IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached prospectus. In accessing the attached prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access and you acknowledge that Alternatifbank A.Ş. (the "**Issuer**") together with its respective subsidiaries and its respective affiliates and others will rely upon the truth and accuracy of the following representations, acknowledgements and agreements. IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS DISCLAIMER, YOU MAY NOT OPEN THE ATTACHED PROSPECTUS.

The attached prospectus is being furnished to you solely for your information and may not be forwarded, reproduced, redistributed or passed on in whole or in part, directly or indirectly, to any other person. The distribution of this prospectus in certain jurisdictions may be restricted by law and persons into whose possession this prospectus comes should inform themselves about, and observe any such restrictions. Failure to comply with this notice may result in a violation of the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the applicable laws of other jurisdictions.

Confirmation of Your Representation: You have been sent the attached prospectus on the basis that you have confirmed to Merrill Lynch International, Citigroup Global Markets Limited and Commerzbank Aktiengesellschaft, being the sender of the attached: (i) that the electronic (or e-mail) address to which it has been delivered is not located in the United States, its territories and possessions, any State of the United States and the District of Columbia (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and, if you are in the European Economic Area ("**EEA**"), you are a qualified investor (as defined in Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (as amended or replaced)); and (ii) that you consent to delivery by electronic transmission.

The attached prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer nor any person who controls it or any director, officer, employee or agent of it, nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and any hard copy version available to you on request from Merrill Lynch International, Citigroup Global Markets Limited and Commerzbank Aktiengesellschaft.

You are reminded that the attached prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorised to deliver this prospectus to any other person.

Restrictions: Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction where such offer is prohibited. Any securities to be issued have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of US persons (as such terms are defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Your attention is drawn to the first page of the attached prospectus. If you are in the United States or are a US person (as such term is defined in Regulation S), you should not open the attached prospectus. The attached prospectus may only be communicated to persons in the United Kingdom, in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA OR ANY OTHER JURISDICTION IN WHICH OFFERS OR SALES WOULD BE PROHIBITED BY LAW.

ALTERNATİFBANK A.Ş.

(incorporated with limited liability under the laws of The Republic of Turkey)

USD 300,000,000 Fixed Rate Resettable Tier 2 Notes due 2026

The issue price of the USD 300,000,000 Fixed Rate Resettable Tier 2 Notes due 2026 (the "**Notes**") of Alternatifbank A.Ş. ("**ABank**", the "**Bank**" or the "**Issuer**") is 99.01 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their then Prevailing Principal Amount (as defined in Condition 5.5) on 16 April 2026 (the "**Maturity Date**"). Subject to having obtained the prior approval of the Banking Regulatory and Supervisory Authority (the "**BRSA**") and as further provided in Condition 8, the Issuer may redeem all, but not some only, of the Notes outstanding: (i) on 16 April 2021 (the "**Issuer Call Date**"); (ii) at any time in the event of certain changes in applicable tax law or regulation or the application or official interpretation thereof; or (iii) upon the occurrence of a Capital Disqualification Event, in each case, at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption.

The Notes will bear interest from 15 April 2016 (the "**Issue Date**") to (but excluding) the Issuer Call Date at a fixed rate of 8.75 per cent. per annum. From (and including) the Issuer Call Date to (but excluding) the Maturity Date the Notes will bear interest at a fixed rate of 7.833 per cent. per annum above the then applicable annual mid-swap rate for U.S. dollar swap transactions with a maturity of five years determined in accordance with market conditions. Interest will be payable semi-annually in arrear on 16 April and 16 October in each year commencing 16 October 2016. Payments on the Notes will be made in United States dollars without deduction for or on account of taxes imposed or levied by the Republic of Turkey to the extent described under "*Terms and Conditions of the Notes—Taxation*". Under current Turkish tax law, withholding tax may apply to payments of interest on the Notes. See "*Taxation—Certain Turkish Tax Considerations*".

The Notes are subject to loss absorption upon the occurrence of a Non-Viability Event (as defined in Condition 6.2), in which case, an investor in the Notes may lose some or all of its investment in the Notes. See "*Risk Factors*" herein and Condition 6. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein.

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**CBI**"), as competent authority under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**"). The CBI only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This Prospectus comprises a Prospectus for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (as amended) (the "**Markets in Financial Instruments Directive**").

The Notes have not been, nor will they be, registered under the United States Securities Act of 1933 (the "**Securities Act**"). The Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form in the denomination of USD 200,000. The Notes may be held and transferred, and will be offered and sold, in the principal amount of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The Notes will be represented by a global registered note certificate (the "**Global Note**") registered in the name of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"). Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See "*Overview of Provisions relating to the Notes in Global Form*".

Application has been made to the Capital Markets Board of Turkey (the "**CMB**"), in its capacity as competent authority under Law No. 6362 (the "**Capital Markets Law**") of the Republic of Turkey relating to capital markets, for the issuance and sale of Notes by the Issuer outside of the Republic of Turkey. The Notes cannot be sold before the necessary approvals and the approved issuance certificate are obtained from the CMB. The issuance of the Notes was approved by the CMB on 18 December 2015 through the approval of the issuance certificate (*ihraç belgesi*) relating to the Notes and the tranche issuance certificate (*tertip ihraç belgesi*) relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated BBB- by Fitch Ratings Ltd. ("**Fitch**") and Ba2 (hyb), under review for downgrade by Moody's Investors Service Ltd. ("**Moody's**"). Fitch and Moody's are established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Fitch and Moody's both appear on the latest update of the list of registered credit rating agencies on the ESMA website http://www.esma.europa.eu.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Global Co-ordinator

BofA MERRILL LYNCH

Joint Lead Managers

BofA MERRILL LYNCH **CITIGROUP** **COMMERZBANK**

14 April 2016

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

Information relating to the Turkish banking system contained in this Prospectus under the headings "*Risk Factors*", "*The Group and its Business*" and "*Turkish Banking System*" was derived from the BRSA website at www.bddk.org.tr and the Banks Association of Turkey's (the "**BAT**") website at www.tbb.org.tr. The Issuer does not accept any responsibility for the accuracy of such information, nor has the Issuer independently verified any such information. The Issuer confirms that this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from information available from the BRSA's website and the BAT's website, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**") that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been, nor will they be, registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S).

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**USD**" or "**U.S. dollars**" are to United States dollars, "**EUR**", "**Euro**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**TL**", "**TRY**" and "**Turkish Lira**" are to the lawful currency of the Republic of Turkey. References to "**billions**" are to thousands of millions.

The Issuer has obtained the CMB approval dated 18 December 2015 numbered 29833736-105.03.01-E14070 which also includes the approval issuance certificate (*ihraç belgesi*) (the "CMB Approval") and the approval from the BRSA dated 4 January 2016 (the "BRSA Consent") required for the issuance of Notes. In addition to the CMB Approval and the BRSA Consent, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of the Notes is required to be obtained from the CMB by the Issuer on or before the Issue Date.

Pursuant to the CMB Approval and the BRSA Consent, the offer, sale and issue of Notes has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish

Currency (as amended from time to time, "Decree 32"), the Turkish Banking Law No. 5411 of 2005, as amended (the "Banking Law") and its related legislation, the Capital Markets Law No. 6362 and Communiqué II-31.1 on Debt Instruments (the "Communiqué on Debt Instruments") and its related regulation.

Also under the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (the "CRA") and the interests therein recorded in the CRA. However, upon the Issuer's request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside Turkey. Such exemption was granted by the CMB in its letter to the Issuer dated 18 December 2015 numbered 29833736-105.03.01-E14070. As a result, this requirement will not be applicable to the Notes. Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the date of issuance of the Notes of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

The Issuer has obtained the BRSA approval dated 4 January 2016 numbered 20008792-101.01[24]-E.26 (the "BRSA Tier II Approval") required for the proceeds of the Notes to qualify as a quasi-capital loan eligible for treatment as "Tier II" capital. The BRSA Tier II Approval authorised the proceeds of the Notes to qualify as Tier II capital of the Issuer, provided that the Notes comply with the requirements set out in the Regulation on the Equities of Banks as published in the Official Gazette dated 5 September 2013 (numbered 28756) (the "Equity Regulation"). For a description of the regulatory requirements in relation to Tier II capital, see "Turkish Regulatory Environment" in the Prospectus.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside Turkey in accordance with the CMB Approval and the BRSA Consent. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in both the primary and secondary markets; provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under BRSA regulations. As such, Turkish residents should use licensed banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and transfer the purchase price through licensed banks authorised under BRSA regulations. Moneys paid for the purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the "SDIF").

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In connection with the issue of the Notes, Merrill Lynch International (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager(s)) may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Issuer may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the BRSA and the CMB.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer is required to maintain its books of account and prepare statutory financial statements (the "**BRSA Financial Statements**") in accordance with the Standards Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (the "**BRSA**") and also the Turkish Commercial Code and Turkish tax legislation (collectively, "**Turkish GAAP**"). The BRSA Financial Statements are used to determine compliance by the Issuer and its consolidated subsidiaries (together, the "**Group**") with Turkish regulatory requirements established by the BRSA, including for the calculation of capital adequacy ratios. The Issuer's consolidated BRSA Financial Statements as of and for the years ended 31 December 2015 and 31 December 2014 were audited by KPMG Akis Bağımsız Denetim ve S.M.M.M. A.Ş. ("**KPMG Turkey**"). For convenience, the Issuer's consolidated BRSA Financial Statements as of and for the years ended 31 December 2015 and 31 December 2014 have been translated into English and annexed hereto.

