit distribution related to prior period has been approved and restated in accordance with General Assembly Decision as of 16 March 2015, after issuance of audited financial statements of 31 December 2014.

(\*\*\*\*) Full TL amount has been stated for each nominal amount of 1.000.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

I. Basis of Presentation

As prescribed in the Article 37 and Article 38 of the Banking Act No. 5411, the Parent Bank prepares its financial statements and underlying documents in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” 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”) except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The consolidated financial statements have been prepared in TL, under the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

The preparation of consolidated financial statements in conformity with BRSA Accounting and Reporting Legislation requires the use of certain critical accounting estimates by the Group management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles are defined and applied in accordance with BRSA Accounting and Reporting Legislation. Those accounting policies and valuation principles are explained in Notes II to XXVI below.

As of the reporting date, all changes at TAS and TFRS except TFRS 9 Financial Instruments Standard, do not expected to have significant impact on Bank’s accounting policies, financial situation and performance.

**Additional paragraph for convenience translation into English**

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which these consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”) may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

1. **Strategy of Using Financial Instruments and Foreign Currency Transactions**

A major portion of the Parent Bank’s funding has fixed interest rates; almost all TL placements consist of low-risk short-term transactions. Liquidity risk is monitored closely and the adequacy of available resources (which will be due within a certain period of fulfillment of obligations) are closely monitored. The maturity structure of placements isa aimed to be in line with the maturities of resources of the country to the extent permitted by current conditions.

Risk bearing short term positions of currency, interest or price movements in money and capital markets is evaluated within the trading risk. The Parent Bank evaluated the required economic capital for trading risk and based on that risk limits are determined. This portfolio, being priced by the market on a daily basis and the limits are monitored on a daily basis. Risk limits are approved by Board of Directors once a year following the approval of the budget except a revision is required due to the economic conditions.

As of 31 December 2015 and 31 December 2014, the Parent Bank does not have any investment in foreign companies.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Consolidated Subsidiaries**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” and the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TFRS 10”) published in the Official Gazette No. 26340 dated 8 November 2006.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards according to the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Accounting policy of the subsidiaries when different from the parent bank, differences are harmonized in the financial statements according with the principle of importance. Subsidiaries financial statements are prepared as of 31 December 2015.

Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity), in which Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies, have been fully consolidated.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from their acquisition date. If necessary, accounting policies of subsidiaries may have been changed in order to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title | Activity center (City/ Country) | Activity | Ownership rates (%)  30 September 2015 | Indirect Ownership rates (%)  30 September 2015 |
| Alternatif Yatırım A.Ş. | İstanbul / Türkiye | Investment Management | 100.00 | 100.00 |
| Alternatif Yatırım Ortaklığı A.Ş.(\*) | İstanbul / Türkiye | Portfolio Management | 4.92 | 79.68 |
| Alternatif Finansal Kiralama A.Ş. | İstanbul / Türkiye | Leasing | 99.99 | 99.99 |

(\*) Liquidation of Alternatif Yatırım Ortaklığı A.Ş. were approved in extraordinary general meeting dated 29 September 2014 and completed as of 25 November 2015. Explanation in detailed is given Section Five Note I-h.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IV. Forward Transactions, Options and Derivative Instruments**

Group’s derivative transactions include foreign currency swap, interest rate swap, foreign exchange forward contracts, futures and options.

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded on gain 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 hedges or not and to the content of hedge accounting.

The Parent 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 Parent 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 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/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 income statement.

The Parent 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 Parent Bank’s risk management position, are recorded under the specific rules of TAS 39 and are treated as derivatives “Held-for-trading”.

**V. Interest Income and Expense**

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its presented book value) periodically.

The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

1. **Fee and Comission Income and Expense**

Except for the banking services revenues are recognized as income at the time of collection, commission income related with the cash and non-cash loans are deferred and recognized as income by using with the effective interest rate method depending on nature of fees and commission income derived from agreements and asset purchases for third parties are recognized as income when realized.

Fees and commission expenses paid to the other institutions are recognized as operation cost in the prepaid expense and recorded using the effective interest rate method.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Financial Assets**

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial instruments constitutes the basis of the Group’s business activities and operations. Risks related to these activities form a significant part among total risks the Parent Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Group’s balance sheet in all respects. The Group trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities of the group. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Parent Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

The purchase or sale of financial assets is a transaction based on regulation or market convention that requires delivery of assets within a defined time frame. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets. Changes occurring in the fair value, cost or amortized cost are not recognized for the asset; fair value recognition in profit or loss in respect of a financial asset classified as the resulting gain or loss in profit or loss; the gain and loss arising in financial assets available for sale is recognized in equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are described below.

1. **Cash, Banks and Other Financial Institutions**

Cash and cash equivalents consists of cash on hand, demand deposits, and highly liquid short-term investments, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The carrying value of these assets are their fair values.

**b. Marketable securities**

Financial assets which are classified as “financial assets at fair value through profit or loss”, are classified in two main topics; (i) Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio with a pattern of short-term profit taking. (ii) These are the financial assets that are classified as fair value difference profit/loss during the initial recognition performed by the Parent Bank. The Group may only use this kind of classification under allowance and in the cases which results in a better presentation of information.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. The fair values of the public interest marketable securities are being calculated by using the stock market fair values.

The differences between the costs and fair values of financial assets at fair value through profit or loss are reflected to interest income and accruals or impairment provision. All gains and losses arising from these evaluations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Financial Assets (Continued)**

Interests received from investments held to maturity are recognized as an interest income.

In 2014, the Parent Bank has sold a significant portion of its securities, classified in held to maturity portfolio as 31 December 2013 amounting TL 1,727,972 before the maturity dates of such securities. Therefore the Parent Bank will not able to classify its investment in held to maturity portfolio for two years beginning from 1 January 2015.

Available for sale assets are initially recognized at cost including the transaction costs. After initial recognition, subsequent valuation of available for sale financial assets are carried over fair value and the unrealized profit or loss arising in the changes resulting from changes in fair value and the changes between discounted value of assets is shown in”Marketable Securities Value Increase Fund” in equity. In the case that disposal of available for sale financial assets, the value gains/losses transferred to the income statement from “Marketable Securities Value Increase Fund”.

## c. Loans and receivables

The Parent Bank loans and receivables are carried initially at cost and subsequently recognized at the amortized cost value calculated using “effective interest method”. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Cash loans in personal and corporate loans, according to the Uniform Chart of Accounts ("UCA") and Prospectus are recognized in accordance with their original balances in the account specified.

The foreign exchange indexed commercial and individual loans are being monitored by the exchange rate of the opening date over Turkish Lira in the TL accounts. Repayments are calculated at the exchange rate at the date of payment, the resulting exchange differences are recognized in the income and expense account.

Starting from 24 March 2014, the Parent Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loans amounting TL 38,204 with maturity 3 years and TL 56,723 with maturity 5 years funding by using interest rate swaps. The both nominal value of interest rate swaps is TL 55,000 with maturity 3 years and 5 years respectively. In this context, TL 768 which was calculated for these loans is refered to ‘Interest on Loans’.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Impairment of Financial Assets**

At each balance sheet date, the Group evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the Group determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event (“loss event”) after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not recognized.

Impairment losses attributable to the held to maturity investments are measured as the difference between the present values of expected future cash flows discounted using the original interest rate of financial asset and the carrying value of asset. The related difference is recognized as a loss and it decreases the carrying value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When an impairment occurs in the fair values of the “financial assets available for sale” of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Loans are classified and followed in line with the provisions of the “Regulation on Procedures And Principles For Determination Of Qualifications Of Loans And Other Receivables By Banks And Provisions To Be Set Aside”, published on the Official Gazette numbered 26333 dated 1 November 2006. Within the scope of the relevant legislation, until March 2014, the Bank allocated 100% of the credit amount as provisions in accordance with mentioned the minimum provision rates in the Communiqué. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

1. **Offsetting Financial Assets**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously. Otherwise, any related financial assets and liabilities are not offset.

1. **Sales and Repurchase Agreements and Securities Lending Transactions**

Funds obtained by the Parent Bank from repurchase agreements (“repo”) are accounted under “Funds Provided under Repurchase Agreements” in liabilities.

The Group’s repurchase agreements are composed short-term government bonds and treasury bills. Financial assets subject to repurchase agreements, parallel to the classification of financial instruments, the fair value recognition in profit or loss, are classified as available for sale or held to maturity financial assets. Repo subjected financial assets’ income recognized in interest income, while expenses paid under repurchase agreements are recognized in interest expenses.

Funds given against securities purchased under agreements to resell (“Reverse Repo”) are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Assets Held For Sale and Discontinued Operations**

A tangible asset (or a group of assets to be disposed) classified as “asset held for resale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

A discontinued operation is a part of the Parent Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

1. **Goodwill and Other Intangible Assets**

Group has TL 49,647 goodwill in consolidated financial statements as of balance sheet date.

Goodwill is the amount that exceeds the cost of buying of fair value expressed as the amount of the group share in net identifiable assets of the Group's purchased subsidiaries.Annual impairment test is performed for goodwill every year and shown as deducting accumulated impairment from cost of goodwill. Provision for impairment on goodwill is not reversed.

As a result of the disposal of the business that gain or loss occurs includes the carrying amount goodwill related to disposed business.

Goodwill is distrubuted to cash generating units for impairment test. Distributions are made to benefit from the business combination in which the goodwill arose expected to cash-generating units or groups. The recoverable amount of the cash-generating unit is determined based on value in used calculations. These calculations require the use of estimetes.

The intangible assets which are purchased before 1 January 2005 have been restated fot the effects of inflation and the intangible assets after this date are presented with their purchase cost, accumulated depreciation and amortization and impairment. According to the regular amortization method, long term assets depreciate regarding to their useful lives. The amortization method and the period are reviewed in each year-end. The intangible assets are mainly consisted of software programs and rights and according to the straight line method of depreciation, they amortize in between 3 to 15 years.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Property and Equipment**

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any.

Fixed assets are being depreciated by applying the straight-line method, in accordance with the Tax Procedure Law which estimates the useful lives.

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.

If fix assets’ value, adjusted for inflation (until 31 December 2004) is higher than the current value, exceeding amount is being allocated for impairment and determined amounts are reflected in the financial statements. Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Expenditures for the repair and renewal of property and equipment are recognised as expense.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

1. **Leasing Transactions**

**Finance leasing activities as the lessee**

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under ‘Finance Lease Payables’ account in the financial statements. In the determination of the related asset and liability amounts,the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate. If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

**Finance leasing activities as the lessor**

The total of minimum rent amounts are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

**Operating lease transactions**

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. Provisions, Contingent Asset and Liabilities**

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

Provisions are recognized when the Parent 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. Provisions are determined by using the Parent Bank Management' s best expectation of expenses in fulfilling the obligation, and discounted to present value if material. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Parent Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

**XVI. Obligations Related To Employee Rights**

Obligations related to employee termination and vacation rights are accounted in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”). Under the Turkish Labor Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation arising from this liability. Actuarial gains and losses are accounted for under equity.

**XVII. Taxation**

1. **Current tax**

Corporate Tax Law No. 5520 became effective after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% . The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 15th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. Taxation (Continued)**

1. **Deferred tax**

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements. Deferred tax assets and liabilities are in the financial statements of subsidiaries are netted separately.

**XVIII. Additional Explanations on Borrowings**

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” using the “effective interest rate method” (internal rate of return).

**XIX. Explanations on Share Certificates and Issuance of Share Certificates**

At capital increases, the Parent Bank accounts the difference between the issued value and nominal value as share issue premium under shareholders’ equity, in the case where the issued value is higher than the nominal value.

There is no decision of the Parent Bank for dividend distribution after the balance sheet date.

**XX. Avalized Drafts And Acceptances**

Guaranteed bills and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”.

**XXI. Government Grants**

As of 31 December 2015, the Group has unusued investment incentives amounting to TL 95,584 which is investment incentive of qualifying investment allowances amount, over 40% of property value of having been leased investment.

**XXII. Profit Reserves And Profit Distribution**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXIII. Earnings Per Share**

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Group’s Profit | 69,876 | 136,591 |
| Weighted Average Number of Issued Ordinary Shares (Thousand) | 620,000 | 586,667 |
| **Earnings Per Share (Disclosed in full TL)** | **0.1127** | **0.2328** |

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

No bonus shares were issued as of and for the year ended 31 December 2015 (31 December 2014: None).

**XXIV. Related Parties**

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies are considered and referred to as related parties in accordance with “Turkish Accounting Standard for Related Parties” (“TAS 24”). The transactions with related parties are disclosed in detail in Note V. of Section Five.

**XXV. Cash and Cash Equivalents**

For the purposes of preparation of the cash flow statement, “Cash” includes cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

**XXVI. Operating Segments**

Information about operating segments which are determined in line with TFRS 8 “Turkish Financial Reporting Standard about Operating Segments” together with organizational and internal reporting structure of the Group.

The other subsidiary of the Parent Bank, Alternatif Finansal Kiralama A.Ş.was established in 1997, operates according to Financial Leasing Law communiqués 3226 numbered, permit from Treasury and Foreign Trade Undersecretariat to operate in Turkey. Company operates its activities published on the Official Gazette no.28627 dated 24 April 2013 communiqués published by the Banking Regulation and Supervision Board ‘Leasing, Faktoring, and Finance companies Regulation on the Establishment and Principles’.

a) The Parent Bank provides basic banking services in corporate/commercial banking and treasury field.

b) Corporate banking services consists of automatic money transfers, current accounts, deposits, open loan transactions as well as option and other derivative instruments that are used for banking operations.

c) Investment banking services consists of trading of financial instruments and fund management.

d) The Parent Bank's one of the subsidiary Alternatif Yatırım A.Ş. provides capital market activities in accordance with Capital Market Law and relevant legislations. In accordance with the law and within the authorization and permits given, the Company operates in the company brokerage, portfolio management, margin trading, Short Selling and Lending and Borrowing of Securities, investment advisory , the securities exchange with buy-back sell-back commitment, intermediation for public offering , intermediation for the derivative instruments exchange.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVI. Operating Segments (Continued)**

d) According to the Law, the Company received a authority certificate from the Capital Market Board to create the company's portfolio, to managing and to make changes in the portfolio when it is necessary. Parent Bank's another subsidiary Alternatif Finansal Kiralama A.Ş., established in 1997 to operate in Turkey, within the framework of 3226 Financial Leasing Law, with following permission from Undersecretariat of Treasury. Company has been operating its activities within the framework of BRSA’s ‘Regulations on the Establishment and Procedures of the Financial Leasing, Factoring and Financing Company’, published in the Official Gazette No. 28627 in 24 April 2013.

e) Other operations consist of subsidiaries and joint ventures, tangible assets, intangible assets, deferred tax asset and equity amounts and other income/loss accounts associated with these accounts.

f) The Group’s software requirements, possible software updates and additional software requirements to compete with other firms are provided by the Parent Bank.

g) According to the table provided, share of each Bank’s operating segment in the Balance sheet is as follows:

corporate/retail banking 74%, investment banking 21% and other 5%.

**Major balance sheet and income statement items according to operating segments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2015** | **Corporate /**  **Retail Banking** | **Investment Banking** | **Other** | **Total Operations**  **of the Group** |
| Net Interest Income | 583,964 | (39,095) | 967 | 545,836 |
| Net Fees and Commissions Income and Other Operating Income | 231,373 | 3,330 | - | 234,703 |
| Trading Profit/Loss | (199) | (39,553) | - | (39,752) |
| Dividend Income | - | - | - | - |
| Impairment Provision for Loans and Other Receivables (-) | (207,669) | (3,372) | - | (211,041) |
| Other Operating Expenses (-) | (422,356) | (9,781) | - | (432,137) |
| **Profit Before Taxes** | **185,113** | **(88,471)** | **967** | **97,609** |
| Tax Provision |  |  |  | (27,734) |
| **Net Profit for the Period** |  |  |  | **69,875** |
|  |  |  |  |  |
| **31 December 2015** |  |  |  |  |
| Segment Assets | 10,403,625 | 3,023,828 | 637,370 | 14,064,823 |
| Investments in Associates and Subsidiaries | - | - | - | - |
| **Total Assets** | **10,403,625** | **3,023,828** | **637,370** | **14,064,823** |
| Segment Liabilities | 7,180,942 | 3,869,521 | 1,999,244 | 13,049,707 |
| Shareholders’ Equity | 112,989 | 20,612 | 881,515 | 1,015,116 |
| **Total Liabilities** | **7,293,931** | **3,890,133** | **2,880,759** | **14,064,823** |

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVI. Operating Segments (Continued)**

**Major balance sheet and income statement items according to operating segments (Continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Corporate /**  **Retail Banking** | **Investment Banking** | **Other** | **Total Operations**  **of the Group** |
| Net Interest Income | 500,073 | (12,269) | 430 | 488,234 |
| Net Fees and Commissions Income and Other Operating Income | 122,265 | 12,516 | (1,482) | 133,299 |
| Trading Profit/Loss | 1,945 | (30,155) | 730 | (27,480) |
| Dividend Income | - | 66 | 131 | 197 |
| Impairment Provision for Loans and Other Receivables (-) | (123,607) | (13,848) | - | (137,455) |
| Other Operating Expenses (-) | (275,041) | (17,264) | (1,242) | (293,547) |
| **Profit Before Taxes** | **225,635** | **(60,954)** | **(1,433)** | **163,248** |
| Tax Provision |  |  |  | (26,425) |
| Minority Interest |  |  |  | **136,823** |
| **Net Profit for the Period** |  |  |  |  |
|  |  |  |  |  |
| **31 December 2014** |  |  |  |  |
| Segment Assets | 8,452,961 | 2,482,961 | 411,745 | 11,347,667 |
| Investments in Associates and Subsidiaries | - | - | - | - |
| **Total Assets** | **8,452,961** | **2,482,961** | **411,745** | **11,347,667** |
| Segment Liabilities | 6,284,936 | 2,483,878 | 1,605,953 | 10,374,767 |
| Shareholders’ Equity | (39,151) | 25,112 | 986,939 | 972,900 |
| **Total Liabilities** | **6,245,785** | **2,508,990** | **2,592,892** | **11,347,667** |

**SECTION FOUR**

**INORMATION ON THE FINANCIAL POSITION OF THE GROUP**

## Information on Capital Adequacy Ratio

The standard rate of the capital adequacy of the Group is 14.16% (31 December 2014: 13.83%).

The calculation of the standard rate of the capital adequacy is made within framework of the “Regulation on the Measurement and Assessment of the Capital Adequacy of Banks (Regulation)”, which was published in Official Gazette No.29111 dated 6 September 2014.

**Information related to capital adequacy ratio**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Risk Weights** | | | | | | | |
|  |  | **The Parent Bank** | | | | | | | |
| **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **200%** | **250%** | **1250%** |
| **Value at Credit Risk** | **1,975,312** | **-** | **688,454** | **3,961,400** | **1,360,584** | **6,717,902** | **51,677** | **31,386** | **-** | **-** |
| **Risk Groups** |  |  |  |  |  |  |  |  |  |  |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 1,821,604 | - | - | 323,090 | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | - | - | - | - | - | 1,310 | - | - | - | - |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from International Organizations | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Banks and Intermediaries |  |  | 688,419 | 1,173,232 | - | - | - | - | - | - |
| Contingent and Non-Contingent Corporate Receivables | - | - | - | - | - | 6,179,362 | - | - | - | - |
| Contingent and Non-Contingent Retail Receivables | - | - | - | - | 1,360,584 | 4,065 | - | - | - | - |
| Contingent and Non-Contingent Receivables Secured by Residential Property | - | - | - | 2,433,358 | - | - | - | - | - | - |
| Non-Performing Receivables | - | - | - | 31,720 | - | 185,791 | 3,300 |  | - | - |
| Receivables identified as high risk by the Board | - | - | - | - | - | - | 48,377 | 31,386 | - | - |
| Securities Secured by Mortgage | - | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - | - |
| Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries | - | - | - | - | - | - | - | - | - | - |
| Investments as Collective Investment Institutions | - | - | - | - | - | - | - | - | - | - |
| Other Receivables | 153,708 | - | 35 | - | - | 347,374 | - | - | - | - |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Information on Capital Adequacy Ratio (Continued)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Risk Weights** | | | | | | | |
|  |  | **Consolidated** | | | | | | | |
| **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **200%** | **250%** | **1250%** |
| **Value at Credit Risk** | **2,001,648** | **-** | **688,455** | **3,969,497** | **1,815,204** | **7,132,285** | **66,008** | **31,386** | **-** | **-** |
| **Risk Groups** |  |  |  |  |  |  |  |  |  |  |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 1,821,604 | - | - | 323,090 | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | - | - | - | - | - | 1,310 | - | - | - | - |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from International Organizations | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from  Banks and Intermediaries | - | - | 688,420 | 1,175,691 | - | - | - | - | - | - |
| Contingent and Non-Contingent Corporate Receivables | - | - | - | - | - | 6,753,216 | - | - | - | - |
| Contingent and Non-Contingent Retail Receivables | - | - | - | - | 1,815,204 | 4,065 | - | - | - | - |
| Contingent and Non-Contingent Receivables Secured by Residential Property | - | - | - | 2,438,996 | - | - | - | - | - | - |
| Non-Performing Receivables | - | - | - | 31,720 | - | 186,816 | 17,631 | - | - | - |
| Receivables identified as high risk by the Board | - | - | - | - | - | - | 48,377 | 31,386 | - | - |
| Securities Secured by Mortgage | - | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - | - |
| Short-term Receivables and Short-term Corporate Receivables from Banks and Intermediaries | - | - | - | - | - | - | - | - | - | - |
| Investments as Collective Investment Institutions | - | - | - | - | - | - | - | - | - | - |
| Other Receivables | 180,044 | - | 35 | - | - | 186,878 | - | - | - | - |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Information on Capital Adequacy Ratio (Continued)**

**Summary information about the capital adequacy ratio**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **The Parent Bank** | **Consolidated** | **The Parent Bank** | **Consolidated** |
|  | **31 December 2015** | **31 December 2015** | **31 December 2014** | **31 December 2014** |
| Capital Requirement for Credit Risk (Main Amount Related with Credit Risk\*0,08) (CRCR) | 799,761 | 862,233 | 634,613 | 671,854 |
| Capital Requirement for Market Risk (CRMR) | 4,549 | 4,117 | 1,367 | 2,423 |
| Capital Requirement for Operational Risk (CROR) | 70,287 | 75,080 | 59,168 | 62,442 |
| Shareholders Equity | 1,699,728 | 1,666,027 | 1,312,808 | 1,273,599 |
| **Shareholders Equity/((CRCR+CRMR+CROR) \*12,5)\*100)** | **15.55%** | **14.16%** | **15.11%** | **13.83%** |
| **Tier I Capital/((CRCR+CRMR+CROR) \*12,5)\*100)** | **8.68%** | **7.78%** | **10.63%** | **9.61%** |
| **Common equity/((CRCR+CRMR+CROR) \*12,5)\*100)** | **8.90%** | **8.34%** | **10.82%** | **10.25%** |

