

**Alternatifbank Anonim Şirketi
And Its Subsidiaries**

Condensed Consolidated Interim Financial Statements
For the six-month period ended 30 June 2015
With Independent Auditors' Report on Review of
Condensed Consolidated
Interim Financial Information Thereon

7 August 2015

This report contains the "Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information" comprising 1 page and; the "Condensed consolidated interim financial statements and their explanatory notes" comprising 22 pages

Alternatifbank Anonim Şirketi and Its Subsidiaries

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of
Alternatifbank Anonim Şirketi:

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Alternatifbank Anonim Şirketi (the "Bank") and its subsidiaries (the "Group") as at 30 June 2015, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ('the condensed consolidated interim financial information'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "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 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently 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 condensed consolidated interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Istanbul, Turkey
7 August 2015

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

	Note	30 June 2015	31 December 2014
ASSETS			
Cash and balances with the Central Bank of Turkey		1,506,137	1,358,244
Loans and advances to banks		808,159	111,989
Financial assets held for trading			
- Trading securities		8,471	37,920
- Derivative financial instruments	8	36,001	36,277
Loans and advances to customers	9	8,802,844	7,833,897
Investment securities			
- Available-for-sale	10	848,447	896,108
- Held-to-maturity	10	-	-
Leasing receivables		865,201	650,605
Other intangible assets		78,349	73,928
Property and equipment		26,255	31,601
Deferred income tax assets		39,136	41,482
Other assets		168,296	133,365
Total assets		13,187,296	11,205,416
LIABILITIES			
Deposits from banks		826,957	634,538
Due to customers		6,099,804	5,463,520
Other borrowed funds	11	3,087,334	2,535,573
Debt securities issued		773,072	868,098
Derivative financial instruments	8	23,436	12,429
Derivatives held for risk management	8	3,127	8,578
Other provisions		29,400	17,352
Retirement benefit obligations		4,170	4,836
Other liabilities		601,530	363,438
Subordinated liabilities	11	708,152	329,826
Total liabilities		12,156,982	10,238,188
EQUITY			
Share capital	12	620,000	620,000
Share premium	12	133	119
Own shares acquired		(268)	(3,296)
Fair value reserves		(17,706)	(6,154)
Legal reserves		27,071	20,052
Retained earnings		395,474	327,292
Equity attributable to owners of the Bank		1,024,704	958,013
Non-controlling interests		5,610	9,215
Total equity		1,030,314	967,228
Total liabilities and equity		13,187,296	11,205,416

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

	Note	30 June 2015	30 June 2014
Interest income		566,535	548,962
Interest expense		(293,165)	(321,744)
Net interest income		273,370	227,218
Fee and commission income		26,622	31,002
Fee and commission expense		(6,466)	(5,681)
Net fee and commission income		20,156	25,321
Foreign exchange gains and losses, net		24,760	4,561
Trading gains and losses, net		(24,672)	(14,974)
Gains / losses from investment securities, net		2,038	463
Other operating income		(55)	10,625
Operating income		295,597	253,214
Impairment losses on loans and credit related commitments, net		(63,957)	(36,465)
Other operating expenses		(137,165)	(140,001)
Profit before income tax		94,475	76,748
Income tax expense		(19,618)	(14,235)
Profit for the year		74,857	62,513
Attributable to:			
Equity holders of the Bank		74,673	62,435
Non-controlling interest		184	78
		74,857	62,513
Basic earnings per share attributable to the equity holders of the Bank (expressed in TL per thousand share)	17	0.1204	0.1064

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF
OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

	Note	2015	2014
Profit for the year		74,857	62,513
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available for sale financial assets		(17,282)	10,070
Available for sale financial assets transferred to profit or loss		2,842	2,508
Related tax		2,888	-
Other comprehensive income for the year, net of income tax		(11,552)	12,578
Total comprehensive income for the year		63,305	75,091
Profit attributable to:			
Equity holders of the Bank		63,121	75,013
Non-controlling interest		184	78

