**(*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 its Financial Subsidiaries

Consolidated Financial Statements

As of and For the Nine-Month Period Ended

30 September 2015

With Limited Review Report Thereon

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

23 October 2015

*This report includes “Limited Review Report”*

*comprising 1 page and; "Consolidated Financial*

*Statements and Related Disclosures and Footnotes”*

*comprising 82 pages.*

**Convenience Translation of the Independent Auditors’ Review Report  
Originally Prepared and Issued in Turkish (See Note I in Section Three)**

**LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

To the Board of Directors of Alternatifbank A.Ş.

*Introduction*

We have reviewed the accompanying statement of financial position of Alternatifbank A.Ş. (the “Bank”) and its financial subsidiaries (together “the Group”) as at 30 September 2015 and the consolidated statements of income, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of changes in shareholders’equity and consolidated statement of cash flows for the nine-month period then ended and summary of significant accounting policies and other explanatory information (“interim financial information”). The Bank Management is responsible for the preparation and fair presentation of this interim financial information in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published on the Official Gazette numbered 26333 on 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of limited review*

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not presented fairly, in all material respects, the consolidated financial position of Alternatifbank A.Ş. and its financial subsidiaries as of 30 September 2015 and the result of its operations and consolidated cash flows for the nine-month period then ended in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published on the Official Gazette numbered 26333 on 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

Murat Alsan

*Partner, SMMM*

23 October 2015

Istanbul, Turkey

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

As explained in Section 3 Note I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**THE CONSOLIDATED FINANCIAL REPORT OF**

**ALTERNATİFBANK A.Ş. AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015**

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

Telephone : 0 212 315 65 00

Fax : 0 212 225 76 15

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E-mail : malikontrol@abank.com.tr

The consolidated financial report as of and for the nine- month period ended 30 September 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
* INDEPENDENT AUDITORS’ REVIEW 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 Yatırım Ortaklığı A.Ş.

3. 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 reviewed and presented 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 consolidated financial report:

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

Telephone Number : 0 212 315 71 55

Fax Number : 0 212 226 76 15

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE GROUP**

1. **The Parent Bank’s Foundation Date, Start-Up Statute, History About the Changes in This Mentioned Statute**

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 60 (31 December 2014:73) branches.

The sale of the shares of the Bank belonging to Anadolu Group companies to The Commercial Bank 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 increase document prepared for the capital increase allocated to controlling shareholder Commercial Bank 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. Beginning from this date, Alternatifbank A.Ş. delisted from the stock-exchange.

1. **Explanation About the Parent Bank’s Capital Structure, Shareholders of the Bank Who Are In Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (If Any) and the Group the Bank Belongs to**

As of 30 September 2015, 75% of the shares of the Parent Bank are owned by Commercial Bank. Shareholder’s structure of the Parent Bank is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **Name/Commercial Name** | **Share Amount** | **Share Ratio** | **Share Amount** | **Share Ratio** |
|  |  |  |  |  |
| Commercial Bank | 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 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 and 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 and 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. **Explanation 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 | 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 making capital market transactions, opening deposit and making other banking transactions according to regulation principles given by the Bank’s Articles of Association.

As of 30 September 2015, the Bank has 60 branches (31 December 2014: 73 branches).

As of 30 September 2015, the Bank has 1,109 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 30 September 2015, The Group has 1,180 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.

**SECTION TWO**

**CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **I.** | **BALANCE SHEET** | **Note** | **30 September 2015** | | | **31 December 2014** | | |
|  |  | **(Section** |
|  | **ASSETS** | **Five)** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **I.** | CASH AND BALANCES WITH CENTRAL BANK | **I-a** | **67,524** | **1,574,174** | **1,641,698** | **165,485** | **1,192,759** | **1,358,244** |
| **II.** | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)** | **I-b** | **20,333** | **41,617** | **61,950** | **58,226** | **15,971** | **74,197** |
| 2.1 | Financial Assets Held for Trading |  | 20,333 | 41,617 | 61,950 | 58,226 | 15,971 | 74,197 |
| 2.1.1 | Public Sector Debt Securities |  | 625 | 424 | 1,049 | 1,400 | 355 | 1,755 |
| 2.1.2 | Equity Securities |  | 101 | - | 101 | 96 | - | 96 |
| 2.1.3 | Derivative Financial Assets Held for Trading |  | 19,556 | 41,193 | 60,749 | 20,661 | 15,616 | 36,277 |
| 2.1.4 | Other Marketable Securities |  | 51 | - | 51 | 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** | **419,693** | **78,033** | **497,726** | **71,781** | **33,434** | **105,215** |
| **IV.** | **MONEY MARKETS PLACEMENTS** |  | **265,078** | **-** | **265,078** | **6,774** | **-** | **6,774** |
| 4.1 | Interbank Money Market Placements |  | - | - | **-** | 6,774 | - | 6,774 |
| 4.2 | Receivables from Istanbul Stock Exchange Money Market |  | - | - | **-** | - | - | - |
| 4.3 | Receivables from Reverse Repurchase Agreements |  | 265,078 | - | 265,078 | - | - | - |
| **V.** | **FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)** | **I-d** | **307,965** | **522,006** | **829,971** | **791,737** | **104,371** | **896,108** |
| 5.1 | Share Certificates |  | 4,882 | - | 4,882 | 161 | - | 161 |
| 5.2 | Government Debt Securities |  | 303,081 | 522,006 | 825,087 | 791,574 | 104,371 | 895,945 |
| 5.3 | Other Marketable Securities |  | 2 | - | 2 | 2 | - | 2 |
| **VI.** | **LOANS** | **I-e** | **5,765,881** | **4,296,001** | **10,061,882** | **5,863,873** | **2,035,667** | **7,899,540** |
| 6.1 | Loans |  | 5,568,620 | 4,287,149 | 9,855,769 | 5,703,830 | 2,024,080 | 7,727,910 |
| 6.1.1 | Loans to the Bank’s Risk Group |  | 61,197 | 189,798 | 250,995 | 253 | 85,716 | 85,969 |
| 6.1.2 | Public Sector Debt Securities |  | - | - | - | - | - | - |
| 6.1.3 | Other |  | 5,507,423 | 4,097,351 | 9,604,774 | 5,703,577 | 1,938,364 | 7,641,941 |
| 6.2 | Non Performing Loans |  | 422,795 | 20,929 | 443,724 | 416,043 | 24,830 | 440,873 |
| 6.3 | Specific Provisions (-) |  | 225,534 | 12,077 | 237,611 | 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** | **1,000** | **-** | **1,000** | **-** | **-** | **-** |
| 10.1 | Unconsolidated Financial Subsidiaries |  | 1,000 | - | 1,000 | - | - | - |
| 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** | **244,121** | **730,543** | **974,664** | **188,832** | **462,577** | **651,409** |
| 12.1 | Financial Lease Receivables |  | 291,721 | 819,396 | 1,111,117 | 221,280 | 525,499 | 746,779 |
| 12.2 | Operational Lease Receivables |  | - | - | - | - | - | - |
| 12.3 | Other |  | 3,798 | 19,470 | 23,268 | 4,246 | 9,751 | 13,997 |
| 12.4 | Unearned Income ( - ) |  | 51,398 | 108,323 | 159,721 | 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** | **27,188** | **-** | **27,188** | **31,601** | **-** | **31,601** |
| **XV.** | **INTANGIBLE ASSETS (Net)** | **I-m** | **80,410** | **-** | **80,410** | **74,558** | **-** | **74,558** |
| 15.1 | Goodwill |  | 49,647 | - | 49,647 | 49,647 | - | 49,647 |
| 15.2 | Other |  | 30,763 | - | 30,763 | 24,911 | - | 24,911 |
| **XVI.** | **INVESTMENT PROPERTY (Net)** | **I-n** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XVII.** | **TAX ASSET** | **II-i** | **23,680** | **-** | **23,680** | **24,242** | **-** | **24,242** |
| 17.1 | Current Tax Asset |  | - | - | - | - | - | - |
| 17.2 | Deferred Tax Asset |  | 23,680 | - | 23,680 | 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** | **210,634** | **26,236** | **236,870** | **209,790** | **15,989** | **225,779** |
|  | **TOTAL ASSETS** |  | **7,433,507** | **7,268,610** | **14,702,117** | **7,486,899** | **3,860,768** | **11,347,667** |