**Information about the shareholders’ equity items**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **COMMON EQUITY** |  |  |
| Paid-in capital to be entitled for compensation after all creditors | 620,000 | 620,000 |
| Share premium | 54 | 119 |
| Share cancellation profits | - | (3,296) |
| Legal reserves | 356,619 | 232,062 |
| Other comprehensive income according to TAS |  | - |
| Profit | 65,869 | 120,955 |
| Net Current Period Profit | 69,876 | 136,591 |
| Prior Period Profit | (4,007) | (15,636) |
| Provisions for possible losses | - | - |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit | - | - |
| Minority shares | 11 | 9,214 |
| **Common Equity Before Deductions** | **1,042,553** | **979,054** |
| **Deductions From Common Equity** |  |  |
| Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-) | 27,437 | 6,154 |
| Leasehold improvements on operational leases (-) | 12,266 | 13,401 |
| Goodwill and intangible assets and related deferred tax liabilities (-) | 16,562 | 14,912 |
| Net deferred tax assets / liabilities (-) | 4,806 | 215 |
| 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 Bank does not 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 owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-) | - | - |
| Mortgage servicing rights exceeding the 10% threshold of Tier I Capital (-) | - | - |
| Net deferred tax assets arising from temporary differences exceeding the10% threshold of Tier I Capital (-) | - | - |
| Amount Exceeding the 15% threshold of Tier I Capital as per the Article 2, clause 2 of the regulation on measurement and assessment of Capital Adequacy Ratios 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 I Capital (-) | - | - |
| Mortgage Servicing Rights not Deducted (-) | - | - |
| Excess Amount Arising from Deferred Tax Assets from Temporary Differences (-) | - | - |
| Other items to be defined by the BRSA (-) | - | - |
| Deductions from Tier I Capital in cases where there are no Adequate Additional Tier I or Tier II Capitals (-) | - | - |
| **Total Regulatory Adjustments to Common Equity** | **61,071** | **34,682** |
| **Total Common Equity** | **981,482** | **944,372** |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Information on Capital Adequacy Ratio (Continued)**

**Information about the shareholders’ equity items (Continued)**

|  |  |  |
| --- | --- | --- |
| **ADDITIONAL TIER I 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 Tier I Capital before Deductions** | - | - |
| **Deductions from Additional Tier I Capital** | - | - |
| Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns more than 10% of the Issued Share Capital (-) | - | - |
| Other Items to be Defined by the BRSA (-) | - | - |
| Deductions from Additional Core Capital in Cases Where There are no Adequate Tier II Capital (-) | - | - |
| **Total Deductions from Additional Tier I Capital** | - | - |
| **Total Additional Tier I Capital** | - | - |
| **Deductions from Tier I Capital** |  |  |
| 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 Ratios of Banks (-) | 66,246 | 59,646 |
| Net Deferred Tax Asset/Liability not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - |
| **Total Tier I Capital** | **915,236** | **884,726** |
| **TIER II CAPITAL** |  |  |
| 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) | 660,989 | 329,141 |
| Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases | - | - |
| General Provisions | 93,386 | 62,858 |
| **Tier II Capital Before Deductions** | **754,375** | **391,999** |
| **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 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 BRSA (-) | - | - |
| **Total Deductions from Tier II Capital** | - | - |
| **Total Tier II Capital** | **754,375** | **391,999** |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Information on Capital Adequacy Ratio (Continued)**

**Information about the shareholders’ equity items (Continued)**

|  |  |  |
| --- | --- | --- |
| **CAPITAL** |  |  |
| Loans Granted Against the Articles 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 (-) | 3,584 | 3,100 |
| 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 Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) |  | - |
| Other Items to be Defined by the BRSA (-) | - | 26 |
| The Portion of 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 not Deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| The Portion of 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 not Deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - |
| 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, 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 Regulation (-) | **-** | **-** |
| **SHAREHOLDERS’S EQUITY** | **1,666,027** | **1,273,599** |
| **Amounts Lower than Excesses as per Deduction Rules** | **-** | **-** |
| 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 | - | - |
| 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 Tier I Capital | - | - |
| Remaining Mortgage Servicing Rights | - | - |
| Net Deferred Tax Assets Arising from Temporary Differences | - | - |

**Components of items of shareholders’ equity subject to temporary applications**

|  |  |  |
| --- | --- | --- |
|  | **Amount Included**  **in Equity Calculation** | **Total Amount** |
| Minority Ahares in Tier I Capital | 11 | 11 |
| Third Parties’ Shares in Capital | - | - |
| Third Parties’ Shares in Tier II Capital | - | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued before 1.1.2014) | 296,226 | 402,796 |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Information on Capital Adequacy Ratio (Continued)**

**Details on Subordinated Liabilities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Issuer | IFC-INT’L FINANCE CO | FMO AMSTERDAM | BLACK SEA TRADE AND DEVELOPMENT BANK | DEGKÖLN | EFSESASICAV-SIF | COMMERCIAL BANK, UNITED ARAB BANK, NATIONAL BANK OF OMAN |
| Unique identifier (eg CUSIP, ISIN) | - | - | - | - | - | - |
| Governing law(s) of the instrument | Regulation on Equity of Banks (Published in the Official Gazette Nr. 26333 dated 1 November 2006) | Regulation on Equity of Banks (Published in the Official Gazette Nr. 26333 dated 1 November 2006) | Regulation on Equity of Banks (Published in the Official Gazette Nr. 26333 dated 1 November 2006) | Regulation on Equity of Banks (Published in the Official Gazette Nr. 26333 dated 1 November 2006) | Regulation on Equity of Banks (Published in the Official Gazette Nr. 26333 dated 1 November 2006) | Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013 |
| **Regulatory treatment** | | | | | | |
| Subject to 10% deduction as of 1/1/2015 | Yes | Yes | Yes | Yes | Yes | No |
| Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated | Valid on Consolidated and Unconsolidated Basis | Valid on Consolidated and Unconsolidated Basis | Valid on Consolidated and Unconsolidated Basis | Valid on Consolidated and Unconsolidated Basis | Valid on Consolidated and Unconsolidated Basis | Valid on Consolidated and Unconsolidated Basis |
| Instrument type | Secondary Subordinated Loan | Secondary Subordinated Loan | Secondary Subordinated Loan | Secondary Subordinated Loan | Secondary Subordinated Loan | Secondary Subordinated Loan |
| Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date) | 104,711 | 52,355 | 62,826 | 50,890 | 25,444 | 364,763 |
| Par value of instrument (Million TRL) | 145,905 | 72,953 | 87,543 | 63,676 | 31,838 | 364,763 |
| Accounting classification | 347 | 347 | 347 | 347 | 347 | 347 |
| Original date of issuance | 29.12.2010 | 29.12.2010 | 29.12.2010 | 29.12.2011 | 29.12.2011 | 30.06.2015 |
| Demand or time | Time | Time | Time | Time | Time | Time |
| Original maturity date | 15.06.2021 | 15.06.2021 | 15.06.2021 | 15.06.2022 | 15.06.2022 | 30.06.2025 |
| Issuer call subject to prior supervisory approval | After 5th year | After 5th year | After 5th year | After 5th year | After 5th year | -Illegality,  - After 5 th year,  -Taxation reason and  -Depending on regulatory as a reason BRSA has the right to refund. |
| Optional call date, contingent call dates and redemption amount | - | - | - | - | - | - |
| Subsequent call dates, if applicable | - | - | - | - | - | - |
| **Coupons / dividends** | | | | | | |
| Fixed or floating dividend/coupon | Floating | Floating | Floating | Floating | Floating | Floating |
| Coupon rate and any related index | Libor+4.5 | Libor+4.5 | Libor+4.5 | Euribor+4.5 | Euribor+4.5 | Libor+6 |
| Existence of a dividend stopper | - | - | - | - | - | - |
| Fully discretionary, partially  discretionary or mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| Existence of step up or other incentive to redeem | - | - | - | - | - | - |
| Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative | Non-cumulative |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Information on Capital Adequacy Ratio (Continued)**

**Details on Subordinated Liabilities (Continued)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Convertible or non-convertible** | | | | | |  |
| If convertible, conversion trigger (s) | - | - | - | - | - | - |
| If convertible, fully or partially | - | - | - | - | - | - |
| If convertible, conversion rate | - | - | - | - | - | - |
| If convertible, mandatory or optional conversion | - | - | - | - | - | - |
| If convertible, specify instrument type convertible into | - | - | - | - | - | - |
| If convertible, specify issuer of instrument it converts int | - | - | - | - | - | - |
| **Write-down feature** | | | | | |  |
| If write-down, write-down trigger(s) | - | - | - | - | - | When unsustainable situation is realized, value decrement is realized. |
| If write-down, full or partial | - | - | - | - | - | Partial or completely value decrement is should be realized. |
| If write-down, permanent or temporary | - | - | - | - | - | Permanent |
| If temporary write-down, description of write-up mechanism | - | - | - | - | - | - |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Before core capital, aftter all creditors | Before core capital, aftter all creditors | Before core capital, aftter all creditors | Before core capital, aftter all creditors | Before core capital, aftter all creditors | Before core capital, aftter all creditors |
| Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not | No | No | No | No | No | Possess |
| According to article 7 and 8 of Banks' shareholders equity law that are not possesed | 8-2-(a), (ç), (e), (ğ) | 8-2-(a), (ç), (e), (ğ) | 8-2-(a), (ç), (e), (ğ) | 8-2-(a), (ç), (e), (ğ) | 8-2-(a), (ç), (e), (ğ) | - |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Information on Capital Adequacy Ratio (Continued)**

**The Internal Assessment Process of Internal Capital Adequacy Regarding the Current and Future Operations**

The ultimate objective of the internal assessment process of capital requirement is to sustain considering assess the capital adequacy of the Parent Bank in line with the risk profile and risk appetite by considering the Parent Bank’s strategies, credit growth prospects, structure of assets and liabilities, future funding sources and liquidity, and dividend distribution policy and possible fluctuations in the capital due to the economic cycle.

Within this scope, legal and internal capital requirements are assessed prospectively, along with the annual targets of the Parent Bank, in parallel to the preparation of 3 year strategic plans. In the process of assessing internal capital requirements, the credit risk, market risk, and operational risks, in the first pillar, and the interest rate risk resulting from the Banking accounts, concentration risk, business risk, reputation risk, model risk, and exchange risk are also included.

The risks that the Parent Bank can encounter due to its operations are being evaluated in 2015 budget works and the possible capital requirements according to The Parent Bank’s goal and strategies are evaluated. The evaluation of legal and internal capital ratio requirements considers normal conditions as well as the stress conditions. The stress scenarios are designed after estimation of post macroeconomic variables, the effects of these variables on the loan costs and market risk factors (exchange rate, interest rates etc.). The effects of stress scenarios on capital, income, risk weighted assets and capital requirement are calculated.

Internal assessment of internal capital requirement is considered by the Parent Bank as an improving process and further upgrades to this method is planned for the future.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Explanations on Credit Risk

The sectoral concentrations for loans are monitored closely in accordance with the Parent Bank’s loan policy. During the Management of Risk Comittee meetings held every month, overall Bank’s risk is monitored by analyzing sectoral concentration. In accordance with Credit Risk Policies the risk concentration for construction sector specified as 18% of total loans, for other sectors specified as 15% of total loan and realized rates, necessary approvals and actions are evaluated monthly.

All transactions are within the limits determined by the Board of Directors and being monitored on a regular basis.

All loans are revised at least once a year according to the regulations. Following the revision performed according to the Group’s rating methodology, the credit limits are revised or additional guarantees are requested. In the same process, risk based loan loss provisions are calculated and loan pricing policies are updated according to the results. As the expected loan losses are considered as a standard cost, they are considered in the pricing process. In case of unexpected losses, economical capital values are calculated and Group’s current capital is held within the required economical capital requirements. Incomes that are reevaluated according to the risk are monitored as a performance criteria and equity sharing with the profit centers are expected to be beneficial.

Derivatives, options and other similar contracts does not have specific provisions with specific control limits and the risk arising from these contracts are limited with the Group’s global risk framework. Group’s current policy indicates that such items should be fully collateralized to eliminate possible risks.

The Group does not use any loan derivative instruments.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Rescheduled loans are monitored like other loans within the Group’s internal rating application. Risk ratings of the borrowers are used for credit maturities.

Group’s international banking operations and loans are with the OECD countries and when the economic conditions of these operations are found to be unimportant of a part for the credit risk.

The Group is not active in international banking market.

The accumulation of the Parent Bank’s highest 100 cash loan clients is 53.74% (31 December 2014: 25.62%) of the overall cash loans.

The accumulation of the Parent Bank’s highest 100 non-cash loan clients is 67.75% (31 December 2014: 33.88%) of the overall non-cash loans.

The accumulation cash and non-cash receivables of the Parent Bank’s highest 100 loan clients are 8.03% (31 December 2014: 5.03%) of the overall balance sheet and off balance sheet items.

As of 31 December 2015, general loan loss provision is to TL 93,386 (31 December 2014: TL 62,858).

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

|  |  |  |
| --- | --- | --- |
| **Risk Group** | **Current Period**  **Risk Amount (\*)** | **Average**  **Risk Amount (\*\*)** |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 2,144,694 | 2,164,591 |
| Contingent and Non-Contingent Receivables from Regional Governments or Local Authorities | - | - |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises | 1,310 | 1,328 |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks | - | - |
| Contingent and Non-Contingent Receivables from International organizations | - | - |
| Contingent and Non-Contingent Receivables from banks and Intermediaries | 1,887,922 | 1,153,360 |
| Contingent and Non-Contingent Corporate Receivables | 7,187,446 | 6,445,049 |
| Contingent and Non-Contingent Retail Receivables | 1,858,594 | 2,550,062 |
| Contingent and Non-Contingent Receivables Secured by Residential Property | 2,465,374 | 2,068,912 |
| Non-Performing Receivables | 236,253 | 192,980 |
| Receivables Identified as High Risk by the Board | 83,365 | 121,718 |
| Secured by Mortgages | - | - |
| Securitization Positions | - | - |
| Short-term Receivables frorn Banks, Brokerage Houses and Corporates | - | - |
| Investrnents Similar to Collective Investrnent Funds | - | - |
| Other Receivables | 366,957 | 315,640 |
| **Total** | **16,231,915** | **15,013,640** |

(\*) Includes the risk amounts after credit conversion.

(\*\*) Average risk amounts are calculated by the arithmetic average of the July-December periods risk amounts.

* 1. **Information on types of loans and specific provisions:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2015** | **Corporate/ Commercial** | **SME** | **Consumer** | **Credit Cards** | **Total** |
| Standard Loans | 5,140,130 | 3,205,170 | 194,351 | 59,709 | 8,599,360 |
| Loans under Close Monitoring | 126,215 | 311,406 | 27,425 | 5,415 | 470,461 |
| Non-performing Loans | 192,242 | 286,807 | 32,648 | 5,644 | 517,341 |
| Specific Provision (-) | (117,677) | (139,660) | (20,701) | (3,462) | (281,500) |
| **Total** | **5,340,910** | **3,663,723** | **233,723** | **67,306** | **9,305,662** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2014** | **Corporate/ Commercial** | **SME** | **Consumer** | **Credit Cards** | **Total** |
| Standard Loans | 3,319,484 | 3,684,223 | 280,935 | 256,263 | 7,540,905 |
| Loans under Close Monitoring | 32,605 | 95,696 | 43,835 | 14,869 | 187,005 |
| Non-performing Loans | 153,013 | 258,402 | 20,820 | 8,638 | 440,873 |
| Specific Provision (-) | (102,740) | (148,966) | (13,126) | (4,411) | (269,243) |
| **Total** | **3,402,362** | **3,889,355** | **332,464** | **275,359** | **7,899,540** |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

* 1. **Information on loans and receivables past due but not impaired:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2015** | **Corporate/ Commercial** | **SME** | **Consumer** | **Credit Cards** | **Total** |
| Past due up to 30 Days | 67,106 | 155,807 | 69,763 | 7,623 | 300,299 |
| Past due 30-60 Days | 106,484 | 229,247 | 21,043 | 4,143 | 360,917 |
| Past due 60-90 Days | 19,731 | 82,159 | 6,382 | 1,272 | 109,544 |
| **Total** | **193,321** | **467,213** | **97,188** | **13,038** | **770,760** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2014** | **Corporate/ Commercial** | **SME** | **Consumer** | **Credit Cards** | **Total** |
| Past due up to 30 Days | 189,983 | 304,276 | 111,326 | 32,339 | 637,924 |
| Past due 30-60 Days | 16,743 | 54,532 | 27,189 | 9,133 | 107,597 |
| Past due 60-90 Days | 15,862 | 41,164 | 16,646 | 5,736 | 79,408 |
| **Total** | **222,588** | **399,972** | **155,161** | **47,208** | **824,929** |

* 1. **Information on debt securities, treasury bills and other bills:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2015**  **Fitch’s Rating** | **Financial Assets at Fair Value through P/L (Net)** | **Available for Sale Financial Assets (Net)** | **Held to Maturity Securities (Net)** | **Other**  **Bonds (Net)** | **Total** |
| BBB- (\*) | 422 | 667,072 | - | 144,149 | 811,643 |
| **Total** | **422** | **667,072** | **-** | **144,149** | **811,643** |

(\*) Consists of Turkish Republic government bonds, private sector bonds and treasury bills.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014**  **Fitch’s Rating** | **Financial Assets at Fair Value through P/L (Net)** | **Available for Sale Financial Assets (Net)** | **Held to Maturity Securities (Net)** | **Total** |
| BB+ (\*) | 1,755 | 895,945 | - | 897,700 |
| **Total** | **1,755** | **895,945** | **-** | **897,700** |

(\*) Consists of Turkish Republic government bonds and treasury bills.

**d. Information on rating concentration:**

The credit risk is evaluated according to the Parent Bank’s internal rating system. The loans rated according to probability of default, from the best rating (above standard), to the lowest rate (substandard) are presented in the below table and at the bottom of the table there is past due loans (impaired).

“Above standard” category means that the debtor has a strong financial structure,"standard" category means that debtor has a good and sufficient financial structure, “substandard” category means that the debtor’s financial structure under risk in the short and medium term.

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| High Standard (A,B) | 86.56% | 73.52% |
| Standard (C) | 6.90% | 17.64% |
| Substandard (D) | 1.14% | 4.54% |
| Impaired (E) | 5.40% | 0.35% |
| Not rated | - | 3.95% |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

1. **Fair value of collaterals ( loans and advances to customers):**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2015** | **Corporate/ Commercial** | **SME** | **Consumer** | **Credit Cards** | **Total** |
| Loans under Close Monitoring | 136,451 | 414,886 | 48,627 | 5,686 | 605,650 |
| Non-performing Loans | 131,388 | 120,557 | 10,675 | 2,608 | 265,228 |
| **Total** | **267,839** | **535,443** | **59,302** | **8,294** | **870,878** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2014** | **Corporate/ Commercial** | **SME** | **Consumer** | **Credit Cards** | **Total** |
| Loans under Close Monitoring | 23,949 | 91,559 | 54,372 | 9,084 | 178,964 |
| Non-performing Loans | 75,063 | 151,046 | 6,584 | 2,082 | 234,775 |
| **Total** | **99,012** | **242,605** | **60,956** | **11,166** | **413,739** |

|  |  |  |
| --- | --- | --- |
| **Type of Collaterals** | **31 December 2015** | **31 December 2014** |
| Real-estate Mortgage | 843,272 | 393,816 |
| Vehicle Pledge | 16,480 | 12,464 |
| Cash and Cash Equivalents | 2,365 | 1,878 |
| Other | 8,761 | 5,581 |
| **Total** | **870,878** | **413,739** |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

1. **Risk profile according to the geographical concentration :**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Risk Categories (\*)** | | | | | | | | | |
|  | **Contingent and Non-Contingent Receivables from Central Governments or Central Banks** | **Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises** | **Contingent and Non-Contingent Receivables from Banks and Intermediaries** | **Contingent and Non-Contingent Corporate Receivables** | **Contingent and Non-Contingent Retail Receivables** | **Contingent and Non-Contingent Receivables Secured by Residential Property** | **Non-Performing Receivables** | **Receivables Identified as**  **High Risk by**  **the Board** | **Other Receivables** | **Total** |
| **31 December 2015** |  |  |  |  |  |  |  |  |  |  |
| Domestic | 2,144,694 | 1,310 | 1,114,904 | 7,114,334 | 1,858,313 | 2,453,883 | 236,253 | 83,365 | - | 15,007,056 |
| EU Countries | - | - | 91,021 | 34,472 | 113 | 11,491 | - | - | - | 137,097 |
| OECD Countries (\*\*) | - | - | 563 | - | - | - | - | - | - | 563 |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | 114,236 | - | 10 | - | - | - | - | 114,246 |
| Other Countries | - | - | 567,198 | 38,640 | 158 | - | - | - | - | 605,996 |
| Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - |
| Unallocated Assets Liabilities (\*\*\*) | - | - | - | - | - | - | - | - | 366,957 | 366,957 |
| **Total** | **2,144,694** | **1,310** | **1,887,922** | **7,187,446** | **1,858,594** | **2,465,374** | **236,253** | **83,365** | **366,957** | **16,231,915** |

(\*) Risk categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

(\*\*) OECD countries other than EU countries, USA and Canada.

(\*\*\*) Assets and liabilities are not allocated on a consistent basis.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

1. **Risk profile according to the geographical concentration(continued):**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Risk Categories (\*)** | | | | | | | | | |
|  | **Contingent and Non-Contingent Receivables from Central Governments or Central Banks** | **Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises** | **Contingent and Non-Contingent Receivables from Banks and Intermediaries** | **Contingent and Non-Contingent Corporate Receivables** | **Contingent and Non-Contingent Retail Receivables** | **Contingent and Non-Contingent Receivables Secured by Residential Property** | **Non-Performing Receivables** | **Receivables Identified as High Risk by the Board** | **Other Receivables** | **Total** |
| **31 December 2014** |  |  |  |  |  |  |  |  |  |  |
| Domestic | 2,158,320 | 1,476 | 370,565 | 4,716,186 | 3,503,925 | 1,289,958 | 171,630 | 160,439 | - | 12,372,499 |
| EU Countries | - | - | 19,420 | 45,587 | 121 | 10,637 | - | - | - | 75,765 |
| OECD Countries (\*\*) | - | - | 1,270 | - | - | - | - | - | - | 1,270 |
| Off-Shore Banking Regions | - | - | - | - | - | - | - | - | - | - |
| USA, Canada | - | - | 13,986 | - | - | - | - | - | - | 13,986 |
| Other Countries | - | - | 2,858 | 33,183 | 60 | - | - | - | - | 36,101 |
| Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - |
| Unallocated Assets Liabilities (\*\*\*) | - | - | - | - | - | - | - | - | 357,892 | 357,892 |
| **Total** | **2,158,320** | **1,476** | **408,099** | **4,794,956** | **3,504,106** | **1,300,595** | **171,630** | **160,439** | **357,892** | **12,857,513** |

(\*) Risk categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

(\*\*) OECD countries other than EU countries, USA and Canada.

(\*\*\*) Assets and liabilities are not allocated on a consistent basis.