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

	Note	Attributable to equity holders of the Bank					Total	Non-controlling interest	Total equity	
		Share capital	Share premium	Own Shares Acquired	Legal Reserves	Fair Value Reserves				Retained Earnings
Balance at 1 January 2014		420,000	98	-	15,165	(40,824)	193,634	588,073	10,753	598,826
Total comprehensive income for the period										
Profit for the period		-	-	-	-		62,435	62,435	78	62,513
Other comprehensive income										
Net change in available for sale investments, net of tax		-	-	-	-	12,578	-	12,578	-	12,578
Total other comprehensive income		-	-	-	-	12,578		12,578	-	12,578
Total comprehensive income for the period		-	-	-	-	12,578	62,435	75,013	78	75,091
Contributions by and distributions to owners										
Transfer to legal reserves		-	-	-	4,887	-	(5,063)	(176)	-	(176)
Capital Increase		200,000	21	-	-	-	-	200,021	-	200,021
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	4	4
Balance at 30 June 2014		620,000	119	-	20,052	(28,246)	251,006	862,931	10,835	873,766
Balance at 1 January 2015		620,000	119	(3,296)	20,052	(6,154)	327,292	958,013	9,215	967,228
Total comprehensive income for the year										
Profit for the period		-	-	-	-	-	74,673	74,673	184	74,857
Other comprehensive income										
Net change in available for sale investments, net of tax		-	-	-	-	(11,552)	-	(11,552)	-	(11,552)
Total other comprehensive income		-	-	-	-	(11,552)		(11,552)	-	(11,552)
Total comprehensive income for the period		-	-	-	-	(11,552)	74,673	63,121	184	63,305
Contributions by and distributions to owners										
Transfer to legal reserves		-	-	-	7,019	-	(7,019)	-	-	-
Purchase from non-controlling interests		-	-	-	-	-	-	-	-	-
Capital Increase		-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	-
Other		-	14	3,028	-	-	528	3,570	(3,789)	(219)
Balance at 30 June 2015		620,000	133	(268)	27,071	(17,706)	395,474	1,024,704	5,610	1,030,314

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

	Note	30 June 2015	30 June 2014
Cash flows from operating activities			
Interest received		560,299	611,471
Interest paid		(290,938)	(324,914)
Fees and commissions received		27,580	31,002
Trading income/expense		39,736	(14,511)
Recoveries of loans previously written off		46,048	25,652
Fees and commissions paid		(6,466)	(5,681)
Cash payments to employees and other parties		(79,296)	(85,915)
Cash received from other operating activities		(219,386)	58,372
Cash paid for other operating activities		13,321	(55,017)
Taxes paid		(11,292)	(5,449)
Cash flows from operating profits before changes in operating assets and liabilities		79,606	235,010
Changes in operating assets and liabilities:			
Trading securities		30,761	(8,111)
Loans and advances		(1,108,146)	(900,115)
Other assets		68,369	(234,339)
Deposits from other banks		182,679	39,426
Deposits		636,916	594,304
Other money market deposits		9,620	(318,874)
Other liabilities		337,285	(42,775)
Net cash from operating activities		237,090	(635,474)
Cash flows from investing activities			
Purchases of available for sale securities		(286,289)	(147,305)
Proceeds from sale and redemption of available-for-sale securities		333,950	383,729
Purchases of held to maturity securities		-	(232,004)
Redemption of held to maturity securities		-	266,862
Purchases of premises and equipment		(1,853)	(2,667)
Proceeds from sale property and equipment		8,588	9,285
Purchase of intangible assets, net		(4,421)	(1,979)
Net cash from investing activities		49,975	275,921
Cash flows from financing activities			
Proceeds from funds borrowed		2,253,013	1,135,507
Payments for funds borrowed		(1,352,830)	(1,204,482)
Proceeds from bond issue		102,088	146,630
Payments for bonds issued		(197,100)	(200,000)
Share capital increase		-	200,000
Net cash from financing activities		805,171	77,655
Net increase in cash and cash equivalents		1,092,236	(281,898)
Effects of foreign exchange-rate changes on cash and cash equivalents		(132,240)	5,586
Cash and cash equivalents at beginning of the period		459,281	613,234
Cash and cash equivalents at end of the period		1,419,277	336,922