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **I.** | **BALANCE SHEET** | **Note** | **30 September 2015** | | | **31 December 2014** | | |
|  |  | **(Section** |
|  | **LIABILITIES** | **Five)** | **TL** | **FC** | **Total** | **TL** | **FC** | **Total** |
| **I.** | **DEPOSITS** | **II-a** | **3,143,395** | **3,638,245** | **6,781,640** | **3,940,146** | **1,712,425** | **5,652,571** |
| 1.1 | Deposits from Bank’s Risk Group |  | 573,196 | 188,203 | 761,399 | 650,681 | 584,368 | 1,235,049 |
| 1.2 | Other |  | 2,570,199 | 3,450,042 | 6,020,241 | 3,289,465 | 1,128,057 | 4,417,522 |
| **II.** | **DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING** | **II-b** | **565** | **21,359** | **21,924** | **2,406** | **10,023** | **12,429** |
| **III.** | **FUNDS BORROWED** | **II-c** | **183,257** | **3,995,465** | **4,178,722** | **137,120** | **2,398,453** | **2,535,573** |
| **IV.** | **MONEY MARKET FUNDS** |  | **140,263** | **207,373** | **347,636** | **363,386** | **82,101** | **445,487** |
| 4.1 | Funds from Interbank Money Market |  | - | - | - | - | - | - |
| 4.2 | Funds from Istanbul Stock Exchange Money Market |  | - | - | - | 43,232 | - | 43,232 |
| 4.3 | Funds Provided Under Repurchase Agreements |  | 140,263 | 207,373 | 347,636 | 320,154 | 82,101 | 402,255 |
| **V.** | **MARKETABLE SECURITIES ISSUED (Net)** |  | **111,230** | **756,757** | **867,987** | **281,356** | **586,742** | **868,098** |
| 5.1 | Bills |  | 111,230 | 756,757 | 867,987 | 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** |  | **122,141** | **210,633** | **332,774** | **148,449** | **82,749** | **231,198** |
| **VIII.** | **OTHER LIABILITIES** | **II-d** | **165,685** | **10,916** | **176,601** | **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** | **437** | **-** | **437** | **8,578** | **-** | **8,578** |
| 11.1 | Fair Value Hedge |  | 437 | - | 437 | 8,578 | - | 8,578 |
| 11.2 | Cash Flow Hedge |  | - | - | - | - | - | - |
| 11.3 | Net Foreign Investment Hedge |  | - | - | - | - | - | - |
| **XII.** | **PROVISIONS** | **II-g** | **137,491** | **39** | **137,530** | **103,671** | **7** | **103,678** |
| 12.1 | General Loan Loss Provision |  | 97,110 | - | 97,110 | 62,858 | - | 62,858 |
| 12.2 | Provisions for Restructuring |  | - | - | - | - | - | - |
| 12.3 | Reserve for Employee Benefit |  | 6,635 | - | 6,635 | 8,622 | - | 8,622 |
| 12.4 | Insurance Technical Provisions (Net) |  | - | - | - | - | - | - |
| 12.5 | Other Provisions |  | 33,746 | 39 | 33,785 | 32,191 | 7 | 32,198 |
| **XIII.** | **TAX LIABILITY** | **II-h** | **26,982** | **-** | **26,982** | **30,938** | **-** | **30,938** |
| 13.1 | Current Tax Liability |  | 21,800 | - | 21,800 | 30,938 | - | 30,938 |
| 13.2 | Deferred Tax Liability | II-i | 5,182 | - | 5,182 | - | - | - |
| **XIV.** | **PAYABLES FOR ASSET-HELD-FOR-RESALE AND DISCONTINUED OPERATIONS (Net)** |  | **-** | **2,836** | **2,836** | **2,393** | **3,479** | **5,872** |
| 14.1 | Held for Sale |  | - | 2,836 | 2,836 | 2,393 | 3,479 | 5,872 |
| 14.2 | Discontinued Operations |  | - | - | - | - | - | - |
| **XV.** | **SUBORDINATED LOANS** | **II-j** | **-** | **809,624** | **809,624** | **-** | **329,826** | **329,826** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | **II-k** | **1,036,238** | **(18,814)** | **1,017,424** | **972,634** | **266** | **972,900** |
| 16.1 | Paid-in Capital |  | 620,000 | - | 620,000 | 620,000 | - | 620,000 |
| 16.2 | Capital Reserves |  | (18,058) | (18,814) | (36,872) | (9,597) | 266 | (9,331) |
| 16.2.1 | Share Premium |  | 133 | - | 133 | 119 | - | 119 |
| 16.2.2 | Share Cancellation Profits |  | (268) | - | (268) | (3,296) | - | (3,296) |
| 16.2.3 | Marketable Securities Valuation Reserve | II-l | (17,869) | (18,814) | (36,683) | (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 |  | (54) | - | (54) | - | - | - |
| 16.3 | Profit Reserves |  | 361,436 | - | 361,436 | 232,062 | - | 232,062 |
| 16.3.1 | Legal Reserves |  | 27,071 | - | 27,071 | 20,052 | - | 20,052 |
| 16.3.2 | Status Reserves |  | - | - | - | - | - | - |
| 16.3.3 | Extraordinary Reserves |  | 334,365 | - | 334,365 | 212,010 | - | 212,010 |
| 16.3.4 | Other Profit Reserves |  | - | - | - | - | - | - |
| 16.4 | Profit or (Loss) |  | 67,153 | - | 67,153 | 120,955 | - | 120,955 |
| 16.4.1 | Prior Years’ Profit or (Loss) |  | (7,287) | - | (7,287) | (15,636) | - | (15,636) |
| 16.4.2 | Current Year Profit or (Loss) |  | 74,440 | - | 74,440 | 136,591 | - | 136,591 |
| 16.5 | Minority Shares | II-m | 5,707 | - | 5,707 | 9,214 | - | 9,214 |
|  | **TOTAL LIABILITIES** |  | **5,067,684** | **9,634,433** | **14,702,117** | **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** | |  |  | **30 September 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)** |  | **8,099,362** | **11,922,436** | **20,021,798** | **3,866,422** | **3,744,418** | **7,610,840** |
| **I.** | **GUARANTEES AND WARRANTIES** | **III-a-3.1** | **1,302,504** | **2,193,910** | **3,496,414** | **1,287,724** | **986,441** | **2,274,165** |
| 1.1 | Letters of Guarantee | III-a-2.2 | 1,302,504 | 1,161,598 | 2,464,102 | 1,287,724 | 567,518 | 1,855,242 |
| 1.1.1 | Guarantees Subject to State Tender Law |  | 33,322 | 12,298 | 45,620 | 37,089 | 13,923 | 51,012 |
| 1.1.2 | Guarantees Given for Foreign Trade Operations |  | - | - | - | - | - | - |
| 1.1.3 | Other Letters of Guarantee |  | 1,269,182 | 1,149,300 | 2,418,482 | 1,250,635 | 553,595 | 1,804,230 |
| 1.2 | Bank Acceptances | III-a-2.2 | **-** | 40,854 | 40,854 | - | 43,905 | 43,905 |
| 1.2.1 | Import Letter of Acceptance |  | - | 40,854 | 40,854 | - | 43,905 | 43,905 |
| 1.2.2 | Other Bank Acceptances |  | - | - | - | - | - | - |
| 1.3 | Letters of Credit | III-a-2.2 | **-** | 419,914 | 419,914 | - | 362,242 | 362,242 |
| 1.3.1 | Documentary Letters of Credit |  | - | 419,914 | 419,914 | - | 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 |  | - | 571,544 | 571,544 | - | 12,776 | 12,776 |
| 1.9 | Other Warrantees |  | - | - | **-** | - | - | - |
| **II.** | **COMMITMENTS** |  | **828,055** | **280,460** | **1,108,515** | **957,422** | **99,298** | **1,056,720** |
| 2.1 | Irrevocable Commitments |  | 807,813 | 191,894 | 999,707 | 912,954 | 47,502 | 960,456 |
| 2.1.1 | Asset Purchase and Sales Commitments |  | 113,438 | 173,280 | 286,718 | 19,715 | 29,007 | 48,722 |
| 2.1.2 | Deposit Purchase and Sales Commitments |  | - | - | - | - | - | - |
| 2.1.3 | Share Capital Commitments to Associates and Subsidiaries |  | - | - | - | - | - | - |
| 2.1.4 | Commitments for Loan Limits | III-a-1 | 232,397 | - | 232,397 | 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 |  | 254,722 | - | 254,722 | 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 |  | 162,747 | - | 162,747 | 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 |  | 40,771 | 18,614 | 59,385 | 179,241 | 18,495 | 197,736 |
| 2.2 | Revocable Commitments |  | 20,242 | 88,566 | 108,808 | 44,468 | 51,796 | 96,264 |
| 2.2.1 | Revocable Commitments for Loan Limits |  | - | - | - | - | - | - |
| 2.2.2 | Other Revocable Commitments |  | 20,242 | 88,566 | 108,808 | 44,468 | 51,796 | 96,264 |
| **III.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | **III-b** | **5,968,803** | **9,448,066** | **15,416,869** | **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 |  | 5,748,803 | 9,448,066 | 15,196,869 | 1,401,276 | 2,658,679 | 4,059,955 |
| 3.2.1 | Forward Foreign Currency Buy/Sell Transactions |  | 63,821 | 71,543 | 135,364 | 115,544 | 407,060 | 522,604 |
| 3.2.1.1 | Forward Foreign Currency Transactions-Buy |  | 21,175 | 35,188 | 56,363 | 54,407 | 206,572 | 260,979 |
| 3.2.1.2 | Forward Foreign Currency Transactions-Sell |  | 42,646 | 36,355 | 79,001 | 61,137 | 200,488 | 261,625 |
| 3.2.2 | Swap Transactions Related to Foreign Currency and Interest Rates |  | 4,130,088 | 6,608,146 | 10,738,234 | 1,007,213 | 1,972,806 | 2,980,019 |
| 3.2.2.1 | Foreign Currency Swap-Buy |  | 1,434,055 | 3,951,651 | 5,385,706 | 358,543 | 1,142,834 | 1,501,377 |
| 3.2.2.2 | Foreign Currency Swap-Sell |  | 2,696,033 | 2,656,495 | 5,352,528 | 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 |  | 1,554,894 | 2,768,377 | 4,323,271 | 278,519 | 278,813 | 557,332 |
| 3.2.3.1 | Foreign Currency Options-Buy |  | 810,171 | 756,010 | 1,566,181 | 130,832 | 148,922 | 279,754 |
| 3.2.3.2 | Foreign Currency Options-Sell |  | 744,723 | 818,997 | 1,563,720 | 147,687 | 129,891 | 277,578 |
| 3.2.3.3 | Interest Rate Options-Buy |  | - | 596,685 | 596,685 | - | - | - |
| 3.2.3.4 | Interest Rate Options-Sell |  | **-** | 596,685 | 596,685 | **-** | **-** | **-** |
| 3.2.3.5 | Securities Options-Buy |  | - | - | - | **-** | **-** | **-** |
| 3.2.3.6 | Securities Options-Sell |  | - | - | - | **-** | **-** | **-** |
| 3.2.4 | Foreign Currency Futures |  | - | - | - | **-** | **-** | **-** |
| 3.2.4.1 | Foreign Currency Futures-Buy |  | - | - | - | **-** | **-** | **-** |
| 3.2.4.2 | Foreign Currency Futures-Sell |  | - | - | - | **-** | **-** | **-** |
| 3.2.5 | Interest Rate Futures |  | - | - | - | **-** | **-** | **-** |
| 3.2.5.1 | Interest Rate Futures-Buy |  | - | - | - | **-** | **-** | **-** |
| 3.2.5.2 | Interest Rate Futures-Sell |  | - | - | - | **-** | **-** | **-** |
| 3.2.6 | Other |  | - | - | - | - | - | - |
| **B.** | **CUSTODY AND PLEDGES RECEIVED (IV+V+VI)** |  | **36,738,050** | **16,957,329** | **53,695,379** | **31,039,866** | **8,801,182** | **39,841,048** |
| **IV.** | **ITEMS HELD IN CUSTODY** |  | **1,036,107** | **1,136,923** | **2,173,030** | **1,327,551** | **627,049** | **1,954,600** |
| 4.1 | Customer Fund and Portfolio Balances |  | 71,299 | - | 71,299 | 135,917 | - | 135,917 |
| 4.2 | Investment Securities Held in Custody |  | 459,917 | 18,955 | 478,872 | 718,864 | 21,282 | 740,146 |
| 4.3 | Cheques Received for Collection |  | 228,230 | 19,900 | 248,130 | 195,748 | 40,493 | 236,241 |
| 4.4 | Commercial Notes Received for Collection |  | 35,296 | 3,620 | 38,916 | 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 |  | 241,365 | 1,094,448 | 1,335,813 | 242,625 | 561,684 | 804,309 |
| 4.8 | Custodians |  | - | - | - | - | - | - |
| **V.** | **PLEDGES RECEIVED** |  | **35,689,040** | **15,820,241** | **51,509,281** | **29,704,422** | **8,174,006** | **37,878,428** |
| 5.1 | Marketable Securities |  | - | - | - | - | 1,191 | 1,191 |
| 5.2 | Guarantee Notes |  | 26,854,241 | 11,090,672 | 37,944,913 | 22,911,508 | 6,706,148 | 29,617,656 |
| 5.3 | Commodity |  | 52,007 | 54,688 | 106,695 | 43,017 | 127,431 | 170,448 |
| 5.4 | Warranty |  | - | - | - | - | - | - |
| 5.5 | Immovable |  | 7,415,242 | 4,337,648 | 11,752,890 | 6,327,811 | 1,147,610 | 7,475,421 |
| 5.6 | Other Pledged Items |  | 1,367,550 | 337,233 | 1,704,783 | 422,086 | 191,626 | 613,712 |
| 5.7 | Pledged Items-Depository |  | - | - | - | - | - | - |
| **VI.** | **ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES** |  | **12,903** | **165** | **13,068** | **7,893** | **127** | **8,020** |
|  | **TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)** |  | **44,837,412** | **28,879,765** | **73,717,177** | **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 2015**  **– 30 September 2015** | **1 January 2014 – 30 September 2014** | **1 July 2015**  **– 30 September 2015** | **1 July 2014**  **– 30 September 2014** |
| **I.** | **INTEREST INCOME** | **IV-a** | **866,733** | **838,783** | **299,139** | **287,365** |
| 1.1 | Interest on Loans |  | 733,285 | 648,921 | 252,942 | 220,297 |
| 1.2 | Interest Received from Reserve Requirements |  | 2,239 | - | 1,714 | - |
| 1.3 | Interest Received from Banks |  | 5,522 | 1,750 | 2,505 | 660 |
| 1.4 | Interest Received from Money Market Transactions |  | 18,314 | 386 | 4,935 | 166 |
| 1.5 | Interest Received from Marketable Securities Portfolio |  | 49,517 | 142,035 | 16,251 | 50,085 |
| 1.5.1 | Trading Financial Assets |  | 727 | 9,602 | 57 | 3,315 |
| 1.5.2 | Financial Assets at Fair Value through Profit or Loss |  | - | - | - | - |
| 1.5.3 | Available-for-sale Financial Assets |  | 48,790 | 20,435 | 16,194 | 10,144 |
| 1.5.4 | Held-to-maturity Investments |  | - | 111,998 | - | 36,626 |
| 1.6 | Financial Lease Income |  | 53,163 | 40,043 | 19,852 | 15,384 |
| 1.7 | Other Interest Income |  | 4,693 | 5,648 | 940 | 773 |
| **II.** | **INTEREST EXPENSE** | **IV-b** | **447,023** | **472,721** | **153,849** | **150,977** |
| 2.1 | Interest on Deposits |  | 310,785 | 295,132 | 102,040 | 91,981 |
| 2.2 | Interest on Funds Borrowed |  | 87,970 | 59,187 | 39,080 | 19,112 |
| 2.3 | Interest Expense on Money Market Transactions |  | 19,913 | 95,985 | 4,384 | 29,926 |
| 2.4 | Interest on Securities Issued |  | 25,501 | 17,610 | 8,337 | 8,687 |
| 2.5 | Other Interest Expenses |  | 2,854 | 4,807 | 8 | 1,271 |
| **III.** | **NET INTEREST INCOME (I - II)** |  | **419,710** | **366,062** | **145,290** | **136,388** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME/EXPENSE** |  | **55,676** | **38,100** | **34,561** | **12,779** |
| 4.1 | Fees and Commissions Received |  | 66,218 | 46,839 | 38,638 | 15,837 |
| 4.1.1 | Non-cash Loans |  | 24,192 | 20,744 | 9,918 | 6,751 |
| 4.1.2 | Other | IV -k | 42,026 | 26,095 | 28,720 | 9,086 |
| 4.2 | Fees and Commissions Paid |  | 10,542 | 8,739 | 4,077 | 3,058 |
| 4.2.1 | Non-cash Loans |  | 427 | 476 | 117 | 346 |
| 4.2.2 | Other | IV -k | 10,115 | 8,263 | 3,960 | 2,712 |
| **V.** | **DIVIDEND INCOME** |  | **-** | **197** | **-** | **-** |
| **VI.** | **TRADING INCOME / LOSS (Net)** | **IV-c** | **(10,793)** | **(31,045)** | **(14,407)** | **(21,817)** |
| 6.1 | Trading Gains/Losses on Securities |  | 5,530 | (8,279) | 248 | (7,548) |
| 6.2 | Trading Gains/Losses on Derivative Financial Instruments | IV-d | 125,248 | 3,541 | 90,794 | 19,260 |
| 6.3 | Foreign Exchange Gains/Losses |  | (141,571) | (26,307) | (105,449) | (33,529) |
| **VII.** | **OTHER OPERATING INCOME** | **IV-e** | **157,573** | **70,325** | **15,303** | **30,322** |
| **VIII.** | **TOTAL OPERATING INCOME (III+IV+V+VI+VII)** |  | **622,166** | **443,639** | **180,747** | **157,672** |
| **IX.** | **PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)** | **IV-f** | **161,630** | **106,928** | **67,145** | **23,855** |
| **X.** | **OTHER OPERATING EXPENSES (-)** | **IV-g** | **355,527** | **222,610** | **80,486** | **73,413** |
| **XI.** | **NET OPERATING INCOME/(LOSS) (VIII-IX-X)** |  | **105,009** | **114,101** | **33,116** | **60,404** |
| **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** | **105,009** | **114,101** | **33,116** | **60,404** |
| **XVI.** | **TAX PROVISION FOR CONTINUING OPERATIONS (±)** | **IV-i** | **30,289** | **22,140** | **13,012** | **10,840** |
| 16.1 | Current Tax Provision |  | 17,256 | 23,000 | 1,516 | (125) |
| 16.2 | Deferred Tax Provision |  | 13,033 | (860) | 11,496 | 10,965 |
| **XVII.** | **NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV± XVI)** |  | **74,720** | **91,961** | **20,104** | **49,564** |
| **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** | **74,720** | **91,961** | **20,104** | **49,564** |
| 23.1 | Group’s Profit/Loss |  | 74,440 | 91,822 | 20,008 | 49,503 |
| 23.2 | Non-controlling interest (-) | IV-l | 280 | 139 | 96 | 61 |
|  | Earnings / (Loss) per share in Full TL |  | 0.1201 | 0.1595 | 0.0323 | 0.0798 |