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

1. **Risk profile by Sectors or Counterparties:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Risk Categories (\*)** | | | | | | | | | | | |
| **Sectors/Counterparties** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **TL** | **FC** | **Total** |
| **Agriculture** | **-** | **-** | **-** | **159,401** | **62,492** | **19,628** | **13,055** | **-** | **-** | **191,616** | **62,960** | **254,576** |
| Farming and Stockbreeding | - | - | - | 148,597 | 62,326 | 18,527 | 12,744 | - | - | 184,577 | 57,617 | 242,194 |
| Forestry | - | - | - | 2,417 | 72 | 718 | 3 | - | - | 3,210 | - | 3,210 |
| Fishery | - | - | - | 8,387 | 94 | 383 | 308 | - | - | 3,829 | 5,343 | 9,172 |
| **Manufacturing** | **-** | **-** | **-** | **2,408,812** | **622,419** | **322,572** | **65,136** | **-** | **-** | **1,529,573** | **1,889,366** | **3,418,939** |
| Mining and Quarrying | - | - | - | 275,359 | 55,070 | 23,153 | 8,722 | - | - | 154,722 | 207,582 | 362,304 |
| Production | - | - | - | 1,761,167 | 564,881 | 286,324 | 56,171 | - | - | 1,252,711 | 1,415,832 | 2,668,543 |
| Electricity, Gas and Water | - | - | - | 372,286 | 2,468 | 13,095 | 243 | - | - | 122,140 | 265,952 | 388,092 |
| **Construction** | **-** | **-** | **-** | **942,631** | **235,790** | **1,194,618** | **47,901** | **-** | **-** | **882,531** | **1,538,409** | **2,420,940** |
| **Services** | **-** | **770** | **1,887,922** | **3,055,365** | **645,760** | **763,147** | **90,331** | **-** | **-** | **2,863,839** | **3,579,456** | **6,443,295** |
| Wholesale and Retail Trade | - | 2 | - | 1,346,084 | 455,958 | 259,969 | 62,235 | - | - | 1,429,174 | 695,074 | 2,124,248 |
| Hotel, Food and Beverage Services | - | - | - | 82,567 | 14,550 | 93,596 | 1,567 | - | - | 53,110 | 139,170 | 192,280 |
| Transportation and Telecom | - | 22 | - | 662,392 | 70,589 | 65,675 | 11,108 | - | - | 289,628 | 520,158 | 809,786 |
| Financial Institutions | - | - | 1,887,922 | 58,254 | 3,619 | 181,377 | 371 | - | - | 679,385 | 1,452,158 | 2,131,543 |
| Real Estate and Rental Services | - | - | - | 173,933 | 13,649 | 17,407 | 316 | - | - | 39,477 | 165,828 | 205,305 |
| Self-employment Services | - | - | - | 713,434 | 78,144 | 136,218 | 9,979 | - | - | 331,631 | 606,144 | 937,775 |
| Educational Services | - | 1 | - | 1,781 | 407 | 129 | 9 | - | - | 1,858 | 469 | 2,327 |
| Health and Social Services | - | 745 | - | 16,920 | 8,844 | 8,776 | 4,746 | - | - | 39,576 | 455 | 40,031 |
| **Other** | **2,144,694** | **540** | **-** | **621,237** | **292,133** | **165,409** | **19,830** | **83,365** | **366,957** | **1,929,916** | **1,764,249** | **3,694,165** |
| **TOTAL** | **2,144,694** | **1,310** | **1,887,922** | **7,187,446** | **1,858,594** | **2,465,374** | **236,253** | **83,365** | **366,957** | **7,397,475** | **8,834,440** | **16,231,915** |

(\*) Risk categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

1. Contingent and Non-Contingent Receivables from Central Governments or Central Banks
2. Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises
3. Contingent and Non-Contingent Receivables from Banks and Intermediaries
4. Contingent and Non-Contingent Corporate Receivables
5. Contingent and Non-Contingent Retail Receivables
6. Contingent and Non-Contingent Receivables Secured by Residential Property
7. Non-Performing Receivables
8. Receivables identified as high risk by the Board
9. Other

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

**h. Analysis of maturity-bearing exposures according to remaining maturities:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Risk classifications** | **Term To Maturity (\*)** | | | | |
| **1 Month** | **1-3 Month** | **3-6 Month** | **6-12 Month** | **Over 1 year** |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | - | - | - | - | 667,072 |
| Contingent and Non-Contingent Receivables from Regional Governments or Local Authorities | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises | 910 | - | - | - | 400 |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from International Organizations | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Banks and Intermediaries | 1,418,948 | 67,425 | 66,249 | 30,533 | 304,767 |
| Contingent and Non-Contingent Corporate Receivables | 1,125,383 | 532,491 | 830,959 | 1,407,046 | 3,291,567 |
| Contingent and Non-Contingent Retail Receivables | 766,201 | 155,563 | 232,605 | 335,147 | 369,077 |
| Contingent and Non-Contingent Receivables Secured by Residential Property | 91,850 | 81,285 | 155,778 | 202,476 | 1,933,985 |
| Non-Performing Receivables | - | - | - | - | 236,253 |
| Receivables Identified as High Risk by the Board | - | - | - | - | 83,365 |
| Secured by Mortgages | - | - | - | - | - |
| Securitization Positions | - | - | - | - | - |
| Short-term Receivables frorn Banks, Brokerage Houses and Corporates | - | - | - | - | - |
| Investments Similar to Collective Investrnent Funds | - | - | - | - | - |
| Other Receivables | - | - | - | - | - |
| **TOTAL** | **3,403,292** | **836,764** | **1,285,591** | **1,975,202** | **6,886,486** |

(\*) Risk amounting to TL 1,844,580 is on demand and not showed on the table above.

**i. Exposures by risk weights:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Risk Weights** | **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **200%** | **250%** | **1250%** | **Deductions from Equity** |
| **1** | Amount before Credit Risk Mitigation | 2,001,648 | - | 698,374 | 4,009,853 | 1,854,529 | 7,566,515 | 68,084 | 32,913 | - | - | 3,584 |
| **2** | Amount after Credit Risk Mitigation | 2,001,648 | - | 688,455 | 3,969,497 | 1,815,204 | 7,132,285 | 66,008 | 31,386 | - | - | 3,584 |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## II. Explanations on Credit Risk (Continued)

1. **Information of major sectors or type of counterparties**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Major Sectors / Counterparties** | **Loans** | |  | |
| **Impaired Loans** | **Past Due Loans** | **Value Adjustments** | **Provisions** |
| **1** | **Agriculture** | **12,296** | **26,579** | **-** | **13,523** |
| 1.1 | Farming and Stockbreeding | 11,915 | 25,911 | - | 13,167 |
| 1.2 | Forestry | - | 51 | - | 47 |
| 1.3 | Fishery | 381 | 617 | - | 309 |
| **2** | **Manufacturing** | **201,260** | **136,125** | **-** | **69,780** |
| 2.1 | Mining and Quarrying | 16,108 | 15,070 | - | 6,353 |
| 2.2 | Production | 185,087 | 119,914 | - | 62,529 |
| 2.3 | Electricity, Gas and Water | 65 | 1,141 | - | 898 |
| **3** | **Construction** | **81,390** | **89,824** | **-** | **38,327** |
| **4** | **Services** | **244,423** | **205,050** | **-** | **117,222** |
| 4.1 | Wholesale and Retail Trade | 183,831 | 134,509 | - | 73,845 |
| 4.2 | Accommodation and Dining | 19,320 | 4,210 | - | 2,615 |
| 4.3 | Transportation and Telecom | 16,164 | 32,178 | - | 21,345 |
| 4.4 | Financial Institutions | 682 | 2,947 | - | 2,597 |
| 4.5 | Real Estate and Rental Services | 794 | 549 | - | 251 |
| 4.6 | Professional Services | 17,067 | 21,777 | - | 12,406 |
| 4.7 | Educational Services | 33 | 6 | - | 4 |
| 4.8 | Health and Social Services | 6,532 | 8,874 | - | 4,159 |
| **5** | **Other** | **55,661** | **59,763** | **-** | **42,648** |
|  | **Total** | **595,030** | **517,341** | **-** | **281,500** |

1. **Information Related with Value Adjustments and Change in Provisions:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Opening Balance** | **Charge of the Period** | **Provision Cancelations** | **Value**  **Adjustments** | **Closing Balance** |
| **1** | Specific Provisions | 269,243 | 166,633 | (154,376) | - | 281,500 |
| **2** | General Provisions | 62,858 | 30,498 | (116) | 146 | 93,386 |

## ıII. Explanations on Market Risk

The Parent Bank’s risk management operations, which are determined by the Board of Directors, are in line with the “Regulation of Internal Bank Systems” and “Regulation of Capital Adequacy Measurement and Evaluation”.   
In order to comply with the Regulations, the Bank’s operations regarding the market risk are administrated in line with the “Regulation of Internal Bank Systems” and “Regulation of Capital Adequacy Measurement and Evaluation”.

Board of directors monitors the efficiency of risk administration systems by evaluations of the Audit Committee, Management and Early Detection of Risk Committee as well as upper management’s opinions and other miscellaneous reports.

The Parent Bank’s risk policies and risk administration policies for the encountered market risk are being approved by the board of directors and reviewed on a regular basis. Market risk is measured and limited in compliance with international standards and capital requirements are calculated accordingly in addition to it is managed by hedging instruments to eliminate the risk.

The market risk of portfolios held for trading is calculated using the standard method and the value at risk (“VaR”) methods. Standard method calculations are made on a monthly basis which is used for calculating the capital adequacy generally accepted three methods (variance, covariance, historical simulation, monte carlo).

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## ıII. Explanations on Market Risk (Continued)

VaR calculations are performed on a daily basis using the historical simulation (EWMA) method. VaR calculations are made using the past 1 year data with 99% assurance and 1 day holding period (10 days for legal capital calculation). All positions in the trading portfolio are set a daily risk limit and nominal position limits and all these limits are monitored and reported to upper management. In addition, trading portfolio, value at risk increase and limit comply situations are reported to Asset Liability Committee every two weeks and to upper management and Management and Early Detection of Risk Committee every three months. VaR model is tested on a backward basis to ensure reliability. In order to limit market risk, in addition to VaR and nominal position limits, there are stop loss limits on trading portfolio that are approved by the board of directors.

**a. Information on Market Risk**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| (I) Capital Requirement against General Market Risk – Standard Method | 1,728 | 498 |
| (II) Capital Requirement against Specific Risk – Standard Method | 7 | 999 |
| Capital Requirement for Specific Risk Related to Securitization Positions-Standard Method | - | - |
| (III) Capital Requirement against Currency Risk – Standard Method | 1,753 | 566 |
| (IV) Capital Requirement against Commodity Risk – Standard Method | - | - |
| (V) Capital Requirement against Exchange Risk – Standard Method | - | - |
| (VI) Capital Requirement against Market Risk of Options – Standard Method | - | - |
| (VII) Capital Requirement against Counterparty Credit Risk-Standard Method | 629 | 360 |
| (VIII) Capital Requirement against Market Risks of Banks Applying Risk Measurement Models | - | - |
| (IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII) | 4,117 | 2,423 |
| **(X) Amount Subject to Market Risk (12,5xVIII) or (12,5xIX)** | **51,463** | **30,288** |

**b. Average Market Risk Table of Calculated Market Risk during the Period at Month Ends:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **31 December 2015** | | |
|  | **Average** | **Maximum** | **Minimum** |
| Interest Rate Risk | 1,563 | 3,049 | 327 |
| Common Stock Risk | - | - | - |
| Currency Risk | 1,885 | 3,140 | 129 |
| Commodity Risk | - | - | - |
| Exchange Risk | - | - | - |
| Option Risk | 88 | 218 | 2 |
| Counterparty Credit Risk | 804 | 1,327 | 378 |
| **Total Value at Risk** | **54,241** | **96,669** | **10,447** |

**c. Information on Counterparty Credit Risk:**

In order to calculate the counterparty credit risk the “Fair Value” method is used which is determined by (Appendix 2) of “Regulation on Measurement and Assessment of Capital Adequacy of Banks,” published in 28 June 2012 is taken into consideration. In accordance with the before-mentioned method, potential credit risk value is calculated and added to the renewal costs of the agreements with positive values.

For derivative transactions, sum of revaluation costs and accumulation of potential credit risk is considered to be the risk amount. Revaluation costs are calculated by valuation of the contract with its fair value and by multiplication of contract amount with the loan conversion rate.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## ıII. Explanations on Market Risk (Continued)

**d. Quantitative Information on Counterparty Risk:**

|  |  |
| --- | --- |
|  | **31 December 2015** |
| Interest Rate Contracts | 2,432,029 |
| Foreign Exchange Rate Contracts | 904,412 |
| Commodity Contracts | - |
| Equity Shares Related Contracts | - |
| Other | - |
| Gross Positive Fair Values | 170,845 |
| Netting Benefits | - |
| Net Current Exposure Amount | 170,845 |
| Collaterals Received | - |
| Net Derivative Position | 170,845 |

## IV. Explanations on Operational Risk:

The Parent Bank calculated the operational risk using the “Basic Indicator Method”. Amount subject to operational risk is calculated once a year in accordance with the “Regulation for Measuring and Evaluating Capital Adequacy of Banks” published in 28 June 2012 Official Gazette No.28337 using the gross income balances of last three years; 2014, 2013 and 2012 respectively. The risk amount calculated using the “Capital Adequcy Standard Ratio” indicated in the disclosure I of the Section Four amounts to TL 938,500

The annual gross income is calculated over sum of net values of interest and non-interest income by deducting the profit/loss that is generated from available for sale and held to maturity and extraordinary income, operating expense for support services and amount collected from insurances.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **31 December 2012** | **31 December 2013** | **31 December 2014** | **Total Number of Positive Year** | **Ratio (%)** | **Total** |
| Gross Income | 489,070 | 477,615 | 534,919 | 500,535 | 15 | 75,080 |
| Amount Subject to Operational Risk  (Total\*12,5) | - | - | - | - | - | 938,500 |

## INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

## V. Explanations on Currency Risk

The difference between the Parent Bank’s foreign currency denominated and foreign currency indexed on and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in “Net Foreign Currency Position” (cross currency risk).

The Parent Bank keeps the amount at currency risk within the legal limits and monitors the foreign currency positions daily/momentarily. Even though the Parent Bank’s determined foreign currency limit is minimal compared to the legal limit, the positions throughout the year did not exceed the limits. Term option contracts such as swap and forward are used for hedging the currency risk. Stress tests are performed to mitigate the fluctuations of the exchange rates.

The Parent Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date

**Usd Euro**

**Rate used: TL 2.9181 TL 3.1838**

31 December 2015 Foreing Currency Bid Rate TL 2.9181 TL 3.1838

30 December 2015 Foreing Currency Bid Rate TL 2.9076 TL 3.1776

29 December 2015 Foreing Currency Bid Rate TL 2.9084 TL 3.1921

28 December 2015 Foreing Currency Bid Rate TL 2.9157 TL 3.2006

25 December 2015 Foreing Currency Bid Rate TL 2.9123 TL 3.1904

The Bank’s foreign currency bid rates for the reporting date and average of 30 days before the reporting day is as follows:

Usd: TL 2.9177

Euro: TL 3.1765

As of 31 December 2014;

**Usd Euro**

**Rate Used**: TL 2.3269 TL 2.8272

## INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

## V. Explanations on Currency Risk (Continued)

**a. Information on currency risk of the Group**

The Group’s real foreign currency position, both in financial and economic terms, is presented in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Euro** | **Usd** | **Yen** | **Other FC** | **Total** |
| 31 December 2015 |  |  |  |  |  |
| **Assets** |  |  |  |  |  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey | 24,552 | 1,263,661 | 2 | 205,715 | 1,493,930 |
| Banks | 1,921 | 317,263 | 162 | 2,732 | 322,078 |
| Financial Assets at Fair Value Through Profit and Loss (\*) | 13 | 905 | - | - | 918 |
| Money Market Placements | - | - | - | - | - |
| Financial Assets Available-For-Sale | - | 462,164 | - | - | 462,164 |
| Loans (\*\*) | 2,728,190 | 3,186,809 | - | 432 | 5,915,431 |
| Investments in Associates, Subsidiaries and Joint Ventures | - | - | - | - | - |
| Held-to-Maturity Investments | - | - | - | - | - |
| Hedging Derivative Financial Assets | - | - | - | - | - |
| Tangible Assets | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - |
| Other Assets(\*\*\*) | 2,364 | 37,405 | - | - | 39,769 |
| **Total Assets** | **2,757,040** | **5,268,207** | **164** | **208,879** | **8,234,290** |
|  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |
| Bank Deposits | 70,206 | 262,629 | - | 198 | 333,033 |
| Foreign Currency Deposits | 405,706 | 1,856,147 | 45 | 232,564 | 2,494,462 |
| Money Market Funds | - | 116,444 | - | - | 116,444 |
| Funds Borrowed From Other Financial Institutions | 1,282,612 | 3,621,740 | - | - | 4,904,352 |
| Marketable Securities Issued | - | 735,736 | - | - | 735,736 |
| Miscellaneous Payables | 41,726 | 83,076 | - | 112 | 124,914 |
| Derivative Financial Liabilities For Hedging Purposes | - | - | - | - | - |
| Other Liabilities (\*\*\*\*) | 7,785 | 4,288 | - | 2,107 | 14,180 |
| **Total Liabilities** | **1,808,035** | **6,680,060** | **45** | **234,981** | **8,723,121** |
|  |  |  |  |  |  |
| **Net Balance Sheet Position** | **949,005** | **(1,411,853)** | **119** | **(26,102)** | **(488,831)** |
| **Net Off Balance Sheet Position** | **(950,544)** | **1,467,888** | **(123)** | **25,331** | **542,552** |
| Financial Derivative Assets | 710,406 | 2,758,520 | 242 | 67,758 | 3,536,926 |
| Financial Derivative Liabilities | 1,660,950 | 1,290,632 | 365 | 42,427 | 2,994,374 |
| Non-Cash Loans (\*\*\*\*\*) | **410,233** | **1,531,569** | **106** | **4,752** | **1,946,660** |
|  |  |  |  |  |  |
| 31 December 2014 |  |  |  |  |  |
| Total Assets | 1,019,499 | 3,624,121 | - | 234,550 | 4,878,170 |
| Total Liabilities | 1,111,369 | 4,072,053 | - | 20,258 | 5,203,680 |
| **Net Balance Sheet Position** | **(91,870)** | **(447,932)** | **-** | **214,292** | **(325,510)** |
| **Net Off balance Sheet Position** | **90,009** | **463,952** | **-** | **(213,968)** | **339,993** |
| Financial Derivative Assets | 268,179 | 1,232,020 | - | 13,640 | 1,513,839 |
| Financial Derivative Liabilities | 178,170 | 768,068 | - | 227,608 | 1,173,846 |
| **Non-Cash Loans (\*\*\*\*\*)** | **315,228** | **658,107** | **-** | **13,106** | **986,441** |

(\*) Accruals of derivative assets held for trading amounting to TL 4,119 (31 December 2014: TL 10,708) have been deducted from fair value through profit and loss.

(\*\*) FC indexed loans and accruals amounting to TL 933,448 (31 December 2014: TL 1,028,110) and TL 788,646 (31 December 2014: TL 462,577) leasing receivables are shown in loans.

(\*\*\*) Leasing receivables amounting to TL 52 are shown in other asset line (31 December 2014: TL 462,577).

(\*\*\*\*) Accruals of derivative liabilities held for trading amounting to TL 13,288 (31 December 2014: TL 8,201), other provisions amounting to TL 3 and (31 December 2014: TL 7) have been deducted from other liabilities.

(\*\*\*\*\*) No effect on Net off-balance sheet position.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## V. Explanations on Currency Risk (Continued)

**b. Exposure to currency risk**

The table below represent the sensitivity of the Group to 10% weakening of TL against USD, EUR and other currencies and the effects on equity and income statement (without tax effect) for the nine-month interim periods then ended 31 December 2015 and 2014.

Analysis are assumed with other variables especially interest rate remain stable.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **Income statement** | **Equity** | **Income statement** | **Equity** |
| Usd | 5,604 | 5,604 | 1,602 | 1,602 |
| Euro | (153) | (153) | (186) | (186) |
| Other FC | (77) | (77) | 32 | 32 |
| **Total, net** | **5,374** | **5,374** | **1,448** | **1,448** |

The table below represent the sensitivity of the Group to 10% strenghtening of TL against below mentioned currencies and the effects on equity and income statement (without tax effect) for the year then ended 31 December 2015 and 2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **Income statement** | **Equity** | **Income statement** | **Equity** |
| Usd | (5,604) | (5,604) | (1,602) | (1,602) |
| Euro | 153 | 153 | 186 | 186 |
| Other FC | 77 | 77 | (32) | (32) |
| **Total, net** | **(5,374)** | **(5,374)** | **(1,448)** | **(1,448)** |

## VI. Explanations on Interest Rate Risk

Assets, liabilities and off-balance sheet items’ interest rate sensitivity are measured.

The expected impact on the financial position and on the cash flow of the Group due to the fluctuations in the market interest rates are being followed within the framework of Asset-Liability management principles and also interest rate risk limits restricted on balance sheet by the Board of Directors. These limits also impose restriction to indirect profit centers can carry on maturity mismatches.

The Group has not encountered to any significant interest rate risk in last period.

Average interest rates applied to monetary financial instruments reflect market rates.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VI. Explanations on Interest Rate Risk (Continued)

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **31 December 2015** | **Up to 1 Month** | **1-3 Months** | **3-12 Months** | **1-5**  **Years** | **5 Years and Over** | **Non-Interest Bearing** | **Total** |
|  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey | 1,442,488 | - | - | - | - | 103,010 | 1,545,498 |
| Banks | 583,836 | - | - | - | - | 28,160 | 611,996 |
| Financial Assets at Fair Value Through Profit and Loss | 4,295 | 3,507 | 19,860 | - | - | - | 27,662 |
| Money Market Placements | 350,105 | - | - | - | - | - | 350,105 |
| Financial Assets Available-for-Sale | 36,578 | 471,265 | 225,045 | 49,992 | 28,341 | 5,882 | 817,103 |
| Loans | 4,347,911 | 461,705 | 1,599,401 | 2,026,163 | 634,641 | 235,841 | 9,305,662 |
| Held-to-maturity Investments | - | - | - | - | - | - | - |
| Other Assets (\*) (\*\*) | 40,798 | 62,280 | 242,033 | 600,875 | 66,297 | 394,514 | 1,406,797 |
| Total Assets | **6,806,011** | **998,757** | **2,086,339** | **2,677,030** | **729,279** | **767,407** | **14,064,823** |
|  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |
| Bank Deposits (\*\*\*) | 554,792 | - | - | - | - | 485 | 555,277 |
| Other Deposits | 3,690,259 | 1,494,977 | 122,878 | 7,801 | - | 367,291 | 5,683,206 |
| Money Market Funds | 265,766 | 93,057 | - | - | - | - | 358,823 |
| Miscellaneous Payables | - | - | - | - | - | 219,448 | 219,448 |
| Marketable Securities Issued | - | - | 142,088 | 735,736 | - | - | 877,824 |
| Funds Borrowed From Other Financial Institutions | 1,287,641 | 1,219,339 | 2,515,176 | 7,539 | - | - | 5,029,695 |
| Other Liabilities and Shareholders’ Equity (\*\*\*\*) | 8,088 | 2,270 | 3,593 | - | - | 1,326,599 | 1,340,550 |
| Total Liabilities | **5,806,546** | **2,809,643** | **2,783,735** | **751,076** | **-** | **1,913,823** | **14,064,823** |
|  |  |  |  |  |  |  |  |
| Balance Sheet Long Position | **999,465** | **-** | **-** | **1,925,954** | **729,279** | **-** | **3,654,698** |
| Balance Sheet Short Position | **-** | **(1,810,886)** | **(697,396)** | **-** | **-** | **(1,146,416)** | **(3,654,698)** |
| Off-Balance Sheet Long Position | - | - | 12,519 | 27,023 | - | - | 39,542 |
| Off-Balance Sheet Short Position | (11,262) | (25,203) | - | - | - | - | (36,465) |
| Total Position | **988,203** | **(1,836,089)** | **(684,877)** | **1,952,977** | **729,279** | **(1,146,416)** | **3,077** |

(\*) Investments in associates and subsidiaries, tangible and intangible fixed assets, miscellaneous receivables, deferred tax assets and other assets are classified as non-interest bearing assets.

(\*\*)Leasing receivables are classified to other assets.

(\*\*\*) Precious metal bank account is presented under Bank Deposits.