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - GENERAL INFORMATION

Alternatifbank A.Ş. (a Turkish joint stock company - “the Bank”) was incorporated in Istanbul on 6 November 1991 and started operations in February 1992. Bank's shares are traded on the Istanbul Stock Exchange since 3 July 1995.

The sale of the shares of the Bank belonging to Anadolu Group companies to The Commercial Bank of Qatar 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. Following the collection of shares through takeover bid, currently 0.75% of the shares are publicly traded.

The 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 the clauses of Capital Market Board “Statements Related to Removing Partnership and Selling the Rights Communiqué” on 11 July 2014

As a part of continuing process according to notification of Capital Market Board on “Statements Related to Removing Partnership and Selling the Rights Communiqué”, elimination of partners who don't use their selling rights from partnership removal document is prepared about capital increase that will be done assigned to Commercial Bank. Removal Document is approved by Capital Markets Board.

As of 30 June 2015, nominal value amounting to TL 1,00, 3,867,829.23 shares are received, 0.62% of shares in circulation are participated in right-down period from publicly held shares.

As of 30 June 2015, Commercial Bank of Qatar owns 74.87% of the Bank’s shares. Current shareholder structure of the Bank is as follows:

Name of Shareholders	30 June 2015		31 December 2014	
	Paid in capital	%	Paid in capital	%
Commercial Bank of Qatar	464,210	74.87 %	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 %
Borsa İstanbul Shares and Publicly Traded	790	0.13 %	4,659	0.75 %
Total	620,000	100 %	620,000	100 %

The registered office address of the Bank is at Cumhuriyet Caddesi No: 46 Elmadağ / Istanbul.

The condensed consolidated financial statements of the Bank were authorized for issue by the management on 7 August 2015. The ultimate parent of the Bank is The Commercial Bank of Qatar.

For the purposes of the condensed consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as “the Group”.

The operations of the Group consist of banking, brokerage, leasing and portfolio management in capital markets conducted mainly with local customers.

The Bank provides banking services through 64 (31 December 2014: 73) branches in Turkey. At 30 June 2015, the Group has 1,167 employees (31 December 2014: 1,340).

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - GENERAL INFORMATION (Continued)

The subsidiaries and the Bank’s shareholding included in consolidation and their shareholding percentages at 30 June 2015 and 31 December 2014 are as follows:

	Place of Incorporation	Effective shareholding % 30 June 2015	Effective shareholding % 31 December 2014
Alternatif Yatırım A.Ş. (*)	Istanbul/Turkey	100.00	100.00
Alternatif Yatırım Ortaklığı A.Ş. (**)	Istanbul/Turkey	79.68	65.51
Alternatif Finansal Kiralama A.Ş.	Istanbul/Turkey	99.99	99.99
Elmadağ Dış Ticaret A.Ş. (***)	Istanbul/Turkey	100.00	100.00

The principal activities of the consolidated subsidiaries are as follows:

- (*) Alternatif Yatırım A.Ş. renders brokerage and investment banking services to customers in line with the rules of the Capital Market Board of Turkey.
- (**) Alternatif Yatırım Ortaklığı A.Ş. is a closed ended mutual fund managing portfolios which are made up of the capital market instruments according to the rules of the related regulation and the Capital Market Law. Alternatif Yatırım Ortaklığı A.Ş. is a subsidiary since the Bank has the power to govern the financial and operating policies of such subsidiary under a statute, to appoint or remove the majority of the members of the board of directors and to cast the majority of votes at the meetings of board of directors. The Bank holds also a golden share which leads to full control. The Bank applied entity concept method for the changes in ownership interests in this subsidiary. Therefore; where there is a subsequent increase in the ownership interest in this subsidiary, the carrying amount of the non-controlling interest is adjusted to reflect the change in its interest in the subsidiary’s net assets. The difference between the amount by which the non-controlling interest is so adjusted and the consideration paid, if any, is recognized directly in equity and attributed to equity holders of the Bank. No goodwill is recognized on such a transaction. 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. at the date 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 changed as Elmadağ Dış Ticaret A.Ş. on 6 March 2015.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 – BASIS OF PRESENTATION

The Bank and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), regulations promulgated by the Capital Markets Board of Turkey and also the Turkish Commercial Code.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

NOTE 3 – BASIS OF PREPERATION

These condensed consolidated interim financial statements are presented in Turkish Lira (“TL”), which is the Bank’s functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

The condensed consolidated interim financial statements are prepared on the historical cost basis, except for the items presented on a fair value basis that are financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose and available-for-sale investment securities whose fair value can reliably be measured.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements as of 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting of IFRS and are in compliance with the accounting policies used to prepare the financial statements as of 31 December 2014. Therefore the condensed consolidated financial statements should be read in conjunction with the financial statements of the Group for the year ended 31 December 2014.

Except as described below, the accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements, and have been applied consistently by Group entities. The following changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2014.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

Changes in accounting policies

- The accounting policies adopted in preparation of the consolidated financial statements as at 30 June 2015 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2015. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)
- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendments)
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- IFRIC Interpretation 21 Levies

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective and not early adopted

- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual Improvements to IFRSs 2012-2014 Cycle
- Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

NOTE 5 – BASIS OF CONSOLIDATION

Methodology

The accompanying condensed consolidated interim financial statements include the accounts of the Bank and its subsidiaries on the basis set out in section below. The financial statements of the subsidiaries included in the consolidation have been prepared as of the date of the condensed consolidated interim financial statements.

For the purposes of the accompanying condensed consolidated interim financial statements, the subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to benefit from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company’s share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The Bank also consolidates a subsidiary in which it has less than 50% shareholding since it has power to govern the financial and operating policies of such subsidiary under a statute, to appoint or remove the majority of the members of the board of directors and to cast the majority of votes at the meetings of board of directors.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as Bank, using consistent accounting policies.

The equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position and statement of profit or loss, respectively.

All intra-group balances, transactions and unrealized gains on intra-group transactions are eliminated including inter-company profits and unrealized profits and losses. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 – USE OF ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

NOTE 7 - FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the period ended 31 December 2014.

The Group's foreign currency risk sensitivity and interest rate risk sensitivity are presented below:

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency.

	30 June 2015		30 June 2014	
	Income statement	Equity	Income statement	Equity
Usd	(120)	(120)	4,199	4,199
Eur	(133)	(133)	(1,304)	(1,304)
Other	(279)	(279)	526	526
Total, net	(532)	(532)	3,421	3,421

	30 June 2015		30 June 2014	
	Income statement	Equity	Income statement	Equity
Usd	120	120	(4,199)	(4,199)
Eur	133	133	1,304	1,304
Other	279	279	(526)	(526)
Total, net	532	532	(3,421)	(3,421)

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, it ensures that this risk remains within pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk.

The bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, so as to calculate their impact on net economic value, as defined in the relevant regulation published by BRSA. Beside the BRSA standard interest rate shock scenario, other internally defined scenarios are also simulated.

Trading and non-trading risks are approved separately in the policy documents and the Asset Liability Committee is given discretion in defining the tools and methodology used in measuring, monitoring and managing both trading and non-trading risks.