Except to the extent stated otherwise, the financial data for the Group included herein have been extracted from the Group's BRSA financial statements without material adjustment. Potential investors in the Notes should note that this Prospectus also includes certain financial information for the Issuer only, which has been extracted from the Issuer's management accounts and unconsolidated BRSA financial statements without material adjustment. Such financial information is identified as being of "the Issuer" in the description of the associated tables or information (rather than for the Issuer on a segmented basis). Such Issuer-only financial information is (*inter alia*) presented in "*Risk Factors*" and "*The Group and its Business*."

While Turkish GAAP and BRSA reporting standards have been converging with IFRS as promulgated by the International Accounting Standards Board over recent years, they still differ in certain respects from IFRS, and the Issuer does not prepare, and the Issuer is not providing in this Prospectus, any reconciliation between IFRS and Turkish GAAP or the BRSA Financial Statements. For a discussion of the differences between BRSA and IFRS principles see "*Annex A— Overview of Significant Differences between IFRS and BRSA Accounting Principles*".

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OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	Alternatifbank A.Ş.
Joint Lead Managers:	Merrill Lynch International, Citigroup Global Markets Limited and Commerzbank Aktiengesellschaft
The Notes:	USD 300,000,000 Fixed Rate Resettable Tier 2 Notes due 2026.
Issue Price:	99.01 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 15 April 2016.
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Bank at their then Prevailing Principal Amount (as defined in Condition 5.5) on the Maturity Date (i.e., 2026).
Use of Proceeds:	The net proceeds of the issue of the Notes will form part of the Issuer's capital base for their treatment as "Tier II" capital pursuant to the provisions of the Equity Regulation and the net proceeds of the issue will be used by the Issuer for its general corporate purposes. See "*Use of Proceeds*".
Regulatory Treatment:	Application was made by the Issuer to the BRSA for confirmation that the full principal amount of the Notes will qualify for initial treatment as "Tier 2" capital (as provided under Article 8 of the Equity Regulation), which approval (i.e., the BRSA Tier 2 Approval) was received on 4 January 2016.
Interest:	The Notes will bear interest from and including the Issue Date (i.e., 15 April 2016) to (but excluding) the Issuer Call Date (as defined in Condition 5.5) (i.e., 16 April 2021) at a fixed rate of 8.75 per cent. per annum. From (and including) the Issuer Call Date to (but excluding) the Maturity Date (i.e., 16 April 2026), the Notes will bear interest at a fixed rate equal to the Reset Interest Rate. Interest will be payable semi-annually in arrear on each Interest Payment Date (i.e., 16 April and 16 October in each year), up to (and including) the Maturity Date; provided that, as described in Condition 7.4, if any such date is not a Payment Business Day (as defined in Condition 7.4), then such payment will be made on the next Payment Business Date and Noteholders shall not be entitled to further interest or other payment in respect of such delay. The first payment of interest shall be made on 16 October 2016 in respect of the period from (and including) the Issue Date to (but excluding) the 16 October 2016, "**Reset Interest Rate**" means the rate per annum equal to the aggregate of: (a) the Reset Margin (i.e., 7.833 per cent. per annum) and (b) the 5 Year Mid-Swap Rate (as defined in Condition 5.4).
Status and Subordination:	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination

Event and for so long as that Subordination Event subsists, rank:

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) *pari passu* without any preference amongst themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

No amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

Please refer to Condition 3 for more information.

No Set-off or Counterclaim: All payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. Following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived.

No Link to Derivative Transactions: The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract in a way which would result in a violation of Article 8(2)(b) of the Equity Regulation or (b) provide in any manner for such obligations to be the subject of any guarantee or security.

Certain Covenants: The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. Please refer to Condition 4 for further information.

Non-Viability/Write-Down of the Notes: If a Non-Viability Event occurs at any time, the Issuer shall:

(a) *pro rata* with the other Notes and any other Parity Loss-Absorbing Instruments; and

(b) in conjunction with, and such that no Write-Down (as defined below) shall take place without there also being:

   (i) the maximum possible reduction in the principal amount and/or corresponding conversion into equity being made in respect of all Junior Loss-Absorbing Instruments (Additional Tier I (*İlave Ana Sermaye*)) in accordance with the provisions of such Junior Loss-Absorbing Instruments; and

   (ii) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations (Common Equity Tier I Capital (*Çekirdek Sermaye*)) to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of the Issuer within the framework of the procedures and other measures by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) or otherwise under Turkish law and regulations,

reduce the then Prevailing Principal Amount (as defined in Condition 5.5) of each outstanding Note by the relevant Write-Down Amount (any such reduction, a "**Write-Down**", "**Written-Down**" and "**Writing Down**" shall be construed accordingly).

For these purposes, any determination of a Write-Down Amount shall take into account the absorption of the relevant loss(es) to the maximum extent possible by all Junior Obligations and the Writing Down of the Notes pro rata with any other Parity Loss-Absorbing Instruments, thereby maintaining the respective rankings described under Condition 3.1.

The Issuer shall notify the Noteholders of any Non-Viability Event in accordance with Condition 14 as soon as practicable upon receiving notice thereof from the BRSA; provided that prior to the publication of such notice the Issuer shall deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA of its determination of such Non-Viability Event. The Issuer shall further notify the Noteholders in accordance with Condition 14 and deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA specifying the Write-Down Amount as soon as practicable upon receiving notice thereof from the BRSA.

A Non-Viability Event may occur on more than one occasion and the Notes may be Written-Down on more than one occasion, with each such Write-Down to involve the reduction of the then Prevailing Principal Amount of the outstanding Notes by the relevant Write-Down Amount.

Noteholders will have no further claim against the Issuer in respect of any Written-Down Amount of the Notes and if, at any time, the Notes are Written-Down in full, the Notes shall be cancelled following payment of interest accrued and unpaid to (but excluding) the date of such final Write-Down and Noteholders will have no further claim against the Issuer in respect of any such Notes.

Please refer to Condition 6 for more information.

Form and Denomination: The Notes will be issued in registered form with a minimum denomination of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

Redemption at the Option of the Issuer: The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, on the Issuer Call Date, at their then Prevailing Principal Amount together with interest accrued to (but excluding) the Issuer Call Date.

Redemption upon a Capital If a Capital Disqualification Event occurs at any time after the Issue Date, the Issuer may, having given not less than 30 nor more

Disqualification Event:

than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.4, the Issuer shall deliver to the Fiscal Agent: (a) the required confirmation in writing by the BRSA, if applicable, of the occurrence of the relevant Capital Disqualification Event and (b) a certificate signed by two Directors of the Issuer stating that such Capital Disqualification Event has occurred.

Please refer to Condition 8.4 for more information.

Tax Redemption:

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 14 April 2016, on the next Interest Payment Date the Issuer would be required to:

   (i) pay additional amounts as provided or referred to in Condition 9; and

   (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on 14 April 2016; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may at its option, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it; (ii) the BRSA's written approval for such redemption of the Notes; and (iii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

Purchases:

Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of, any entity which is controlled by the Issuer or over which the Issuer has significant influence (as contemplated in the Banking Law (No. 5411) and the Equity Regulation).

Events of Default: If:

(a) default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) a Subordination Event occurs; or

(c) any order is made by any competent court, or resolution is passed for the winding up, dissolution or liquidation of the Issuer, the holder of any Note may:

(i) in the case of (a) above, institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of the Issuer; and/or

(ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of the Issuer,

but (in either case) may take no further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Issuer.

In any of the events or circumstances described in (b) or (c) above, the holder of any outstanding Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its then Prevailing Principal Amount, together with interest accrued to (but excluding) the date of repayment, subject to the subordination provisions described under Condition 3.1.

The holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes), provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

No remedy against the Issuer other than as provided above shall be available to the holders of Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes.

Taxation: Subject to Condition 9, all payments by the Issuer under the Notes will be made without withholding or deduction for or on account of any taxes in Turkey, unless the withholding or deduction of the taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. Please refer to Condition 9 for further information.

Under current Turkish law, withholding tax at the rate of 0 per cent. applies to interest on the Notes. See "*Taxation—Certain Turkish Tax Considerations*".

Prepayment:	Pursuant to the provisions contained in the Equity Regulation, the Notes cannot be prepaid within five years following the Issue Date.
Rating:	The Notes are expected to be rated BBB- by Fitch and Ba2 (hyb), under review for downgrade by Moody's. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless: (i) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation; or (ii) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.
Withholding Tax:	See "*Taxation—Certain Turkish Tax Considerations*".
Governing Law:	The Notes, the Agency Agreement, the Deed of Covenant and the Subscription Agreement and any non-contractual obligations (with respect to non-contractual obligations, to the extent permitted under applicable law) arising out of or in connection with any of them will be governed by English law, except for the provisions of Condition 3 which will be governed by Turkish law.
Listing and Trading:	Applications have been made for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	See "*Subscription and Sale*".
Risk Factors:	Investing in the Notes involves risks. See "*Risk Factors*".
Financial Information:	See "*Summary Financial and Other Data*" and "*Financial Statements and Auditor's Reports*".