(\*\*\*\*) Taxes payable, charges, duties and premiums, provisions ve shareholders’ equity are classified as non-interest bearing liabilities.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VI. Explanations on Interest Rate Risk (Continued)

1. **Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates) (Continued)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **31 December 2014** | **Up to 1 Month** | **1-3 Months** | **3-12 Months** | **1-5**  **Years** | **5 Years**  **and Over** | **Non-Interest Bearing** | **Total** |
|  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey | 1,134,326 | - | - | - | - | 223,918 | 1,358,244 |
| Banks | 94,136 | - | - | - | - | 11,079 | 105,215 |
| Financial Assets at Fair Value Through Profit and Loss | 18,124 | 11,226 | 30,781 | 11,884 | 636 | 1,546 | 74,197 |
| Money Market Placements | 6,774 | - | - | - | - | - | 6,774 |
| Financial Assets Available-for-Sale | 103 | 337,367 | 534,779 | - | 23,696 | 163 | 896,108 |
| Loans | 3,287,696 | 474,914 | 1,722,187 | 1,837,668 | 405,445 | 171,630 | 7,899,540 |
| Held-to-Maturity Investments | - | - | - | - | - | - | - |
| Other Assets (\*) (\*\*) | 52,815 | 43,245 | 176,715 | 344,539 | 42,341 | 347,934 | 1,007,589 |
| Total Assets | **4,593,974** | **866,752** | **2,464,462** | **2,194,091** | **472,118** | **756,270** | **11,347,667** |
|  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |
| Bank Deposits | - | 189,076 | - | - | - | 601 | 189,677 |
| Other Deposits | 3,560,213 | 1,400,834 | 76,828 | 1,417 | - | 423,602 | 5,462,894 |
| Money Market Funds | 445,487 | - | - | - | - | - | 445,487 |
| Miscellaneous Payables | - | - | - | - | - | 231,198 | 231,198 |
| Marketable Securities Issued | 42,203 | 145,194 | 93,959 | 586,742 | - | - | 868,098 |
| Funds Borrowed From Other Financial Institutions | 319,352 | 417,215 | 1,686,378 | 112,628 | 329,826 | - | 2,865,399 |
| Other Liabilities and Shareholders’ Equity (\*\*\*) | 866 | 7,133 | 4,806 | 8,578 | - | 1,263,531 | 1,284,914 |
| Total Liabilities | **4,368,121** | **2,159,452** | **1,861,971** | **709,365** | **329,826** | **1,918,932** | **11,347,667** |
|  |  |  |  |  |  |  |  |
| Balance Sheet Long Position | **225,853** | **-** | **602,491** | **1,484,726** | **142,292** | **-** | **2,455,362** |
| Balance Sheet Short Position | **-** | **(1,292,700)** | **-** | **-** | **-** | **(1,162,662)** | **(2,455,362)** |
| Off-balance Sheet Long Position | 125,914 | 106,942 | - | 7,874 | - | - | 240,730 |
| Off-balance Sheet Short Position | - | - | (2,532) | - | - | - | (2,532) |
| Total Position | **351,767** | **(1,185,758)** | **599,959** | **1,492,600** | **142,292** | **(1,162,662)** | **238,198** |

(\*) Investments in associates and subsidiaries, tangible and intangible fixed assets, miscellaneous receivables, deferred tax assets and other assets are classified as non-interest bearing assets.

(\*\*)Leasing receivables are classified to other assets.

(\*\*\*)Taxes payable, charges, duties and premiums, provisions ve shareholders’ equity are classified as non-interest bearing liabilities.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VI. Explanations on Interest Rate Risk (Continued)

**b. Average interest rates for monetary financial instruments**

The following average interest rates have been calculated by weighting the rates with their principal amounts as of the balance sheet date.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2015** | **Euro** | **Usd** | **Other FC** | **TL** |
| **Assets** | **%** | **%** | **%** | **%** |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | - | 0.28 | - | 2.78 |
| Banks | - | 3.00 | - | 13.59 |
| Financial Assets at Fair Value Through Profit and Loss | 3.74 | 4.63 | - | 9.49 |
| Money Market Placements | - | - | - | 12.50 |
| Financial Assets Available-for-Sale | - | 4.12 | - | 9.38 |
| Loans | 4.43 | 5.32 | - | 16.20 |
| Held-to-Maturity Investments | - | - | - | - |
|  |  |  |  |  |
| Liabilities |  |  |  |  |
| Bank Deposits | 1.08 | 1.00 | 1.75 | - |
| Other Deposits | 1.40 | 2.27 | - | 12.36 |
| Money Market Funds | - | 0.38 | - | 6.37 |
| Miscellaneous Payables | 4.46 | - | - | - |
| Marketable Securities Issued | - | 3.12 | - | - |
| Funds Borrowed From Other Financial Institutions | 1.77 | 2.54 | - | 7.66 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Euro** | **Usd** | **Other FC** | **TL** |
| **Assets** | **%** | **%** | **%** | **%** |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | - | - | - | - |
| Banks | 0.50 | 0.15 | - | 11.03 |
| Financial Assets at Fair Value Through Profit and Loss | 5.24 | 3.61 | - | 6.55 |
| Money Market Placements | - | - | - | - |
| Financial Assets Available-for-Sale | - | 4.13 | - | 8.81 |
| Loans | 4.54 | 4.95 | - | 14.37 |
| Held-to-Maturity Investments | - | - | - | - |
|  |  |  |  |  |
| Liabilities |  |  |  |  |
| Bank Deposits | - | 1.82 | - | - |
| Other Deposits | 2.04 | 2.37 | - | 10.40 |
| Money Market Funds | - | 0.79 | - | 7.45 |
| Miscellaneous Payables | - | - | - | - |
| Marketable Securities Issued | - | 3.13 | - | 9.48 |
| Funds Borrowed From Other Financial Institutions | 2.59 | 2.87 | - | 6.97 |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Vı. Explanations on Interest Rate Risk (Continued)

1. **Interest rate risk arising from banking accounts**

Interest rate risk resulting from banking accounts are evaluated in the framework of re-pricing risk, yield curve risk, base risk and option risk and interest rate risk resulting from banking accounts being managed with the international standards and with hedging transactions and limits the risk reduction.

The sensitivity of assets, liabilities and off-balance sheet items are evaluated in the Assets-Liabilities committee meetings with the developments in the market. Interest rate risk assessment process arising from banking accounts will be included interest rate position that determined as banking account by the Bank. Besides this process has been created and conducted in reference to related re-pricing and maturity data.

Due to the maturity mismatch in the balance sheet, monitoring interest rate risk exposure within the scope of duration gap, maturity gap and sensitivity analysis are used. Duration gap, maturity gap and sensitivity analysis are calculated on a two week periods to the Assets-Liabilities Committee.

In the analysis, the fair values are calculated from interest sensitive assets and liabilities at fixed interest rates through cash flow, in the variable interest rates based on the re-pricing term market interest rates, using yield curves. The terms of the demand products is settled on basing of the frequency of interest rate determination and customer behavior. These results are supported periodically by the sensitivity and scenario analysis performed to assess the effect of the market fluctuations may occur.

Interest rate risk resulting from the banking accounts is measured in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011 and legal limits based on these measurements are monitored and reported on a monthly basis.

Interest rate risk related to interest-sensitive financial instruments classified in trading portfolio is assessed within the scope of the market risk.

Branches and line of businesses, being free from the market risk, the management of market risk depends on Fund Management Group Asset and Liability Management Department (ALM) is transferred by transfer pricing system and market risk management are realized by this section centrically. ALM, in the market risk management; uses balance sheet (long-term debt) and off-balance sheet (derivatives) instruments.

|  |  |  |  |
| --- | --- | --- | --- |
| **31 December 2015** | **Applied Shock**  **(+/- x basis point)** | **Gains/**  **Losses** | **Gains/**  **Equity-Losses/**  **Equity** |
| Currency |  |  |  |
| 1. TL | (+)500bps | (89,877) | (5.29%) |
| 2. TL | (-)400bps | 83,776 | 4.93% |
| 3. Usd | (+)200bps | (24,403) | (1.44%) |
| 4. Usd | (-)200bps | 19,839 | 1.17% |
| 5. Euro | (+)200bps | 23,165 | 1.36% |
| 6. Euro | (-)200bps | (24,107) | (1.42%) |
| **Total (For Negative Shocks)** |  | **79,508** | **4.68%** |
| **Total (For Positive Shocks)** |  | **(91,115)** | **(5.37%)** |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Vı. Explanations on Interest Rate Risk (Continued)

1. **Interest rate risk arising from banking accounts(Continued)**

|  |  |  |  |
| --- | --- | --- | --- |
| **31 December 2014** | **Applied Shock**  **(+/- x basis point)** | **Gains/**  **Losses** | **Gains/**  **Equity-Losses/**  **Equity** |
| Currency |  |  |  |
| 1. TL | (+) 500 bps | (99,626) | (7.58%) |
| 2. TL | (-) 400 bps | 96,927 | 7.39% |
| 3. Usd | (+) 200 bps | 3,600 | 0.27% |
| 4. Usd | (-) 200 bps | (2,038) | (0.16%) |
| 5. Euro | (+) 200 bps | (3,398) | (0.26%) |
| 6. Euro | (-) 200 bps | 556 | 0.04% |
| **Total (For Negative Shocks)** |  | **95,445** | **7.27%** |
| **Total (For Positive Shocks)** |  | **(99,424)** | **(7.57%)** |

**d. Explanation on share certificates**

None.

**e. Total Unrealized Gains or Losses, Total Revaluation Increase and the Amounts Included In Main and Supplementary Capital of These**

None.

## VIı. Explanations on Liquidity Risk

There is a liquidity limit approved and monitored on a weekly basis by the Parent Bank Risk Committee. This limit is used by the Assets-Liability Management Committee for deciding to funding sources composition and pricing policy.

Maturity and interest rate mismatches impact on profitability and capital is measured using scenario analysis.

The Parent Bank’s most important source of liquidity is deposits denominated in TL and foreign exchange deposit accounts. In addition, there are also borrowing opportunities available from Borsa İstanbul repo market, Takasbank and Inter-bank market.

In accordance with the “Regulation on Measurement and Assessment of Liquidity Adequacy of the Banks", which came into effect after its publication in the Official Gazette numbered 26333 on 1 November 2006 by BRSA, weekly simple arithmetic average of total liquidity adequacy ratio related to the first maturity period, and total liquidity adequacy ratio related to the second maturity period cannot be less than a hundred percent; weekly simple arithmetic average of the foreign currency liquidity adequacy ratio related to first maturity period, and foreign currency liquidity adequacy ratio related to second maturity period cannot be less than eighty percent as of 1 June 2007. With the regulation published on 5 April 2008 with stock values calculated at the rate of one hundred percent not taken into account the ratio of assets to liabilities weekly simple arithmetic average shall not be less than seven percent. In accordance with the regulation published on 11 December 2009, for the 14 day period subject to the reserve requirement calculation the simple arithmetic average of the ratio of assets which are calculated with hundred percent weight with stock values to liabilities cannot be less than seven percent.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Explanations on Liquidity Risk (Continued)

**Liquidity risk management and liquidity coverage ratio**

**I. The Matters to be Considered by Bank on Liquidity Risk**

**1. a Information on liquidity risk management regarding how to provide communication with the Board of Directors and line of businesses for risk capacity of the Parent Bank, liquidity risk, responsibility and structure of management, reporting of Parent Bank’s liquidity risk, liquidity risk strategy, policies and practices.**

Liquidity risk management aims to take necessary measures in a timely manner and correct way with respect to potential liquidity shortage caused by cash flow mismatches of PArent Bank's balance sheet structure and/or market conditions. It is on ground of the meeting the liquidity needs cash and disposable borrowing resources at specified level and time of held deposits and other liabilities creating liquidity. Bank monitors liquidity position both in terms of foreign currency and total liquidity basis.

According to the liquidity risk management about the liquidity position, necessary guidance to the lines of business and pricing performed by the Asset and Liability Management Department by taking into account the cash flow of the Bank with maturities. Liquidity risk informations are reported regularly to the such Asset and Liability Committee and Management Risk Committees. The liquidity risk parameters determined within the frame of liquidity risk parameters are monitored and reported to the business units by Risk Management consistently. The actions need to be taken in conditions such as convergence and excess of limits are decided by Asset-Liability Committee.

**1.bInformation on the centralization degree of liquidity management and funding strategy and the operation between the Parent Bank and the Parent Bank's shareholders:**

The responsibility of liquidity risk management in accordance with the risk appetite determined by the Board of Directors belongs to the Treasury Asset-Liability Management Department. Risk Management Department is responsible for determining the level of bank-wide liquidity risk, and its measurement, monitoring and reporting. Liquidity management and funding strategies of Parent Bank and its shareholders are determined by Parent Bank’s Asset and Liability Management Committees and monitored by the Treasury Department.

**1.c Information on the Parent Bank's funding strategy including policies on diversity of fund terms and resources**

For the Parent Bank's effective, correct and sustainable liquidity risk management, it is provided to be followed by the relevant committees with the approval of Liquidity Management Policy Board. The Parent Bank's core funding source has been targeted as a deposit. Non-deposit funding sources are used to provide a variety of core sources and maturities. These resources are mainly syndicated loans, subordinated loans and bond issuances. Despite term of deposits are determined by market conditions and generally on short term basis, it is aimed to collect the deposits of customers who have high stickiness to the Bank. Non-deposit sources also preferred because they are more long-term resources.

**1.ç Information on liquidity management on the basis of currencies constitute the minimum five percentage of the Bank's total liabilities**

Turkish Lira, US Dollars and Euros are the currencies that constitute the minimum five per cent of the Bank's liabilities. It is intended to have effective foreign currency and liquidity risk management analysing these currencies on foreign exchange and total liquidity management basis. Liquidity gap analysis are measured and managed with the same way. Deposits and other long term sources should be preffered, performing liquidity management on currency basis, in order to avoid the increase of market risk fluctuations on foreign currency positions.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Explanations on Liquidity Risk (Continued)

**Liquidity risk management and liquidity coverage ratio (Continued)**

**I. The Matters to be Considered by Bank on Liquidity Risk (Continued)**

**1.d Information on current liquidity risk mitigation techniques**

Liquid assets as defined under Basel III are held with the intention of liquidity risk management managing the Parent Bank’s liquidity risk. Market liquidity and maturity of liquid assets are considered as risk reduction for liquidity management. In this context, the range of liquid assets is important in the management of liquidity risk. Potential risk are minimized by avoiding concentration of liquid assets during the potential liquidity needs and the Parent Bank’s ability to fulfill its obligations.

**1.e Information on the use of stress testing**

Stress tests on the basis of the liquidity risk are performed at the beginning of the each year. The test results are presented with the details of the stress test and ISEDES report annually. The Board of Directors approve the stress test results and they are shared with the BRSA during the process. In addition to these stress tests, cash flow and liquidity position analyzes are maintained according to the Parent Bank's internal needs.

**1.f General information on the emergency and contingency liquidity plan**

Information on emergency and contingency liquidity plan is detailed in the Bank "Emergency Funding Plan Policy". Definitions regarding the liquidity crisis and actions that the Bank may take against a liquidity crisis that may occur in the market are implemented the action plan outlined. The Bank's special liquidity crisis levels set out in alarm conditions and the parameters to be monitored as an indicator are detailed. Crisis Committee members and the Committee's duties and responsibilities are determined for the Parent Bank’s stress scenarios specific to the market and the Bank.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Explanations on Liquidity Risk (Continued)

**Liquidity risk management and liquidity coverage ratio (Continued)**

1. **Liquidity Coverage Ratio**

The Bank’s calculated liquidity coverage ratios are presented as below pursuant to “Measurement and Assesment of the Liquidity Coverage Ratios of Banks” published in the Official Gazette on 21 March 2014 and numbered 28948.

The highest and lowest values of the average of last three months unconsolidated foreign currency and total liquidity coverage ratios are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Current Period** | | **Consideration Ratio Unapplied to Total Value (\*)** | | **Consideration Ratio**  **Applied to Total Value (\*)** | |
| TL+FC | FC | TL+FC | FC |
| **HIGH QUALITY LIQUID ASSETS** | | | | | |
| 1 | High Quality Liquid Assets |  |  | 1,996,311 | 1,424,983 |
| **CASH OUTFLOWS** | | | | | |
| 2 | Retail and Small Business Customers | 3,322,497 | 1,580,197 | 296,272 | 158,020 |
| 3 | Stable Deposits | 719,547 | - | 35,977 | - |
| 4 | Less Stable Deposit | 2,602,950 | 1,580,197 | 260,295 | 158,020 |
| 5 | Unsecured Wholesale Funding | 3,170,862 | 1,635,496 | 2,079,596 | 1,125,649 |
| 6 | Operational Deposits | - | - | - | - |
| 7 | Non-operational Deposits | 2,481,521 | 1,304,709 | 1,390,355 | 794,861 |
| 8 | Other Unsecured Fundings | 689,174 | 330,788 | 689,174 | 330,788 |
| 9 | Secured Funding |  |  | 45,967 | 45,967 |
| 10 | Other Cash Outflows | - | - | - | - |
| 11 | Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 49,370 | 2,254 | 49,370 | 2,254 |
| 12 | Obligations related to structured financial products | - | - | - | - |
| 13 | Commitments related to debts to financial markets and other off-balance sheet obligations | - | - | - | - |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | 3,322,436 | 2,153,795 | 547,804 | 286,173 |
| 15 | Other irrevocable or conditionally revocable off-balance sheet obligations | 34,467 | 34,467 | 1,723 | 1,723 |
| 16 | **TOTAL CASH OUTFLOWS** | - | - | 3,020,733 | 1,619,785 |
| **CASH INFLOWS** | | | | | |
| 17 | Secured lending | 345,334 | - | - | - |
| 18 | Unsecured lending | 1,533,634 | 390,164 | 1,062,944 | 293,113 |
| 19 | Other cash inflows | 150 | 574,985 | 150 | 574,985 |
| 20 | **TOTAL CASH INFLOWS** | 1,879,118 | 965,149 | 1,063,094 | 868,098 |
|  |  |  |  | **Total Adjusted Values** | |
| 21 | **TOTAL HIGH QUALITY ASSETS STOCKS** |  |  | 1,996,311 | 1,424,983 |
| 22 | **TOTAL CAH OUTFLOWS** |  |  | 1,957,638 | 806,779 |
| 23 | **LIQUIDITY COVERAGE RATIO (%)** |  |  | 102% | 216% |

(\*) The average of the last three months liquidity coverage ratio calculated by monthly and weekly simple averages.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Explanations on Liquidity Risk (Continued)

**Liquidity risk management and liquidity coverage ratio (Continued)**

1. **Liquidity Coverage Ratio (Continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Previous Period** | | **Consideration Ratio Unapplied to Total Value (\*)** | | **Consideration Ratio Applied to Total Value (\*)** | |
| TL+FC | FC | TL+FC | FC |
| **HIGH QUALITY LIQUID ASSETS** | | | | | |
| 1 | High Quality Liquid Assets |  |  | 2,085,567 | 1,420,923 |
| **CASH OUTFLOWS** | | | | | |
| 2 | Retail and Small Business Customers | 4,014,193 | 1,947,730 | 364,759 | 194,773 |
| 3 | Stable Deposits | 733,200 | - | 36,660 | - |
| 4 | Less Stable Deposit | 3,280,993 | 1,947,730 | 328,099 | 194,773 |
| 5 | Unsecured Wholesale Funding | 3,318,940 | 1,700,288 | 2,204,457 | 1,194,878 |
| 6 | Operational Deposits | - | - | - | - |
| 7 | Non-operational Deposits | 1,587,937 | 826,206 | 926,768 | 508,328 |
| 8 | Other Unsecured Fundings | 975,480 | 561,529 | 1,277,661 | 686,550 |
| 9 | Secured Funding |  |  | 48,024 | 48,024 |
| 10 | Other Cash Outflows | - | - | - | - |
| 11 | Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 17,670 | - | 600,172 | 319,265 |
| 12 | Obligations related to structured financial products | - | - | - | - |
| 13 | Commitments related to debts to financial markets and other off-balance sheet obligations | - | - | - | - |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | 1,814,138 | 845,763 | 238,629 | 111,009 |
| 15 | Other irrevocable or conditionally revocable off-balance sheet obligations | 1,014,587 | 451,147 | 50,729 | 22,557 |
| 16 | **TOTAL CASH OUTFLOWS** | - | - | 3,506,771 | 1,890,507 |
| **CASH INFLOWS** | | | | | |
| 17 | Secured lending | 271,747 | - | 1,034,769 | 398,149 |
| 18 | Unsecured lending | 1,536,650 | 569,775 | 598,354 | 1,093,662 |
| 19 | Other cash inflows | 598,354 | 1,093,662 | 1,633,123 | 1,491,811 |
| 20 | **TOTAL CASH INFLOWS** | 2,406,751 | 1,663,437 | - | - |
|  |  |  |  | **Total Adjusted Values** | |
| 21 | **TOTAL HIGH QUALITY ASSETS STOCKS** |  |  | 2,085,567 | 1,420,923 |
| 22 | **TOTAL CAH OUTFLOWS** |  |  | 1,873,648 | 518,031 |
| 23 | **LIQUIDITY COVERAGE RATIO (%)** |  |  | 117% | 283% |

(\*) The average of the last three months liquidity coverage ratio calculated by monthly and weekly simple averages.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## Explanations on Liquidity Risk (Continued)

## Liquidity risk management and liquidity coverage ratio

## Banks explanations as a minimum regarding the liquidity ratio:

## 3.a Important factors affected by the results of Liquidity Coverage Ratio and the change of the items taken into account in the ratio calculation over time.

Despite all components have significant role, bond and reverse repurchase amounts cash outflows/unsecured debts of due to banks line, cash outflows/irrevocable commitments or revocable contingent commitments of off balance sheet liabilities, cash inflows/unsecured receivables of due from financial institutions are high volatile assets. Related items have an effective role on variability of ratio.

**3.b Explanations on the components of high-quality liquid assets:**

High-quality assets is generated by cash balances and Central Bank and issued debt securities by those with 0% risk weightings of credit quality level risk. The changes in the reverse repo balance at the period effects high-quality asset stock value.

**3.c Funding source components and the intensity of them in all funds**

Basically deposits, loans and subordinated loans as unsecured debt items have the most significant portion in Bank’s funding balances. As of 31 December 2015, the proportion of total liabilities to all deposits of the bank is 48% and borrowings constitutes 27% portion whereas subordinate debt is 6%. Secured borrowings such as repo transactions has lower portion (3%). In addition, as a funding item, the Parent Bank has USD 250,000 issued securities.

**3.d Information about the outflows arising from derivative transactions and the possible completing collateral transactions**

Cash outflows arising from derivative product balances are occurred when the derivative products liabilities are higher than the receivables. As of 31 December 2015, net of derivative assets and liabilities amounts to TL 7,000. In addition, cash outflows balances are reported with calculation against the change of derivatives fair value. This calculation is performed by checking the output margin within last 24 months of the counterparty balance. The maximum value in the past 24 months is considered as cash outflow as of reporting date. In this context, according to calculations as of 31 December 2015, the liability balance is computed as TL 30,000 in case of a change in fair value of derivatives products.

**3**.**eCounterparty and fund resources on the basis of products and concentration limits on collaterals**

As of 31 December 2015, the Parent Bank’s more than 45% of time deposit cap arised from retail banking. The remaining time deposits are constituted from legal entities. Another significant funding resource of borrowings generated from foreign banks (95%). As of 31 December 2015, 48% of the subordinated loans which are subject to capital adequacy calculations provided from Commercial Bank of Qatar and rest of the part is provided from development agencies. In addition, Parent Bank has issued securities amount to USD 250,000.