Interest rate sensitivity:

30 June 2015	Applied Shock (+/- x basis point)	Gains/ Losses	Shareholders' Equity -Losses/ Equity
Currency			
1. TRY	(+) 500bp	(84,068)	(6.33)%
2. TRY	(-) 400bp	79,594	5.99%
3. USD	(+) 200bp	(4,257)	(0.32)%
4. USD	(-) 200bp	(367)	(0.03)%
5. EUR	(+) 200bp	(26,525)	(2.00)%
6. EUR	(-) 200bp	5,081	0.38%
Total (for negative shocks)		84,308	6.34%
Total (for positive shocks)		(114,850)	(8.65)%

31 December 2014	Applied Shock (+/- x basis point)	Gains/ Losses	Shareholders' Equity -Losses/ Equity
Currency			
1. TRY	(+) 500bp	(99,626)	(7.58)%
2. TRY	(-) 400bp	96,927	7.39%
3. USD	(+) 200bp	3,600	0.27%
4. USD	(-) 200bp	(2,038)	(0.16)%
5. EUR	(+) 200bp	(3,398)	(0.26)%
6. EUR	(-) 200bp	556	0.04%
Total (for negative shocks)		95,445	7.26%
Total (for positive shocks)		(99,424)	(7.57)%

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 7 - FINANCIAL RISK MANAGEMENT (Continued)

Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements (“BIS”), these guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank’s capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan loss provision and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk, in accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Group’s regulatory capital position on a consolidated basis is as follows:

	30 June 2015^(*)	31 December 2014
Tier I capital	926,982	884,726
Tier II capital	705,915	391,999
Deductions	3,567	3,126
Total regulatory capital	1,629,330	1,273,599
Amount subject to credit risk	9,728,000	8,398,175
Amount subject to market risk	29,775	30,288
Amount subject to operational risk	938,500	780,525
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks (%)	15.23	13.83
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks (%)	8.67	9.61

^(*) Calculation of regulatory capital is changed effective from publishing date as per the Regulation on Equity of Banks published in the official Gazette no. 29111 dated 6 September 2014.

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NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

“Currency forwards” represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

“Currency swaps” are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Group risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Options are the right to buy or sell for the buyer and are the obligations for the writer an asset at a specified price until a specified expiration date. Options are traded for clients’ needs.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group’s exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

30 June 2015	Contract/ notional amount	Fair values	
		Assets	Liabilities
<i>Derivatives held for trading</i>			
Currency forwards	73,068	1,549	(574)
Currency swaps	7,797,070	27,897	(13,980)
Currency options	1,685,583	6,555	(8,882)
Total	9,555,721	36,001	(23,436)

31 December 2014	Contract/ notional amount	Fair values	
		Assets	Liabilities
<i>Derivatives held for trading</i>			
Currency forwards	522,604	4,839	(5,760)
Currency swaps	2,980,019	27,963	(4,847)
Currency options	557,332	3,475	(1,822)
Total	4,059,955	36,277	(12,429)

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NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

30 June 2015	Contract/ notional amount	Fair values	
		Assets	Liabilities
Derivatives held for risk management			
Interest rate swaps ^(*)	220,000	-	(3,127)
Total	220,000	-	(3,127)

(*) Starting from 24 March 2014, the Bank has hedged the possible fair value effects of changes in LIBOR interest rates on instalment commercial loans with fixed payments and fixed interest rates amounting TL 82,968 thousand with a maturity 3 years and TL 88,809 thousand with a maturity 5 years funding by using interest rate swaps. The Bank has started to hedge the interest rate risk of such loans with two swaps transactions with a nominal value of TL 55,000 and 3 years maturity and with a nominal value of TL 55,000 and 5 years maturity on 24 March 2014 under fair value hedge accounting.

The impact of fair value hedge accounting application is summarized below:

30 June 2015	Hedging Instrument	Asset liability hedging	Risk Hedge	Fair value of hedged asset	Net fair value of hedging account	
					Asset	Liability
	Interest swap contract	Fixed interest, fixed payment commercial loans	Fixed interest rate risk	4,059	-	3,127

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 and losses on derivative financial instruments” account. In the statement of financial position, 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.