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** | | 30 September 2015 | **30 September 2014** |
|  |  |  |  |
| **I.** | **ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS** | **(38,161)** | **7,350** |
| **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** | - | **-** |
| **IX.** | **DEFERRED TAX ON VALUATION DIFFERENCES** | **7,632** | **-** |
| **X.** | **NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)** | **(30,529)** | **7,350** |
| **XI.** | **CURRENT PERIOD INCOME/LOSS** | **74,440** | **91,822** |
| 11.1 | Net Change in Fair Value of Marketable Securities (Transfer to Income Statement) | 2,845 | 2,421 |
| 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 | 71,595 | 89,401 |
| **XII.** | **TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)** | **43,911** | **99,172** |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **V. STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY**  **30 September 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** |  | **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** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **7,350** | **-** | **-** | **-** |  | **7,350** | **-** | **7,350** |
| **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** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **XV.** | **Adjustment to Share Capital** |  | - | - | - | - | - | - | **-** | - | **-** | **-** | **-** | - | - | - | - | - | - | - |
| **XVI.** | **Other** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | - | **-** | **-** | - | **-** | **-** | - | - | **-** | **(47)** | **(47)** |
| **XVII.** | **Net Profit or Loss for the Period** |  | - | - | **-** | - | **-** | - | **-** | - | **91,822** | **-** | - | - | - | - | - | **91,822** | **139** | **91,961** |
| **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** | **-** | **20,052** | **-** | **212,010** | **-** | **91,822** | **(15,636)** | **(33,474)** | **-** | **-** | **-** | **-** | **894,893** | **10,845** | **905,738** |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **V. STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY**  **30 September 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** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(30,529)** | **-** | **-** | **-** | **-** | **(30,529)** | **-** | **(30,529)** |
| **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** |  | **-** | **-** | **14** | **3,028** | **372** | **-** | **158** | **-** | **-** | **602** | **-** | **-** | **-** | **-** | **-** | **4,174** | **(3,787)** | **387** |
| **XII.** | **Capital Increase** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12.1 | Cash |  | - | - | - | - | - | - | - | - | - | - |  | - | - | - | - | - | - | - |
| 12.2 | Internal Resources |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XIII.** | **Share Premium** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XIV.** | **Share Cancellation Profits** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XV.** | **Adjustment to Share Capital** |  | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** | - | - | - |
| **XVI.** | **Other** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(54)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(54)** | **-** | **(54)** |
| **XVII.** | **Net Profit or Loss for the Period** |  | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **74,440** | **-** | **-** | **-** | **-** | **-** | **-** | **74,440** | **280** | **74,720** |
| **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** | **-** | **133** | **(268)** | **27,071** | **-** | **334,365** | **(54)** | **74,440** | **(7,287)** | **(36,683)** | **-** | **-** | **-** | **-** | **1,011,717** | **5,707** | **1,017,424** |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **VI STATEMENT OF CASH FLOWS** | | **Note**  **(Section Five)** | **30 September 2015** | **30 September 2014** |
|  |  |  |  |  | |
| **A.** | **CASH FLOWS FROM BANKING OPERATIONS** |  |  |  | |
|  |  |  |  |  | |
| 1.1 | Operating profit before changes in operating assets and liabilities |  | 169,387 | 433,919 | |
|  |  |  |  |  | |
| 1.1.1 | Interest received |  | 800,325 | 851,936 | |
| 1.1.2 | Interest paid |  | (426,226) | (472,464) | |
| 1.1.3 | Dividend received |  | - | 197 | |
| 1.1.4 | Fees and commissions received |  | 66,218 | 46,839 | |
| 1.1.5 | Other income |  | 140,264 | 13,697 | |
| 1.1.6 | Collections from previously written-off loans and other receivables |  | 72,373 | 46,308 | |
| 1.1.7 | Payments to personnel and service suppliers |  | (118,963) | (123,757) | |
| 1.1.8 | Taxes paid |  | (33,740) | (28,459) | |
| 1.1.9 | Other |  | (330,864) | 99,622 | |
|  |  |  |  |  | |
| 1.2 | Changes in operating assets and liabilities |  | 269,657 | (1,152,411) | |
|  |  |  |  |  | |
| 1.2.1 | Net (increase)/decrease in trading securities |  | 35,941 | 34,338 | |
| 1.2.2 | Net (increase)/decrease in fair value through profit/loss financial assets |  | - | - | |
| 1.2.3 | Net (increase)/decrease in due from banks |  | (286,731) | (177,501) | |
| 1.2.4 | Net (increase)/decrease in loans |  | (2,395,441) | (1,271,754) | |
| 1.2.5 | Net (increase)/decrease in other assets |  | 17,721 | (112,232) | |
| 1.2.6 | Net increase/ (decrease) in bank deposits |  | 137,302 | 6,655 | |
| 1.2.7 | Net increase/(decrease) in other deposits |  | 992,576 | 720,968 | |
| 1.2.8 | Net increase/(decrease) in funds borrowed |  | 1,623,800 | (96,441) | |
| 1.2.9 | Net increase/(decrease) in payables |  | - | - | |
| 1.2.10 | Net increase/(decrease) in other liabilities |  | 144,489 | (256,444) | |
|  |  |  |  |  | |
| **I.** | **Net cash provided from banking operations** |  | **439,044** | **(718,492)** | |
|  |  |  |  |  | |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  | |
|  |  |  |  |  | |
| **II.** | **Net cash provided from investing activities** |  | **71,749** | **191,382** | |
|  |  |  |  |  | |
| 2.1 | Cash paid for acquisition of investments, associates and subsidiaries |  | - | - | |
| 2.2 | Cash obtained from disposal of investments, associates and subsidiaries |  | - | - | |
| 2.3 | Purchases of property and equipment |  | (19,171) | (5,660) | |
| 2.4 | Disposals of property and equipment |  | 17,701 | 12,079 | |
| 2.5 | Cash paid for purchase of investments available-for-sale |  | (286,289) | (235,983) | |
| 2.6 | Cash obtained from sale of investments available-for-sale |  | 352,426 | 193,667 | |
| 2.7 | Cash paid for purchase of investment securities |  | - | - | |
| 2.8 | Cash obtained from sale of investment securities |  | - | 227,279 | |
| 2.9 | Other |  | 7,082 | - | |
|  |  |  |  |  | |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  | |
|  |  |  |  |  | |
| **III.** | **Net cash provided from financing activities** |  | **479,701** | **614,212** | |
|  |  |  |  |  | |
| 3.1 | Cash obtained from funds borrowed and securities issued |  | 676,787 | 614,212 | |
| 3.2 | Cash used for repayment of funds borrowed and securities issued |  | (197,100) | (200,000) | |
| 3.3 | Issued capital instruments |  | - | 200,000 | |
| 3.4 | Dividends paid |  | - | - | |
| 3.5 | Payments for finance leases |  | - | - | |
| 3.6 | Other |  | 14 | - | |
|  |  |  |  |  | |
| **IV.** | **Effect of change in foreign exchange rate on cash and cash equivalents** |  | **(332,549)** | **(66,699)** | |
|  |  |  |  |  | |
| **V.** | **Net increase in cash and cash equivalents (I+II+III+IV)** |  | **657,945** | **20,403** | |
|  |  |  |  |  | |
| **VI.** | **Cash and cash equivalents at beginning of the period** |  | **459,281** | **413,234** | |
|  |  |  |  |  | |
| **VII.** | **Cash and cash equivalents at end of the period** |  | **1,117,226** | **433,637** | |

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

I. Basis of Presentation

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 (“Banking Act”), which are effective from 1 November 2005, the Turkish Commercial Code (“TCC”) and Turkish tax legislation.

The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA (“Banking Regulation and Supervision Agency”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards”(“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority, and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (all defined as “BRSA Principles”). The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated 28 June 2012.

The consolidated financial statements have been prepared in TL, under the historical cost convention 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 TAS 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 TAS. 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. **Explanations on 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 30 September 2015 and 31 December 2014, the Parent Bank does not have any investment in foreign companies.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Information on the 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 30 September 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 |

(\*) Alternatif Yatırım Ortaklığı A.Ş is in liquidation phase, explanation in detailed is given Section Five Note I-h.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

**V. Explanations on Interest Income and Expense**

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method 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. **Explanations on 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. **Explanations on Financial Assets**

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial instruments are the basis of the Group’s business activities and operations. Risks related to these activities form a significant part among total risks the 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 usually 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 approximates 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 done 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. **Explanations on 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 of 31 December 2013 amounting TL 1,727,972 before the maturity dates of such securities. Therefore the Bank will not 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 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 Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loans amounting TL 49,978 with maturity 3 years and TL 61,817 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 983 which was calculated for these loans is refered to ‘Interest on Loans’.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

1. **Explanations on 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 a decline 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 the Bank calculated to allocate specific 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. **Explanations on 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. **Explanations on 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. **Explanations on 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. **Explanations On 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. **Explanations on 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. **Explanations On 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. Explanations on 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 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 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 Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

**XVI. Explanations on 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. Explanations on 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. Explanations on 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”.

**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. Explanations on Avalized Drafts And Acceptances**

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

**XXI. Explanations on Government Grants**

As of 30 September 2015, the Group has unusued investment incentives amounting to TL 93,158 which is investment incentive of qualifying investment allowances amount, over 40% of property value of having been leased investment.

**XXII. Explanations on 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. Explanations on 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.

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **30 September 2014** |
| Group’s Profit | 74,440 | 91,822 |
| Weighted Average Number of Issued Ordinary Shares (Thousand) | 620,000 | 575,556 |
| **Earnings Per Share (Disclosed in full TL)** | **0.1201** | **0.1595** |

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 period ended 30 September 2015 (31 December 2014: None).

**XXIV. Explanations on 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. Explanations on 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, are disclosed in Note X. of Section Four.

**SECTION FOUR**

**INORMATION RELATED TO FINANCIAL POSITION OF THE GROUP**

## Information on Capital Adequacy Ratio

The standard rate of the capital adequacy of the Group is 13.50% (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** | **2,049,977** | **-** | **711,573** | **3,982,341** | **1,741,272** | **7,169,937** | **56,000** | **51,805** | **-** | **-** |
| **Risk Groups** |  |  |  |  |  |  |  |  |  |  |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 1,864,774 | - | - | 326,941 | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | - | - | - | - | - | 1,352 | - | - | - | - |
| 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 | - | - | 711,478 | 1,097,266 | - | 19 | - | - | - | - |
| Contingent and Non-Contingent Corporate Receivables | - | - | - | - | - | 6,716,088 | - | - | - | - |
| Contingent and Non-Contingent Retail Receivables | - | - | - | - | 1,741,272 | 6,844 | - | - | - | - |
| Contingent and Non-Contingent Receivables Secured by Residential Property | - | - | - | 2,528,231 | - | - | - | - | - | - |
| Non-Performing Receivables | - | - | - | 29,903 | - | 151,076 | 7,119 | - | - | - |
| Receivables identified as high risk by the Board | - | - | - | - | - | - | 48,881 | 51,805 | - | - |
| 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 | 185,203 | - | 95 | - | - | 294,558 | - | - | - | - |

**INFORMATION RELATED TO 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** | **2,073,657** | **-** | **711,573** | **4,016,440** | **2,198,948** | **7,519,319** | **72,370** | **51,805** | **-** | **-** |
| **Risk Groups** |  |  |  |  |  |  |  |  |  |  |
| Contingent and Non-Contingent Receivables from Central Governments or Central Banks | 1,864,774 | - | - | 326,941 | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | - | - | - | - | - | - | - | - | - | - |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises | - | - | - | - | - | 1,352 | - | - | - | - |
| 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 | - | - | 711,478 | 1,126,085 |  | 19 | - | - | - | - |
| Contingent and Non-Contingent Corporate Receivables | - | - | - | - | - | 7,204,432 | - | - | - | - |
| Contingent and Non-Contingent Retail Receivables | - | - | - | - | 2,198,948 | 6,844 | - | - | - | - |
| Contingent and Non-Contingent Receivables Secured by Residential Property | - | - | - | 2,533,510 | - | - | - | - | - | - |
| Non-Performing Receivables | - | - | - | 29,904 | - | 152,794 | 23,489 |  |  |  |
| Receivables identified as high risk by the Board | - | - | - | - | - | - | 48,881 | 51,805 |  |  |
| 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 | 208,883 |  | 95 | - | - | 153,878 | - | - | - | - |

**INFORMATION RELATED TO 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** |
|  | **30 September 2015** | **30 September 2014** | **31 December 2014** | **31 December 2014** |
| Capital Requirement for Credit Risk (Main Amount related with Credit Risk\*0,08) (CRCR) | 863,759 | 922,498 | 634,613 | 671,854 |
| Capital Requirement for Market Risk (CRMR) | 6,698 | 6,741 | 1,367 | 2,423 |
| Capital Requirement for Operational Risk (CROR) | 70,287 | 75,080 | 59,168 | 62,442 |
| Shareholders Equity | 1,725,099 | 1,694,535 | 1,312,807 | 1,273,599 |
| **Shareholders Equity/((CRCR+CRMR+CROR) \*12,5)\*100)** | **14.67%** | **13.50%** | **15.11%** | **13.83%** |
| **Tier I Capital/((CRCR+CRMR+CROR) \*12,5)\*100)** | **8.14%** | **7.38%** | **10.63%** | **9.61%** |
| **Common equity/((CRCR+CRMR+CROR) \*12,5)\*100)** | **8.33%** | **7.89%** | **10.84%** | **10.25%** |

**Information about the shareholders’ equity items**

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **COMMON EQUITY** |  |  |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 620,000 | 620,000 |
| Share Premium | 133 | 119 |
| Share Cancellation Profits | (268) | (3,296) |
| Legal Reserves | 361,436 | 232,062 |
| Other Comprehensive Income according to TAS | - | - |
| Profit | 67,153 | 120,955 |
| Net Current Period Profit | 74,440 | 136,591 |
| Prior Period Profit | (7,287) | (15,636) |
| Provisions for Possible Losses | - | - |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit | - | - |
| Minority shares | 5,707 | 9,214 |
| **Common Equity Before Deductions** | **1,054,161** | **979,054** |
| **Deductions From Common Equity** |  |  |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) | 36,683 | 6,154 |
| Leasehold Improvements on Operational Leases (-) | 10,402 | 13,401 |
| Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-) | 16,082 | 14,912 |
| Net Deferred tax assets / liabilities (-) | - | 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 FinancialInstitutions 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** | **63,167** | **34,682** |
| **Total Common Equity** | **990,994** | **944,372** |

**INFORMATION RELATED TO 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 (-) | 64,328 | 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** | **926,666** | **884,726** |
| **TIER II CAPITAL** |  |  |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | 378,138 | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | 296,226 | 329,141 |
| Pledged Assets of the Shareholders to be used for the Bank's Capital Increases | - | - |
| General Provisions | 97,110 | 62,858 |
| **Tier II Capital before Deductions** | **771,474** | **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** | **771,474** | **391,999** |

**INFORMATION RELATED TO 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 (-) | 3,588 | 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 (-) | 17 | 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** | **1,694,535** | **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 andFinancial 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 shares in Tier I Capital | 5,707 | 5,707 |
| 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 | 419,459 |

**INFORMATION RELATED TO 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 | Subordinated Loan | Subordinated Loan | Subordinated Loan | Subordinated Loan | Subordinated Loan | 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 | 378,138 |
| Par value of instrument (Million TRL) | 151,255 | 75,628 | 90,753 | 67,882 | 33,941 | 378,138 |
| 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 | -Illegalitiy,  - 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 |
| **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 | Yes |
| 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 RELATED TO 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 final objective of the internal assessment process of capital requirement is to assess the capital adequacy of the 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 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 Bank as an improving process and further upgrades to this method is planned for the future.