**3.fThe liquidity risk for the potential funding needs for the bank itself , the branches in foreign countries and its consolidated partnerships with considering the operational and legal factors inhibiting the liquidity transfer**

In the current poisiton of the Parent Bank and its consolidated subsidiaries, there is no such risks drawing attention.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Explanations on Liquidity Risk (Continued)**

**Liquidity risk management and liquidity coverage ratio (Continue)**

1. **Banks explanations as a minimum regarding the liquidity ratio (continue)**

**3.gThe information about the other cash inflows and outflows located in the liquidity leverage ratio calculation but not located in the second paragraph of disclosure template and considered as related with liquidity profile**

In this context, there is no excluded cash inflow and outflow in statements on the current situation.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VIı. Explanations on Liquidity Risk (Continued)

**Breakdown of assets and liabilities according to their outstanding maturities**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Demand** | **Up to 1**  **Month** | **1-3**  **Months** | **3-12**  **Months** | **1-5**  **Year** | **5 Year**  **and Over** | **Unclassified**  **(\*) (\*\*)** | **Total** |
| **31 December 2015** |  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | 103,010 | 1,442,488 | - | - | - | - | - | 1,545,498 |
| Due From Banks | 28,160 | 583,836 | - | - | - | - | - | 611,996 |
| Financial Assets at Fair Value Through Profit and Loss | - | 4,295 | 3,189 | 1,369 | 18,478 | 331 | - | 27,662 |
| Money Market Placements | - | 350,105 | - | - | - | - | - | 350,105 |
| Financial Assets Available-for-Sale | - | - | - | - | 442,651 | 368,570 | 5,882 | 817,103 |
| Loans | - | 1,044,019 | 750,254 | 2,797,434 | 3,127,877 | 1,350,237 | 235,841 | 9,305,662 |
| Held-to-Maturity Investments | - | - | - | - | - | - | - | - |
| Other Assets (\*) (\*\*) | 255 | 98,217 | 82,342 | 246,234 | 618,006 | 72,026 | 289,717 | 1,406,797 |
| **Total Assets** | **131,425** | **3,522,960** | **835,785** | **3,045,037** | **4,207,012** | **1,791,164** | **531,440** | **14,064,823** |
|  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |
| Bank Deposits (\*\*\*) | 485 | 554,792 |  | - | - | - | - | 555,277 |
| Other Deposits | 367,291 | 3,690,259 | 1,494,977 | 122,878 | 7,801 | - | - | 5,683,206 |
| Funds Borrowed From Other Financial Institutions | - | 140,340 | 502,928 | 2,388,326 | 744,467 | 1,253,634 | - | 5,029,695 |
| Money Market Funds | - | 265,766 | 93,057 | - | - | - | - | 358,823 |
| Marketable Securities Issued | - | - | - | 142,088 | 735,736 | - | - | 877,824 |
| Miscellaneous Payables | - | 13,860 | - | - | - | - | 205,588 | 219,448 |
| Other Liabilities (\*\*\*\*) | 2,296 | 144,766 | 2,155 | 3,593 | 115 | - | 1,187,625 | 1,340,550 |
| **Total Liabilities** | **370,072** | **4,809,783** | **2,093,117** | **2,656,885** | **1,488,119** | **1,253,634** | **1,393,213** | **14,064,823** |
|  |  |  |  |  |  |  |  |  |
| **Liquidity Gap** | **(238,647)** | **(1,286,823)** | **(1,257,332)** | **388,152** | **2,718,893** | **537,530** | **(861,773)** | **-** |
|  |  |  |  |  |  |  |  |  |
| 31 December 2014 |  |  |  |  |  |  |  |  |
| Total Assets | 236,952 | 2,435,926 | 1,016,692 | 4,085,207 | 2,263,830 | 877,339 | 431,721 | 11,347,667 |
| Total Liabilities | 425,920 | 4,363,594 | 1,999,056 | 1,870,298 | 1,038,178 | 329,825 | 1,320,796 | 11,347,667 |
|  |  |  |  |  |  |  |  |  |
| **Liquidity Gap** | **(188,968)** | **(1,927,668)** | **(982,364)** | **2,214,909** | **1,225,652** | **547,514** | **(889,075)** | **-** |

(\*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term such as fixed and intangible assets, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

(\*\*) Shareholders’ equity is presented under “Other liabilities” item in the “Unclassified” column.

(\*\*\*) Leasing receivables are classified to other assets.

(\*\*\*\*) Precious Metal bank account is presented under Bank Deposits.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VıI. Explanations on Liquidity Risk (Continued)

**Financial liabilities according to their remaining maturities:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **31 December 2015** | **Up to**  **1 month** | **1-3 months** | **3-12**  **months** | **1-5**  **years** | **5 years**  **and over** | **Total** |
| **Liabilities** |  |  |  |  |  |  |
| Bank Deposits | 441,705 | 646,402 | 31,928 | - | - | 1,120,035 |
| Other Deposits | 1,302,659 | 4,277,642 | 339,452 | 51,698 | 5 | 5,971,456 |
| Funds Borrowed From Other Financial Institutions | 479,842 | - | 145,760 | - | 894,605 | 1,520,207 |
| Money Market Funds | 92,227 | 151,227 | 1,301,017 | 2,270,945 | 569,587 | 4,385,003 |
| Marketable Securities Issued |  | - | 145,760 | 725,710 | - | 871,470 |
| **Total** | **2,316,433** | **5,075,271** | **1,963,917** | **3,048,353** | **1,464,197** | **13,868,171** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **31 December 2014** | **Up to**  **1 month** | **1-3 months** | **3-12**  **months** | **1-5**  **years** | **5 years**  **and over** | **Total** |
| **Liabilities** |  |  |  |  |  |  |
| Bank Deposits | 601 | - | 188,344 | - | - | 188,945 |
| Other Deposits | 1,068,227 | 4,184,951 | 230,612 | 31,484 | - | 5,515,274 |
| Funds Borrowed From Other Financial Institutions | 31,689 | 172,827 | 1,879,686 | 477,849 | 397,022 | 2,959,073 |
| Money Market Funds | 320,145 | 43,314 | 82,088 | - | - | 445,547 |
| Marketable Securities Issued | - | - | 298,959 | - | 581,725 | 880,684 |
| **Total** | **1,420,662** | **4,401,092** | **2,679,689** | **509,333** | **978,747** | **9,989,523** |

**Contractual maturity analysis of the Group’s derivative instruments:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Up to**  **1 month** | **1-3**  **months** | **3-12 months** | **1-5**  **years** | **5 years and over** | **Total** |
| **31 December 2015** |  |  |  |  |  |  |
| Net Paid |  |  |  |  |  |  |
| Hedging Derivative Financial Instruments | - | - | - | 220,000 | - | 220,000 |
| Forward Foreign Exchange Transactions | 128,508 | 115,369 | 91,023 | - | - | 334,900 |
| Money and Interest Rate Swaps | 3,983,410 | 807,606 | 305,478 | 2,359,046 | 387,348 | 7,842,888 |
| Options | 121,350 | 98,995 | 2,238,857 | - | - | 2,459,202 |
| Other | - | - | - | 46,690 | - | 46,690 |
| **Total** | **4,233,268** | **1,021,970** | **2,635,358** | **2,625,736** | **387,348** | **10,903,680** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Up to**  **1 month** | **1-3**  **months** | **3-12**  **months** | **1-5**  **years** | **5 years and over** | **Total** |
| **31 December 2014** |  |  |  |  |  |  |
| Net Paid |  |  |  |  |  |  |
| Hedging Derivative Financial Instruments | - | - | - | 220,000 | - | 220,000 |
| Forward Foreign Exchange Transactions | 314,122 | 166,921 | 41,561 | - | - | 522,604 |
| Money and Interest Rate Swaps | 1,533,272 | 389,884 | 77,526 | 979,337 | - | 2,980,019 |
| Options | 6,076 | 272,461 | 278,795 | - | - | 557,332 |
| Other | - | - | - | - | - | - |
| **Total** | **1,853,470** | **829,266** | **397,882** | **1,199,337** | **-** | **4,279,955** |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VıI. Explanations on Liquidity Risk (Continued)

**Explanations on securitization position**

None.

**Explanations on Credit Risk Mitigation Techniques**

The Parent Bank applies credit risk mitigation based on the comprehensive method in compliance with the Article 34 of the Communiqué on Credit Risk Mitigation Techniques.

In credit risk mitigation, cash and cash equivalent assets and debt instruments with a high level of credit quality are used.

The volatility adjustments to the receivables, guarantees and currency mismatch of guarantees are done with using the standard as specified in Communiqué Article 37 volatility adjustments approach.

In cases where there are maturity mismatches resulting from shorter remaining life of collateral than of receivables, the value of collateral is considered as the volatility-adjusted value.

**Collaterals in terms of Risk Groups**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **31 December 2015** | **Amount** | **Financial Guarantees (\*)** | **Other/ Physical Guarantees** | **Guarantees and Credit Derivatives** |
|  | **Risk Groups** |
| 1 | Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 2,144,694 | - | - | - |
| 2 | Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | 1,310 | - | - | - |
| 3 | Contingent and Non-Contingent Receivables from Banks and Intermediaries | 1,887,922 | 23,812 | - | - |
| 4 | Contingent and Non-Contingent Corporate Receivables | 7,187,446 | 390,453 | - | - |
| 5 | Contingent and Non-Contingent Retail Receivables | 1,858,594 | 50,041 | - | - |
| 6 | Contingent and Non-Contingent Receivables Secured by Residential Property | 2,465,374 | 26,961 | - | - |
| 7 | Non-Performing Receivables | 236,253 | 86 | - | - |
| 8 | Receivables Identified as High Risk by the Board | 83,365 | 3,602 | - | - |
| 9 | Other Receivables | 366,957 |  | - | - |
|  | **Total** | **16,231,915** | **494,955** | **-** | **-** |

(\*) The financial guarantees are reported with deducting from the risk amounts before credit risk reduction and credit conversion.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## VII. Explanations on Liquidity Risk (Continued)

**Collaterals in terms of Risk Groups (Continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Amount** | **Financial Guarantees** | **Other/ Physical Guarantees** | **Guarantees and Credit Derivatives** |
| **Risk Groups** |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 2,158,320 | - | - | - |
| Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | 1,476 | - | - | - |
| Contingent and Non-Contingent Receivables from Banks and Intermediaries | 408,103 | 9,896 | - | - |
| Contingent and Non-Contingent Corporate Receivables | 4,794,956 | 322,330 | - | - |
| Contingent and Non-Contingent Retail Receivables | 3,504,106 | 55,709 | - | - |
| Contingent and Non-Contingent Receivables Secured by Residential Property | 1,300,595 | 11,138 | - | - |
| Non-Performing Receivables | 171,800 | 1,182 | - | - |
| Receivables Identified as High Risk by the Board | 160,439 | 3,766 | - | - |
| Other Receivables | 357,892 | - | - | - |
| **Total** | **12,857,687** | **404,021** | **-** | **-** |

(\*) The financial guarantees are reported with deducting from the risk amounts before credit risk reduction and credit conversion.

**VIII. Explanations on Leverage Ratio**

**Comparison Summary Table of Total Risk and Total Assets Amounts in the Consolidated Financial Statements prepared in accordance with Turkish Accounting Standards.**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Current Period (\*)** | **Prior Period (\*)** |
| **1** | Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (\*\*) | 14,292,716 | 11,385,769 |
| **2** | The difference between total assets prepared in accordance with Turkish Accounting Standards (\*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” | - | - |
| **3** | The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments | 14,735 | 7,959 |
| **4** | The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such intruments | - | - |
| **5** | The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items | (539,871) | (489,538) |
| **6** | Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items | 5,163,932 | 3,808,239 |
| **7** | Total risk amount | 18,931,512 | 14,712,429 |

(\*) Amounts in the table are three-month average amounts.

(\*\*) Consolidated financial statements prepared in compliance with the Article 6 of the communiqué 5 “Preparation of Consolidated Financial Statements.” Consolidates financial statements prepared in accordance with Turkish Accounting Standards as of 30 June 2015 is used.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

1. **Explanations on Leverage Ratio (Continued)**

**Explanations about the aspects that cause the difference between the leverage ratios of current and prior years.**

The Parent Bank's leverage ratio is 4.90% calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks' which was not consolidated. (31 December 2014: 5.87%). Changes in the leverage ratio are mainly due to the increase in the amount of assets’ risk on-balance sheet. Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

**Comparison Summary Table of Total Risk and Total Assets Amounts in the Consolidated Financial Statements prepared in accordance with Turkish Accounting Standards (Continued)**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Current Period (\*)** | **Prior Period (\*)** |
|  | **Assets in Balance Sheet** |  |  |
| **1** | On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral) | 14,292,716 | 11,385,768 |
| **2** | Assets deducted in determining Tier 1 capital | (96,271) | (86,286) |
| **3** | Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives | **14,196,445** | **11,299,482** |
|  | **Derivative financial instruments and credit derivatives** |  |  |
| **4** | Replacement cost associated with all derivative financial instruments and credit derivatives | 40,727 | 25,723 |
| **5** | Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives | 14,735 | 7,959 |
| **6** | Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5Securities or commodity financing transactions (SCFT) | **55,462** | **33,683** |
|  | **Securities or commodity financing transactions** |  |  |
| **7** | Risks from SCFT assets of off-balancesheet | - | - |
| **8** | Risks from brokerage activities related exposures | - | - |
| **9** | Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions | **-** | **-** |
|  | **off-balance sheet transactions** |  |  |
| **10** | Gross notional amounts of off-balance sheet transactions | 5,219,475 | 3,868,802 |
| **11** | (Adjustments for conversion to credit equivalent amounts) | (539,871) | (489,538) |
| **12** | Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks | **4,679,604** | **3,379,264** |
|  | **Capital and Total Risk** |  |  |
| **13** | Tier 1 capital | 928,466 | 864,174 |
| **14** | Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio | 18,931,512 | 14,712,429 |
|  | **Leverage ratio** |  |  |
| **15** | **Leverage ratio** | **4.90%** | **5.87%** |

(\*) Amounts in the table are three-month average amounts.

## IX. Explanations on the Risk Management Objectives and Policies

Risk management mission is defined as “overall business strategy in line with best practice proper and legal requirements in accordance with the Banks risk-return relationship in the context of increasing the effectiveness shareholders, customers and employees to create added value” in the Parent Bank’s Risk Management Strategy. Effective risk management of the Bank’s competitiveness constitutes one of the most important competencies. Risk management system is considered a critical process that takes place within starting from the Board of Directors of all the units.

Risk management activities are structured under the responsibility of the Board of Directors. Based on these Board of Directors are responsible for the effectiveness of risk management systems and for monitoring them. Board of Directors practices his supervision role via Audit Committee and Risk Committee and other relevant committees by early diagnosis and through regular risk, control and audit reporting system. The senior management is responsible to the Board of Directors for monitoring and managing risks. In addition, beside the Risk Management, Internal

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## IX. Explanations on the Risk Management Objectives and Policies (Continued)

Control and Compliance and Regulatory Departments, the Board of Inspectors is monitoring the risks that is independent from the executive operations, but works in coordination with them.

Within the context of Risk Management to identify, measure and monitoring risks nationally and internationally accepted models and parameters are used. Continuously work is exercised to develop and improve methods and models. The developments in the market are monitored regularly and closely; risk reports are prepared accordingly and these are presented to the senior management and the Board.

Risks are managed based on a framework for measuring, limiting and allocating capital accordingly, as well as risk reduction with hedging transactions. The Parent Bank and market data is monitored regularly in order to monitor and manage the risks. For limiting the risks besides the legal limits bank risk limits are set. Potential changes in economic conditions and the potential risks at difficult circumstances are taken into consideration.

Different scenario analysis are performed to evaluate the effects of unexpected market conditions and emergency plans are prepared. The Parent Bank develops “Internal Capital Adequacy Evaluation Process” (ICAAP) and evaluates Internal Capital Adequacy while preparing the budget.

Risks are evaluated within a consistently developing structure by using methods which are accepted by international methods applicable to the Parent Bank’s structure in accordance with the international and local regulations, bank policy and procedures.

## x. Explanation Regarding the Presentation of Financial Assets and Liabilities at Their Fair Values:

1. **Financial Assets and Liabilities at their fair values:**

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Parent Bank’s current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank’s current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.The following table summarizes the carrying values and fair values of some financial assets and liabilities of the group.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Carrying Value** | | **Fair Value** | |
| **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| **Financial Assets** | **11,084,866** | **8,907,637** | **11,927,672** | **9,361,735** |
| Money Market Placements | 350,105 | 6,774 | 350,105 | 6,774 |
| Banks | 611,996 | 105,215 | 612,300 | 105,215 |
| Financial Assets Available-for-Sale | 817,103 | 896,108 | 815,942 | 896,108 |
| Held-to-maturity Investments | - | - | - | - |
| Loans | 9,305,662 | 8,550,949 | 10,149,324 | 9,005,047 |
|  |  |  |  |  |
| **Financial Liabilities** | **12,723,473** | **10,019,521** | **13,176,295** | **10,181,451** |
| Bank Deposits | 555,277 | 189,677 | 555,277 | 189,677 |
| Other Deposits | 5,683,206 | 5,462,894 | 6,127,509 | 5,438,266 |
| Funds Borrowed From Other Financial Institutions | 5,029,695 | 2,865,399 | 5,586,061 | 3,047,552 |
| Marketable Securities Issued | 877,824 | 868,098 | 881,639 | 910,614 |
| Funds Provided Under Repurchase Agreements | 358,023 | 402,255 | 373,714 | 364,144 |
| Miscellaneous Payables | 219,448 | 231,198 | 203,762 | 231,198 |

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## x. Explanation Regarding the Presentation of Financial Assets and Liabilities At Their Fair Values (Continued)

1. **Fair value hierarchy:**

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques, which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows

a) Quoted market prices (non-adjusted) (1st level);

b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level);

c) Data not based on observable data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Group carried at fair value according to the foregoing principles is given in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2015** | **1st Level** | **2nd Level** | | **3rd Level** | **Total** |
|  |  |  | |  |  |
| **Financial Assets at Fair Value Through Profit or Loss** | **422** | **27,240** | | **-** | **27,662** |
| Government Debt Securities | 422 | - | | - | 422 |
| Share Certificates | - | - | | - | - |
| Trading Derivative Financial Assets | - | 27,240 | | - | 27,240 |
| **Available for Sale Assets** | **779,905** | **31,316** | | **-** | **811,221** |
| Government Debt Securities | 643,794 | 23,278 | | - | 667,072 |
| Other Marketable Securities | 136,111 | 8,038 | - | | 144,149 |
| **Hedging Derivative Financial Assets** | **-** | **97,427** | **-** | | **97,427** |
| **Total Assets** | **780,327** | **155,983** | | - | **936,310** |
|  |  |  | |  |  |
| Trading Derivative Financial Liabilities | - | 14,859 | | - | 14,859 |
| Hedging Derivative Financial Liabilities | - | 113 | | - | 113 |
| Total Liabilities | **-** | **14,972** | | - | **14,972** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **1st Level** | **2nd Level** | **3rd Level** | **Total** |
|  |  |  |  |  |
| **Financial Assets at Fair Value Through Profit or Loss** | **1,755** | **36,373** | **-** | **38,128** |
| Government Debt Securities | 1,755 | **-** | **-** | 1,755 |
| Share Certificates | **-** | 96 | **-** | 96 |
| Trading Derivative Financial Assets | **-** | 36,277 | **-** | 36,277 |
| **Available for Sale Financial Assets** | **895,945** | **2** | **-** | **895,947** |
| Government Debt Securities | 895,945 | **-** | **-** | 895,945 |
| Other Marketable Securities | **-** | 2 | **-** | 2 |
| **Hedging Derivative Financial Assets** | **-** | **156,614** | **-** | **156,614** |
| **Total Assets** | **897,700** | **192,989** | - | **1,090,689** |
|  |  |  |  |  |
| Trading Derivative Financial Liabilities | **-** | 12,429 | **-** | 12,429 |
| Hedging Derivative Financial Liabilities | **-** | 8,578 |  | 8,578 |
| Total Liabilities | **-** | **21,007** | **-** | **21,007** |

## There are no transfers between the 1st and the 2nd levels in the current year.

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**

## XI. Explanation on Hedge Accounting

The Parent Bank uses Fair Value Hedge Accounting from the beginning of 24 March 2014 as of balance sheet date.

Derivative financial instruments is used as hedging instruments are interest swap transactions.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **31 December 2015** | | |
|  | **Principal (\*)** | **Asset** | **Liability** |
| **Derivative financial instruments** |  |  |  |
| Interest swap transactions | 220,000 | - | 113 |
| **Total** | **220,000** | **-** | **113** |

(\*) Total of purchase and sale notional amounts.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section III. Note IV.

Starting from 24 March 2014, the Parent Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loans amounting TL 38,204 with maturity 3 years and TL 56,723 with maturity 5 years funding by using interest rate swaps. The both nominal value of interest rate swaps is TL 55,000 with maturity 3 years and 5 years respectively.

The following table summarizes the effects of Fair Value Hedge Accounting.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **31 December 2015** |  |  |  |  | |
| **Hedging**  **Instrument** | **Hedged item**  **(assets and liabilities)** | **Hedged**  **risks** | **Fair value difference/**  **adjustment of**  **the hedged item** | **Net fair value of hedging instrument** | |
|  |  |  |  | **Asset** | **Liability** |
| Interest swap transactions | Fixed rate equal installments paid commercial installment loans | Fixed interest  rate risk | 768 | - | 113 |

The Parent 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 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/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 (amortised 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 “Trading gains / losses on derivative financial instruments” account.

**XII. Explanations Related to Transactions Made on Behalf of Others and Transaction Based on Trust**

The Parent Bank carries out trading and custody services on behalf of customers and on their account. The details of the items held in custody are summarized in off-balance sheet commitments.

**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS**

## I. Explanations and Notes on Assets

**a. Information on Cash and Balances with the Central Bank of Republic of Turkey (“CBRT”)**

1. Information on cash and the account of the CBRT

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Cash/Foreign Currency | 28,459 | 51,946 | 38,989 | 58,552 |
| CBRT | 23,074 | 1,441,984 | 126,496 | 1,134,207 |
| Other | 35 | - | - | - |
| **Total** | **51,568** | **1,493,930** | **165,485** | **1,192,759** |

1. Information on the account of the CBRT

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Demand Unrestricted Amount (\*) | 23,074 | 221,770 | 126,496 | 123,395 |
| Time Unrestricted Amount | - | - | - | - |
| Time Restricted Amount | - | - | - | - |
| Reserve Requirement | - | 1,220,214 | - | 1,010,812 |
| **Total** | **23,074** | **1,441,984** | **126,496** | **1,134,207** |

(\*) The reserve requirement hold as average has been classified under “Central Bank Demand Unrestricted Account” pursuant to the correspondence with BRSA as of 3 January 2008.

1. Information on reserve requirements

The banks which are established in Turkey or operates in Turkey through opening a branch shall be subjected to T.C. Central Bank’s No. 2005/1 Regulation Required Reserves. The amount includes the amount that is going to found with deducting the items that stated in the Communiqué from the banks total domestic liabilities and branches abroad on behalf of the deposits accepted from Turkey liabilities subject to reserve requirements.

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and/or Euro and standard gold. As of 31 December 2015, the Turkish lira required reserve ratios are determined to be within the range of 5% - 11.5% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2014: 5%-11.5% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 9% - 13% and other foreign currency liabilities within the range of 5%-25% (31 December 2014: 6%-13% for all foreign currency liabilities).

CBRT started to pay interest for the Turkish Lira reserve since 5 November 2014. CBRT also started to pay interest for the Foreign Currency reserve since 5 May 2015.

1. **Information About Financial Assets at Fair Value Through Profit or Loss**
   1. As of 31 December 2015 the Group, does not have financial assets at fair value through profit/loss subject to repo transactions (31 December 2014: TL 138) and have no financial assets at fair value through profit and loss given as collateral/blocked amount.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

1. **Information About Financial Assets at Fair Value Through Profit Or Loss (Continued)**

2. Positive differences related to trading derivative financial assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 3,181 | 420 | 4,631 | 209 |
| Swap Transactions | 19,421 | 3,699 | 16,012 | 11,950 |
| Futures Transactions | - | - | - | - |
| Options | 22 | 497 | 18 | 3,457 |
| Other | - | - | - | - |
| **Total** | **22,624** | **4,616** | **20,661** | **15,616** |

1. **Information on banks**

1. Information on banks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Banks |  |  |  |  |
| Domestic | 267,911 | 176,552 | 71,781 | 3,553 |
| Foreign | 22,007 | 145,526 | - | 29,881 |
| Headquarters and Branches Abroad | - | - | - | - |
| **Total** | **289,918** | **322,078** | **71,781** | **33,434** |

2. Information on foreign banks:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Unrestricted Amount** | | **Restricted Amount** | |
| **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| EU Countries | 28,984 | 5,237 | - | - |
| USA and Canada | 134,938 | 23,867 | - | - |
| OECD Countries (\*) | 596 | 717 | - | - |
| Off-Shore Banking Regions | - | - | - | - |
| Other | 3,015 | 60 | - | - |
| **Total** | **167,533** | **29,881** | **-** | **-** |

(\*) OECD countries other than the EU countries, USA and Canada.