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

30 June 2015

	Corporate	SME	Consumer	Credit Card	Leasing Receivables	Total
Performing loans	4,279,952	3,763,055	261,106	49,894	841,940	9,195,947
Loans under close monitoring	89,285	227,071	33,755	346	-	350,457
Loans under legal follow-up	168,775	164,054	20,708	2,218	49,383	405,138
Gross	4,538,012	4,154,180	315,569	52,458	891,323	9,951,542
Specific allowance for impairment	66,561	86,036	8,312	7,975	26,122	195,006
Collective allowance for impairment	43,815	40,469	2,767	1,440	-	88,491
Total allowance for impairment	110,376	126,505	11,079	9,415	26,122	283,497
Net	4,427,636	4,027,675	304,490	43,043	865,201	9,668,045

31 December 2014

	Corporate	SME	Consumer	Credit Card	Leasing Receivables	Total
Performing loans	3,319,484	3,684,223	325,134	256,263	615,271	8,200,375
Loans under close monitoring	32,605	95,696	43,835	14,869	13,194	200,199
Loans under legal follow-up	152,736	218,565	9,249	10,603	55,192	446,345
Gross	3,504,825	3,998,484	378,218	281,735	683,657	8,846,919
Specific allowance for impairment	74,831	146,734	7,301	8,895	33,052	270,813
Collective allowance for impairment	41,953	42,940	5,292	1,419	-	91,604
Total allowance for impairment	116,784	189,674	12,593	10,314	33,052	362,417
Net	3,388,041	3,808,810	365,625	271,421	650,605	8,484,502

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	Individual Impairment	Collective Impairment	Total
At January ,2015	270,813	91,604	362,417
Charge for the year	71,920	-	71,920
Collection & Recoveries	(15,024)	(3,113)	(18,137)
Amounts written off (*)(**)	(132,703)	-	(132,703)
At June 30,2015	195,006	88,491	283,497

(*)Non performing loan amounting to TL 115,858 is sold to Güven Varlık Yönetim A.Ş and collected TL 4,650 in 5 May 2015 by the Parent Bank.

(**)Non performing loan amounting to TL 15,199 is sold and collected TL 2,500 in the current period.

	Individual Impairment	Collective Impairment	Total
At January ,2014	182,696	105,360	288,056
Charge for the year	99,626	-	99,626
Collection & Recoveries	(11,509)	(13,756)	(25,265)
Amounts written off	-	-	-
At December 31,2014	270,813	91,604	362,417

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NOTE 10 - INVESTMENT SECURITIES

(i) Held for trading

There is no held for trading securities as at 30 June 2015 (31 December 2014: TL 138) are pledged to banks and other financial institutions against funds obtained under repurchase agreements.

(ii) Securities available-for-sale

	<u>30 June 2015</u>	<u>31 December 2014</u>
Debt securities - at fair value:		
Government bonds and treasury bills	340,022	469,283
Government bonds and treasury bills sold under repurchase agreements	309,935	426,665
Debt securities issued by financial institutions	193,610	-
Equity Shares	4,880	160
Total securities available-for-sale	848,447	896,108

Available-for-sale whose total carrying amount is TL 488,265 as at 30 June 2015 (31 December 2014: TL 367,143) are pledged to banks and other financial institutions against funds obtained under repurchase agreements.

Available-for-sale securities are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, ISE Settlement and Custody Bank and other financial institutions and amounting to TL 333,100 (31 December 2014: TL 25,203).

There are no impairments recognised for available-for-sale securities.

(iii) Securities held-to-maturity

There is no held-to-maturity securities at 30 June 2015 (31 December 2014: None).