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or a substantial part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risks Relating to the Group and its Business

Loan Growth – The rapid growth of the Group's loan portfolio may negatively affect asset quality

The significant and rapid increase in the Group's loan portfolio over recent years (for example from TL 5.2 billion as at 31 December 2012 to TL 9.3 billion as at 31 December 2015) has increased the Group's credit exposure and requires continued and improved monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management programme. The Group intends to increase its loan portfolio further by focusing on corporate and commercial as opposed to small-size and medium-size enterprises ("**SMEs**") collateralised and/or project based loans in selected industries including metals, chemicals, plastics, machinery, electrical and optical equipment, hotels, residential construction and retail, subject to sector and single obligor concentration limits and any such increase could further increase the credit risk faced by the Group. Negative developments in the Turkish economy could affect borrowers, resulting in higher levels of non-performing loans ("**NPLs**") and, as a result, higher levels of provisioning by the Group. Any failure by the Group to manage the growth of its loan portfolio or the credit quality of its creditors within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

New Strategy Implementation – The Group's move away from retail banking may expose the Group to negative market conditions

The Group is currently undertaking a "transformation project", in which the Bank is focused on growing its client base within the corporate and commercial sector with less emphasis on the retail sector. As at 31 December 2015, only 3 per cent. of the Bank's loans originated from the retail sector. This project is due to be fully implemented by the beginning of 2017. However, due to technical delays and failures coupled with unfavourable corporate and commercial sector financial conditions, the Group may not be successful in the implementation of its new strategy which could ultimately have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

Non-Performing Loans – The Group is exposed to the risk that certain assets may not perform

The percentage of the Group's loans that were NPLs decreased to 4.9 per cent. as of 31 December 2015 from 5 per cent. as of 31 December 2014. Changes in NPL ratios can occur for various reasons, including changes in the levels of new NPLs, the increasing number of retail customers due to the Group's entry into retail credits, the amount and nature of the Group's cash loans and negative developments in the Turkish economy. The Group's exposure to credit risk could lead to a materially adverse effect on the Group's business, financial condition and/or results of operations.

Credit Risk Assessment – The Group might not correctly assess the creditworthiness of credit applicants or other counterparties

The Group might not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial conditions may change) and, as a result, the Group could suffer material credit losses. The Group has upgraded its risk systems recently. Once completed, the upgrade may not prove to be successful in correctly determining the creditworthiness of credit applications, therefore having a negative impact on credit quality. While the Group seeks to mitigate credit risk, including through diversification of its assets and requiring collateral for many of its loans, such efforts may be insufficient to protect the Group against material credit losses. For example, if the value of the collateral securing the Group's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk and an increased risk of non-recovery if any credit exposure fails to perform. Even if the Group performs collateral revaluations, estimates of the value of non-cash collateral are inherently uncertain and are subject to change as a result of market and other conditions, and may lead to increased risk if such values decline. In addition, determining the amount of provisions and other reserves for possible credit losses involves the use of estimates and assumptions and an assessment of other factors that involve the use of judgement. As a result, the level of provisions and other reserves that the Group has set aside (which take account of collateral where loans are secured) may not be sufficient and the Group might have to create significant additional provisions for possible credit losses in future periods.

Failure to maintain the Group's asset quality could result in higher loan loss provisioning and higher levels of write-offs or defaults, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Access to Capital – The Group might have difficulty raising capital on acceptable terms, if at all

By law, each of the Bank and the Group is required to maintain certain capital levels and capital ratios in connection with its banking business. At the beginning of 2014, the BRSA increased the minimum core and Tier I capital adequacy ratios to 4.5 per cent. and 6.0 per cent., respectively in addition to the standard capital adequacy ratio of 8.0 per cent., to be calculated on a consolidated and non-consolidated basis. Such capital ratios depend in part upon the level of risk-weighted assets. In addition, there is also a draft regulation which envisages an increase in the core and Tier I capital level requirements on certain conditions for further compliance with Basel III requirements. The Bank's management expects that improving economic conditions will result in increased lending (both in absolute terms as well as proportionately in comparison to the Group's zero risk-weighted investment in Turkish government securities). As a result, the Bank's management expects there to be a continuing increase in the Group's risk-weighted assets, which may adversely affect the Group's capital ratios. Changes relating to Basel III and other regulatory requirements may also impact the manner in which the Group calculates its capital ratios and may impose higher capital requirements (see "*Turkish Regulatory Environment – Capital Adequacy – Basel Committee*"). Additionally, it is possible that the Group's capital levels could decline due to, amongst other things, credit losses, increased credit reserves, currency fluctuations or dividend payments. In addition, the Group may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets. Should the Group desire or be required to raise additional capital, that capital may not be available at all or at a price that the Group considers to be reasonable. If any or all of these risks materialise, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Foreign Exchange and Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations, which could have a material adverse effect on the Group

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally USD and EUR, which can have an impact on its financial position and/or results of operations. These risks are both systemic (i.e., the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and unique to the Group (i.e., due to the Group's own net currency positions). For example, from a systemic perspective, if the Turkish Lira were to depreciate materially against USD or EUR (which both represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt. As of 31 December 2015, 64.4 per cent. of the Group's total assets comprised loans and advances to customers and banks, of which 56.2 per cent. was in USD and 43.8 per cent. was in EUR. As of 30 September 2015, 52.6 per cent. of the Group's total assets comprised loans and advances to customers and banks, of which 58.5 per cent. was in USD and 41.5 per cent. was in EUR (39.5 per cent., 76.7 per cent. and 23.2 per cent., respectively, as of 31 December 2014), and half of its off-balance sheet commitments, such as letters of credit, were foreign currency risk bearing. Similarly, any actions taken by the CBT or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) may adversely affect the financial condition of Turkey as a whole, including its inflation rate, and may have a negative effect on the Group's business, financial condition and/or results of operations. See the discussion relating to the large increases in interest rates in January 2014 described in "*Risks relating to Turkey – High Current Account Deficit*", which were the result of a significant depreciation of the Turkish Lira at the end of 2013 and the beginning of 2014.

A significant portion of the Group's financial assets and liabilities (including off-balance sheet commitments such as letters of credit) is denominated in, or indexed to, foreign currencies, primarily USD and EUR. If the Turkish Lira is devalued or depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's USD-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Therefore, if the Group's liabilities denominated in (or indexed to) foreign currencies exceed its assets denominated in (or indexed to) foreign currencies, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Turkish Lira could adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency. In addition, the Group's lending operations depend significantly upon the Group's capacity to match the cost of its foreign currency-denominated (or indexed) liabilities with the rates charged by the Group on its foreign currency-denominated (or indexed) assets. A significant devaluation or depreciation of the Turkish Lira might affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies and could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (amongst other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20 per cent. of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then volatility in exchange rates could lead to operating losses, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Competition in the Turkish Banking Sector – Intense competition in the Turkish banking sector could have a material adverse effect on the Group

The Group faces significant and continuing competition from other participants in the Turkish banking sector, including both state-controlled and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. According to BRSA sector data, as of 31 December 2015, the top seven banking groups in Turkey, three of which were state-controlled, held in the aggregate approximately 71 per cent. of the Turkish banking sector's total loan portfolio, approximately 70 per cent. of total banking assets in Turkey and approximately 79 per cent. of total deposits in Turkey. State-controlled banks in Turkey have historically had access to very inexpensive funding in the form of very significant Turkish government deposits, which has provided a competitive advantage over private banks. This competitive advantage has often resulted in such banks adopting aggressive pricing strategies on both deposit and loan products.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredit, Banco Bilbao Vizcaya Argentaria S.A. ("**BBVA**"), BNP Paribas, National Bank of Greece, Sberbank, Citigroup, ING, Bank Hapoalim, Bank Audi, Burgan Bank and Bank of Tokyo-Mitsubishi UFJ are amongst the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. More recently, certain of such institutions have (or may) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances (for example, in 2012 Dexia sold its interest in DenizBank to Sberbank, in 2015 the Industrial and Commercial Bank of China ("**ICBC**") acquired 75.5 per cent. of Tekstil Bank and at the end of 2015, 99.81 per cent. of Finansbank was agreed to be sold to Qatar National Bank). The entry into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, has increased competition in the market, and further entry by foreign competitors is likely to increase competition, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks.

Competition has been particularly acute in certain sectors where state-controlled banks and foreign-owned banks have been active, such as lending to SMEs and general purpose loans, for which state-controlled banks have been aggressive in terms of pricing. Competitors may direct greater resources and be more effective in the development and/or marketing of technologically advanced products and services that may compete directly with the Group's products and services, adversely affecting the acceptance of the Group's products and/or leading to adverse changes in the spending and saving habits of the Group's customer base. The Group might not be able to maintain its market share if it is not able to match its competitors' pricing and/or keep pace with the competitors' development of new products and services. Increased competition might affect the Group's growth, reduce the average interest rates that the Group can charge its customers or otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations.

Pressure on Profitability – The Group's profitability may be negatively affected as a result of regulatory requirements, competition and other factors

The Group's profitability may be negatively affected in both the short-term and long-term as a result of a number of factors, including a slowdown of economic growth in Turkey and interest rate volatility (see "*Reduction in Earnings on Securities Portfolio*" and "*Interest Rate Risk*" below), increased competition (particularly as it impacts net interest margins: see "*Competition in the Turkish Banking Sector*" above) and regulatory actions, including those that seek: (a) to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements, increased capital requirements and higher risk-weighting for general purpose loans, or (b) to impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers (see "*Banking Regulatory Matters*" and "*Risks relating to Turkey – High Current Account Deficit*" below).