1. **Information on available-for-sale financial assets**

1. Characteristics and carrying values of available-for-sale financial assets given as collateral

As of 31 December 2015, there are available-for-sale financial assets TL 347,792 amounting given as collateral/blocked (31 December 2014: TL 25,203) and those subject to repurchase agreements amounts to TL 379,683 (31 December 2014: TL 367,143).

2. Information on available-for-sale financial assets

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Debt Securities | 840,174 | 903,824 |
| Quoted on Stock Exchange | 832,176 | 903,824 |
| Not Quoted | 8,038 | - |
| Share Certificates | 5,882 | 161 |
| Quoted on Stock Exchange | 1 | 1 |
| Not Quoted (\*) | 5,881 | 160 |
| Impairment Provision (-) | 28,953 | 7,877 |
| **Total** | **817,103** | **896,108** |

(\*) In 9 April 2015, 1.6949 % of Kredi Garanti Fonu A.Ş. share amounting to TL 4,720 is acquired.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

1. **Explanations on loans**

1. Information on all types of loan or advance balances given to shareholders and employees of the Parent Bank

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **Cash** | **Non-cash** | **Cash** | **Non-cash** |
| Direct Loans Granted To Shareholders | 80,470 | 53,526 | 28,424 | 74,604 |
| Corporate Shareholders | 80,348 | 53,047 | 28,279 | 74,206 |
| Real Person Shareholders | 122 | 479 | 145 | 398 |
| Indirect Loans Granted To Shareholders | 130,282 | 26,379 | 57,545 | 70,868 |
| Loans Granted To Employees | 4,397 | - | 4,221 | - |
| **Total** | **215,149** | **79,905** | **90,190** | **145,472** |

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled and other receivables

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Standard Loans and Other**  **Receivables** | | | **Loans and Other Receivables Under**  **Close Monitoring** | | |
|  | **Loans and Other Receivables** | **Amendments on**  **Conditions of Contract** | | **Loans and Other Receivables** | **Amendments on**  **Conditions of Contract** | |
|  |  | **Amendments Related to the Extention of Payment Plan** | **Other** |  | **Amendments Related to the Extention of Payment Plan** | **Other** |
| Non-Specialized Loans | 8,531,856 | 28,112 | - | 166,878 | 303,581 | - |
| Corporate Loans | 175,923 | - | - | 4,459 | - | - |
| Export Loans | 712,349 | - | - | 3,626 | - | - |
| Import Loans | - | - | - | - | - | - |
| Loans Given to Financial Sector | 177,361 | - | - | 190 | 471 | - |
| Consumer Loans | 217,011 | - | - | 30,245 | 2,869 | - |
| Credit Cards | 67,831 | - | - | 1,474 | - | - |
| Other | 7,181,381 | 28,112 | - | 126,884 | 300,241 | - |
| Specialized Loans | *-* | *-* | - | *-* | *-* | - |
| Other Receivables | 39,394 | *-* | - | *-* | - | - |
| Total | **8,571,250** | **28,112** | **-** | **166,878** | **303,581** | **-** |

|  |  |  |
| --- | --- | --- |
| **Number of Amendments Related to the Extention of Payment Plan** | **Standard Loans and**  **Other Receivables** | **Loans and Other Receivables Under Close Monitoring** |
| 1 or 2 Times | 28,112 | 303,581 |
| 3, 4 or 5 Times | - | - |
| Over 5 Times | - | - |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**e. Explanations on loans (Continued)**

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled and other receivables (Continued)

|  |  |  |
| --- | --- | --- |
| **Time Extended Via the Amendment on Payment Plan** | **Standard Loans and**  **Other Receivables** | **Loans and Other Receivables Under Close Monitoring** |
| 0 – 6 Month | - | 8,043 |
| 6 Month – 12 Month | - | 6,302 |
| 1 – 2 Years | 47 | 41,779 |
| 2 – 5 Years | 708 | 202,635 |
| 5 Years and Over | 27,357 | 44,822 |

3. Loans according to their maturity structure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Standart Loans and Other**  **Receivables** | | **Loans and Other Receivables Under**  **Close Monitoring** | |
|  | **Loans and Other Receivables** | **Restructured or Rescheduled** | **Loans and Other Receivables** | **Restructured or Rescheduled** |
| **Short-term Loans and Other**  **Receivables** | **3,584,068** | **28,112** | **63,462** | **-** |
| Non-specialised Loans | 3,584,068 | 28,112 | 63,462 | - |
| Specialised Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| **Medium and Long-Term Loans and Other Receivables** | **4,987,182** | **-** | **103,416** | **303,581** |
| Non-specialised Loans | 4,987,182 | - | 103,416 | 303,581 |
| Specialised Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| **Total** | **8,571,250** | **28,112** | **166,878** | **303,581** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**e. Explanations on loans (Continued)**

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Short-term** | **Medium and Long-term** | **Total** |
| **Consumer Loans-TL** | **13,162** | **225,704** | **238,866** |
| Real Estate Loans | - | 129,318 | 129,318 |
| Automotive Loans | 10 | 3,238 | 3,248 |
| Consumer Loans | 13,152 | 93,148 | 106,300 |
| Other | - | - | - |
| **Consumer Loans-FC Indexed** | - | - | - |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| **Consumer Loans-FC** | **-** | **-** | - |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| **Individual Credit Cards-TL** | **8,928** | **-** | **8,928** |
| With Installments | 3,102 | - | 3,102 |
| Without Installments | 5,826 | - | 5,826 |
| **Individual Credit Cards- FC** | **12** | **-** | 12 |
| With Installments | - | - | **-** |
| Without Installments | 12 | - | 12 |
| **Personnel Loans-TL** | **-** | **4,221** | **4,221** |
| Real Estate Loans | - | - | **-** |
| Automotive Loans | - | - | **-** |
| Consumer Loans | - | 4,221 | 4,221 |
| Other | - | - | **-** |
| **Personnel Loans-FC Indexed** | **-** | **-** | **-** |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| **Personnel Loans-FC** | **-** | **-** | **-** |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | - | - | - |
| Other | - | - | - |
| **Personnel Credit Cards-TL** | **2,211** | **-** | **2,211** |
| With Installments | 952 | - | 952 |
| Without Installments | 1,259 | - | 1,259 |
| **Personnel Credit Cards-FC** | **4** | **-** | **4** |
| With Installments | - | - | - |
| Without Installments | 4 | - | 4 |
| **Credit Deposit Account-TL (Individuals) (\*)** | **7,038** | **-** | **7,038** |
| **Credit Deposit Account-FC (Individuals)** | **-** | **-** | **-** |
| Total | **31,355** | **229,925** | **261,280** |

(\*) TL 176 of the credit deposit account personnel loans (31 December 2014: TL 179).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**e. Explanations on loans (Continued)**

5. Information on commercial installment loans and corporate credit cards

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Short-term** | **Medium and long-term** | **Total** |
| **Commercial Loans With Installments-TL** | **67,709** | **1,343,227** | **1,410,936** |
| Real Estate Loans | - | 216,968 | 216,968 |
| Automotive Loans | - | 99,138 | 99,138 |
| Consumer Loans | 67,709 | 1,027,121 | 1,094,830 |
| Other | - | - | - |
| **Commercial Loans With Installment-FC Indexed** | **-** | **-** | - |
| Real Estate Loans | - | - | **-** |
| Automotive Loans | - | - | **-** |
| Consumer Loans | - | - | **-** |
| Other | - | - | **-** |
| **Commercial Loans With Installment-FC** | **642** | **1,152,204** | **1,152,846** |
| Real Estate Loans | - | - | - |
| Automotive Loans | - | - | - |
| Consumer Loans | 642 | 1,152,204 | 1,152,846 |
| Other | - | - | - |
| **Corporate Credit Cards-TL** | **58,150** | **-** | **58,150** |
| With Installment | 8,740 | - | 8,740 |
| Without Installment | 49,410 | - | 49,410 |
| **Corporate Credit Cards-FC** | **-** | **-** | - |
| With Installment | - | - | - |
| Without Installment | - | - | - |
| **Overdraft Accounts – TL(Corporate)** | **131,535** | **-** | **131,535** |
| **Overdraft Accounts – FC (Corporate)** | **-** | **-** | **-** |
| **Total** | **258,036** | **2,495,431** | **2,753,467** |

6. Loans according to types of borrowers

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Public | - | - |
| Private | 9,069,821 | 7,727,910 |
| **Total** | **9,069,821** | **7,727,910** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**e. Explanations on loans (Continued)**

7. Distribution of domestic and foreign loans

Related loans are classified according to the location of the customers.

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Domestic Loans | 9,030,427 | 7,671,833 |
| Foreign Loans | 39,394 | 56,077 |
| **Total** | **9,069,821** | **7,727,910** |

8. Loans given to investments in associates and subsidiaries

As of 31 December 2015, there are loans granted to associates and subsidiaries amount to TL 55,395 (31 December 2014: None).

9. Specific provisions provided against loans

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Loans and Other Receivables with Limited Collectability | 14,376 | 5,663 |
| Loans and Other Receivables with Doubtful Collectability | 47,781 | 45,005 |
| Uncollectible Loans and Other Receivables | 219,343 | 218,575 |
| Total | **281,500** | **269,243** |

10. Information on non-performing loans (Net)

10.(i). Information on non-performing loans restructured or rescheduled and other receivables

Group has no non-performing loans restructured or rescheduled and other receivables as of 31 December 2015 (31 December 2014: None).

10.(ii). 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** |
| **31 December 2014** | **42,408** | **113,503** | **284,962** |
| Addition (+) | 303,583 | 9,823 | 8,990 |
| Transfers from Other Categories of Non-performing Loans (+) | - | 220,340 | 198,084 |
| Transfers to Other Categories of Non-performing Loans (-) | (222,023) | (196,401) | - |
| Collections (-) | (18,431) | (21,140) | (66,158) |
| Write-offs (-) (\*) (\*\*) (\*\*\*) | - | (3,145) | (137,054) |
| Corporate and Commercial Loans | - | (3,139) | (123,223) |
| Consumer Loans | - | (5) | (8,317) |
| Credit Cards | - | (1) | (5,514) |
| Other | - | - | - |
| **31 December 2015** | **105,537** | **122,980** | **288,824** |
| Specific Provision (-) | 14,376 | 47,781 | 219,343 |
| **Net Balance on Balance Sheet** | **91,161** | **75,199** | **69,481** |

(\*) The Parent Bank has disposed non performing loan corresponds to provision amount of TL 15,199 and has collected TL 2,500 on 31 March 2015.

(\*\*) The Parent Bank has disposed non performing loans correspond to provision amount of TL 113,584 to Güven Varlık Yönetim A.Ş and has collected TL 4,650 on 5 May 2015.

(\*\*\*) Alternatif Finansal Kiralama A.Ş. has sold non performing loans correspond to provision amount of TL 9,142 to Artı Varlık Yönetim A.Ş and has collected TL 125 on 29 May 2015.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**e. Explanations on loans (Continued)**

10. Information on non-performing loans (Net) (Continued)

10.(iii). Information on non-performing loans granted as foreign currency loans

The Group has TL 20,432 non-performing loans denominated in foreign currency loans as at the balance sheet date (31 December 2014: None).

10.(iv). Information on non-performing loans based on 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** |
| **31 December 2015 (Net)** |  |  |  |
| Loans to Real Persons and Legal Entities (Gross) | 105,537 | 122,980 | 288,824 |
| Specific Provision Amount (-) | (14,376) | (47,781) | (219,343) |
| Loans to Real Persons and Legal Entities (Net) | 91,161 | 75,199 | 69,481 |
| Banks (Gross) | - | - | - |
| Specific Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific Provision Amount (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |
| **31 December 2014 (Net)** |  |  |  |
| Loans to Real Persons and Legal Entities (Gross) | 42,408 | 113,503 | 284,962 |
| Specific Provision Amount (-) | 5,663 | 45,005 | 218,575 |
| Loans to Real Persons and Legal Entities (Net) | 36,745 | 68,498 | 66,387 |
| Banks (Gross) | - | - | - |
| Specific Provision Amount (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific Provision Amount (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |

11. Explanation on liquditation policy for uncollectible loan and receivable

Collection of uncollectible loans and other receivables is collected through the liquidation of collaterals and by legal procedures.

12. Explanations on write-off policy

Uncollectible loans and other receivables are recovered through legal proceedings and liquidation of collaterals or they are written off with Board decision in accordance with the Tax Procedural Law.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**e. Explanations on loans (Continued)**

13. The Parent Bank's provision movement for loans and other receivables during the period:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Corporate/**  **Commercial Loans** | **SME** | **Consumer**  **Loans** | | **Total** | |
| **1 January 2015** | **149,725** | **110,476** | | **9,042** | | **269,243** |
| Made during the Period | 41,324 | 111,374 | | 13,935 | | 166,633 |
| Cancelled during the Period (-) | (10,929) | (4,893) | | (629) | | (16,451) |
| Collections | (59,199) | (71,897) | | (6,829) | | (137,925) |
| **31 December 2015** | **120,921** | **145,060** | | **15,519** | | **281,500** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Corporate/**  **Commercial Loans** | **SME** | **Consumer**  **Loans** | | **Total** | |
| **1 January 2014** | **107,484** | **70,996** | | **4,476** | | **182,956** |
| Made during the Period | 51,273 | 70,372 | | 6,168 | | 127,813 |
| Cancelled during the Period (-) | 9,032 | 30,892 | | 1,602 | | 41,526 |
| Collections | - | - | | - | | - |
| **31 December 2014** | **149,725** | **110,476** | | **9,042** | | **269,243** |

**f. Information on held-to-maturity investments:**

1. Information on held to maturity debt securities

Group has no held to maturity debt securities as of 31 December 2015 (31 December 2014: None).

2. Information on held to maturity investments

Group has no held to maturity investments as of 31 December 2015 (31 December 2014: None).

3. Movement of investments held-to-maturity:

None.

4. Characteristics and carrying values of held-to-maturity investments given as collateral

As of 31 December 2015 there is no held-to-maturity investments given as collateral (31 December 2014: None).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**g. Information on investments in associates (Net)**

None (31 December 2014: None).

**h. Information on subsidiaries (Net)**

1. Information on shareholders’ equity of the significant subsidiaries

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits. The information on the shareholders’ equity of this subsidiaries is shown below:

|  |  |  |
| --- | --- | --- |
|  | **Alternatif Yatırım A.Ş.** | **Alternatif Finansal Kiralama A.Ş** |
| **Core Capital** | **20,437** | **62,762** |
| Paid-in Capital | 13,309 | 35,920 |
| Share Premium | - | - |
| Share Cancellation Profits  Profits | - | - |
| Reserves | 14,220 | 9,972 |
| Current Period’s Profit and Prior Period’s Profit | (6,868) | 67,097 |
| Current Period’s Losses and Prior Period’s Losses | - | - |
| Leasehold Improvements on Operational Leases (-) | 32 | - |
| Intangible Assets (-) | 192 | 580 |
| Consolidaton Goodwill | - | 49,647 |
| **Supplementary Capital** | - | - |
| **Deductions From Capital** | - | - |
| **Total Shareholders Equity** | **20,437** | **62,762** |

Within the Board of Directors decision dated 17 March 2014 and numbered 1/A, dissolution and liquidation of Alternatif Yatırım Ortaklığı A.Ş. had been decided, and by this decision approvals given from Capital Markets Board to Alternatif Yatırım Ortaklığı A.Ş. as at 8 July 2014. Liquidation of Alternatif Yatırım Ortaklığı A.Ş. were approved in extraordinary general meeting dated 29 September 2014 and and completed with the liquidation process dated 25 November 2015.

According to the conclusion of there will be no benefits by the continuing activities of Alternatif Portföy Yönetimi A.Ş. which is owned 100% by Alternatif Yatırım A.Ş., liquidation procedures has begun after the decision of board of Alternatif Portföy Yönetimi A.Ş. dated 27 August 2014. By the same date, application made to the Capital Markets Board. Operating licence and portfolio management certificate of the Alternatif Portföy Yönetimi A.Ş. is cancelled on 5 December 2014 and its title has changed as Elmadağ Dış Ticaret A.Ş. on 6 March 2015 and it is excluded from the consolidation as of 30 June 2015.

2. Information on unconsolidated subsidiaries:

There is not any unconsolidated subsidiaries (31 December 2014: None).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**h. Information on subsidiaries (Net) (Continued)**

3. Information on consolidated subsidiaries

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No** | **Title** | **Address (City/ Country)** | **Bank’s share percentage, if different voting percentage (%)** | **Bank’s Risk Group Share (%)** |
| 1 | Alternatif Yatırım A.Ş. | İstanbul/Türkiye | 100.00 | 100.00 |
| 2 | Alternatif Finansal Kiralama A.Ş. | İstanbul/Türkiye | 99.99 | 99.99 |

Main financial figures of the consolidated subsidiaries in the order of the above table

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Total**  **Assets** | **Shareholders’ Equity** | **Total Fixed Assets** | **Interest Income** | **Income from Marketable Securities Portfolio** | **Current Period Profit / Loss** | **Prior Period Profit / Loss** | **Fair Value** |
| 1 | 24,444 | 20,612 | 650 | 3,082 | 394 | (4,453) | (2,415) | - |
| 2 | 1,110,099 | 112,989 | 1,800 | 73,719 | - | 14,817 | - | - |

(\*) The above mentioned subsidiaries' financial data are taken from the financial statements prepared for the BRSA as of 31 December 2015.

4. The movement of the subsidiaries

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Balance at the beginning of the period** | **146,323** | **146,049** |
| **Movements during the period** | **20,057** | **274** |
| Purchases | 21,137 | - |
| Transfers | - | - |
| Bonus Shares Obtained | - | - |
| Share in Current Year Income | - | - |
| Sales | (900) | - |
| Revaluation ([Decrease](http://tureng.com/search/decrease)) / Increase | - | 274 |
| Provision for Impairment | (180) | - |
| **Balance at the End of the Period** | **166,380** | **146,323** |
| **Capital Commitments** | **-** | **-** |
| **Share Percentage at the End of the Period (%)** | 100 | **100** |

5. Sectoral information on financial subsidiaries and the related carrying amounts

|  |  |  |
| --- | --- | --- |
| **Subsidiaries** | **31 December 2015** | **31 December 2014** |
| Banks | - | - |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | 142,165 | 120,629 |
| Finance Companies | - | - |
| Other Financial Subsidiaries | 24,215 | 25,694 |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**h. Information on subsidiaries (Net) (Continued)**

6. Valuation of investments in consolidated subsidiaries

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Cost Value Method | 166,380 | 144,844 |
| Fair Value Method | - | 1,479 |
| Equity Method | - | - |
| **Total** | **166,380** | **146,323** |

**7**. Subsidiaries quoted on stock exchange

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Quoted on Domestic Stock Exchanges (\*) | - | 1,479 |
| Quoted on Foreign Stock Exchanges | - | - |

(\*) Liquidation of Alternatif Yatırım Ortaklığı A.Ş. were approved in extraordinary general meeting dated 29 September 2014 and completed as of 25 November 2015.

**i. Information on joint ventures**

There are no joint ventures (31 December 2014: None).

**j. Information on lease receivables (net)**

The lease receivables of the Group is TL 1,031,649 (31 December 2014: TL 651,409).

**k. Information on hedging derivative financial assets**

There are no differences related with hedging derivative financial assets (31 December 2014: None).

**l. Information on property and equipment**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2015** | **Real Estates (\*)** | **Motor**  **Vehicles** | **Other Tangible Assets** | **Total** |
|  |  |  |  |  |
| Cost | 1,710 | 28 | 101,758 | 103,496 |
| Accumulated Depreciation (-) | 16 | 28 | 71,851 | 71,895 |
| **Net Book Value** | **1,694** | **-** | **29,907** | **31,601** |
| **31 December 2015** |  |  |  |  |
| Net Book Value at Beginning of the Period | 1,694 | - | 29,907 | 31,601 |
| Additions | 180 | - | 10,232 | 10,412 |
| Disposals Cost | 816 | - | 7,819 | 8,635 |
| Disposals Depreciation (-) | - | - | 4,992 | 4,992 |
| Impairment | - | - | - | - |
| Depreciation (-) | - | - | 8,876 | 8,876 |
| Cost at Period End | 1,074 | 28 | 104,169 | 105,271 |
| Accumulated Depreciation at Period End (-) | 16 | 28 | 75,734 | 75,778 |
| **Closing Net Book Value at Period End** | **1,058** | **-** | **28,435** | **29,493** |

(\*) The acquired with the purchase of Alternatif Finansal Kiralama A.Ş.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets** **(Continued)**

**l. Information on property and equipment (Continued)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Real Estates** | **Motor**  **Vehicles** | **Other Tangible Assets** | **Total** |
|  |  |  |  |  |
| Cost | 1,479 | 28 | 94,187 | 95,694 |
| Accumulated Depreciation (-) | 13 | 26 | 63,388 | 63,427 |
| **Net Book Value** | **1,466** | **2** | **30,799** | **32,267** |
| **31 December 2014** |  |  |  |  |
| Net Book Value at Beginning of the Period | 1,466 | 2 | 30,799 | 32,267 |
| Additions | 611 | - | 7,980 | 8,591 |
| Disposals Cost | 383 | - | 72 | 455 |
| Disposals Depreciation (-) | - | - | - | - |
| Impairment | - | 2 | 8,798 | 8,800 |
| Depreciation (-) | - | - | - | - |
| Cost at Period End | 1,710 | 28 | 101,758 | 103,496 |
| Accumulated Depreciation at Period End (-) | 16 | 28 | 71,851 | 71,895 |
| **Closing Net Book Value at Period End** | **1,694** | **-** | **29,907** | **31,601** |

**m. Information on the goodwill and intangible assets**

1. Book value and accumulated depreciation of the goodwill at the beginning and at the end of the period

|  |  |  |
| --- | --- | --- |
|  | **Current Period** | **Prior period** |
| Gross Value at the Beginning of the Period | 49,647 | 49,647 |
| Accumulated Depreciation (-) | - | - |
| Impairment Provision (-) | - | - |
| Movement During the Period | - | - |
| Addition Goodwill | - | - |
| Assets and Liabilities Arising from Changes in Value of Correction | - | - |
| During the Period Discontinue an Operation and Goodwill Partially or Completely Removed from an Asset (-) | - | - |
| Depreciation (-) | - | - |
| Impairment Provision (-) | - | - |
| Reversal of Impairment Provision (-) | - | - |
| Book Value Occuring Other Changes | - | - |
| Gross Value at the End of the Period | 49,647 | 49,647 |
| Accumulated Depreciation (-) | - | - |
| Impairment Provision (-) | - | - |
| **Net Book Value at the End of the Period** | **49,647** | **49,647** |

In accordance with the Share Transfer Agreement signed between Anadolu Endüstri Holding A.Ş (AEH) and Alternatifbank A.Ş. and the Banking Regulation and Supervision Agency’s authorization numbered 5558 dated 24 October 2013, Alternatifbank A.Ş. purchased 2,727,259,500 shares which is 95.80% of Alternatif Finansal Kiralama (“A Lease”), the associate of AEH, with a consideration amount of TL 115,585 and 115,488,748 shares from other shareholders with a consideration amount of TL 4,894. The positive difference between TL 120,601 purchase price and TL 69,189 the net amount of identifiable assets was reflected as TL 49,647 goodwill and TL 1,757 intangible assets on this transaction.