**INFORMATION RELATED TO 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 50.99% (31 December 2014: 25.62%) of the overall cash loans.

The accumulation of the Parent Bank’s highest 100 non-cash loan clients is 67.12% (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 8.01% (31 December 2014: 5.03%) of the overall balance sheet and off balance sheet items.

As of 30 September 2015, general loan loss provision is to TL 97,110 (31 December 2014: TL 62,858).

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

## 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).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**

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| (I) Capital Requirement against General Market Risk – Standard Method | 2,719 | 498 |
| (II) Capital Requirement against Specific Risk – Standard Method | 11 | 999 |
| Capital Requirement for Specific Risk Related to Securitization Positions-Standard Method | - | - |
| (III) Capital Requirement against Currency Risk – Standard Method | 2,512 | 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 | 172 | - |
| (VII) Capital Requirement against Counterparty Credit Risk-Standard Method | 1,327 | 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) | 6,741 | 2,423 |
| **(X) Amount Subject to Market Risk (12,5xVIII) or (12,5xIX)** | **84,257** | **30,288** |

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

## IV. 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 like swap and forward are used for hedging the currency risk. Stress tests are performed to bypass the volatility 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 3.0251 TL 3.3941**

30 September 2015 Foreing Currency Bid Rate TL 3.0251 TL 3.3941

29 September 2015 Foreing Currency Bid Rate TL 3.0433 TL 3.4212

28 September 2015 Foreing Currency Bid Rate TL 3.0464 TL 3.4057

25 September 2015 Foreing Currency Bid Rate TL 3.0069 TL 3.3602

24 September 2015 Foreing Currency Bid Rate TL 3.0069 TL 3.3602

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 3.0068

Euro: TL 3.3796

As of 31 December 2014;

**Usd Euro**

**Rate Used**: TL 2.3269 TL 2.8272

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

## ıV. 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** |
| 30 September 2015 |  |  |  |  |  |
| **Assets** |  |  |  |  |  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey | 42,572 | 1,337,896 | - | 193,706 | 1,574,174 |
| Banks | 8,727 | 67,243 | 316 | 1,747 | 78,033 |
| Financial Assets at Fair Value Through Profit and Loss (\*) | 127 | 6,523 | - | - | 6,650 |
| Money Market Placements | - | - | - | - | - |
| Financial Assets Available-For-Sale | - | 522,006 | - | - | 522,006 |
| Loans (\*\*) | 2,249,538 | 3,119,560 | - | - | 5,369,098 |
| Investments in Associates, Subsidiaries and Joint Ventures | - | - | - | - | - |
| Held-to-Maturity Investments | - | - | - | - | - |
| Hedging Derivative Financial Assets | - | - | - | - | - |
| Tangible Assets | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - |
| Other Assets(\*) (\*\*\*) (\*\*\*\*\*) | 399,734 | 356,956 | - | - | 756,690 |
| **Total Assets** | **2,700,698** | **5,410,184** | **316** | **195,453** | **8,306,651** |
|  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |
| Bank Deposits | 195,252 | 130,080 | - | - | 325,332 |
| Foreign Currency Deposits | 377,189 | 2,688,986 | 2,793 | 243,945 | 3,312,913 |
| Money Market Funds | - | 207,373 | - | - | 207,373 |
| Funds Borrowed From Other Financial Institutions | 1,221,749 | 3,583,340 | - | - | 4,805,089 |
| Marketable Securities Issued | - | 756,757 | - | - | 756,757 |
| Miscellaneous Payables | 48,650 | 161,470 | - | 513 | 210,633 |
| Derivative Financial Liabilities For Hedging Purposes | 6,185 | 3,779 | - | - | 9,964 |
| Other Liabilities (\*\*\*) | 10,116 | 9,249 | 38 | - | 19,403 |
| **Total Liabilities** | **1,859,141** | **7,541,034** | **2,831** | **244,458** | **9,647,464** |
|  |  |  |  |  |  |
| **Net Balance Sheet Position** | **841,557** | **(2,130,850)** | **(2,515)** | **(49,005)** | **(1,340,813)** |
| **Net Off Balance Sheet Position** | **(850,041)** | **2,056,648** | **2,511** | **48,994** | **1,258,112** |
| Financial Derivative Assets | 995,441 | 3,777,251 | 2,511 | 67,841 | 4,843,044 |
| Financial Derivative Liabilities | 1,845,482 | 1,720,603 | - | 18,847 | 3,584,932 |
| Non-Cash Loans | **447,352** | **1,740,181** | **2,282** | **4,364** | **2,194,179** |
|  |  |  |  |  |  |
| 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** | **-** | **13,107** | **986,442** |

(\*) Accruals of derivative assets held for trading amounting to TL 34,967 (31 December 2014: TL 10,708) have been deducted from fair value through profit and loss line.

(\*\*) FC indexed loans and accruals amounting to TL 1,073,097 (31 December 2014: TL 1,028,110) are shown in loans.

(\*\*\*) Accruals of derivative liabilities held for trading amounting to TL 5,744 (31 December 2014: TL 8,201), other provisions amounting to TL 39 and  
(31 December 2014: TL 7) have been deducted from other liabilities line.

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

(\*\*\*\*\*) Leasing receivables amounting to TL 730,543 are shown in other asset line (31 December 2014: TL 462,577)

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

## ıV. 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 30 September 2015 and 2014.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
| **Income statement** | **Equity** | **Income statement** | **Equity** |
| Usd | (7,420) | (7,420) | 2,045 | 2,045 |
| Euro | (848) | (848) | 3 | 3 |
| Other FC | (1) | (1) | 203 | 203 |
| **Total, net** | **(8,269)** | **(8,269)** | **2,251** | **2,251** |

The table below represent the sensitivity of the Group to 10% strenghtening 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 30 September 2015 and 2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
| **Income statement** | **Equity** | **Income statement** | **Equity** |
| Usd | 7,420 | 7,420 | (2,045) | (2,045) |
| Euro | 848 | 848 | (3) | (3) |
| Other FC | 1 | 1 | (203) | (203) |
| **Total, net** | **8,269** | **8,269** | **(2,251)** | **(2,251)** |

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

## V. 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 because of the fluctuation 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.

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **30 September 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 | 1,528,374 | - | - | - | - | 113,324 | 1,641,698 |
| Banks | 441,072 | 28,475 | - | - | - | 28,179 | 497,726 |
| Financial Assets at Fair Value Through Profit and Loss | 34,309 | 2,728 | 5,670 | 19,142 | - | 101 | 61,950 |
| Money Market Placements | 265,078 | - | - | - | - | - | 265,078 |
| Financial Assets Available-for-Sale | 201,409 | 74,149 | 520,331 | - | 29,198 | 4,884 | 829,971 |
| Loans | 3,016,208 | 709,778 | 1,905,734 | 3,036,494 | 1,187,555 | 206,113 | 10,061,882 |
| Held-to-Maturity Investments | - | - | - | - | - | - | - |
| Other Assets (\*) (\*\*\*) | 44,907 | 60,104 | 234,452 | 535,287 | 77,131 | 391,931 | 1,343,812 |
| Total Assets | **5,531,357** | **875,234** | **2,666,187** | **3,590,923** | **1,293,884** | **744,532** | **14,702,117** |
|  |  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |  |
| Bank Deposits (\*\*\*\*) | 519,447 | 30,304 | - | - | - | 550 | 550,301 |
| Other Deposits | 3,907,268 | 1,743,071 | 83,433 | 7,609 | - | 489,958 | 6,231,339 |
| Money Market Funds | 307,034 | 40,602 | - | - | - | - | 347,636 |
| Miscellaneous Payables | - | - | - | - | - | 332,774 | 332,774 |
| Marketable Securities Issued | - | 47,980 | 63,250 | 756,757 | - | - | 867,987 |
| Funds Borrowed From Other Financial Institutions | 437,565 | 293,522 | 2,658,967 | 521,576 | 1,076,716 | - | 4,988,346 |
| Other Liabilities and Shareholders’ Equity (\*\*) | 3,795 | 3,195 | 5,477 | 437 | - | 1,370,830 | 1,383,734 |
| Total Liabilities | **5,175,109** | **2,158,674** | **2,811,127** | **1,286,379** | **1,076,716** | **2,194,112** | **14,702,117** |
|  |  |  |  |  |  |  |  |
| Balance Sheet Long Position | **356,248** | **-** | **-** | **2,304,544** | **217,168** | **-** | **2,877,960** |
| Balance Sheet Short Position | **-** | **(1,283,440)** | **(144,940)** | **-** | **-** | **(1,449,580)** | **(2,877,960)** |
| Off-Balance Sheet Long Position | - | - | - | 18,345 | - | - | 18,345 |
| Off-Balance Sheet Short Position | (9,524) | (3,897) | (13) | - | - | - | (13,434) |
| Total Position | **346,724** | **(1,287,337)** | **(144,953)** | **2,322,889** | **217,168** | **(1,449,580)** | **4,911** |

(\*) 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.

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

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

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

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

## V. 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.

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

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

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

## V. 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.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **30 September 2015** | **Euro** | **Usd** | **Yen** | **TL** |
| **Assets** | **%** | **%** | **%** | **%** |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | - | - | - | - |
| Banks | 2.25 | 2.54 | - | 12.80 |
| Financial Assets at Fair Value Through Profit and Loss | 3.74 | 4.64 | - | 9.49 |
| Money Market Placements | - | - | - | 10.74 |
| Financial Assets Available-for-Sale | - | 3.86 | - | 8.58 |
| Loans | 4.18 | 4.64 | - | 15.01 |
| Held-to-maturity Investments | - | - | - | - |
|  |  |  |  |  |
| Liabilities |  |  |  |  |
| Bank Deposits | 0.80 | 1.57 | - | - |
| Other Deposits | 1.72 | 2.43 | - | 12.61 |
| Money Market Funds | - | 0.20 | - | 6.98 |
| Miscellaneous Payables | - | - | - | - |
| Marketable Securities Issued | - | 3.12 | - | - |
| Funds Borrowed From Other Financial Institutions | 2.04 | 2.54 | - | 7.64 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Euro** | **Usd** | **Yen** | **TL** |
| **Assets** | **%** | **%** | **%** | **%** |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | - | - | - | - |
| Banks | 0.17 | 0.12 | - | 10.98 |
| Financial Assets at Fair Value Through Profit and Loss | 3.72 | 4.62 | - | 4.66 |
| Money Market Placements | - | - | - | - |
| Financial Assets Available-for-Sale | - | 4.12 | - | 8.98 |
| Loans | 4.27 | 4.97 | - | 14.41 |
| Held-to-maturity Investments | - | - | - | - |
|  |  |  |  |  |
| Liabilities |  |  |  |  |
| Bank Deposits | - | 1.59 | - | - |
| Other Deposits | 2.04 | 2.37 | - | 10.40 |
| Money Market Funds | - | 0.34 | - | 7.44 |
| Miscellaneous Payables | - | - | - | - |
| Marketable Securities Issued | - | 3.12 | - | 9.31 |
| Funds Borrowed From Other Financial Institutions | 2.59 | 2.87 | - | 6.97 |

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

## V. 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 deference 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 according to the month-end balance 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 off 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.

|  |  |  |  |
| --- | --- | --- | --- |
| **30 September 2015** | **Applied Shock**  **(+/- x basis point)** | **Earnings/**  **Losses** | **Gains/**  **Equity-Losses/**  **Equity** |
| Currency |  |  |  |
| 1. TL | (+)500bp | (94,560) | (5.48%) |
| 2. TL | (-)400bp | 88,599 | 5.14% |
| 3. Usd | (+)200bp | (93,589) | (5.43%) |
| 4. Usd | (-)200bp | 27,808 | 1.61% |
| 5. Euro | (+)200bp | 2,363 | 0.14% |
| 6. Euro | (-)200bp | 4,923 | 0.29% |
| **Total (For Negative Shocks)** |  | **121,330** | **7.03%** |
| **Total (For Positive Shocks)** |  | **(185,786)** | **(10.77%)** |

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **31 December 2014** | **Applied Shock**  **(+/- x basis point)** | **Earnings/**  **Losses** | **Gains/**  **Equity-Losses/**  **Equity** |
| Currency |  |  |  |
| 1. TL | (+) 500bp | (99,626) | (7.58%) |
| 2. TL | (-) 400bp | 96,927 | 7.39% |
| 3. Usd | (+) 200bp | 3,600 | 0.27% |
| 4. Usd | (-) 200bp | (2,038) | (0.16%) |
| 5. Euro | (+) 200bp | (3,398) | (0.26%) |
| 6. Euro | (-) 200bp | 556 | 0.04% |
| **Total (For Negative Shocks)** |  | **95,445** | **7.26%** |
| **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.