Counterparty Credit Risk – The Group is exposed to its counterparties' credit risk

The Group is subject to a broad range of general credit risks, including with respect to its retail, corporate and commercial customers and other third parties with obligations to the Group. These parties include borrowers under loans made by entities in the Group, issuers whose securities are held by the Group, trading and hedging counterparties, customers of letters of credit provided by the Group and other financial counterparties of the Group, any of which might default in their obligations to the Group due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons, as a result of which the Group could suffer material credit losses. See "*The Group and its Business – Risk Management of the Bank*".

Banking Regulatory Matters – The activities of the Group are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Group's business

The Group is subject to a number of banking, consumer protection, competition, antitrust and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of other countries in which the Group operates. These laws and regulations increase the cost of doing business and limit the Group's activities. See "*Turkish Regulatory Environment*" for a description of the Turkish banking regulatory environment. In addition, a breach of any of these laws and regulations could expose the Group to potential liabilities or sanctions and damage its reputation.

Turkish banks' capital adequacy requirements will be further affected by the Basel Committee on Banking Supervision's (the "**Basel Committee**") new requirements ("**Basel III**") which is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk that was agreed upon by the members of the Basel Committee. Although it was scheduled to be introduced from 2013 to 2015, in April 2013 the schedule for implementation was extended until 31 March 2019. Basel III aims to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements and introduced the new Regulation on Equities of Banks (the "**Equity Regulation**") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which were published in the Official Gazette dated 5 September 2013 and numbered 28756 and came into effect on 1

January 2014. The Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (this is in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.), and (b) change the risk weights of certain items that are categorised under "other assets." The Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

Turkish banks are also subject to (a) the Regulation on the Capital Maintenance and Counter cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), and (c) the Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which the BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis (the "**Regulation on Liquidity Coverage Ratios**"). There is also a draft regulation which envisages an increase to the core and Tier I capital level requirements on certain conditions for further compliance with Basel III requirements. See "*Turkish Regulatory Environment*" below for a further discussion on Basel III and upcoming changes. If the Bank and/or the Group is unable to maintain its capital adequacy and leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which the Group operates have enacted or proposed various new laws and regulations, and there is still uncertainty as to what impact these changes might have. In addition, the Turkish government (including the BRSA or the Central Bank of Turkey ("**CBT**")) has introduced (and might introduce in the future) new laws and regulations that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards, increase reserves, increase provision requirements for loans, limit mortgage loan-to-value ratios or otherwise introduce rules that will negatively affect the Group's business and/or profitability (for example, see "*Turkish Regulatory Environment – Consumer Loan, Provisioning and Credit Card Regulations*"). The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector (see "*Competition in the Turkish Banking Sector*"). Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability would likely be materially adversely impacted until (if ever) such changes could be incorporated into the Group's pricing.

Such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, certain of these changes may require the Group to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with regulatory guidelines could expose the Group to potential liabilities and fines and damage its reputation.

As applicable to all other enterprises in Turkey, the Group is also subject to competition and antitrust laws. Violation of these laws could similarly result in penalties and reputational damage.

Interest Rate Risk – The Group may be negatively affected by volatility in interest rates

The Group's interest spread (which is the difference between the interest rates that the Group earns on its interest-earning assets and the interest rates that it pays on its interest-bearing liabilities) as well as the Group's net interest margin (which is its net interest income divided by its total average interest-earning assets) will be affected by changes in market interest rates. Sudden changes in interest rates or significant volatility in interest rates could result in a decrease in the Group's net interest income and net interest margin. As a result of declining market interest rates, the Group's change in strategic focus from lending to SME's to lending to corporate and commercial businesses, a globalisation of markets and increased competition, the Group's net interest margin has declined in recent years and may be volatile in future periods.

The degree of the Group's exposure to interest rate risk is largely a function of the relative tenors of its interest-earning assets and interest-bearing liabilities, its ability to reprice (and the timing of any such repricing of) its interest-earning assets and interest-bearing liabilities (for example, whether their interest rates are determined on a fixed or floating basis) and its ability to hedge against interest rate risk. For example, an increase in interest rates could cause interest expense on deposits (which are typically short-term and with interest rates that reset frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential reduction in net interest income. See "*The Group and its Business – Risk Management of the Bank*".

An increase in interest rates by the CBT (such as the large increases in January 2014 described in "*Risks relating to Turkey – High Current Account Deficit*") reduces the margin that may be earned from the lending activity of the Bank and may reduce the demand for loans from the Group and may result in mark-to-market losses on certain of its securities holdings, reducing net income or shareholders' equity. On the other hand, a decrease in the general level of interest rates might affect the Group through, amongst other things, increased pre-payments on its fixed rate loan portfolio and increased competition for deposits. As interest rates are highly sensitive to many factors beyond the Group's control, including national monetary policies and domestic and international economic and political conditions, the Group may be unable to mitigate effectively the adverse effect of such movements.

If the Group is unable for any reason to re-price its interest-earning assets and interest-bearing liabilities in a timely or effective manner, or if interest rates rise as a result of economic conditions or other reasons, and its interest-earning assets and interest-bearing liabilities are not match-funded or hedged, then the Group's net interest margin will be affected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Liquidity Risk – The Group might have difficulty borrowing funds on acceptable terms, if at all

Liquidity risk is the risk that a company will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance upon a particular source of funding (such as short-term funding), changes in credit ratings or market-wide dislocation. Credit markets worldwide experienced a severe reduction in liquidity during the recent global financial crisis and liquidity remains difficult to obtain on favourable terms. Perceptions of counterparty risk between banks also increased significantly, which led to further reductions in banks' access to traditional sources of liquidity such as the debt markets and asset sales. The Group's access to these wholesale sources of liquidity might at any time be restricted or available only at a high cost and the Group might have difficulty extending and/or refinancing its existing wholesale financing such as syndicated loans and eurobonds. In addition, the Group's significant reliance upon deposits as a funding source makes it susceptible to changes in customer perception of the strength of the banking sector in general and the Group in particular, and the Group could be materially and adversely impacted by substantial customer withdrawals of deposits.

The Group's customer deposits are its primary source of funding, although the Group also obtains funding through loans from other banks and through the sale of securities in the capital markets. The Bank relies primarily on short-term liabilities in the form of deposits (typically deposits with terms of less than three months) as its source of funding and has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset versus liability maturity gaps and ultimately liquidity concerns in the event of a banking crisis or similar event. The rate of growth of loans and advances to the Group's customers may outpace the rate of growth of deposits from the Group's customers, leading to a trend of increases in the Group's loan-to-deposit ratio. Accordingly, the Group may fund this growth in loans through the sale of securities and the use of borrowing facilities in addition to deposits.

If deposit growth does not fully fund loan and asset growth, then the Group would be increasingly dependent upon other sources of financing, including long-term funding via syndicated loans, "future flow" transactions and eurobonds. If any member of the Group were to seek to raise long-term financing but is unable to do so at an acceptable price or at all, then such funds would need to be raised in the short-term money market, thereby reducing the Group's ability to diversify funding sources and adversely affecting the length of the Group's funding profile.

The Group is expanding its activities in commercial banking, leading to a foreign currency denominated loan portfolio with longer maturities than a traditional corporation's loan portfolio. Such longer maturities might exacerbate any liquidity mismatch between the Group's funding and its loans. The need to rely upon shorter-term funds, or the inability to raise financing via the capital or long-term loan markets, might adversely impact the Group's liquidity profile and could have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*The Group and its Business – Risk Management of the Bank*".

In the event of a liquidity crisis affecting the Group, any liquidity mismatch (i.e., a mismatch between the maturities of the Group's assets and liabilities) might require the Group to liquidate some of its assets. Any liquidation of the Group's assets in such circumstances may be executed at prices below what the Group believes to be their intrinsic values.

A rising interest rate environment could compound the risk of the Group not being able to access funds at favourable rates or at all. As central banks unwind the expansive liquidity that has been provided during the recent global crisis, competition amongst banks and other borrowers for the reduced global liquidity might result in increased costs of funding. This and other factors could result in lower credit ratings, higher borrowing costs and/or less access to funds. In addition, the Group's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which the Group lends. While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default, change of control or other event) could have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, in the case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which may adversely affect borrowing using certain capital market instruments (such as "future flow" transactions and eurobonds). See also "*Foreign Currency Borrowing and Refinancing Risk*" below.

Securities Portfolio Risk – Members of the Group invest in securities for long- and medium-term periods, which could lead to significant losses

In addition to trading activities, members of the Group invest in securities for long- and medium-term periods for their own account, including investments in Turkish government securities and securities issued by Turkish and foreign corporations. The Group has historically made significant investments in high-yielding Turkish government securities, resulting in a material percentage of the Group's net income being derived from these investments. The share of securities portfolio shown in balance sheet decreased to 6 per cent. as at 31 December 2015 from 8 per cent. as at 31 December 2014. In addition to the credit risks of its investments in securities, the value of the portfolio is subject to market risks, including the risk that possible declines in interest rates may reduce interest income on any new investments, whereas possible increases in interest rates may result in a decline in the market value of the securities held by the Group, whether or not the Group is required to record such losses in its financial statements. Either of these scenarios could have a material adverse effect on the Group's business, financial condition and/or results of operations.