The valuation of the fair value of the equity of A Lease is made by Parent Bank. Discounted cash flow method was used for determining fair value 3 year business plan prepared by management of the company is used valuation. Growing the business plan of the A Lease stems from the company's opportunities in the sector in which it operates and new customer acquisitions. The important assumptions about the calculating recovable amount is discount rates and terminal growth rates. The discount rate used in the calculation is 15.5% and terminal growth rate is 13.6%. As of 21 December 2015 the Company’s capital has increased by TL 21,537,500 (Full TL) by cash.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets** **(Continued)**

**m. Information on the goodwill and intangible assets (Continued)**

1. Carrying value and accumulated depreciation of the goodwill at the beginning and at the end of the period

Any impairment loss was recorded because recoverable value is higher than carrying value of the A Lease.

Information on the goodwill calculation relating to acquisition is as follows:

|  |  |
| --- | --- |
|  | **31 October 2013 Fair value** |
| Fair Value of the Equity Shares Subject to Change at the Acquisition Date | 120,629 |
| The Fair Value of the Identifiable Net Assets of the Alternatif Finansal Kiralama A.Ş. | (69,225) |
| Brand Value | 1,757 |
| **Goodwill** | **49,647** |

As of 8 November 2013 fair values of net indentifiable assets of Alternatif Finansal Kiralama A.Ş. has calculated as below

2. Gross carrying value and accumulated depreciation values at the beginning and end of the period

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Gross Carrying Value | 77,266 | 66,623 |
| Accumulated Depreciation (-) | 44,105 | 41,712 |
| **Net Book Value** | 33,161 | 24,911 |

3. Information on movements between the beginning and end of the period

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Beginning of the Period** | **24,911** | **23,533** |
| Internally Generated Amounts | 246 | 209 |
| Additions due to Mergers, Transfers and Acquisitions | 11,888 | 4,362 |
| Disposals | - | - |
| Amount Accounted under Revaluation Reserve | - | - |
| Impairment | - | - |
| Impairment Reversal | - | - |
| Amortisation (-) | 3,884 | 3,193 |
| Net Foreign Currency Difference From Foreign Investments in Associates | - | - |
| Other Changes in Book Value | - | - |
| **End of the Period** | **33,161** | **24,911** |

**n. Information on investment property**

There is no investment property (31 December 2014: None).

**o. Movement of assets held for resale and discontinued operations**

There is no assets held for sale and discontinued operations (31 December 2014: None).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes on Assets (Continued)

**p. Information on other assets**

1. The distribution of other assets

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Other Assets** |  |  |
| Receivables from Clearing | 54,327 | 71,311 |
| Assets Held for Sale | 50,449 | 69,243 |
| Colleterals Given for Derivative Transactions | 37,825 | 22,117 |
| Prepaid Expenses | 33,917 | 28,366 |
| Guarantees Given | 27,394 | 508 |
| Pos Receivables | 4,192 | 4,040 |
| Other | 28,036 | 30,194 |
| **Total** | **236,140** | **225,779** |

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Assets Held for Sale** |  |  |
|  |  |  |
| Beginning of the Period | 69,243 | 80,881 |
| Disposal (-) | (63,715) | 29,360 |
| Additions | 44,286 | 19,130 |
| Depreciation for the Period | 785 | (1,684) |
| Impairment Provision | (150) | 276 |
| **End of the Period** | **50,449** | **69,243** |

2. Other assets in the balance sheet, balance sheet excluding off-balance sheet commitments exceed 10% of the total while at least 20% of their name and the amount of sub-accounts

None (31 December 2014: None).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes on Liabilities

**a. Information on deposits**

1. Information on maturity structure of deposits/the funds collected

1(i). 31 December 2015:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Demand** | **With 7 days notifications** | **Up to 1 month** | **1-3 months** | **3-6 months** | **6 months -1 year** | **1 year and over** | **Accumulated**  **Deposits** | **Total** |
| **Saving Deposits** | **52,036** | **-** | **56,362** | **1,718,980** | **48,754** | **13,078** | **14,985** | **129** | **1,904,324** |
| **Foreign Currency Deposits** | **201,788** | **-** | **152,270** | **1,819,601** | **77,905** | **21,342** | **13,276** | **-** | **2,286,182** |
| Residents in Turkey | 195,001 | - | 152,270 | 1,628,266 | 75,792 | 18,912 | 13,156 | - | 2,083,397 |
| Residents Abroad | 6,787 | - | - | 191,335 | 2,113 | 2,430 | 120 | - | 202,785 |
| **Public Sector Deposits** | **17,162** | **-** | **-** | - | - | - | - | - | 17,162 |
| **Commercial Deposits** | **93,185** | **-** | **668,712** | **545,953** | **25,682** | **74,137** | **19,718** | **-** | **1,427,387** |
| **Other Institutions Deposits** | **1,722** | **-** | **6,855** | **17,082** | **8** | **42** | **19,275** | **-** | **44,984** |
| **Precious Metal Deposits** | **1,399** | **-** | **-** | **205,124** | **585** | **126** | **774** | **-** | **208,008** |
| **Bank Deposits** | **484** | **-** | **198,500** | **119,549** | **31,903** | **-** | **-** | **-** | **350,436** |
| The CBRT | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 124 | - | 175,123 | 87,682 | - | - | - | - | 262,929 |
| Foreign Banks | 360 | - | 23,377 | 31,867 | 31,903 | - | - | - | 87,507 |
| [Participation Bank](http://tureng.com/search/participation%20bank)s | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **367,776** | **-** | **1,082,699** | **4,426,289** | **184,837** | **108,725** | **68,028** | **129** | **6,238,483** |

1(ii). 31 December 2014:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Demand** | **With 7 days notifications** | **Up to 1 month** | **1-3 months** | **3-6 months** | **6 months -1 year** | **1 year and over** | **Accummulated**  **Deposits** | **Total** |
| **Saving Deposits** | **55,057** | **-** | **45,690** | **1,820,191** | **123,892** | **984** | **15,425** | **-** | **2,061,239** |
| **Foreign Currency Deposits** | **224,980** | **-** | **56,168** | **1,186,271** | **9,906** | **17,594** | **14,953** | **-** | **1,509,872** |
| Residents in Turkey | 212,600 | - | 56,093 | 1,170,279 | 9,200 | 16,470 | 12,676 | - | 1,477,318 |
| Residents Abroad | 12,380 | - | 75 | 15,992 | 706 | 1,124 | 2,277 | - | 32,554 |
| **Public Sector Deposits** | **14,880** | **-** | **-** | **4,140** | **-** | **-** | **-** | **-** | **19,020** |
| **Commercial Deposits** | **116,636** | **-** | **515,912** | **1,085,548** | **28,142** | **45,816** | **81** | **-** | **1,792,135** |
| **Other Institutions Deposits** | **2,287** | **-** | **3,147** | **53,265** | **26** | **-** | **8,459** | **-** | **67,184** |
| **Precious Metal Deposits** | **9,772** | **-** | **10** | **737** | **684** | **588** | **1,653** | **-** | **13,444** |
| **Bank Deposits** | **600** | **-** | **-** | **-** | **94,389** | **94,688** | **-** | **-** | **189,677** |
| The CBRT | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 381 | - | - | - | - | - | - | - | 381 |
| Foreign Banks | 30 | - | - | - | 94,389 | 94,688 | - | - | 189,107 |
| [Participation Bank](http://tureng.com/search/participation%20bank)s | 189 | - | - | - | - | - | - | - | 189 |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **424,212** | **-** | **620,927** | **4,150,152** | **257,039** | **159,670** | **40,571** | **-** | **5,652,571** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes on Liabilities (Continued)

**a. Information on deposits (Continued)**

2. Information on saving deposits insurance

2(i). Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Saving Deposits | **Under the Guarantee of Deposit Insurance** | | **Exceeding Limit of the Deposit Insurance** | |
| **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| Saving Deposits | 601,328 | 660,143 | 1,303,676 | 1,401,731 |
| Foreign Currency Savings Deposit | 106,436 | 88,973 | 978,404 | 453,802 |
| Other Deposits in the Form of Savings Deposits | - | - | - | - |
| Foreign Branches’ Deposits Under Foreign Authorities’ Insurance | - | - | - | - |
| Off-shore Banking Regions’ Deposits Under Foreign Authorities’ Insurance | - | - | - | - |

(\*) Related savings deposits includes the amount of TL 680 straight rediscount - internal efficiency difference.

2(ii). Saving deposits which are not under the guarantee of saving deposit insurance fund

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Deposits and Other Accounts in Foreign Branches | - | - |
| Deposits and Other Accounts of Main Shareholders and their Families | - | - |
| Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families | 87,258 | 81,015 |
| Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCL” Dated 26/9/2004 | - | - |
| Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations | - | - |

**b. Information on trading derivative financial liabilities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 529 | 3,237 | 981 | 4,779 |
| Swap Transactions | 564 | 10,051 | 1,425 | 3,422 |
| Futures Transactions | - | - | - | - |
| Options | - | 478 | - | 1,822 |
| Other | - | - | - | - |
| **Total** | **1,093** | **13,766** | **2,406** | **10,023** |

**c. Information on borrowings**

1. Information on borrowing

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| The CBRT Borrowings | - | - | - | - |
| From Domestic Banks and Institutions | 124,989 | 507,120 | 116,538 | 593,586 |
| From Foreign Banks, Institutions and Funds | 354 | 3,629,674 | 20,582 | 1,804,867 |
| **Total** | **125,343** | **4,136,794** | **137,120** | **2,398,453** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes on Liabilities (Continued)

**c. Information on borrowings (Continued)**

2. Information on maturity profile of borrowings

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Short-term | 125,343 | 1,388,203 | 122,779 | 1,958,102 |
| Medium and Long-term | - | 2,748,591 | 14,341 | 440,351 |
| **Total** | **125,343** | **4,136,794** | **137,120** | **2,398,453** |

**d. Information on other foreign liabilities**

As of 31 December 2015 other foreign liabilities do not exceed 10% of the total balance sheet.

**e. Information on financial lease agreements**

None (31 December 2014: None).

**f. Information on hedging derivative financial liabilities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Fair Value Hedge Risk (\*) | 113 | - | 8,578 | - |
| Cash Flow Hedge | - | - | - | - |
| Hedge of Net Investments in Foreign Operations | - | - | - | - |
| **Total** | **113** | **-** | **8,578** | **-** |

(\*) Explained in Section Four Note X.

**g. Information on provisions**

1. Information on general provisions

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Provisions for Group I Loans and Receivables | 61,137 | 46,180 |
| Additional Provision for Loans and Receivables with Extended Maturities | 1,406 | 6,380 |
| Provisions for Group II Loans and Receivables | 3,645 | 3,651 |
| Additional Provision for Loans and Receivables with Extended Maturities | 15,487 | - |
| Provisions for Non-Cash Loans | 8,571 | 5,953 |
| Other | 3,140 | 694 |
| **Total** | **93,386** | **62,858** |

2. Information on reserve for employment termination benefits

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. Actuarial gains and losses amounting to TL 1,904 occurred at or after 1 January 2015 are accounted for under the equity according to the revised TAS 19 stardard.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes on Liabilities (Continued)

**g. Information on provisions (Continued)**

2. Information on reserve for employment termination benefits (Continued)

Following actuarial assumptions were used in the calculation of total liabilities.

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Discount Rate (%) | 3.18 | 3.77 |
| Ratio used for Probability of Pension (%) | 83.33 | 85.80 |

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The cap amount of full TL 3,828.37 effective from 1 September 2015 and has been taken into consideration in calculating the reserve for employment termination benefits (31 December 2014: Full TL 3,438.22).

Movement of employment termination benefits liability in the balance sheet

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Prior Period Ending Balance** | **4,864** | **4,903** |
| Current Period Service Cost | 599 | 1,542 |
| Interest Cost | 548 | 1,798 |
| Paid Compensation | (5,262) | (3,471) |
| Pay/Benefit Reductions/Gains or Losses Due to Dismissals | 3,712 | 16 |
| Actuarial Gain/(Loss) | 1,904 | 81 |
| **Balance at the End of the Period** | **6,364** | **4,869** |

In addition, the Group has accounted for unused vacation rights provision amounting to TL 2,961 as of 31 December 2015 (31 December 2014: TL 3,753).

3. Other provisions

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Specific Provision for Unindemnified Non-cash Loan | 20,098 | 15,787 |
| Bonus Provision | 9,560 | 13,280 |
| Provision for the Impairment due Settlement Date | - | 8 |
| Other (\*) | 7,850 | 3,123 |
| **Total** | **37,508** | **32,198** |

(\*) Other line consist of TL 7,780 litigation and claims (31 December 2014: TL 3,063), TL 4 amounted provisions for disposals of securities (31 December 2014: TL 4) and TL 66 amounted other provisions.

4. Information on Provisions Related with the Foreign Currency Difference of Foreign Indexed Loans

As of 31 December 2015, the provision related to the foreign currency differences on foreign indexed loans amounts to TL 7,630 (31 December 2014: TL 5,428) are netted with loans in the financial statements.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes on Liabilities (Continued)

**h. Information on taxes payable**

**Information on current tax liability**

As of 31 December 2015, current tax liability amounting to TL 28,497 is netted with prepaid taxes which is amounted TL 22,428 and group has TL 6,069 tax liability as of 31 December 2015 (31 December 2014: TL 9,196).

(i) Information on taxes payable

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Corporate Tax Payable | 6,069 | 9,196 |
| Taxation of Marketable Securities | 8,309 | 6,801 |
| Property Tax | 236 | 252 |
| Banking Insurance Transaction Tax (BITT) | 6,553 | 7,534 |
| Foreign Exchange Transaction Tax | - | - |
| Value Added Tax Payable | 1,737 | 1,618 |
| Other | 3,048 | 2,926 |
| **Total** | **25,952** | **28,327** |

(ii) Information on premium payables

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Social Security Premiums - Employee | 931 | 966 |
| Social Security Premiums - Employer | 1,360 | 1,377 |
| Bank Pension Fund Premiums - Employee | - | - |
| Bank Pension Fund Premiums - Employer | - | - |
| Pension Fund Deposit and Provisions - Employee | - | - |
| Pension Fund Deposit and Provisions - Employer | - | - |
| Unemployment Insurance - Employee | 67 | 68 |
| Unemployment Insurance - Employer | 145 | 138 |
| Other | 42 | 62 |
| **Total** | **2,545** | **2,611** |

**i.** **Explanations about deferred tax provision**

As of 31 December 2015, the Parent Bank has calculated deferred tax asset of TL 26,707 (31 December 2014: TL 24,242) in the financial statements.

As of 31 December 2015 and 31 December 2014, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Deferred Tax Assets |  |  |
| Tangible Assets Base Differences | (589) | (707) |
| Provisions | 8,045 | 11,033 |
| Valuation of Financial Assets | 4,037 | (2,661) |
| Investment Incentive | 14,120 | 16,062 |
| Financial Losses | 1,094 | 515 |
| **Net Deferred Tax Assets** | **26,707** | **24,242** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## Explanations and Notes on Liabilities (Continued)

1. Group’s detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Issuing Institution** | **Amount (‘000)** | **Opening Date** | **Maturity** | **Interest Rate (%)** |
| International Finance Corporation | USD 50,000 | 29 December 2010 | 11 years (\*) | Libor + 4.50 |
| Black Sea Trade and Development Bank | USD 30,000 | 29 December 2010 | 11 years (\*) | Libor + 4.50 |
| FMO Amsterdam | USD 25,000 | 29 December 2010 | 11 years (\*) | Libor + 4.50 |
| DEG KOLN | EUR 20,000 | 29 December 2011 | 11 years (\*) | Libor + 4.50 |
| EFSE SA.SICAV-SIF | EUR 10,000 | 29 December 2011 | 11 years (\*) | Libor + 4.50 |
| Commercial Bank of Qatar | USD 125,000 | 30 June 2015 | 10 years+1 day | Libor + 6.00 |

(\*) Related loans will be repaid before the maturity date.

TL equivalent of the subordinated loan is TL 767,558 (31 December 2014: TL 329,826).

The subordinated loan does not have the option to be converted into stock certificate. The Parent Bank has the option to pay back the loan at the end of the 5th year.

2.Information on subordinated loans

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Domestic Banks | - | - | - | - |
| Other Domestic | - | - | - | - |
| Foreign Banks | - | 452,505 | - | 69,953 |
| Other Foreign Institutions | - | 315,053 | - | 259,873 |
| **Total** | **-** | **767,558** | **-** | **329,826** |

1. **Information on shareholders’ equity**

1. Presentation of paid-in capital (As of nominal; non-adjusted amounts according to inflation)

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Common Stock (\*) | 620,000 | 620,000 |
| Preferred Stock | - | - |

(\*) It refers to the nominal capital.

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 (As of nominal; non-adjusted amounts according to inflation):

The Parent Bank applies registered share capital system. As of 31 December 2015 the registered share capital ceiling amount is TL 1,000,000. The Parent Bank’s paid-in-capital consists of 620,000,000 shares and each share amount to TL 1.

3. Information about the share capital increases and their sources in the current period

None.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes on Liabilities (Continued)

1. **Information on shareholders’ equity (Continued)**

4. Information on additions from revaluation reserves to capital in the current period: None.

5. Information on capital increases from capital reserves during the current period: None.

6. Information on prior period’s indicators on the Group’s income, profitability and liquidity, and possible effects of these future assumptions on the Group’s equity due to uncertainties of these indicators

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

None.

8. Information on marketable securities valuation reserve

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| From Investments in Associates, Subsidiaries, and Joint Ventures | - | - | - | - |
| Valuation Difference | (16,041) | (11,396) | (6,420) | 266 |
| Foreign Currency Difference | - | - | - | - |
| **Total** | **(16,041)** | **(11,396)** | **(6,420)** | **266** |

9. Information of the previous year profit distribution

Parent profit distribution for the year 2015 was not yet prepared yet by the Board of Directors of the Parent Bank, therefore the amount of distributable profit for 2015 is undecided.

1. **Information on minority interests**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Balance at the Beginning of the Period** | **9,214** | **10,753** |
| Current Year Income | (1) | 232 |
| Dividends Paid | - | - |
| Purchase from Minority Interests | - | - |
| Other | (9,202) | (1,771) |
| **Balance at the End of the Period** | **11** | **9,214** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes on Off-Balance Sheet Accounts** 
   1. **Information on off balance sheet commitments**

1. The amount and type of irrevocable commitments

According to Direct Debiting System, there is TL 228,546 irrevocable loan commitments as of 31 December 2015 (31 December 2014: TL 237,190).

1. Type and amount of probable losses and obligations arising from off-balance sheet items

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in “Off-Balance Sheet Commitments”.

2.(i). Non-cash loans including guarantees, the Parent Bank avalized and acceptance loans, collaterals that are accepted as financial guarantees and other letters of credit

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Guarantees and Colleterals | 551,332 | 12,776 |
| Bank Acceptance Loans | 35,849 | 43,905 |
| Letter of Credits | 345,726 | 362,242 |
| **Total** | **932,907** | **418,923** |

2.(ii). Guarantees, sureties and other similar guarantees

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Temporary Letter of Guarantees | 59,692 | 77,099 |
| Definite Letter of Guarantees | 1,967,090 | 1,546,741 |
| Advance Letter of Guarantee | 87,614 | 85,710 |
| Letter of Guarantees Given to Customs | 126,668 | 145,692 |
| **Total** | **2,241,064** | **1,855,242** |

3.(i). Total amount of non-cash loans

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Non-cash Loans Given Against Cash Loans | 424,226 | 274,297 |
| With Original Maturity of 1 Year or Less than 1 Year | 424,226 | 274,297 |
| With Original Maturity of More than 1 Year | - | - |
| Other Non-cash Loans | 2,749,745 | 1,999,868 |
| **Total** | **3,173,971** | **2,274,165** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes on Off-Balance Sheet Accounts (Continued)**
   1. **Information on off balance sheet commitments (Continued)**

3.(ii). Information on concentration of non-cash loans

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **31 December 2015** | | | | **31 December 2014** | | | |
|  | **TL** | **(%)** | **FC** | **(%)** | **TL** | **(%)** | **FC** | **(%)** |
| **Agricultural** | **11,155** | **0.91** | **9,638** | **0.50** | **19,277** | **1.50** | **15,032** | **1.52** |
| Farming and Livestock | 10,046 | 0.82 | 9,638 | 0.50 | 18,172 | 1.41 | 15,032 | 1.52 |
| Forestry | 803 | 0.07 | - | - | 677 | 0.05 | - | - |
| Fishing | 306 | 0.02 | - | - | 428 | 0.03 | - | - |
| **Manufacturing** | **261,376** | **21.30** | **542,470** | **27.87** | **285,668** | **22.18** | **497,937** | **50.48** |
| Mining | 8,026 | 0.65 | 28,315 | 1.45 | 12,312 | 0.96 | 28,734 | 2.91 |
| Production | 227,003 | 18.50 | 471,878 | 24.24 | 243,922 | 18.94 | 430,291 | 43.62 |
| Electric, Gas, Water | 26,347 | 2.15 | 42,277 | 2.17 | 29,434 | 2.29 | 38,912 | 3.94 |
| **Construction** | **298,331** | **24.31** | **349,250** | **17.94** | **337,845** | **26.24** | **215,713** | **21.87** |
| **Services** | **599,761** | **48.87** | **361,971** | **18.59** | **601,297** | **46.69** | **206,895** | **20.97** |
| Wholesale and Retail Trade | 199,074 | 16.22 | 161,545 | 8.30 | 276,947 | 21.51 | 111,977 | 11.35 |
| Hotel and Food Services | 10,066 | 0.82 | 1,926 | 0.10 | 13,555 | 1.05 | 3,229 | 0.33 |
| Transportation and  Telecommunication | 67,366 | 5.49 | 114,091 | 5.86 | 70,394 | 5.47 | 25,646 | 2.60 |
| Financial Institutions | 174,437 | 14.21 | 19,946 | 1.02 | 113,995 | 8.85 | 6,175 | 0.63 |
| Real Estate and Leasing Ser. | 567 | 0.05 | 520 | 0.03 | 2,241 | 0.17 | 338 | 0.03 |
| Professional Services | 144,463 | 11.77 | 63,370 | 3.26 | 116,663 | 9.06 | 59,073 | 5.99 |
| Education Services | 589 | 0.05 | - | - | 506 | 0.04 | - | - |
| Health and Social Services | 3,199 | 0.26 | 573 | 0.03 | 6,996 | 0.54 | 457 | 0.05 |
| **Other** | **56,688** | **4.61** | **683,331** | **35.10** | **43,637** | **3.39** | **50,864** | **5.16** |
| Total | **1,227,311** | **100.00** | **1,946,660** | **100.00** | **1,287,724** | **100.00** | **986,441** | **100.00** |

3.(iii). Information on non-cash loans classified in Group I and Group II

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2015** | **Group I** | | **Group II** | |
|  | **TL** | **FC** | **TL** | **FC** |
| **Non-Cash Loans** |  |  |  |  |
| Letters of Guarantee (\*) | 1,163,403 | 1,001,222 | 63,908 | 12,531 |
| Bank Acceptances | - | 35,849 | - | - |
| Letters of Credit | - | 345,726 | - | - |
| Endorsements | - | - | - | - |
| Underwriting Commitments | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Commitments and Contingencies | - | 551,332 | - | - |
| **Total** | **1,163,403** | **1,934,129** | **63,908** | **12,531** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Group I** | | **Group II** | |
|  | **TL** | **FC** | **TL** | **FC** |
| **Non-Cash Loans** |  |  |  |  |
| Letters of Guarantee (\*) | 1,278,577 | 566,548 | 8,260 | 621 |
| Bank Acceptances | - | 43,905 | - | - |
| Letters of Credit | - | 361,578 | - | 664 |
| Endorsements | - | - | - | - |
| Underwriting Commitments | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Commitments and Contingencies | - | 12,776 | - | - |
| **Total** | **1,278,577** | **984,807** | **8,260** | **1,285** |

(\*) The amount of non-cash loans of customers which were classified as non-performing receivables is TL 42,735 (31 December 2014: TL 29,491).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Notes on Off-Balance Sheet Accounts (Continued)**

**b. Information on derivative financial instruments**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Types of Trading Transactions** |  |  |
| **Foreign Currency Related Derivative Transactions (I)** | **9,517,562** | **4,059,955** |
| Currency Forward Transactions | 334,900 | 522,604 |
| Currency Swap Transactions | 7,842,888 | 2,980,019 |
| Futures Transactions | - | - |
| Options | 1,339,774 | 557,332 |
| Securities Options | - | - |
| **Interest Related Derivative Transactions (II)** | **1,119,428** | **-** |
| Forward Rate Agreements | - | - |
| Interest Rate Swaps | - | - |
| Interest Rate Options | 1,119,428 | - |
| Interest Rate Futures | - | - |
| **Other Trading Derivative Transactions (III)** | **46,690** | **-** |
| **A. Total Trading Derivative Transactions (I+II+III)** | **10,683,680** | **4,059,955** |
|  |  |  |
| **Types of Hedging Transactions** |  |  |
| Fair Value Hedges | 220,000 | 220,000 |
| Cash Flow Hedges | - | - |
| Foreign Currency Investment Hedges | - | - |
| **B. Total Hedging Derivatives** | **220,000** | **220,000** |
| **Total Derivative Transactions (A+B)** | **10,903,680** | **4,279,955** |

1. **Investment Funds**

As at 1 July 2015, Investment funds Alternatifbank A.Ş. B Tipi Likit Fon and Alternatifbank A.Ş. B Tipi Özel Sektör Odaklı Tahvil Bono Fon are transferred to Ak Portföy Yönetimi A.Ş.. On the Alternatifbank B Tipi Değişken Fon, Alternatifbank A.Ş. A Tipi Değişken Fon and Alternatifbank A.Ş. A Tipi Hisse Fon are also transferred to Fokus Portföy Yönetimi A.Ş. dated 31 December 2015.