## VI. Explanations on Liquidity Risk

There is a liquidity limit approved and monitored on a weekly basis by the 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 RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

## VI. 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** |
| **30 September 2015** |  |  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |  |  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | 113,324 | 1,528,374 | - | - | - | - | - | 1,641,698 |
| Due From Banks | 28,179 | 441,072 | 28,475 | - | - | - | - | 497,726 |
| Financial Assets at Fair Value Through Profit and Loss | 101 | 53,370 | 2,710 | 5,351 | 86 | 332 | - | 61,950 |
| Money Market Placements | - | 265,078 | - | - | - | - | - | 265,078 |
| Financial Assets Available-for-Sale | - | 15,380 | - | - | 440,112 | 369,595 | 4,884 | 829,971 |
| Loans | - | 1,418,325 | 1,040,789 | 3,122,252 | 3,056,415 | 1,217,988 | 206,113 | 10,061,882 |
| Held-to-Maturity Investments | - | - | - | - | - | - | - | - |
| Other Assets (\*) (\*\*\*) | 163 | 133,675 | 83,675 | 242,608 | 545,869 | 83,053 | 254,769 | 1,343,812 |
| **Total Assets** | **141,767** | **3,855,274** | **1,155,649** | **3,370,211** | **4,042,482** | **1,670,968** | **465,766** | **14,702,117** |
|  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |
| Bank Deposits (\*\*\*\*) | 550 | 519,447 | 30,304 | - | - | - | - | 550,301 |
| Other Deposits | 489,958 | 3,907,268 | 1,743,071 | 83,433 | 7,609 | - | - | 6,231,339 |
| Funds Borrowed From Other Financial Institutions | - | 266,612 | 127,209 | 2,504,100 | 773,733 | 1,316,692 | - | 4,988,346 |
| Money Market Funds | - | 307,034 | 40,602 | - | - | - | - | 347,636 |
| Marketable Securities Issued | - | - | 47,980 | 63,250 | 756,757 | - | - | 867,987 |
| Miscellaneous Payables | - | 11,454 | - | - | - | - | 321,320 | 332,774 |
| Other Liabilities (\*\*) | 1,798 | 196,201 | 3,632 | 5,477 | - | - | 1,176,626 | 1,383,734 |
| **Total Liabilities** | **492,306** | **5,208,016** | **1,992,798** | **2,656,260** | **1,538,099** | **1,316,692** | **1,497,946** | **14,702,117** |
|  |  |  |  |  |  |  |  |  |
| **Liquidity Gap** | **(350,539)** | **(1,352,742)** | **(837,149)** | **713,951** | **2,504,383** | **354,276** | **(1,032,180)** | **-** |
|  |  |  |  |  |  |  |  |  |
| 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 RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

## 

## VI. Explanations on Liquidity Risk (Continued)

**Explanations on securitization position**

**Separated by type of securitization NPL’s and written losses in the current period**

None.

**Explanations on Credit Risk Mitigation Techniques**

The 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**

**30 September 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 | 2,191,715 | - | - | - |
| 2 | Contingent and Non-Contingent Receivables from Regional Government or Domestic Government | 1,352 | - | - | - |
| 3 | Contingent and Non-Contingent Receivables from Banks and Intermediaries | 1,847,444 | 9,863 | - | - |
| 4 | Contingent and Non-Contingent Corporate Receivables | 7,589,644 | 303,368 | - | - |
| 5 | Contingent and Non-Contingent Retail Receivables | 2,254,138 | 61,313 | - | - |
| 6 | Contingent and Non-Contingent Receivables Secured by Residential Property | 2,553,265 | 20,204 | - | - |
| 7 | Non-Performing Receivables | 206,295 | 108 | - | - |
| 8 | Receivables identified as high risk by the Board | 104,457 | 3,771 | - | - |
| 9 | Other Receivables | 362,858 | - | - | - |
|  | **Total** | **17,111,168** | **398,627** | **-** | **-** |

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

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

## VI. 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** | **-** | **-** |

## VII. 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 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 contex 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. 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 Bank develops “Internal Capital Adequacy Evaluation Process” (ICAAP) and evaluates Internal Capital Adequacy while preparing the budget.

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

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

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

## VIII. 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.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 September 2015** | | |
|  | **Principal (\*)** | **Asset** | **Liability** |
| **Derivative financial instruments** |  |  |  |
| Interest swap transactions | 220,000 | - | 437 |
| **Total** | **220,000** | **-** | **437** |

(\*) Total of purchase and sale.

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 Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loans amounting TL 49,978 with maturity 3 years and TL 61,817 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.

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

## VIII. Explanation on Hedge Accounting (Continued)

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **30 September 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 | 983 | - | 437 |

The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions 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 and losses on derivative financial instruments” account.

**ıX. 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.

**X. Explanations on Operating Segments**

a) The Group provides basic banking services in corporate/commercial banking and treasury.

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) Alternatif Yatırım A.Ş. which is the the Parent bank’s subsidiary, operate in accordance with Capital Market Law and with the relevant legislation. According to the law, company given the scope of his authority and permits,operates company exchange brokerage, portfolio management,credited trading, short sales and Borrowing and Lending of Securities Transactions, investment consulting, repurchase or sell securities and buying and selling the securities, mediate public offering and buying and seling derivatives permit and authority.

The other subsidiary of the Bank, Alternatif Yatırım Ortaklığı A.Ş. performs its operations according to the Serial: VI and No: 4 regulation named “Investment partnership regulation” of the Capital Board of Turkey. According to the Capital Board Law numbered 2499 and related regulations, the firm administrates capital market instruments as well as gold and other precious metals traded in the domestic and international stock markets. According to the Law, the company received a certificate of authority Capital Market Board to create the partnership portfolio, manage and change when required.

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

**X. Explanations on Operating Segments (Continued)**

The other subsidiary of the 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’.

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 75%, investment banking 21% and other 4%.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **30 September 2015** | **Corporate /**  **Retail Banking** | **Investment Banking** | **Other** | **Total Operations**  **of the Group** |
| Net interest income | 445,199 | (27,558) | 2,069 | 419,710 |
| Net fees and commissions income and other operating income | 210,252 | 2,987 | 10 | 213,249 |
| Trading profit/loss | (2,226) | (8,590) | 23 | (10,793) |
| Dividend income | - | - | - | - |
| Impairment provision for loans and other receivables (-) | (158,280) | (3,350) | - | (161,630) |
| Other operating expenses (-) | (346,868) | (8,046) | (613) | (355,527) |
| **Profit before taxes** | **148,077** | **(44,557)** | **1,489** | **105,009** |
| Tax provision | (1,158) | 800 | (29,931) | (30,289) |
| Minority interest | - | - | - | - |
| **Net profit for the period** | **146,919** | **(43,757)** | **(28,442)** | **74,720** |
|  |  |  |  |  |
| **30 September 2015** |  |  |  |  |
| Segment assets | 11,092,694 | 3,036,920 | 571,503 | 14,701,117 |
| Investments in associates and subsidiaries | - | - | 1,000 | 1,000 |
| **Total Assets** | **11,092,694** | **3,036,920** | **572,503** | **14,702,117** |
| Segment liabilities | 7,727,047 | 3,744,291 | 2,213,355 | 13,684,693 |
| Shareholders’ equity | 86,493 | 22,887 | 908,044 | 1,017,424 |
| **Total Liabilities** | **7,813,540** | **3,767,178** | **3,121,399** | **14,702,117** |

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

**X. Explanations on Operating Segments (Continued)**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **30 September 2014** | **Corporate /**  **Retail Banking** | **Investment Banking** | **Other** | **Total Operations**  **of the Group** |
| Net interest income | 353,783 | 14,917 | (2,638) | 366,062 |
| Net fees and commissions income and other operating income | 100,269 | 8,156 | - | 108,425 |
| Trading profit/loss | - | (31,045) | - | (31,045) |
| Dividend income | - | 197 | - | 197 |
| Impairment provision for loans and other receivables (-) | (98,116) | (8,812) | - | (106,928) |
| Other operating expenses (-) | (200,254) | (22,356) | - | (222,610) |
| **Profit before taxes** | **155,682** | **(38,943)** | **(2,638)** | **114,101** |
| Tax provision | - | 693 | (22,833) | (22,140) |
| Minority interest | - | - | - | - |
| **Net profit for the period** | **155,682** | **(38,250)** | **(25,471)** | **91,961** |
|  |  |  |  |  |
| **31 December 2014** |  |  |  |  |
| Segment assets | 6,944,894 | 4,104,488 | 287,777 | 11,337,159 |
| Investments in associates and subsidiaries | - | - | - | - |
| **Total Assets** | **6,944,894** | **4,104,488** | **287,777** | **11,337,159** |
| Segment liabilities | 5,618,765 | 3,840,880 | 1,016,061 | 10,475,706 |
| Shareholders’ equity | - | - | 861,453 | 861,453 |
| **Total Liabilities** | **5,618,765** | **3,840,880** | **1,877,514** | **11,337,159** |

**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

## I. Explanations and Notes Related to 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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Cash/Foreign currency | 35,251 | 46,265 | 38,989 | 58,552 |
| CBRT | 32,178 | 1,527,909 | 126,496 | 1,134,207 |
| Other | 95 | - | - | - |
| **Total** | **67,524** | **1,574,174** | **165,485** | **1,192,759** |

1. Information on the account of the CBRT

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Demand Unrestricted Amount (\*) | 32,178 | 241,481 | 126,496 | 123,395 |
| Time Unrestricted Amount | - | - | - | - |
| Time Restricted Amount | - | - | - | - |
| Reserve Requirement | - | 1,286,428 | - | 1,010,812 |
| **Total** | **32,178** | **1,527,909** | **126,496** | **1,134,207** |

(\*) The reserve requirement booked as average has been classified in “Central Bank Demand Unrestricted Account” based on 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 30 September 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 30 September 2015 the Group does not have financial assets at fair value through profit and 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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to Assets (Continued)

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

2. Positive differences related to trading derivative financial assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 75 | 357 | 4,631 | 209 |
| Swap Transactions | 19,161 | 34,609 | 16,012 | 11,950 |
| Futures Transactions | - | - | - | - |
| Options | 320 | 6,227 | 18 | 3,457 |
| Other | - | - | - | - |
| **Total** | **19,556** | **41,193** | **20,661** | **15,616** |

1. **Information on banks**

1. Information on banks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Banks |  |  |  |  |
| Domestic | 419,693 | 52,358 | 71,781 | 3,553 |
| Foreign | - | 25,675 | - | 29,881 |
| Headquarters and Branches Abroad | - | - | - | - |
| **Total** | **419,693** | **78,033** | **71,781** | **33,434** |

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

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

As of 30 September 2015, there are TL 320,810 available-for-sale financial assets given as collateral/blocked (31 December 2014: TL 25,203) and those subject to repurchase agreements amounts to TL 382,193 (31 December 2014: TL 367,143).

2. Information on available-for-sale financial assets

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Debt Securities | 867,635 | 903,824 |
| Quoted on Stock Exchange | 867,635 | 903,824 |
| Not Quoted | - | - |
| Share Certificates | 4,882 | 161 |
| Quoted on Stock Exchange | 1 | 1 |
| Not Quoted (\*) | 4,881 | 160 |
| Impairment Provision (-) | 42,546 | 7,877 |
| **Total** | **829,971** | **896,108** |

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

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **Cash** | **Non-cash** | **Cash** | **Non-cash** |
| Direct Loans Granted To Shareholders | 85,854 | 60,036 | 28,424 | 74,604 |
| Corporate Shareholders | 85,658 | 59,557 | 28,279 | 74,206 |
| Real Person Shareholders | 196 | 479 | 145 | 398 |
| Indirect Loans Granted To Shareholders | 164,853 | 35,719 | 57,545 | 70,868 |
| Loans Granted To Employees | 6,910 | - | 4,221 | - |
| **Total** | **257,617** | **95,755** | **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 | **9,295,338** | **31,696** | - | **196,974** | **260,670** | - |
| Corporate Loans | 253,465 | - | - | 5,450 | - | - |
| Export Loans | 884,787 | - | - | 10,943 | - | - |
| Import Loans | - | - | - | - | - | - |
| Loans Given to Financial Sector | 227,720 | - | - | 52 | 559 | - |
| Consumer Loans | 245,698 | - | - | 32,931 | 3,047 | - |
| Credit Cards | 76,085 | - | - | 1,416 | - | - |
| Other | 7,607,583 | 31,696 | - | 146,182 | 257,064 | - |
| Specialized Loans | - | - | - | - | - | - |
| Other receivables | 71,091 | - | - | - | - | - |
| Total | **9,366,429** | **31,696** | - | **196,974** | **260,670** | - |

|  |  |  |
| --- | --- | --- |
| **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 | 31,696 | 260,670 |
| 3, 4 or 5 times | - | - |
| Over 5 times | - | - |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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 | - | 21,289 |
| 6 Month – 12 Month | - | 3,769 |
| 1 – 2 Years | 414 | 53,124 |
| 2 – 5 Years | 18,047 | 162,610 |
| 5 Years and Over | 13,235 | 19,878 |

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** | **4,411,092** | **31,696** | **105,799** | **25,058** |
| Non-specialised Loans | 4,411,092 | 31,696 | 105,799 | 25,058 |
| Specialised Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| **Medium and Long-Term Loans and Other Receivables** | **4,955,337** | **-** | **91,175** | **235,612** |
| Non-specialised Loans | 4,955,337 | - | 91,175 | 235,612 |
| Specialised Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| **Total** | **9,366,429** | **31,696** | **196,974** | **260,670** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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** | **16,506** | **253,154** | **269,660** |
| Real estate loans | - | 137,378 | 137,378 |
| Automotive loans | - | 4,086 | 4,086 |
| Consumer loans | 16,506 | 111,690 | 128,196 |
| 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** | **9,837** | **-** | **9,837** |
| With installments | 3,215 | - | 3,215 |
| Without installments | 6,622 | - | 6,622 |
| **Individual Credit Cards- FC** | **26** | **-** | **26** |
| With installments | - | - | **-** |
| Without installments | 26 | - | 26 |
| **Personnel Loans-TL** | **-** | **4,282** | **4,282** |
| Real estate loans | - | - | **-** |
| Automotive loans | - | - | **-** |
| Consumer loans | - | 4,282 | 4,282 |
| 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** | **2,452** | **1** | **2,453** |
| With installments | 1,069 | 1 | 1,070 |
| Without installments | 1,383 | - | 1,383 |
| **Personnel Credit Cards-FC** | **2** | **-** | **2** |
| With installments | - | - | **-** |
| Without installments | 2 | - | 2 |
| **Credit Deposit Account-TL (Real Person) (\*)** | **7,734** | **-** | **7,734** |
| **Credit Deposit Account-FC (Real Person)** | - | - | **-** |
| Total | **36,557** | **257,437** | **293,994** |

(\*) TL 173 of the credit deposit account personnel loans (31 December 2014: TL 179).