While securities issued by the Turkish government represent a large majority of the Group's securities portfolio and the Group thus does not have significant direct exposure to the credit risk of foreign governments, the on-going disruptions to the capital markets caused by investors' concerns over the fiscal deficits in certain countries such as Cyprus, Greece, Ireland, Italy, Portugal and Spain have had, and may continue to have, a material negative impact on the valuation of securities and thus on the market value of the Group's securities portfolio.

Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent on foreign currency-denominated debt, which may result in difficulty in refinancing or may increase its cost of funding, particularly if the Group and/or Turkey suffer(s) a ratings downgrade

While the Group's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Group to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Group has raised (and likely will seek to continue to raise) longer term funds from syndicated loans, "future flow" transactions, bond issuances, bilateral loans and other transactions, many of which are denominated in foreign currencies. As of 31 December 2015, the Group's total foreign currency denominated loans and advances from banks and subordinated liabilities constituted 37.6 per cent. of its consolidated liabilities and equalled 72.3 per cent. of its foreign currency denominated assets (21.1 per cent. and 62.1 per cent., respectively, as of 31 December 2014) and almost all of the Group's foreign currency-denominated borrowing (including subordinated liabilities) was sourced from international banks, multilateral institutions and "future flow" transactions. To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future. Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to devaluations of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency denominated obligations). Should these risks materialise, these circumstances could have a material adverse effect on the Group's business, financial condition and/or results of operations.

A downward change in the ratings published by rating agencies of either Turkey or members of the Group may increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt.

These risks may increase as the Group seeks to increase medium- and long-term lending to its customers, including project financings, the funding for much of which is likely to be made through borrowings in foreign currency. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Bank is currently on review for ratings downgrade

On 8 March 2016, Moody's Investor Service announced that it had placed the Bank on a ratings review with the possibility of a downgrade.

Moody's indicated that this was due to its assessment of the weakened ability of the Bank's majority shareholder (the Commercial Bank (Q.S.C.) ("**CB**"), which currently holds 75 per cent. of the Bank's shares) to provide support to the Bank. Moody's initially announced a ratings review of the State of Qatar, which is cited as a reason for the ratings review of CB, this in turn has prompted a ratings review of the Bank.

A downward change in the ratings published by a credit rating agency of the Bank, CB or the State of Qatar may increase the cost of funding any new indebtedness and/or refinancing of the Group's existing indebtedness, which could potentially have a material adverse effect on the Group's business, financial condition and/or results of operations.

Furthermore, any downward change in ratings published following the initial issuance of the Notes may, depending upon prevailing interest rates, negatively impact the secondary trading value of the Notes.

Reduction in Earnings on Securities Portfolio – The Group might not sustain the significant level of earnings on its securities portfolio

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2012, 2013, 2014 and 2015 accounting for 22.3 per cent., 22.1 per cent., 16 per cent. and 5.3 per cent. of its total interest income respectively. The consumer price index-linked securities in the Bank's investment portfolio have provided high real yields compared to other government securities, which also have been generating high nominal yields in a high inflation environment, but their impact on the Bank's earnings will vary as inflation rates change.

As securities in its portfolio are minimised to cope with the existing global volatility, trading gains have declined in the recent periods.

Trading Activities Risk – Members of the Group engage in market trading activities, including hedging, that could lead to significant losses

Members of the Group engage in various trading activities as both agent and (to a limited extent) principal, and the Group derives a proportion of its income from trading profits. The Group's proprietary trading involves a degree of risk and future results will in part depend largely upon market conditions that are outside of the Group's control. Trading risks include (amongst others) the risk of unfavourable market price movements relative to the Group's long or short positions, a decline in the market liquidity of such instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Group chooses to hedge certain positions do not track the market value of those positions and exchange rates. The Group could incur significant losses from its trading activities, which could have a material adverse effect on the Group's business, financial condition and/or results of operations. However, as ABank has one of the smallest securities to assets ratio in the market, the effect of such trading activities risk would be minimal in comparison with the other agents operating in the same sector.

Dependence upon Banking and Other Licences – Group members may be unable to maintain or secure the necessary licences for carrying on their business

All banks established in Turkey require licensing by the BRSA. The Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. The Bank's management believes that the Bank and each of its subsidiaries is currently in compliance with its existing material licence and reporting obligations; nevertheless, if it is incorrect, or if any member of the Group were to suffer a future loss of a licence, breach the terms of a licence or fail to obtain any further required licences, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Correlation of Financial Risks – The occurrence of a risk borne by the Group could exacerbate or trigger other risks that the Group faces

The exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, could exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial trading losses due to a market downturn in Turkey, then its need for liquidity could rise sharply while its access to liquidity and/or capital could be impaired. In addition, in conjunction with a market downturn, the Group's customers could incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. If this particular combination of risks, or any others, occur, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Operational Risk – The Group may be unable to monitor and prevent losses arising from fraud and/or operational errors or disruptions

The Group employs substantial resources to develop and operate its risk management processes and procedures; however, similar to other banking groups, the Group is susceptible to, amongst other things, fraud by employees or third parties, failure of internal processes and systems, unauthorised transactions by employees and operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group's risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruption to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for the Group to detect quickly or at all. If the Group is unable to successfully monitor and prevent these or any other operational risks, or obtain sufficient insurance to cover these risks, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Money Laundering and/or Terrorist Financing – The Group is subject to risks associated with money laundering or terrorist financing

The Group is required to comply with applicable anti-money laundering ("**AML**") and anti-terrorist financing laws and regulations and has adopted various policies and procedures, including internal control and "know-your-customer" ("**KYC**") procedures, aimed at preventing the Group being used for money laundering and terrorist financing. In addition, while the Group reviews its correspondent banks' internal policies and procedures with respect to such matters, the Group relies to a large degree upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. No relationship will be established with correspondent banks allowing their accounts to be used by shell banks or with other banks seeking to open a payable through account.

Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and its correspondent banks) as a conduit for money laundering (including illegal cash operations), terrorist financing or other criminal activities without the Group's (and its correspondent banks') knowledge. If the Group is associated with, or even accused of being associated with, money laundering, terrorist financing or similar criminal activities, then its reputation could suffer and/or it could become subject to criminal or regulatory fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental or other support in the event of illiquidity or insolvency

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important Turkish banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this may not be the case for Turkey in general or the Group in particular. Investors in the Notes should not place any reliance upon the possibility of the Group being supported by any governmental or other entity at any time, including by providing liquidity or helping to maintain the Group's operations during periods of material market volatility. See "*Turkish Regulatory Environment – The SDIF*" for information on the limited government-provided insurance for the Bank's deposit obligations.

Leverage Risk – The Group may become over-leveraged

One of the principal causes of the recent global financial crisis was the excessive level of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for this over-leverage, important factors included the low cost of funding, the over-reliance by creditors on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the debtor's rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Group becomes over-leveraged as a result of these or any other reasons, then it may be unable to satisfy its obligations in times of financial stress, and such failure could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Personnel – The Group's success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff, particularly in the Group's İstanbul headquarters, is very high and requires the Group to continually re-assess its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group may not continue with the Group. In addition, the Group's success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel including relationship managers ("**RMs**") and/or senior management or manage its personnel successfully could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dependence upon Information Technology Systems – The Group's operations are highly dependent upon its information technology systems

The Group's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology ("**IT**") systems and its ability to increase systems capacity. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to compete.

Risk Management Strategies – The Group's efforts to control and manage risk may be inadequate

In the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, interest rate risk, liquidity risk and operational risk (see "*The Group and its Business – Risk Management of the Bank*"). Although the Group invests substantial time and effort in risk management strategies and techniques, it may nevertheless fail to manage risk adequately in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses could be greater than expected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Some of the Group's methods of managing risk are based upon its use of historical market behaviour, which methods may not predict future risk exposures that could be significantly greater than historical measures indicate. If its measures to assess and mitigate risk prove insufficient, then the Group may experience material unexpected losses that could have a material adverse effect on its business, financial condition and/or results of operations. For example, assets held by the Group that are not traded on public markets might be assigned values that the Group calculates using mathematical risk-based models, which models might not accurately measure the actual risks of such assets, resulting in potential losses that the Group has not anticipated.

The Bank's subsidiaries have their own risk management teams and procedures, which (in the context of their respective businesses and regulatory environment) are generally consistent with those of the Bank. The Bank's audit and risk committees coordinate with, and monitor the risk management policies and positions of, the Bank's subsidiaries. Such coordination and monitoring may not be sufficient to ensure that the subsidiaries' respective risk management teams and procedures will be able to manage risks to the same degree as the Bank's risk management team and procedures. Any failure of a subsidiary's risk management procedures to manage risk effectively might have a material adverse impact on the Group's reputation, together with its business, financial condition and/or results of operations.