The Parent Bank’s agency agreement with Alternatif Yatırım A.Ş. is cancelled on 31 December 2015.

**d. Information on contingent liabilities**

## As of 31 December 2015, outstanding legal claims against the group have been considered as contingent liabilities amounting to TL 13,760 and TL 7,780 provision is provided against these legal cases (31 December 2014:Contingent Liability: TL 6,734 Provision: TL 3,063).

**e. Expalanations related to transactions made on behalf of others and transaction based on trust**

The Parent Bank's custody or placement activities on behalf of real and legal persons are immaterial.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes on Income Statement** 
   1. **Information on interest income**
2. Information on interest income on loans

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Short-term Loans | 541,036 | 49,979 | 610,937 | 38,808 |
| Medium/Long-term Loans | 198,405 | 168,304 | 181,461 | 40,931 |
| Interest on Loans Under Follow-up | 9,353 | - | 4,074 | 1 |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| **Total (\*)** | **748,794** | **218,283** | **796,472** | **79,740** |

(\*) Includes fee and commission income related with cash loans.

1. Information on interest income on banks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| From the CBRT (\*) | 1,461 | 1,733 | - | - |
| From Domestic Banks | 8,813 | 759 | 1,477 | 684 |
| From Foreign Banks | 766 | 136 | 45 | 40 |
| Headquarters and Branches Abroad | - | - | - | - |
| **Total** | **11,040** | **2,628** | **1,522** | **724** |

(\*) Interest incomes from Turkish Lira and Foreign Currency reserves, unrestricted accounts and reserve options which provided by CBRT has shown in “From the CBRT” line.

1. Information on interest income on marketable securities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| From Trading Financial Assets | 844 | 18 | 11,015 | 13 |
| From Financial Assets At Fair Value Through Profit or Loss | - | - | - | - |
| From Available-for-Sale Financial Assets | 42,940 | 17,051 | 41,521 | 2,058 |
| From Held-to-Maturity Investments | - | - | 119,421 | - |
| **Total** | **43,784** | **17,069** | **171,957** | **2,071** |

1. Information on interest income received from investments in associates and subsidiaries:

None (31 December 2014:None).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes on Income Statement (Continued)**

**b. Information on interest expense**

1. Information on interest expense on borrowings

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Banks | 17,037 | 81,207 | 11,769 | 57,706 |
| CBRT | - | - | - | - |
| Domestic Banks | 17,008 | 17,410 | 11,716 | 18,668 |
| Foreign Banks | 29 | 63,797 | 53 | 39,038 |
| Headquarters and Branches Abroad | - | - | - | - |
| Other Institutions | - | 24,869 | - | 9,022 |
| **Total (\*)** | **17,037** | **106,076** | **11,769** | **66,728** |

(\*) Includes fee and commission expense related with cash loans.

1. Information on interest expense given to investments in associates and subsidiaries

None (31 December 2014:None).

1. Information on interest expense to marketable securities issued

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **31 December 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Information on Interest Expense to Marketable Securities Issued | 35,114 | - | 26,886 | - |
| **Total** | **35,114** | **-** | **26,886** | **-** |

1. Information on interest rate and maturity structure of deposits

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Demand Deposit** | **Time Deposit** | | | | | | **Total** |
|  | **Up to 1 Months** | **Up to 3 Months** | **Up to 6 Months** | **Up to 1 Year** | **Over 1 Year** | **Accummulated Deposit** |
| **Turkish Lira** |  |  |  |  |  |  |  |  |
| Bank Deposits | - | 360 | - | - | - | 1 | - | 361 |
| Savings Deposits | - | 5,633 | 178,794 | 6,821 | 962 | 1,595 | 3 | 193,808 |
| Public Deposits | - | 22 | 657 | - | - | - | - | 679 |
| Commercial Deposits | - | 39,690 | 110,545 | 3,319 | 3,286 | 1,686 | - | 158,526 |
| Other Deposits | - | 576 | 8,098 | 1 | - | 1 | - | 8,676 |
| Deposit with 7 days notification | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | 281 | - | - | 4 | - | 285 |
| **Total**  **Total** | **-** | **46,281** | **298,375** | **10,141** | **4,248** | **3,287** | **3** | **362,335** |
| **Foreign Currency** |  |  |  |  |  |  |  |  |
| Foreign Currency Account | - | 2,860 | 43,190 | 660 | 486 | 396 | - | 47,592 |
| Bank Deposits | - | 6,549 | - | - | - | - | - | 6,549 |
| Deposit with 7 days notification | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| **Total** | **-** | **9,409** | **43,190** | **660** | **486** | **396** | **-** | **54,141** |
| **Grand Total** | **-** | **55,690** | **341,565** | **10,801** | **4,734** | **3,683** | **3** | **416,476** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes on Income Statement (Continued)**

**c. Information on dividend income**

The Group has no dividend income as of 31 December 2015 (31 December 2014: TL 197).

1. **Information on trading income/loss (Net)**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| IncomeIncomeIncome | **10,952,956** | **6,592,080** |
| Income from Capital Market Transactions | 6,887 | 30,333 |
| Derivative Financial Transactions | 723,988 | 327,437 |
| Foreign Exchange Gains | 10,222,081 | 6,234,310 |
| Loss (-) | **(10,992,708)** | **6,619,560** |
| Loss from Capital Market Transactions | (1,937) | 29,791 |
| Derivative Financial Transactions | (656,438) | 326,718 |
| Foreign Exchange Loss | (10,334,333) | 6,263,051 |
| Net Income/(Loss) | **(39,752)** | **(27,480)** |

**e. Explanations about other operating income**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Reversal of Specific Loan Provisions (\*) (\*\*) (\*\*\*) | 145,434 | 53,193 |
| Gain on Sale of Property, Plant and Equipment | 14,159 | 14,480 |
| Provision for the Expenses Recovered from Customers | 3,303 | 2,335 |
| Provision for Communication Expenses Received from Customers | 1,981 | 3,220 |
| Reversal of Provision Possible Risks | 1,371 | - |
| Operating Lease Income | - | - |
| Other | 3,846 | 9,140 |
| **Total** | **170,094** | **82,368** |

(\*) The Parent Bank has disposed non performing loan corresponds to provision amount of TL 15,199 and has collected TL 2,500 on 31 March 2015.

(\*\*) The Parent Bank has disposed non performing loans correspond to provision amount of TL 113,584 to Güven Varlık Yönetim A.Ş and has collected TL 4,650 on 5 May 2015.

(\*\*\*) Alternatif Finansal Kiralama A.Ş. has sold non performing loans correspond to provision amount of TL 9,142 to Artı Varlık Yönetim A.Ş

and has collected TL 125 on 29 May 2015.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes on Income Statement (Continued)**

**f. Provision expenses related to loans and other receivables**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Specific Provisions for Loans and Other Receivables | 166,633 | 117,216 |
| III. Group Loans and Receivables | 38,067 | 6,658 |
| IV. Group Loans and Receivables | 54,285 | 28,613 |
| V. Group Loans and Receivables | 74,281 | 81,945 |
| General Provision Expenses | 30,498 | - |
| Provision Expense for Possible Risks | - | - |
| Marketable Securities Impairment Expense | 4,924 | 13,848 |
| Financial Assets at Fair Value Through Profit or Loss | 3,372 | 13,518 |
| Available-for-sale Financial Assets | 1,552 | 330 |
| Investments in Associates, Subsidiaries and Held-to-Maturity  Securities Value Decrease | - | - |
| Investments in Associates | - | - |
| Subsidiaries | - | - |
| Joint Ventures | - | - |
| Held-to-Maturity Investments | - | - |
| Other | 8,986 | 6,391 |
| **Total** | **211,041** | **137,455** |

**g. Information related to other operating expenses**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Personnel Expenses | 170,507 | 166,026 |
| Reserve For Employee Termination Benefits | 430 | 291 |
| Unused Vacation | - | 72 |
| Bank Social Aid Pension Fund Deficit Provision | - | - |
| Impairment Expenses of Tangible Assets | - | - |
| Depreciation Expenses of Tangible Assets | 8,876 | 8,800 |
| Impairment Expenses of Intangible Assets | - | - |
| Impairment Expense of Goodwill | - | - |
| Amortisation Expenses of Intangible Assets | 3,884 | 3,193 |
| Impairment Expenses of Equity Participations Accounted for under  Equity Method | - | - |
| Impairment Expenses of Assets Held For Sale | - | - |
| Depreciation Expenses of Assets Held for Sale | 586 | 1,684 |
| Impairment Expenses of Tangible Assets Held for Sale | - | - |
| Other Operating Expenses | 94,511 | 87,201 |
| Operational Lease Expenses | 32,062 | 29,245 |
| Maintenance Expenses | 1,335 | 1,355 |
| Advertising Expenses | 1,818 | 1,418 |
| Other Expenses | 59,296 | 55,183 |
| Loss on Sales of Assets (\*\*) (\*\*\*) (\*\*\*\*) | 129,033 | 4,997 |
| Other (\*) | 24,310 | 21,283 |
| **Total** | **432,137** | **293,547** |

(\*) Other operating charges is TL 5,557 (31 December 2014: TL 6,664) except premium of TMSF and tax.

(\*\*) The Parent Bank has disposed non performing loan corresponds to provision amount of TL 15,199 and has collected TL 2,500 on 31 March 2015.

(\*\*\*) The Parent Bank has disposed non performing loans correspond to provision amount of TL 113,584 to Güven Varlık Yönetim A.Ş and has collected TL 4,650 on 5 May 2015.

(\*\*\*\*) Alternatif Finansal Kiralama A.Ş. has sold non performing loans correspond to provision amount of TL 9,142 to Artı Varlık Yönetim A.Ş and has collected TL 125 on 29 May 2015.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes on Income Statement (Continued)**

**h. Explanations on profit and loss from continuing operations before tax**

Profit before tax consists of net interest income amounts to TL 545,836 (31 December 2014: TL 488,234), net fee and commission income amounts to TL 64,609 (31 December 2014: TL 50,931) and total other operating income amounting to TL 170,094 (31 December 2014: TL 82,368).

**i. Provision for taxes on income from continuing operations**

As of 31 December 2015, the Group has current tax expense amounting to TL 24,664 (31 December 2014: TL 32,163) and deferred tax expense amounting to TL 3,070 (31 December 2014: TL 5,738 deferred tax expense).

1. **Information on net income/loss for the period**
2. Interest income from ordinary banking transactions is TL 1,147,765 (31 December 2014: TL 1,115,986), interest expense is TL 601,929 (31 December 2014: TL 627,752).

2) Information on any change in the accounting estimates has no profit/loss effect on current period or consequent periods.

1. **If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

|  |  |  |
| --- | --- | --- |
| **Fees and Commissions Paid Other** | **31 December 2015** | **31 December 2014** |
| CBRT Interbank Money Market | 1,278 | 4,115 |
| Commisions Granted to Correspondent Banks | 797 | 560 |
| Commissions for Effective and Future Transactions | 287 | 359 |
| Transfer Commissions | 463 | 27 |
| Other | 11,042 | 6,194 |
| **Total** | **13,867** | **11,255** |
|  |  |  |
| **Fees and Commissions Received Other** | **31 December 2015** | **31 December 2014** |
| Insurance Commissions | 3,076 | 4,053 |
| Account Management Fee Commission | 2,591 | 4,635 |
| Transfer Commissions | 1,951 | 2,593 |
| Expertise Commissions | 1,839 | 3,638 |
| Other (\*) | 37,663 | 20,655 |
| **Total** | **47,120** | **35,574** |

(\*) TL 23,380 of this account, consist of guarantee fees.

**l. Profit or loss attributable to minority shares**

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| Profit/Loss Attributable to Minority Shares | (1) | 232 |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes on Changes in Shareholders’ Equity**
   1. **Information on profit distribution:**

None.

**b. Information on available for sale financial assets:**

“Unrealised gain/loss” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year profit and loss statement but recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are derecognised, sold, disposed or impaired.

**c. Information on increase/decrease amounts result from the merger:**

None.

1. **Information on share issue premium:**

Explained in details in note XIX of Section Three.

**VI. Explanations and Notes on Statement of Cash Flows**

**a. Information on cash and cash equivalent assets:**

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as “Cash”; Interbank money market and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

2. Effect of a change on the accounting policies: None.

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

3.(i). Cash and cash equivalents at the beginning of period:

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Cash** | **97,541** | **87,661** |
| Cash Equivalents | **361,740** | **525,573** |
| CBRT | 249,772 | 405,700 |
| Banks and Other Financial Institutions | 105,194 | 117,385 |
| Money Markets | 6,774 | 2,488 |
| **Total Cash and Cash Equivalents** | **459,281** | **613,234** |

The total amount from the operations occurring in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

3.(ii). Cash and cash equivalents at the end of the period:

|  |  |  |
| --- | --- | --- |
|  | **31 December 2015** | **31 December 2014** |
| **Cash** | **80,441** | **97,541** |
| Cash Equivalents | **1,206,335** | **361,740** |
| CBRT | 244,340 | 249,772 |
| Deposits in Banks and other financial institutions | 611,890 | 105,194 |
| Money Markets | 350,105 | 6,774 |
| **Total Cash and Cash Equivalents** | **1,286,776** | **459,281** |

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. Explanations and Notes on Statement of Cash Flows (Continued)**

**b. Information on cash and cash equivalents that are not in use due to legal limitations and other reasons:**

None.

**c. The effects of the change in foreign exchange rates on cash and cash equivalents**:

Increase in “Other Account” amounting to TL 900,618 (31 December 2014: TL 429,987 increase) which is classified under “Operating profit before changes in operating assets and liabilities” basically includes Fee and Commissions, Other Operating Expenses excluding Personnel Expenses, Foreign Exchange Gains/Losses as well as Provision and Depreciation that do not create cash in/outflow.

Decrease in “Net increase/decrease in other liabilities amounting to TL 124,977 (31 December 2014: TL 1,189,816 decrease) which is classified under “Operating profit before changes in operating assets and liabilities” includes changes in Miscellaneous Payables, Other Liabilities, Taxes Payable, Charges, Duties and Premiums.

The effects of the change in foreign exchange rates on cash and cash equivalents is calculated approximately TL 341,282 as of 31 December 2015 (31 December 2014: TL 78,724).

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations and Notes on the Parent Bank’s Risk Group**

* 1. **The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period**
     1. 31 December 2015

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Associates, subsidiaries and joint ventures** | | **Direct and indirect shareholders of the Bank** | | **Other real and legal persons that have been included in the risk group** | |
| **Group’s Risk Group (\*)(\*\*)** | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** | **Cash** | **Non-cash** |
| Loans and Other Receivables | - | - | - | - | - | - |
| Balance at the Beginning of the Period | - | - | 28,424 | 74,604 | 57,545 | 70,868 |
| Balance at the End of the Period | - | - | 80,470 | 53,526 | 130,282 | 26,379 |
| **Interest and Commission Income Received** | **-** | **-** | **5,056** | **9,821** | **4,071** | **826** |

(\*) Defined in the 49th article of paragraph 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes banks as well as loans and receivables.

* + 1. 31 December 2014

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Associates, subsidiaries and joint ventures** | | **Direct and indirect shareholders of the Bank** | | **Other real and legal persons that have been included in the risk group** | |
| **Group’s Risk Group (\*)(\*\*)** | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** | **Cash** | **Non-cash** |
| Loans and Other Receivables | - | - | - | - | - | - |
| Balance at the Beginning of the Period | - | - | 64 | 60,722 | 2,124 | 61,483 |
| Balance at the End of the Period | - | - | 28,424 | 74,604 | 57,545 | 70,868 |
| **Interest and Commission Income Received (\*\*\*)** | - | - | **99** | **1,269** | **199** | **1,010** |

(\*) Defined in the 49th article of paragraph 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes banks as well as loans and receivables.

3. Information on deposits of the Group’s risk group

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Group’s Risk Group (\*)** | **Associates , subsidiaries and joint ventures** | | **Direct and indirect shareholders of the Bank** | | **Other real and legal persons that have been included in the risk group** | |
| **Deposit** | **31 December**  **2015** | **31 December 2014** | **31 December**  **2015** | **31 December 2014** | **31 December**  **2015** | **31 December 2014** |
| Beginning of the Period | - | - | 921,622 | 437,426 | 291,313 | 204,248 |
| End of the Period | - | - | 255,948 | 921,622 | 94,743 | 291,313 |
| **Interest Expense on Deposits (\*\*)** | **-** | **-** | **59,408** | **49,955** | **23,253** | **18,756** |

(\*) Defined in the 49th Article of paragraph 2 of the Banking Act No. 5411.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations and Notes on the Parent Bank’s Risk Group (Continued)**

1. **The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)**

4. Information on forward and option agreements and other derivative instruments with the Parent Bank’s risk group

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Group’s Risk Group (\*)** | **Associates, subsidiaries and joint ventures** | | **Direct and indirect shareholders of the Bank** | | **Other real and legal persons that have been included in the risk group** | |
|  | **31 December**  **2015** | **31 December 2014** | **31 December**  **2015** | **31 December 2014** | **31 December**  **2015** | **31 December 2014** |
| **Transactions for Trading Purposes (\*\*)** | - | - | - | - | - | - |
| Beginning of the Period (\*\*\*) | - | - | 5,411 | - | - | 226 |
| End of the Period (\*\*\*) | - | - | - | 5,411 | - | - |
| **Total Profit / Loss** | **-** | **1,262** | **134** | **(3,091)** | **161** | **384** |
| **Transactions for Hedging Purposes** | - | - | - | - | - | - |
| Beginning of the Period (\*\*\*) | - | - | - | - | - | - |
| End of the Period (\*\*\*) | - | - | - | - | - | - |
| **Total Profit / Loss (\*\*\*\*)** | - | - | - | - | - | - |

(\*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

(\*\*) The Bank’s derivative instruments are classified as “Financial Assets at Fair Value through Profit or Loss” according to TAS 39.

(\*\*\*) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

1. **With respect to the Parent Bank’s risk group**

1. The relations with entities that are included in the Group’s risk group and controlled by the Parent Bank irrespective of the relationship between the parties:

The Parent Bank performs various transactions with group companies during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues

|  |  |  |
| --- | --- | --- |
|  | **Total Risk Group** | **Share in**  **Financial Statements (%)** |
| Deposit | 350,691 | 5.62% |
| Non-cash Loans | 79,905 | 2.52% |
| Loans | 210,752 | 2.26% |
| Subordinated Loans | 364,763 | 47.52% |

These transactions are priced according to the Bank’s pricing policy and they are in line with the market prices.

3. Equity accounted transactions:

None.

**EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations and Notes on the Parent Bank’s Risk Group (Continued)**

1. **With respect to the Parent Bank’s risk group (Continued)**
2. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

As of 31 December 2015, there is no financial leasing agreement between the Parent Bank and Alternatif Finansal Kiralama A.Ş. Also the agency agreement with Alternatif Yatırım A.Ş. is cancelled on 30 June 2015 with. The Bank have also cost sharing agreements with Alternatif Finansal Kiralama A.Ş. and Alternatif Yatırım Menkul Değerler A.Ş.

The bank allocate cash and non-cash loans to risk group of the Bank in limit of Bank Law and that amount is 2.33 % of total cash and non-cash loan amount (31 December 2014: 2.27%).

As of 31 December 2015 the Group have rent agreement with the risk group. The Bank have paid the rent expense amounted to TL 4,598 to Anadolu Endüstri Holding and it have been recognized in the profit and loss accounts in the year ended 31 December 2015. Besides, rent expense amounted TL 377 was payed to other risk groups.

Cost of the services received from Holding are shared according to pre-determined key.

**c. Information regarding benefits provided to the Group’s key management**

Benefits provided to the Group’s key management amount to TL 21,586 as of 31 December 2015 (31 December 2014: TL 15,492).

**VIII. Explanations and notes on the domestic,foreign,off-shore branches and foreign represantatives of the bank**

* 1. **Information on domestic, foreign branches and foreign representatives:**

|  |  |  |
| --- | --- | --- |
|  | **Number** | **Number of Employees** |
| Domestic Branch | 59 | 1,038 |
|  |  |  | **Country of Incorporation** |
| Foreign Representative | - | - | - |
|  |  |  |  | **Total Asset** | **Statutory share capital** |
| Foreign Branch | - | - | - | - | - |
|  |  |  |  |  |  |
| Off-Shore Banking Region Branch | - | - | - | - | - |
|  |  |  |  |  |  |

**b. Explanations on Branch and Agency Openings or Closings of the Parent Bank:**

The Parent Bank does not open any new branches in 2015.

**IX. Explanations and Notes on Subsequent Events**

The Parent Bank’s paid-in capital has been decided to increase TL 150,000 in accordance with the Board of Directors meeting dated 21 January 2016.

**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

1. **Other Explanations Related To The Parent Bank’s Operations**

**Summaries about The Bank’s rates from international credit rating agencies**

The Parent Bank’s ratings from latest report of Fitch Ratings as of March 2015 in the below.

|  |  |
| --- | --- |
| **Fitch Ratings: March 2015** |  |
| **Foreign Currency** |  |
| Long Term | BBB |
| Short Term | F2 |
| **Turkish Lira** |  |
| Long Term | BBB+ |
| Short Term | F2 |
| Ulusal Not | AAA(tur) |
|  |  |
| **Outlook** | **Stable** |

National Note 2

Financial Capacity Note b+

|  |  |  |  |
| --- | --- | --- | --- |
| **Moody’s: 22 December 2015** | |  | |
| **Foreign currency** | |  | |
| Long Term | Baa3 | |
| Short Term | P-3 | |
| **Local currency** |  | |
| Long term | Baa3 | |
| Short term | P-3 | |
| National Long Term | A1.tr | |
| National ShortTerm | TR-1 | |
| **Outlook** | **Negative** | |

**SECTION SEVEN**

**DISCLOSURES ON INDEPENDENT AUDITORS’ REPORT**

1. **Explanations on Independent Auditors’ Report**

The Parent Bank’s consolidated financial statements and footnotes to be disclosed to public as of 31 December 2015 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International, a Swiss cooperative) and the independent auditors’ report dated 5 February 2016 has been presented with the consolidated financial statements. It is stated that these consolidated financial statements reflected The Parent Bank and its financial condition and results of operations of financial subsidiaries correctly.

1. **Explanations and Footnotes Prepared by Independent Auditor**

None.