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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** | **91,798** | **1,287,431** | **1,379,229** |
| Real estate loans | - | 142,503 | 142,503 |
| Automotive loans | 38 | 100,739 | 100,777 |
| Consumer loans | 91,760 | 1,044,189 | 1,135,949 |
| Other | - | - | **-** |
| **Commercial Loans With Installment-FC Indexed** | **-** | **-** | **-** |
| Real estate loans | - | - | **-** |
| Automotive loans | - | - | **-** |
| Consumer loans | - | - | **-** |
| Other | - | - | **-** |
| **Commercial Loans With Installment-FC** | **-** | **1,055,129** | **1,055,129** |
| Real estate loans | - | - | **-** |
| Automotive loans | - | - | **-** |
| Consumer loans | - | 1,055,129 | 1,055,129 |
| Other | - | - | **-** |
| **Corporate Credit Cards-TL** | **65,183** | **-** | **65,183** |
| With installment | 25,137 | - | 25,137 |
| Without installment | 40,046 | - | 40,046 |
| **Corporate Credit Cards-FC** | **-** | **-** | **-** |
| With installment | - | - | **-** |
| Without installment | - | - | **-** |
| **Overdraft Accounts – TL(Corporate)** | **168,884** | **-** | **168,884** |
| **Overdraft Accounts – FC (Corporate)** | - | - | **-** |
| **Total** | **325,865** | **2,342,560** | **2,668,425** |

6. Loans according to types of borrowers

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Public | - | - |
| Private | 9,855,769 | 7,727,910 |
| **Total** | **9,855,769** | **7,727,910** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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.

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Domestic Loans | 9,784,679 | 7,671,833 |
| Foreign Loans | 71,090 | 56,077 |
| **Total** | **9,855,769** | **7,727,910** |

8. Loans given to investments in associates and subsidiaries

There is TL 30,721 loan given to associates and subsidiaries as of 30 September 2015 (31 December 2014: None).

9. Specific provisions provided against loans

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Loans and Other Receivables with Limited Collectability | 22,519 | 5,663 |
| Loans and Other Receivables with Doubtful Collectability | 41,592 | 45,005 |
| Uncollectible Loans and Other Receivables | 173,500 | 218,575 |
| Total | **237,611** | **269,243** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to Assets (Continued)

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

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 30 September 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 (+) | 201,962 | 6,503 | 6,958 |
| Transfers from Other Categories of Non-performing Loans (+) | - | 129,306 | 135,433 |
| Transfers to Other Categories of Non-performing Loans (-) | 131,019 | 133,720 | - |
| Collections (-) | 12,883 | 15,235 | 44,255 |
| 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 | - | - | - |
| **30 September 2015** | **100,468** | **97,212** | **246,044** |
| Specific Provision (-) | 22,519 | 41,592 | 173,500 |
| **Net Balance on Balance Sheet** | **77,949** | **55,620** | **72,544** |

(\*) The Parent Bank has sold non performing loan amounting to TL 15,199 and has collected TL 2,500 on 31 March 2015.

(\*\*) The Parent Bank has sold non performing loan amounting to TL 115,858 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 loan amounting to TL 9,142 and has collected TL 125 on 29 May 2015.

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

The Group has TL 20,929 non-performing loans denominated in foreign currency loans as at the balance sheet date (31 December 2014: None).

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to Assets (Continued)

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

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

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** |
| **30 September 2015 (Net)** |  |  |  |
| Loans to Real Persons and Legal Entities (Gross) | 100,468 | 97,212 | 246,044 |
| Specific Provision Amount (-) | 22,519 | 41,592 | 173,500 |
| Loans to Real Persons and Legal Entities (Net) | 77,949 | 55,620 | 72,544 |
| 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 done 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 regulation.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to Assets (Continued)

**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 30 September 2015 (31 December 2014: None).

2. Information on held to maturity investments

Group has no held to maturity investments as of 30 September 2015 (31 December 2014: None).

3. Movement of investments held-to-maturity:

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Beginning balance** | - | **1,507,142** |
| Foreign currency differences on monetary assets | **-** | - |
| Purchases during the year | **-** | 220,830 |
| Disposals through sales and redemptions(\*) | **-** | (1,727,972) |
| Impairment provision (-) | **-** | - |
| **Closing balance** | - | - |

(\*) Details of the sale is explained in accounting policies VII-b. in Section Three.

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

As of 30 September 2015 there is no held-to-maturity investments given as collateral (31 December 2014: None).

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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 Yatırım Ortaklığı A.Ş.** | **Alternatif Finansal Kiralama A.Ş** |
| **Core Capital** | **36,250** | **22,512** | **28,043** |
| Paid-in Capital | 14,383 | 13,309 | 27,216 |
| Share Premium | - | - | 99 |
| Share Cancellation Profits  Profits | - | - | (5,032) |
| Reserves | 9,972 | 14,220 | 4,132 |
| Current Period’s Profit and Prior Period’s Profit | 62,138 | (4,588) | 1,628 |
| Current Period’s Losses and Prior Period’s Losses | - | - | - |
| Leasehold Improvements on Operational Leases (-) | - | 205 | - |
| Intangible Assets (-) | 596 | 224 | - |
| Consolidaton Goodwill | 49,647 | - | - |
| **Supplementary Capital** | **-** | **-** | **-** |
| **Deductions From Capital** | **-** | **-** | **-** |
| **Total Shareholders Equity** | **36,250** | **22,512** | **28,043** |

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.

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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to 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 Yatırım Ortaklığı A.Ş. (\*) | İstanbul/Türkiye | 4.92 | 79.68 |
| 3 | Alternatif Finansal Kiralama A.Ş. | İstanbul/Türkiye | 99.99 | 99.99 |

(\*) The rate represents the shares of the Parent Bank accounted under subsidiaries. These shares represent the entire Group A shares that are privileged shares for the election of Board members. In addition, Alternatif Yatırım A.Ş. holds 74.76% of Group B shares (31 December 2014: 74.76%). The Bank’s total indirect share is 79.68%, since the bank is controlling party due to Group A shares. Alternatif Yatırım Ortaklığı A.Ş. has been classified as subsidiary.

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 | 29,427 | 22,887 | 900 | 3,751 | 1,395 | (2,173) | (2,415) | - |
| 2 | 28,492 | 28,043 | 7 | 2,293 | 36 | 1,381 | 248 | - |
| 3 | 1,062,334 | 86,493 | 1,872 | 53,526 | - | 9,858 | 52,280 | - |

The above mentioned subsidiaries' financial data are taken from the financial statements prepared for the BRSA as of 30 September 2015.

4. The movement of the subsidiaries

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Balance at the beginning of the period** | **146,323** | **146,049** |
| **Movements during the period** | **-** | **274** |
| Purchases | - | - |
| Transfers | - | - |
| Bonus shares obtained | - | - |
| Share in current year income | - | - |
| Sales | - | - |
| Revaluation ([decrease](http://tureng.com/search/decrease)) / increase | - | 274 |
| Provision for impairment | - | - |
| **Balance at the end of the period** | **146,323** | **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** | **30 September 2015** | **31 December 2014** |
| Banks | - | - |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | 120,629 | 120,629 |
| Finance Companies | - | - |
| Other Financial Subsidiaries | 25,694 | 25,694 |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to Assets (Continued)

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

6. Valuation of investments in consolidated subsidiaries

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Cost Value Method | 144,844 | 144,844 |
| Fair Value Method | 1,479 | 1,479 |
| Equity Method | - | - |
| **Total** | **146,323** | **146,323** |

**7**. Subsidiaries quoted on stock exchange

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Quoted on domestic stock exchanges | 1,479 | 1,479 |
| Quoted on foreign stock exchanges | - | - |

**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 974,664 (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**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **30 September 2015** | **Real Estates (\*)** | **Motor**  **Vehicles** | **Other Tangible Assets** | **Total** |
| **31 December 2014** |  |  |  |  |
| 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** |
| **30 September 2015** |  |  |  |  |
| Net book value at beginning of the period | 1,694 | - | 29,907 | 31,601 |
| Additions | 180 | - | 5,653 | 5,833 |
| Disposals cost | 753 | - | 7,684 | 8,437 |
| Disposals depreciation (-) | - | - | 4,711 | 4,711 |
| Impairment | - | - | - | - |
| Depreciation (-) | - | - | 6,520 | 6,520 |
| Cost at Period End | 1,137 | 28 | 99,727 | 100,892 |
| Accumulated Depreciation at Period End (-) | 16 | 28 | 73,660 | 73,704 |
| **Closing Net Book Value at Period End** | **1,121** | **-** | **26,067** | **27,188** |

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

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes Related to Assets (Continued)**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2014** | **Real Estates** | **Motor**  **Vehicles** | **Other Tangible Assets** | **Total** |
| **31 December 2013** |  |  |  |  |
| 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 (-), (net) | 383 | - | 72 | 455 |
| Impairment | - | - | - | - |
| Depreciation (-) | - | 2 | 8,798 | 8,800 |
| 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 |  |  |
| Accumulated depreciation (-) | - | - |
| Impairment provision (-) | - | - |
| Movement during the period | - | - |
| Addition goodwill | 49,647 | 49,647 |
| 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 | - | - |
| Accumulated depreciation (-) | - | - |
| Impairment provision (-) | - | - |
| **Net book value at the and 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 Bank has recognised 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%.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes Related to 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** |

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Gross Carrying Value | 73,835 | 66,623 |
| Accumulated Depreciation (-) | 43,072 | 41,712 |
| **Net Book Value** | 30,763 | 24,911 |

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Beginning of the Period** | **24,911** | **23,533** |
| Internally Generated Amounts | 188 | 209 |
| Additions due to Mergers, Transfers and Acquisitions | 8,439 | 4,362 |
| Disposals | - | - |
| Amount Accounted under Revaluation Reserve | - | - |
| Impairment | - | - |
| Impairment Reversal | - | - |
| Amortisation (-) | 2,775 | 3,193 |
| Net Foreign Currency Difference From Foreign Investments in Associates | - | - |
| Other Changes in Book Value | - | - |
| **End of the Period** | **30,763** | **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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## I. Explanations and Notes Related to the Assets (Continued)

**p. Information on other assets**

1. The distribution of other assets

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Other Assets** |  |  |
| Receivables from clearing | 86,568 | 71,311 |
| Assets held for sale | 48,036 | 69,243 |
| Colleterals given for derivative transactions | 24,498 | 22,117 |
| Prepaid expenses | 31,888 | 28,366 |
| Guarantees given | 4,087 | 4,040 |
| Pos receivables | 25,771 | 508 |
| Other | 16,022 | 30,194 |
| **Total** | **236,870** | **225,779** |

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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes Related to Liabilities

**a. Information on deposits**

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

1.(i). 30 September 2015:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Demand** | **With 7 days notifications** | **Up to 1 month** | **1-3 months** | **3-6 months** | **6 months -1 year** | **1 year and over** | **Accum.**  **Deposit** | **Total** |
| **Saving Deposits** | **40,852** | **-** | **66,784** | **1,406,847** | **99,953** | **12,664** | **15,904** | **-** | **1,643,004** |
| **Foreign Currency Deposits** | **226,997** | **-** | **179,063** | **2,617,093** | **23,281** | **24,055** | **14,660** | **-** | **3,085,149** |
| Residents in Turkey | 212,418 | - | 178,540 | 2,415,749 | 22,639 | 21,473 | 13,910 | - | 2,864,729 |
| Residents Abroad | 14,579 | - | 523 | 201,344 | 642 | 2,582 | 750 | - | 220,420 |
| **Public Sector Deposits** | **130,559** | **-** | **-** | **6,256** | **-** | **-** | **-** | **-** | **136,815** |
| **Commercial Deposits** | **88,987** | **-** | **275,573** | **860,143** | **61,394** | **12,902** | **19,230** | **-** | **1,318,229** |
| **Other Institutions Deposits** | **1,046** | **-** | **2,518** | **36,702** | **19** | **-** | **4,605** | **-** | **44,890** |
| **Precious Metal Deposits** | **1,518** | **-** | **-** | **224,651** | **131** | **26** | **1,057** | **-** | **227,383** |
| **Bank Deposits** | **549** | **-** | **206,845** | **-** | **118,776** | **-** | **-** | **-** | **326,170** |
| The CBRT | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 328 | - | 113,860 | - | - | - | - | - | 114,188 |
| Foreign Banks | 93 | - | 92,985 | - | 118,776 | - | - | - | 211,854 |
| [Participation Bank](http://tureng.com/search/participation%20bank)s | 128 | - | - | - | - | - | - | - | 128 |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **490,508** | **-** | **730,783** | **5,151,692** | **303,554** | **49,647** | **55,456** | **-** | **6,781,640** |