Risks relating to the Group's Relationship with the Bank's Principal Shareholders – The Group intends to continue its dealings with the Anadolu Group (as defined below) and CB and other shareholders although these may give rise to apparent or actual conflicts of interest

The Banking Law places limits on a Turkish bank's exposure to related parties. The Group is within the limits of the Banking Law in terms of its exposure to its related parties including Anadolu Endüstri Holding A.Ş. and Anadolu Motor Üretim ve Pazarlama A.Ş. (together, the "**Anadolu Group**") and CB. With respect to the Bank, all credits with respect to, and services provided to, its related parties (including members of the Anadolu Group and CB) are made on an arm's length basis and all credit decisions with respect to its related parties are required to be approved by the affirmative vote of two-thirds of the Bank's Board (other members of the Group have similar requirements). From time to time the Group has purchased and sold assets (including equity participations and real estate) and services to/from Anadolu Group companies and CB and the Bank believes that the terms of such transactions have been at least as favourable as those the Group would have received from an unaffiliated party. Where applicable, the value estimations (to the extent that the market values were not available) were made by independent appraisers engaged by the Group's management. Although the Group intends to continue to enter into transactions with related parties on terms similar to those that would be offered to an unaffiliated third party, such transactions create the potential for, or could result in, conflicting interests. Furthermore, the

Bank's shareholders may disagree on material matters of policy relating to the Group. Such disagreements may result in shareholder disputes that could negatively impact the Group's ability to take certain actions and/or may result in negative publicity for the Group. The occurrence of these or similar circumstances could have a material adverse effect on the business, financial condition and/or results of the operations of the Group. See "*Related Party Transactions entered into by the Bank*".

Independent Directors – Independent directors constitute a minority of the Bank's directors

As the majority of the members of the Board are associated with the Anadolu group of companies or CB, the opinions held by the Bank's directors may be the same as the views of the Bank's management and thus the Bank's Board might not present an independent voice to balance against the views of the Bank's management. See "*Management of the Bank*".

Turkish Disclosure Standards – Turkish disclosure standards differ in certain significant respects from those in certain other countries, potentially resulting in a lesser amount of information being available

There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU, the United States or in other similar markets and any information that is published might only be presented in Turkish.

The BRSA's rules require Turkish banks to publish their financial reports and their annual financial reports on their websites. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements and interim management reports. Investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the EU, the United States and certain other markets.

Risks relating to Turkey

Most of the Bank's and its subsidiaries' operations are conducted, and substantially all of their customers are located, in Turkey. Accordingly, the Group's ability to recover on loans, and its business, financial condition and results of operations, are substantially dependent upon the political and economic conditions prevailing in Turkey.

Political Developments – Political developments in Turkey may negatively affect the Group's business, financial condition and/or results of operations

Negative changes in the government and political environment, including the failure of the government to devise or implement appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations.

Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in over 90 years since its formation Turkey has had numerous, short-lived governments, with political disagreements frequently resulting in early elections. Furthermore, though its role has diminished in recent years, the Turkish military establishment has historically played a significant role in Turkish government and politics, intervening in the political process.

Recent geopolitical risks have also manifested themselves in local politics. After the July 2015 bombing at Suruç, Ankara began to target selected Islamic State ("**IS**") targets and granted access to all of its airbases to coalition air forces. Turkish planes also take part in joint raids and have already begun bombing selected targets in Syria. Turkey also called for a NATO meeting, informing other NATO members about the recent developments and exchanging views over the joint military operations against IS and the Kurdistan Workers' Party (the "**PKK**").

In early 2015, the PKK broke a ceasefire arrangement with Turkey following its attacks on the police, postponing the peace process at least in the short-term. It is also likely that tensions within the Turkish-Kurdish political parties will rise. Such complex relations between the Peoples' Democratic Party and the PKK raise Turkey's political tensions in general. Following the June 2015 elections, negotiations to form a coalition government failed and the President called for a re-election by November. The November election resulted in victory by the Justice and Development Party ("**AKP**", which is the governing political party) re-affirming the party's governing mandate and stabilising (to a certain extent) the turbulent political landscape for the time being. AKP announced that it would not be willing to enter into a cooperation agreement with the PKK, unless the PKK agreed to dispose of their weapons. Recent comments from both parties would suggest that a quick resolution is unlikely.

Such actual or perceived political instability in Turkey could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the value of the Notes.

Turkish Economy – The Turkish economy is subject to significant macro-economic risks

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded well to this transformation, it has experienced severe macro-economic imbalances, including significant current account deficits and a considerable level of unemployment. While the Turkish economy has received support from the International Monetary Fund, Turkey may experience a further significant economic crisis in the future, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy suffers because of, amongst other factors, a reduction in the level of economic activity, devaluation of the Turkish Lira, inflation or an increase in domestic interest rates, then a greater portion of the Group's customers might not be able to repay loans when due or meet their other debt service requirements to the Group, which would increase the Group's past due loan portfolio and could materially reduce its net income and capital levels. In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in demand for the Group's products.

The occurrence of any or all of the above could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkish Economy – Lower than potential growth

Following the restructuring of the banking sector in the early 2000s, Turkey benefited from a surge in global liquidity and performed well, even in the post-crisis period. However, due to weakening global demand and poor capital flows, the Turkish economy has lost momentum, much like most emerging market economies in the previous few years. Turkish economic policy is aimed at changing the country's economic structure from a consumption based economy to a more export and investment oriented one. In order to support this change, international trade volume must increase not only in nominal terms but also in terms of export quality. Turkey's economy must shift from a manufacturing orientated economy to an economy based on the exports of "value added goods". Shifts in the economic structure take time and the Turkish economy will be subject to lower growth rates until the restructuring finalises. The Turkish government's new major target is to elevate the saving level of the country, in order to both reduce the current account deficit (the "**CAD**") and promote investments. The government would choose to implement taxation methods to increase the domestic savings level. The same economic restructuring is also taking place in most emerging market economies. However, such structures take time to be effective and it is unclear how this might affect the Group's position in the near-future.

FED's Rate Increase Cycle / Eurozone Economic Recovery – Turkey will be subject to economic volatility in line with other emerging market economies

A strong economic outlook for the US economy has paved the way for the US Federal Reserve System (the "**FED**") to increase rates and move away from its "zero rate" policy. The initial rate increase was implemented in December 2015, while the possibility of further interest rate increases remains uncertain. Data dependency will be the main determinant for the FED's choice as to whether to raise interest rates in the future. As was observed in previous FED rate increases, emerging market economies have been and probably will be subject to economic fluctuations during the FED rate increase period. Given the high level of quantitative easing implemented by the FED, negative effects to the Turkish economy could last for a long time. Emerging market countries, including Turkey, have experienced high volatility within their economies over the last two years. However, whilst the volatility has been high during the period prior to the FED rate increases, the volatility may be lower following the FED rate increases. Taking into consideration the possible fluctuations and negative effects on the general economy, the CBRT announced that it will shift back to a more orthodox monetary policy, and began to decrease interest rates by 25 bps in the upper range of the interest rate corridor in March 2016. Any further action would include further decreasing the interest rate corridor. By simplifying the framework of the interest rate policy, the CBRT will be required to contain any interest rate fluctuations if the global volatility decreases. The FED is expected to raise interest rates gradually, which will let emerging market economies perform positively in the short-term. Since global demand is still weak, market expectation for a rate increase is postponed to the third financial quarter of 2016, if not to 2017. The Turkish economy is also dependent on the EU as Turkey exports 55 per cent. of its total exports to the EU. Although a moderate economic recovery is forecasted in the EU region, initial indicators do not signal a quick economic recovery for the region in 2016.

Lower Current Account Deficit – Contained consumption demand and low oil prices

Due to the low savings and low income level, Turkey was subject to severe balance of payments crisis throughout the 1990s, while global liquidity reduced the negativity of the deficit in the 2000s and the post-crisis period. A recent downturn in the capital flows has been balanced with a sharp fall in oil prices, with Turkey managing to reduce its CAD to USD 32.2 billion in 2015 from USD 65 billion in 2013. The deficit to gross domestic product ("**GDP**") level declined to 4.4 per cent. from 8.0 per cent. in the same period. Low oil prices and weaker local demand continued to put pressure on the CAD in 2015, whilst the effect of low oil prices is expected to be neutralised by the rising local consumption demand in 2016. Energy imports, totalling USD 56 billion in 2013, declined to USD 55 billion in 2014 and USD 40 billion in 2015. It is expected that the energy bill will decline to USD 35 billion in 2016. So long as oil prices stay depressed, the CAD will be a less important issue for the Turkish economy. The Turkish government has declared its intention to reduce the CAD and contain local demand with measures focusing on consumer loans. However, due to the low growth trend, the government has announced a rise in minimum wage and pension payments, that is expected to increase the consumption demand and the demand for imported goods in 2016. Existing consumption curbing measures by the BRSA and CBRT could be relieved, unless the fiscal accommodation measures fail to promote consumption. Dependency on foreign capital and a low savings level for Turkish citizens will be the main issue for the economic policy makers, however it is unclear when exactly such issues will be implemented, thereby creating some financial uncertainty for the Group.

Inflation Risk – Inflation to remain at elevated levels

Despite weak domestic demand, a volatile currency and high food prices helped increase inflation in 2015, whilst unfavourable climate effects from the previous year kept food prices at high levels. A consumer price inflation ("**CPI**") level of 8.2 per cent. in the end of 2014 could not decrease due to high foreign exchange volatility and the projected CPI figure for 2016 is 8.8 per cent. Although food prices are less depressed, service sector prices and currency depreciation will keep CPI at high levels. The Group maintains its 7.8 per cent. 2016 year end forecast for CPI. The CPI will continue to stay at approximately 7 to 8 per cent. in 2016. Any approaching FED increase in interest rates would be another factor generating foreign exchange volatility and inflationary pressures and it is unclear how such volatility might affect the Group's financial position.