The movement in held-to-maturity securities at 30 June 2015 is as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
At 1 January 2015		1,507,142
Additions	-	220,830
Disposals / redemption ^(*)	-	(1,727,972)
Change in amortised cost	-	-
At 30 June 2015	-	-

^(*)In 2014, the Bank has sold a significant portion of its securities, classified in held to maturity portfolio in 2013 amounting TL 1,727,927 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.

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NOTE 11 - OTHER BORROWED FUNDS AND SUBORDINATED DEBT

	30 June 2015	31 December 2014
Foreign institutions and banks		
Syndication loans	-	763,367
Subordinated liabilities	708,152	329,826
Other	2,158,815	1,062,082
Total foreign	2,866,967	2,155,275
Domestic banks	928,519	710,124
Total domestic	928,519	710,124
Total	3,795,486	2,865,399

The details of subordinated loans of the Bank as of 30 June 2015 are presented in the table below:

Lender	Principal Amount	Opening Date	Maturity	Interest rate (%)
International Finance Corporation	USD 50,000	29 December 2010	10 year	Libor + 4.50
Black Sea Trade and Development Bank	USD 30,000	29 December 2010	10 year	Libor + 4.50
FMO Amsterdam	USD 25,000	29 December 2010	10 year	Libor + 4.50
DEG KOLN	EUR 20,000	29 December 2011	10 year	Libor + 4.50
EFSE SA. SICAV-SIF	EUR 10,000	29 December 2011	10 year	Libor + 4.50
Commercial Bank	USD 125,000	30 June 2015	10 year+1 day	Libor + 6.00

NOTE 12 - SHARE CAPITAL AND SHARE PREMIUM

The historic amount of share capital of the Bank consists of 620 million (31 December 2014: 620 million) authorised shares with a nominal value of TL 1 each. The Bank’s authorised capital amounts to TL 620,000 (31 December 2014: TL 620,000).

Shareholders	30 June 2015		31 December 2014	
	Participation rate (%)	TL thousand	Participation rate (%)	TL thousand
Commercial Bank of Qatar	74.87%	464,210	74.25%	460,341
Anadolu Endüstri Holding A.Ş.	17.21%	106,683	17.21%	106,683
Other	7.92%	49,107	8.54%	52,976
Historical share capital	100%	620,000	100%	620,000
Share premium		133		119
Total share capital and share premium		620,133		620,119

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities at 30 June 2015 and 31 December 2014

Legal proceedings

Due to the nature of its business, the Group is involved in a number of claims and legal proceedings, arising in the ordinary course of business. The Group recognises provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

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NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Legal proceedings (Continued)

In respect of the further claims asserted against the Group, which according to the principles outlined above, have not been provided for, it is the opinion of the management and its professional advisors that such claims are either without merit, can be successfully defended or will not have a material adverse effect on the Group’s financial position.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group:

30 June 2015^(*)	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	354,526	39,411	-	-	393,937
Letter of guarantees	1,792,505	405,050	-	-	2,197,555
Acceptance credits	42,080	-	-	-	42,080
Other commitments	1,568,533	-	-	-	1,568,533
Total	3,757,644	444,461	-	-	4,202,105

31 December 2014^(*)	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	362,242	-	-	-	362,242
Letter of guarantees	1,580,945	274,297	-	-	1,855,242
Acceptance credits	43,905	-	-	-	43,905
Other commitments	1,056,720	-	-	-	1,056,720
Total	3,043,812	274,297	-	-	3,318,109

^(*)Based on original maturities

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NOTE 14 - SEGMENT ANALYSIS

The Group is organized into two main business segments which are organized and managed separately according to the nature of the products and services provided.