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** | **Accum.**  **Deposit** | **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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes Related to 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** | |
| **30 September 2015** | **31 December 2014** | **30 September 2015** | **31 December 2014** |
| Saving Deposits | 601,124 | 660,143 | 1,042,453 | 1,401,731 |
| Foreign Currency Savings Deposit | 136,465 | 88,973 | 1,765,987 | 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 | - | - | - | - |

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 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 | 98,174 | 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**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 535 | 83 | 981 | 4,779 |
| Swap Transactions | - | 15,625 | 1,425 | 3,422 |
| Futures Transactions | - | - | - | - |
| Options | 30 | 5,651 | - | 1,822 |
| Other | - | - | - | - |
| **Total** | **565** | **21,359** | **2,406** | **10,023** |

**c. Information on borrowings**

1. Information on borrowing

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| The CBRT Borrowings | - | - | - | - |
| From Domestic Banks and Institutions | 143,860 | 525,333 | 116,538 | 593,586 |
| From Foreign Banks, Institutions and Funds | 39,397 | 3,470,132 | 20,582 | 1,804,867 |
| **Total** | **183,257** | **3,995,465** | **137,120** | **2,398,453** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes Related to Liabilities (Continued)

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

2. Information on maturity structure of borrowings

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Short-term | 183,257 | 1,260,942 | 122,779 | 1,958,102 |
| Medium and Long-term | - | 2,734,523 | 14,341 | 440,351 |
| **Total** | **183,257** | **3,995,465** | **137,120** | **2,398,453** |

**d. Information on other foreign liabilities**

As of 30 September 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**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Fair value hedge risk (\*) | 437 |  | 8,578 | - |
| Cash flow hedge | - | - | - | - |
| Hedge of net investments in foreign operations | - | - | - | - |
| **Total** | **437** |  | **8,578** | **-** |

(\*) Explained in Section Four Note VIII .

**g. Information on provisions**

1. Information on general provisions

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Provisions for Group I Loans and Receivables | 66,716 | 46,180 |
| Additional Provision for Loans and Receivables with Extended Maturities | 1,554 | - |
| Provisions for Group II Loans and Receivables | 4,330 | 3,651 |
| Additional Provision for Loans and Receivables with Extended Maturities | 13,509 | 6,380 |
| Provisions for Non-Cash Loans | 9,688 | 5,953 |
| Other | 1,313 | 694 |
| **Total** | **97,110** | **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. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes Related to 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.

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Discount rate (%) | 3.18 | 3.77 |
| Ratio used for probability of pension (%) | 81.71 | 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 maximum amount of TL 3,828.37 effective from 1 September 2015 has been taken into consideration in calculating the reserve for employment termination benefits (31 December 2014: TL 3,438.22).

Movement of employment termination benefits liability in the balance sheet

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Prior period ending balance** | **4,869** | **4,891** |
| Changes during the period | 5,159 | 2,989 |
| Paid during the period (-) | 5,892 | 3,011 |
| **Balance at the end of the period** | **4,136** | **4,869** |

In addition, the Group has accounted for unused vacation rights provision amounting to TL 2,499 as of 30 September 2015 (31 December 2014: TL 3,753).

3. Other provisions

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Specific provision for unindemnified non-cash loan | 20,593 | 15,787 |
| Bonus provision | 7,410 | 13,280 |
| Provision for the impairment due settlement date | 48 | 8 |
| Other (\*) | 5,734 | 3,123 |
| **Total** | **33,785** | **32,198** |

(\*) TL 5,652 of other provisions are provided for litigation and claims (31 December 2014: TL 3,063).

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

As of 30 September 2015, the provision related to the foreign currency differences on foreign indexed loans amounts to TL 591 (31 December 2014: TL 5,428) are netted with loans in the financial statements.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes Related to Liabilities (Continued)

**h. Information on taxes payable**

**Information on current tax liability**

As of 30 September 2015, current tax liability amounting to TL 21,800 is netted with prepaid taxes which is amounted TL 21,329 and group has TL 471 tax liability as of 30 September 2015 (31 December 2014: TL 9,196).

(i) Information on taxes payable

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Corporate Tax Payable | 471 | 9,196 |
| Taxation of Marketable Securities | 7,164 | 6,801 |
| Property Tax | 329 | 252 |
| Banking Insurance Transaction Tax (BITT) | 7,480 | 7,534 |
| Foreign Exchange Transaction Tax | - | - |
| Value Added Tax Payable | 844 | 1,618 |
| Other | 2,939 | 2,926 |
| **Total** | **19,227** | **28,327** |

(ii) Information on premium payables

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Social Security Premiums - Employee | 939 | 966 |
| Social Security Premiums - Employer | 1,374 | 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 | 68 | 68 |
| Unemployment Insurance - Employer | 147 | 138 |
| Other | 45 | 62 |
| **Total** | **2,573** | **2,611** |

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

As of 30 September 2015, the Bank has calculated deferred tax asset of TL 23,680 (31 December 2014: TL 24,242) and deferred tax liability of TL 5,182 in the financial statements.

As of 30 September 2015 and 31 December 2014, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Deferred Tax Assets/(Liabilities) |  |  |
| Tangible Assets Base Differences | (99) | (707) |
| Provisions | 4,693 | 11,033 |
| Valuation of Financial Assets | 3,982 | (2,661) |
| Investment Incentive | 13,823 | 16,062 |
| Financial Losses | 1,281 | 515 |
| **Net Deferred Tax Assets/(Liabilities)** | **23,680** | **24,242** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## Explanations and Notes Related to Liabilities (Continued)

**i.** **Explanations about deferred tax provision (Continued)**

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Deferred Tax Assets/(Liabilities) |  |  |
| Tangible Assets Base Differences | (747) | - |
| Provisions | 3,711 | - |
| Valuation of Financial Assets | (8,146) | - |
| **Net Deferred Tax Assets/(Liabilities)** | **(5,182)** | - |

1. **Information on subordinated loans**
2. 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 | 50,000 USD | 29 December 2010 | 10 years (\*) | Libor + 4.50 |
| Black Sea Trade and Development Bank | 30,000 USD | 29 December 2010 | 10 years (\*) | Libor + 4.50 |
| FMO Amsterdam | 25,000 USD | 29 December 2010 | 10 years (\*) | Libor + 4.50 |
| DEG KOLN | 20,000 EUR | 29 December 2011 | 10 years (\*) | Libor + 4.50 |
| EFSE SA.SICAV-SIF | 10,000 EUR | 29 December 2011 | 10 years (\*) | Libor + 4.50 |
| Commercial Bank | 125,000 USD | 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 809,624 (31 December 2014: TL 329,826).

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

2.Information on subordinated loans

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
| **TL** | **FC** | **TL** | **FC** |
| Domestic Banks | - | - | - | - |
| Other Domestic | - | - | - | - |
| Foreign Banks | - | 476,295 | - | 69,953 |
| Other Foreign Institutions | - | 333,329 | - | 259,873 |
| **Total** | **-** | **809,624** | **-** | **329,826** |

1. **Information on shareholders’ equity**

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Common stock (\*) | 620,000 | 620,000 |
| Preferred Stock | - | - |

(\*) It refers 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 30 September 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.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Notes Related to Liabilities (Continued)

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

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

None.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **31 December 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| From Investments in Associates, Subsidiaries, and Joint Ventures | - | - | - | - |
| Valuation Difference | (17,869) | (18,814) | (6,420) | 266 |
| Foreign Currency Difference | - | - | - | - |
| **Total** | **(17,869)** | **(18,814)** | **(6,420)** | **266** |

9. Information of the previous year profit distribution

With the Ordinary General Assembly Meeting decision hold on 16 March 2015, from TL 124,441 of 2014 distributable profit after taxation is transfered to legal reserves amounting to TL 6,222 and remaining TL 118,219 is transfered to extraordinary reserves.

1. **Information on minority interests**

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Balance at the Beginning of the Period** | **9,214** | **10,753** |
| Current year income | 280 | 232 |
| Dividends paid | - | - |
| Purchase from minority interests | - | - |
| Other | (3,787) | (1,771) |
| **Balance at the End of the Period** | **5,707** | **9,214** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes Related to 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 232,397 irrevocable loan commitments as of 30 September 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, bank avalized and acceptance loans, collaterals that are accepted as financial guarantees and other letters of credit

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Guarantees and Colleterals | 571,544 | 12,776 |
| Bank Acceptance Loans | 40,854 | 43,905 |
| Letter of credits | 419,914 | 362,242 |
| **Total** | **1,032,312** | **418,923** |

2.(ii). Guarantees, surety ships and other similar guarantees

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Temporary letter of guarantees | 96,762 | 77,099 |
| Definite letter of guarantees | 2,132,944 | 1,546,741 |
| Advance letter of guarantee | 96,681 | 85,710 |
| Letter of guarantees given to customs | 137,715 | 145,692 |
| **Total** | **2,464,102** | **1,855,242** |

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| Non-cash loans given against cash loans | 474,905 | 274,297 |
| With original maturity of 1 year or less than 1year | 474,905 | 274,297 |
| With original maturity of more than 1 year | - | - |
| Other non-cash loans | 3,021,509 | 1,999,868 |
| **Total** | **3,496,414** | **2,274,165** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **30 September 2015** | | | | **31 December 2014** | | | |
|  | **TL** | **(%)** | **FC** | **(%)** | **TL** | **(%)** | **FC** | **(%)** |
| **Agricultural** | **14,542** | **1.12** | **15,166** | **0.69** | **19,277** | **1.50** | **15,032** | **1.52** |
| Farming and Livestock | 13,433 | 1.03 | 15,166 | 0.69 | 18,172 | 1.41 | 15,032 | 1.52 |
| Forestry | 803 | 0.06 | - | 0.00 | 677 | 0.05 | - | - |
| Fishing | 306 | 0.02 | - | 0.00 | 428 | 0.03 | - | - |
| **Manufacturing** | **265,487** | **20.38** | **646,726** | **29.48** | **285,668** | **22.18** | **497,937** | **50.48** |
| Mining | 10,389 | 0.80 | 21,718 | 0.99 | 12,312 | 0.96 | 28,734 | 2.91 |
| Production | 227,707 | 17.48 | 580,873 | 26.48 | 243,922 | 18.94 | 430,291 | 43.62 |
| Electric, Gas, Water | 27,391 | 2.10 | 44,135 | 2.01 | 29,434 | 2.29 | 38,912 | 3.94 |
| **Construction** | **354,665** | **27.23** | **400,657** | **18.26** | **337,845** | **26.24** | **215,713** | **21.87** |
| **Services** | **605,480** | **46.49** | **397,873** | **18.14** | **601,297** | **46.69** | **206,895** | **20.97** |
| Wholesale and Retail Trade | 216,312 | 16.61 | 155,583 | 7.09 | 276,947 | 21.51 | 111,977 | 11.35 |
| Hotel and Food Services | 10,259 | 0.79 | 2,069 | 0.09 | 13,555 | 1.05 | 3,229 | 0.33 |
| Transportation and  Telecommunication | 79,825 | 6.13 | 124,735 | 5.69 | 70,394 | 5.47 | 25,646 | 2.60 |
| Financial Institutions | 154,801 | 11.88 | 43,587 | 1.99 | 113,995 | 8.85 | 6,175 | 0.63 |
| Real Estate and Leasing Ser. | 347 | 0.03 | 277 | 0.01 | 2,241 | 0.17 | 338 | 0.03 |
| Professional Services | 139,300 | 10.69 | 71,028 | 3.24 | 116,663 | 9.06 | 59,073 | 5.99 |
| Education Services | 589 | 0.05 | - | 0.00 | 506 | 0.04 | - | - |
| Health and Social Services | 4,047 | 0.31 | 594 | 0.03 | 6,996 | 0.54 | 457 | 0.05 |
| **Other** | **62,330** | **4.79** | **733,488** | **33.43** | **43,637** | **3.39** | **50,864** | **5.16** |
| Total | **1,302,504** | **100.00** | **2,193,910** | **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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **30 September 2015** | **Group I** | | **Group II** | |
|  | **TL** | **FC** | **TL** | **FC** |
| **Non-Cash Loans** |  |  |  |  |
| Letters of Guarantee (\*) | 1,263,316 | 1,149,353 | 39,188 | 12,245 |
| Bank Acceptances | - | 40,854 | - | - |
| Letters of Credit | - | 419,914 | - | - |
| Endorsements | - | - | - | - |
| Underwriting Commitments | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Commitments and Contingencies | - | 571,544 | - | - |
| **Total** | **1,263,316** | **2,181,665** | **39,188** | **12,245** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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 is TL 12,369 (31 December 2014: TL 29,491).

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**b. Information on derivative financial instruments**

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **31 December 2014** |
| **Types of Trading Transactions** |  |  |
| **Foreign currency related derivative transactions (I)** | **14,003,499** | **4,059,955** |
| Currency forward transactions | 135,364 | 522,604 |
| Currency swap transactions | 10,738,234 | 2,980,019 |
| Futures transactions | - | - |
| Options | 3,129,901 | 557,332 |
| **Interest related derivative transactions (II)** | **1,193,370** | **-** |
| Forward rate agreements | - | - |
| Interest rate swaps | 1,193,370 | - |
| Interest rate options | - | - |
| Interest rate futures | - | - |
| **A. Total trading derivative transactions (I+II)** | **15,196,869** | **4,059,955** |
|  |  |  |
| **Types of hedging transactions** |  |  |
| Fair value hedges | 220,000 | 220,000 |
| Cash flow hedges | - | - |
| Foreign currency investment hedges | - | - |
| **B. Total hedging related derivatives** | **220,000** | **220,000** |
| **Total derivative transactions (A+B)** | **15,416,869** | **4,279,955** |

1. **Investment Funds**

As of 30 September 2015, the Parent Bank is the founder of 3 investment funds (31 December 2014: 5) with a total fund value of TL 2,227 (31 December 2014: TL 66,515). The shares of the investment funds established in accordance with the Capital Markets Board legislation are kept by Central Registry Agency Inc..