Terrorism and Conflicts – Turkey and its economy are subject to external and internal unrest and the threat of terrorism

Turkey is located in a region that has been subject to ongoing political and security concerns. Political uncertainty within neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has been one of the risks associated with investment in Turkish securities. Since December 2010, political instability has increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Libya, Tunisia, Egypt, Syria, Jordan, Bahrain, Iraq and Yemen. Unrest in those countries might affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts could occur, *inter alia*, through a lower flow of foreign direct investment into Turkey, capital outflows and increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East, North Africa and Eastern Europe and may experience material negative effects, including the Group's operations in such regions.

The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution is difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, and on 3 October 2013, the authorisation was extended for one year.

In early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and on its borders, including Russia effectively taking control of Crimea (followed by Crimea's independence vote and absorption by Russia) have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. Resolution of Ukraine's political and economic conditions will likely not be obtained for some time, and the situation could even degenerate into increased violence and/or economic collapse. While not directly impacting Turkey's territory, the disputes could materially negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies.

Ongoing conflict has arisen between Turkey and Iraq due to the sale of Iraqi oil by the Kurdistan Regional Government of Northern Iraq to Turkey. This led Iraq's Ministry of Oil to file a request for arbitration before the International Chamber of Commerce against Turkey and BOTAŞ (a state-owned petroleum enterprise), on 23 May 2014. Any escalation of such unrest, or heightened tensions between Iraq and Turkey and/or organisations in Turkey, could impact the Turkish economy leading to higher energy prices in Turkey.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by states and organisations including the EU and the United States). Turkey has from time to time been the subject of terrorist bomb attacks, including bombings in recent years in its tourist and commercial centres in İstanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces. The April 2013 Taksim Square protests have also contributed to recent volatility in the Turkish financial markets.

Such circumstances have had and could continue to have a material adverse effect on the Turkish economy (including a negative impact on tourism and foreign direct investment) and consequently the Group's business, financial condition and/or results of operations.

Foreign Relations – Turkey's relationship with Russia has been significantly harmed with the recent events related with the current conflict in Syria

On 24 November 2015, a Russian bomber aircraft was shot down by Turkish fighter jets on the Turkey-Syria border because of an alleged violation of Turkish airspace. This incident led to serious tensions between Turkey and the Russian Federation. Accordingly, the Russian Federation imposed certain sanctions on Turkey, including restrictions on the exportation of Turkish goods to Russia. This heated tension may lead to further sanctions to be imposed on Turkey, which may have a material adverse effect on the Turkish economy (including a negative impact on tourism, foreign direct investment and oil and gas prices) and consequently the Group's business, financial condition and/or results of operations.

Turkish Banking Sector – The Turkish banking sector has experienced significant volatility in the past and may experience significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (i.e., non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks Türkiye Halk Bankası A.Ş. ("**Halkbank**"), Türkiye Vakıflar Bankası T.A.O. ("**Vakıfbank**") and T.C. Ziraat Bankası A.Ş. ("**Ziraat**") (which remain three of the top ten banks in the Turkish market based upon total assets as of 30 September 2015 according to the BAT). Notwithstanding such changes, the Turkish banking sector remains subject to volatility and to continued pressure on ratings. Recently, Fitch has downgraded the long-term foreign and local currency issuer default ratings of three major banks in Turkey, İş Bankası, Garanti Bankası and Akbank to 'BBB-' from 'BBB' by addressing the increased risks from recent rapid credit growth and higher external debt. If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, this might result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking sector, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Government Default – The Group has a significant portion of its assets invested in Turkish government debt or lent to governmental entities, making it highly dependent upon the continued credit quality of, and payment by, the Turkish government of its debts

The Group has a significant exposure to Turkish governmental and state-controlled entities. As of 31 December 2015, 81.6 per cent. of its total securities portfolio (4.7 per cent. of its total assets and 65.7 per cent. of its shareholders' equity) was invested in securities issued by the Turkish government. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its debt or the possible downgrade in Turkey's credit rating (Moody's and S&P recently changed Turkey's outlook from stable to negative, citing the increased pressure on Turkey's external financing position driven by heightened political uncertainty and lower global liquidity while the rating is retained) would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking sector generally and might have a material adverse effect on the Group's business, financial condition and/or results of operations or rating. Similarly, enforcing rights against governmental entities might be subject to structural, political or practical limitations.

Potential Overdevelopment – Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy

Certain sectors of the Turkish economy may have been (or may become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate-related projects. For example, significant growth in the number of hotels is projected to occur over the coming years in anticipation of a continuing growth in international tourism that might or might not in fact occur. Any such overdevelopment might lead to a rapid decline in prices of these properties or the failure of some of these developments. Even if such does not occur, the pace of development of such properties might decline in coming years as developers seek to reduce their supply of available properties, which reduction might negatively affect the growth of the Turkish economy. Should any of such events occur, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Earthquakes – Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

The Bank maintains earthquake insurance but does not have the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. In the event of future earthquakes, effects from the direct impact of such events on the Group and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), could have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, an earthquake or other large-scale disaster might have an adverse impact on the Group's customers' ability to honour their obligations to the Group.

Risks Relating to the Notes

Terms used but not defined in this section shall have the meanings given in the "*Terms and Conditions of the Notes*".

Early Redemption – The Notes may be subject to early redemption at the option of the Issuer

The Issuer will have the right to redeem the outstanding Notes on the Issuer Call Date at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the Issuer Call Date, subject to having obtained the prior approval of the BRSA in accordance with Condition 8.3 of the Notes, with any such prior approval of the BRSA subject under Article 8(2)(d) of the Equity Regulation to the conditions that, amongst other things: (a) the Notes are replaced with an equivalent, or higher, quality of capital, and such replacement does not restrict the Issuer's ability to continue its operations; and (b) the Issuer continues to satisfy its applicable capital requirements following the exercise of the redemption option (see paragraph (e) of "*Turkish Regulatory Environment—Capital Adequacy—Tier II Rules under Turkish Law*" on page 134 of the Prospectus). This optional redemption feature is likely to limit the market value of the Notes because, in the period leading up to when the Issuer may elect to so redeem the Notes, the market price of the Notes generally will not rise substantially above the price at which they can be redeemed.

An investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and might only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption upon a Capital Disqualification Event – The Issuer will have the right to redeem the Notes upon the occurrence of a Capital Disqualification Event

If a Capital Disqualification Event (as defined in Condition 8.4) occurs at any time after the Issue Date, the Issuer will have the right to redeem the Notes at their then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption, subject to having obtained the prior approval of the BRSA in accordance with Condition 8.4 of the Notes (see "*Early Redemption – The Notes may be subject to early redemption at the option of the Issuer*" for a description of the conditions for any such approval of the BRSA under Article 8(2)(d) of the Equity Regulation). A Capital Disqualification Event includes any changes in applicable law (including the Equity Regulation), or the application or official interpretation thereof (which change in application or official interpretation is confirmed in writing by the BRSA), that results in all or any part of the Prevailing Principal Amount of the outstanding Notes not being eligible for inclusion as Tier 2 capital of the Issuer (save where such exclusion is only as a result of any applicable limitation on the amount of such capital). Upon notice of such a redemption being given, the market value of the Notes is unlikely to rise above the price at which they are to be redeemed and investors in the Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes. This redemption feature is also likely to limit the market value of the Notes during any period in which the Issuer may elect to redeem them, as the market price during this period generally will not rise substantially above the price at which they can be redeemed. This may similarly be true in any prior period when any relevant change in law is yet to become effective.

Subordination – Claims of Noteholders under the Notes will be subordinated and unsecured

On any distribution of the assets of the Issuer on its dissolution, winding-up or liquidation (as further described in the definition of "Subordination Event" in Condition 3.4), and for so long as such Subordination Event continues, the Issuer's obligations under the Notes will rank subordinate in right of payment to the payment of all Senior Obligations and no amount will be paid under the Notes until all such Senior Obligations have been paid in full. Unless the Issuer has assets remaining after making all such payments, no payments will be made on the Notes. If there are sufficient assets to enable the Issuer to pay all Senior Obligations in full but insufficient assets to enable the Issuer to make payments in respect of the Notes and all Parity Obligations, then Noteholders will lose some (which may be substantially all) of their investment in the Notes. Consequently, although the Notes may pay a higher rate of interest than comparable notes that are not subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Subordination Event.

Potential Permanent Write-Down – The Prevailing Principal Amount of the outstanding Notes will be permanently written-down by the amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer

If a Non-Viability Event occurs at any time, then the Prevailing Principal Amount of each outstanding Note will be permanently Written-Down in the manner described in Condition 6.1.