30 June 2015	Commercial Banking	Investment Banking	Other	Group
Net interest income	285,402	(12,032)	-	273,370
Net fees and commission income and other operating income	17,462	2,639	-	20,101
Dividend income	-	-	-	-
(Provisions for)/ recoveries from impairment loan receivables	(60,713)	(3,244)	-	(63,957)
Trading gain / loss	(2,904)	5,030	-	2,126
Other operating expenses	(130,910)	(6,255)	-	(137,165)
Profit before income tax	108,337	(13,862)	-	94,475
Tax provision	(20,147)	529	-	(19,618)
Profit after income tax	88,190	(13,333)	-	74,857
Non-controlling interest	-	-	(184)	(184)
Net profit	88,190	(13,333)	(184)	74,673
Asset and liabilities				
Segment assets	9,794,854	3,049,670	342,772	13,187,296
Total assets	9,794,854	3,049,670	342,772	13,187,296
Segment liabilities	7,346,144	2,651,336	2,159,502	12,156,982
Unallocated liabilities	82,412	23,643	924,259	1,030,314
Total liabilities	7,428,556	2,674,979	3,083,761	13,187,296

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NOTE 14 - SEGMENT ANALYSIS (Continued)

	Commercial	Investment		
30 June 2014	Banking	Banking	Other	Group
Net interest income	223,469	3,749	-	227,218
Net fees and commission income and other operating income	27,763	7,986	-	35,749
Dividend income	-	197	-	197
(Provisions for)/ recoveries from impairment loan receivables	(24,114)	(12,351)	-	(36,465)
Trading gain / loss	-	(9,950)	-	(9,950)
Other operating expenses	(123,942)	(16,059)	-	(140,001)
Profit before income tax	103,176	(26,428)	-	76,748
Tax provision	(14,235)	-	-	(14,235)
Profit after income tax	88,941	(26,428)	-	62,513
Non-controlling interest	-	-	(78)	(78)
Net profit	88,941	(26,428)	(78)	62,435
31 December 2014				
Asset and liabilities				
Segment assets	8,620,377	2,319,617	265,422	11,205,416
Total assets	8,620,377	2,319,617	265,422	11,205,416
Segment liabilities	6,284,936	2,347,299	1,605,953	10,238,188
Unallocated liabilities	(39,151)	25,112	981,267	967,228
Total liabilities	6,245,785	2,372,411	2,587,220	11,205,416

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NOTE 15 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by Commercial Bank of Qatar owning 74.87% of the ordinary shares.

A number of transactions were entered into with related parties in the normal course of business.

(i) Balances with related parties:

	30 June 2015		31 December 2014	
	Total	Share in total %	Total	Share in total %
Loans and advances to customers, net	137,610	1.56	85,969	1.10
Total assets	137,610		85,969	
Due to customers	782,888	12.83	1,235,049	22.61
Total liabilities	782,888		1,235,049	
Credit related commitments	85,263	2.03	145,472	4.38
Total commitments and contingent liabilities	85,263		145,472	

(ii) Transactions with related parties:

	30 June 2015		30 June 2014	
	Total	Share in total %	Total	Share in total %
Interest income on loans and advances to customers	3,597	0.75	569	0.13
Commission income on credit related commitments	1,439	-	977	3.15
Total interest and fee income	5,036		1,546	
Interest expense on deposits	43,794	20.98	31,661	15.58
Total interest and fee expense	43,794		31,661	

(iii) Balances with directors and other key management personnel:

Salaries and other benefits paid to the Group's key management approximately amount to TL 11,773 as of 30 June 2015 (30 June 2014: TL 7,354).

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NOTE 16 - SUBSEQUENT EVENTS

As a part of continuing process according to notification of Capital Market Board on “Statements Related to Removing Partnership and Selling the Rights Communiqué”, elimination of partners who don't use their selling rights from partnership removal document is prepared about capital increase that will be done assigned to Commercial Bank. Removal Document is approved by Capital Markets Board on 14 July 2015.

NOTE 17 – EARNINGS PER SHARE

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

	30 June 2015	30 June 2014
Profit attributable to equity holders of the Bank	74,673	62,435
Weighted average number of ordinary shares in issue (thousand)	620,000	586,667
Basic earnings per share (expressed in TL per 1,000 share)	0.1204	0.1064