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.. Additionally transfer process of Alternatifbank B Tipi Değişken Fon, Alternatifbank A.Ş. A Tipi Değişken Fon and Alternatifbank A.Ş. A Tipi Hisse Fon are still ongoing.

Bank’s agency agreement with Alternatif Yatırım A.Ş. is cancelled on 30 September 2015.

**d. Information on contingent liabilities**

## As of 30 September 2015 outstanding legal cases against the group have been considered as contingent liabilities amounting to TL 9,127 and TL 5,652 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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Short-term Loans | 414,816 | 38,853 | 458,129 | 29,685 |
| Medium/Long-term Loans | 144,676 | 128,604 | 131,709 | 26,264 |
| Interest on Loans Under Follow-up | 6,336 | - | 3,133 | 1 |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| **Total (\*)** | **565,828** | **167,457** | **592,971** | **55,950** |

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

1. Information on interest income on banks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| From the CBRT | - | - | - | - |
| From Domestic Banks | 4,390 | 509 | 1,065 | 613 |
| From Foreign Banks | 525 | 98 | 38 | 34 |
| Headquarters and Branches Abroad | - | - | - | - |
| **Total** | **4,915** | **607** | **1,103** | **647** |

1. Information on interest income on marketable securities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| From Trading Financial Assets | 712 | 15 | 9,597 | 5 |
| From Financial Assets At Fair Value Through Profit or Loss | - | - | - | - |
| From Available-for-Sale Financial Assets | 35,243 | 13,547 | 19,224 | 1,211 |
| From Held-to-Maturity Investments | - | - | 111,998 | - |
| **Total** | **35,955** | **13,562** | **140,819** | **1,216** |

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

None (30 September 2014:None).

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes Related to Income Statement (Continued)**

**b. Information on interest expense**

1. Information on interest expense on borrowings

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Banks | 12,908 | 60,060 | 9,301 | 42,504 |
| The CBRT | - | - | - | - |
| Domestic Banks | 12,880 | 13,768 | 9,301 | 14,319 |
| Foreign Banks | 28 | 46,292 | - | 28,185 |
| Headquarters and Branches Abroad | - | - | - | - |
| Other Institutions | - | 15,002 | - | 7,382 |
| **Total (\*)** | **12,908** | **75,062** | **9,301** | **49,886** |

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

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

None (30 September 2014:None).

1. Information on interest expense to marketable securities issued

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 September 2015** | | **30 September 2014** | |
|  | **TL** | **FC** | **TL** | **FC** |
| Information on interest expense to marketable securities issued | 25,501 | - | 17,610 | - |
| **Total** | **25,501** | **-** | **17,610** | **-** |

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** | **Accum. Deposit** |
| **Turkish Lira** |  |  |  |  |  |  |  |  |
| Bank Deposits | - | 300 | - | - | - | - | - | 300 |
| Savings Deposits | - | 3,776 | 136,287 | 4,701 | 659 | 1,197 | - | 146,620 |
| Public Deposits | - | - | 535 | - | - | - | - | 535 |
| Commercial Deposits | - | 23,683 | 90,403 | 1,623 | 1,784 | 1,192 | - | 118,685 |
| Other Deposits | - | 396 | 6,592 | - | - | 1 | - | 6,989 |
| Deposit with 7 days notification | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 22 | 15 | - | - | 4 | - | 41 |
| **Total**  **Total** | **-** | **28,177** | **233,832** | **6,324** | **2,443** | **2,394** | **-** | **273,170** |
| **Foreign Currency** |  |  |  |  |  |  |  |  |
| Foreign Currency Account | - | 2,077 | 29,883 | 436 | 370 | 319 | - | 33,085 |
| Bank Deposits | - | 4,530 | - | - | - | - | - | 4,530 |
| Deposit with 7 days notification | - | - | - | - | - | - | - | **-** |
| Precious Metal Deposits | - | - | - | - | - | - | - | **-** |
| **Total** | - | **6,607** | **29,883** | **436** | **370** | **319** | **-** | **37,615** |
| **Grand Total** | - | **34,784** | **263,715** | **6,760** | **2,813** | **2,713** | **-** | **310,785** |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes Related to Income Statement (Continued)**

**c. Information on dividend income**

### The Group has no dividend income as of 30 September 2015 (30 September 2014: TL 197).

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **30 September 2014** |
| IncomeIncomeIncome | **8,142,322** | **4,700,802** |
| Income from Capital Market Transactions | 6,655 | 14,894 |
| Derivative Financial Transactions | 556,847 | 283,657 |
| Foreign Exchange Gains | 7,578,820 | 4,402,251 |
| Loss (-) | **8,153,115** | **4,731,847** |
| Loss from Capital Market Transactions | 1,125 | 23,173 |
| Derivative Financial Transactions | 431,599 | 280,116 |
| Foreign Exchange Loss | 7,720,391 | 4,428,558 |
| Net Income/(Loss) | **(10,793)** | **(31,045)** |

**e. Explanations about other operating income**

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **30 September 2014** |
| Reversal of Specific Loan Provisions (\*) (\*\*) | 135,870 | 48,074 |
| Gain on Sale of Property, Plant and Equipment | - | 2,512 |
| Provision for the Expenses Eecovered from Customers | 2,885 | 12,095 |
| Provision for Communication Expenses Received from Customers | 1,582 | 1,835 |
| Reversal of Provision Possible Risks | 1,248 | 1,088 |
| Operating Lease Income | - | 11 |
| Other | 15,988 | 4,710 |
| **Total** | **157,573** | **70,325** |

(\*) The Parent Bank has sold non performing loan amounting to TL 15,199 and has collected TL 2,500 on 31 March 2015.

(\*\*) The Parent Bank has sold non performing loan amounting to TL 115,858 to Güven Varlık Yönetim A.Ş and has collected TL 4,650 on 5 May 2015.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes Related to Income Statement (Continued)**

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **30 September 2014** |
| Specific Provisions for Loans and Other Receivables | 113,180 | 88,836 |
| III. Group Loans and Receivables | 24,551 | 6,658 |
| IV. Group Loans and Receivables | 41,409 | 28,613 |
| V. Group Loans and Receivables | 47,220 | *53,565* |
| General Provision Expenses | 34,222 | 9,836 |
| Provision Expense for Possible Risks | - | - |
| Marketable Securities Impairment Expense | 6,872 | 3,827 |
| Financial Assets at Fair Value Through Profit or Loss | 3,350 | 3,774 |
| Available-for-sale Financial Assets | 3,522 | 53 |
| Investments in Associates, Subsidiaries and Held-to-Maturity  Securities Value Decrease | **-** | - |
| Investments in Associates | - | *-* |
| Subsidiaries | - | *-* |
| Joint Ventures | - | *-* |
| Held-to-Maturity Investments | - | *-* |
| Other | 7,356 | 4,429 |
| **Total** | **161,630** | **106,928** |

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **30 September 2014** |
| Personnel Expenses | 127,627 | 130,447 |
| Reserve For Employee Termination Benefits | 369 | 181 |
| Unused Vacation | 6 | 36 |
| Bank Social Aid Pension Fund Deficit Provision | - | - |
| Impairment Expenses of Tangible Assets | - | - |
| Depreciation Expenses of Tangible Assets | 6,520 | 6,522 |
| Impairment Expenses of Intangible Assets | - | - |
| Impairment Expense of Goodwill | - | - |
| Amortisation Expenses of Intangible Assets | 2,775 | 2,380 |
| Impairment Expenses of Equity Participations Accounted for under  Equity Method | - | - |
| Impairment Expenses of Assets Held For Sale | - | - |
| Depreciation Expenses of Assets Held for Sale | 470 | 678 |
| Impairment Expenses of Tangible Assets Held for Sale | - | - |
| Other Operating Expenses | 70,300 | 61,313 |
| Operational Lease Expenses | 23,882 | 21,762 |
| Maintenance Expenses | 904 | 930 |
| Advertising Expenses | 1,411 | 1,142 |
| Other Expenses | 44,103 | 37,479 |
| Loss on Sales of Assets (\*\*) (\*\*\*) | 128,620 | 4,391 |
| Other (\*) | 18,840 | 16,662 |
| **Total** | **355,527** | **222,610** |

(\*) Other operating charges is TL 4,305 (30 September 2014: TL 4,778) except premium of TMSF and tax.

(\*\*) The Parent Bank has sold non performing loan amounting to TL 15,199 and has collected TL 2,500 on 31 March 2015

(\*\*\*) The Parent Bank has sold non performing loan amounting to TL 115,858 to Güven Varlık Yönetim A.Ş and has collected TL 4,650 on 5 May 2015.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Notes Related to Income Statement (Continued)**

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

Profit and loss before tax consists of net interest income amounting to TL 419,710 (30 September 2014: TL 366,062), net fee and commission income amounting to TL 55,676 (30 September 2014: TL 38,100) and total other operating income amounting to TL 157,573 (30 September 2014: TL 70,325).

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

As of 30 September 2015, the Group has current tax expense amounting to TL 17,256 (30 September 2014: TL 23,000) and deferred tax expense amounting to TL 13,033 (30 September 2014: TL 860 deferred tax income).

1. **Information on net income/loss for the period**
2. Interest income from ordinary banking transactions is TL 866,733 (30 September 2014: TL 838,783), interest expense is TL 447,023 (30 September 2014: TL 472,721).

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** | **30 September 2015** | **30 September 2014** |
| CBRT interbank money market | 888 | 3,247 |
| Commisions granted to Correspondent Banks | 576 | 411 |
| Commissions for effective and future transactions | 186 | 311 |
| Transfer commissions | 313 | 14 |
| Other | 8,152 | 4,280 |
| **Total** | **10,115** | **8,263** |
|  |  |  |
| **Fees and Commissions Received-Other** | **30 September 2015** | **30 September 2014** |
| Insurance commissions | 2,444 | 2,949 |
| Account management fee commission | 1,964 | 3,532 |
| Transfer commissions | 1,480 | 1,975 |
| Expertise commissions | 1,385 | 2,799 |
| Other (\*) | 34,753 | 14,840 |
| **Total** | **42,026** | **26,095** |

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

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

|  |  |  |
| --- | --- | --- |
|  | **30 September 2015** | **30 September 2014** |
| Profit/Loss attributable to minority shares | 280 | 139 |

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. **Explanations and Notes Related to 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. 30 September 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 | - | - | 86,142 | 60,036 | 164,853 | 35,719 |
| **Interest and Commission Income Received** | **-** | **-** | **3,266** | **8,323** | **2,279** | **661** |

(\*) Defined in the 49th article of subsection 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 (\*\*\*)** | - | - | **78** | **983** | **145** | **593** |

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

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

(\*\*\*) Includes 30 September 2014 amounts.

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** | **30 September**  **2015** | **31 December 2014** | **30 September**  **2015** | **31 December 2014** | **30 September**  **2015** | **31 December 2014** |
| Beginning of the Period | 22,114 | - | 921,622 | 437,426 | 291,313 | 204,248 |
| End of the Period | - | 22,114 | 335,587 | 921,622 | 425,812 | 291,313 |
| **Interest Expense on Deposits (\*\*)** | **-** | **-** | **37,878** | **36,007** | **17,411** | **11,659** |

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

(\*\*) 31 December 2014 columns includes 30 September 2014 amounts.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. Explanations and Notes Related to 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 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** | |
|  | **30 September**  **2015** | **31 December 2014** | **30 September**  **2015** | **31 December 2014** | **30 September**  **2015** | **31 December 2014** |
| **Transactions for trading purposes (\*\*)** | - | - |  | - |  | - |
| Beginning of the Period (\*\*\*) | - | - | 5,411 | - | - | - |
| End of the Period (\*\*\*) | - | - | (5,922) | 5,411 | 112 | - |
| **Total Profit / Loss** | **-** | **(866)** | **1,259** | **(2,122)** | **161** | **-** |
| **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.

(\*\*\*\*) 31 December 2014 columns includes 30 September 2014 amounts.

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 Bank irrespective of the relationship between the parties:

The 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 | 761,399 | 11.23% |
| Non-cash loans | 95,755 | 2.74% |
| Loans | 250,995 | 2.49% |
| Subordinated Loans | 384,233 | 47.46% |

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 DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. Explanations and Notes Related to 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 30 September 2015, there is no financial leasing agreement between the 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 2.56 % of total cash and non-cash loan amount (31 December 2014: 2.27%).

As of 30 September 2015 the Group have rent agreement with the risk group. The Bank have paid the rent expense amounted to TL 3,262 to Anadolu Endüstri Holding and it have been recognized in the profit and loss accounts in the year ended 30 September 2015.

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 16,384 as of 30 September 2015 (30 September 2014: TL 11,720).

**VI. Explanations and Notes Related to Subsequent Events**

None.

**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.

Long-term local currency issuer default rating BBB+

Long term foreign currency issuer default rating BBB

Short term local currency issuer default rating F2

Short term foreign currency issuer default rating F2

Support Note 2

National Note AAA(tur)

Financial Capacity Note b+

Fitch Ratings, explained the Bank’s long position as “Stable”.

|  |  |
| --- | --- |
| **Moody’s: 28 August 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** | **Stable** |

**SECTION SEVEN**

**EXPLANATIONS ON THE LIMITED REVIEW REPORT**

1. **Explanations on the Limited Review Report**

The Bank’s consolidated financial statements and footnotes to be disclosed to public as of 30 September 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 limited review report dated 23 October 2015 has been presented with the consolidated financial statements.

1. **Explanations and Notes Prepared by Independent Auditor**

None.