A Non-Viability Event is defined in Condition 6.2 as the determination by the BRSA that, as a result of losses incurred by the Issuer (on a consolidated or non-consolidated basis), the Issuer has become, or it is probable that the Issuer will become, Non-Viable. The Issuer will become Non-Viable where as a result of losses incurred by the Issuer, it is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that (a) the Issuer has not taken, either partially or completely, the requested corrective rehabilitative or restrictive measures indicated in the Banking Law (No. 5411) within the period given by the BRSA or within a maximum of 12 months or, even if those measures would have been taken, either partially or completely, the financial structure has not been strengthened, or it is considered that it cannot be strengthened even if the measures are taken, or (b) the continuation of the Issuer's activities will endanger the rights of the deposit holders as well as the security and stability of the financial system, or (c) the Issuer has not fulfilled its obligations as they fall due, or (d) the total value of the liabilities of the Issuer exceeds the total value of its assets, or (e) the dominant partners or managers of the Issuer fraudulently use the resources of the Issuer directly or indirectly in their own or others' favour in such a manner that the sound operation of the Issuer will be at stake, thus causing a loss for the Issuer. Consequently, the BRSA may determine that (a) the Issuer's operating licence is to be revoked and the Issuer liquidated or (b) the rights of all of its shareholders (except to dividends), and the management and supervision of the Issuer, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders.

As of the date of this Prospectus, there are a number of corrective, rehabilitative and restrictive measures that the BRSA may require to be taken under Articles 68 to 70 of the Banking Law prior to any determination of Non-Viability of the Issuer (see "*Turkish Regulatory Environment*" for further information regarding such corrective, rehabilitative and restrictive measures). It is only, as determined by the BRSA: (a) where such measures are not taken either completely or partially, or are taken but the bank's financial structure is not strengthened or it is considered that the bank's financial structure cannot be strengthened; or (b) where the continuation of the operations of the bank is considered as endangering the position for deposit holders and the security and stability of the financial system, or (c) upon the default or insolvency of the bank or fraud of its management, that the BRSA may then make the relevant determination under Article 71 of the Banking Law that the bank's operating licence is to be revoked and the bank liquidated or its shareholders' rights and management and supervision are to be transferred to the SDIF. There can be no assurance that the BRSA would require such corrective, rehabilitative or restrictive measures to be taken in respect of the Issuer before making a determination of Non-Viability of the Issuer and, even if taken, the BRSA may still determine the Issuer to be Non-Viable resulting, in each case, in the permanent Write-Down of the Notes by the relevant Write-Down Amount specified in writing by the BRSA.

In conjunction with any such determination of Non-Viability by the BRSA, the relevant loss(es) of the Issuer may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law upon: (a) the transfer of shareholders' rights (other than the right to dividends) and the management and supervision of the Issuer to the SDIF, as it is a condition of any such transfer that losses are deducted from the capital of existing shareholders; or (b) the revocation of the Issuer's operating licence and its liquidation; however, the permanent Write-Down of the Notes under the Equity Regulation may take place before any such transfer or liquidation.

Condition 6.1 provides, amongst other things, that a Write-Down of the Notes shall only take place in conjunction with any such transfer or liquidation, which is intended to ensure that while the Write-Down of the Notes may take place before such transfer or liquidation, the intended respective rankings of the Issuer's obligations (as described in Condition 3.1) are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible or otherwise allowed by law. Where a Write-Down of the Notes does take place before any such liquidation of the Issuer, Noteholders would only be able to claim and prove in the liquidation of the Issuer in respect of the Prevailing Principal Amount of the Notes outstanding following such Write-Down.

Notwithstanding the above, should the BRSA determine that the Notes are to be Written-Down before the absorption of the relevant loss(es) by shareholders of the Issuer pursuant to Article 71 of the Banking Law or any other Statutory Loss Absorption Measure, there can be no assurance that such loss absorption will take place or that it will be taken into account by the BRSA in the determination of the Write-Down Amount.

Any Write-Down of the Notes would be permanent and Noteholders will have no further claim against the Issuer in respect of any amount of the Notes subject to any Write-Down. Consequently, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Non-Viability Event. Therefore, the occurrence of any such event or any suggestion of such occurrence could materially adversely affect the rights of Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. See Condition 6 for further information on any such potential Write-Down of the Notes, including for the definitions of various terms used in this paragraph.

No Limits on Senior Obligations or Parity Obligations – There will be no limitation on the amount of Senior Obligations or Parity Obligations that the Issuer may incur

There will be no restriction in the documentation relating to the issuance of the Notes on the amount of Senior Obligations or Parity Obligations that the Issuer may incur. The incurrence of any such obligations might reduce the amount recoverable by the Noteholders on any dissolution, winding-up or liquidation of the Issuer and might result in an investor in the Notes losing all or some of its investment.

Limited Remedies – Investors will have limited remedies under the Notes

A holder of a Note will only be able to accelerate payment of the Prevailing Principal Amount of that Note, together with interest accrued and unpaid to the date of repayment, upon the occurrence of a Subordination Event or otherwise on the winding-up, dissolution or liquidation of the Issuer as described in Condition 11 and then claim or prove in the winding-up, dissolution or liquidation. Noteholders may institute proceedings against the Issuer as described in Condition 11 to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any Prevailing Principal Amount or interest in respect of the Notes) but will not have any other right of acceleration under the Notes, whether in respect of any default in payment or otherwise, and the only remedy of a Noteholder on any default in a payment on the Notes will be to institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event or for the Issuer's winding-up, dissolution or liquidation as described in Condition 11 and to claim or prove in the winding-up, dissolution or liquidation of the Issuer.

No other remedy will be available to Noteholders against the Issuer, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes, and Noteholders will not be able to take any further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes.

To the extent any judgment is obtained in the United Kingdom on the basis of English law as the governing law of the Notes (other than those provisions of the Conditions governed by Turkish law), there is uncertainty as to the enforceability of any such judgment by the Turkish courts. In addition, there are certain circumstances in which the courts of Turkey might not enforce a judgment obtained in the courts of another country, which are more fully described under the section entitled "Enforceability of Judgments " on page 31 of the Prospectus. Therefore there can be no assurance that a Noteholder would be able to enforce in Turkey any judgment obtained in the courts of another country in these circumstances.

Minimum Denomination

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of USD 200,000 (or its equivalent) that are not integral multiples of USD 200,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive an Individual Note Certificate in respect of such holding (should Individual Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

Credit Rating

The Notes are expected to be rated BBB- by Fitch and Ba2 (hyb), under review for downgrade by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes. The credit rating agencies may also revise the ratings methodologies applicable to issuers within a particular industry or political or economic region. For example, there have been recent methodology changed which resulted in the review of sovereign and global bank ratings.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless: (a) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation; or (b) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Note except in certain limited circumstances described in the Global Note. The Global Note will be registered in the name of the common depositary as nominee for, and deposited with, the common depositary for Euroclear and Clearstream, Luxembourg. Individual Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note. While the Notes are represented by the Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note.

Holders of beneficial interests in the Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note will not have a direct right under the Global Note to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Redemption for Taxation Reasons – The Issuer will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay increased withholding taxes with respect to interest or other payments on the Notes or which result in it no longer being entitled to claim a deduction in calculating its tax liability in respect of the payment of interest or the value of such deduction being reduced

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside Turkey varies depending upon the original maturity of such bonds as specified under Decree No.

2009/14592 dated 12 January 2009, which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (together, the "**Tax Decrees**"). Pursuant to the Tax Decrees, with respect to bonds with a maturity of five years or more, the withholding tax rate on interest is 0 per cent. Accordingly, the initial withholding tax rate on interest on the Notes will be 0 per cent. The Issuer is also entitled to claim a deduction in calculating its tax liability under Turkish tax law in respect of payments of interest on the Notes.

The Issuer will have the right to redeem all, but not some only, of the Notes, subject to having obtained the prior approval of the BRSA (see "*Early Redemption – The Notes may be subject to early redemption at the option of the Issuer*" for a description of the conditions for any such approval of the BRSA under Article 8(2)(d) of the Equity Regulation), at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption if as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 14 April 2016, the Issuer would:

(a) on the next Interest Payment Date be required to (i) pay additional amounts as provided or referred to in Condition 9, and (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on such date, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on the next Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 14 April 2016, is reduced.

Upon notice of such a redemption being given, investors in the Notes might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the Notes.

This redemption feature is also likely to limit the market value of the Notes at any time when the Issuer has the right to redeem them as provided above, as the market price at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in any prior period when any relevant change in law or regulation is yet to become effective.

Reset Interest Rate – The interest rate on the Notes will be reset on the Issuer Call Date, which could affect interest payments on an investment in the Notes and the market price of any such investment

The Notes will initially bear interest at the Initial Interest Rate until (but excluding) the Issuer Call Date, at which time the Rate of Interest will be reset to the Reset Interest Rate. The Reset Interest Rate could be less than the Initial Interest Rate and could therefore adversely affect the market value of the Notes. See Condition 5 for further information of such resetting of the Rate of Interest, including for the definitions of various terms used in this paragraph.

Majority Decisions – The conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Further Notes may be issued without the consent of the Noteholders

The Issuer may from time to time create and issue further Notes without the consent of the Noteholders, subject to terms and conditions which are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

Enforcement of Judgments – It may not be possible for investors to enforce foreign judgments against the Bank or its management

The Bank is a public joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such person or entities outside of Turkey, or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments; however, Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts. The same may apply for judgments obtained in other jurisdictions. For further information, see "*Enforceability of Judgments*".

Change in Law – The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

No Secondary Market – An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Illiquidity may have a severely adverse effect on the market value of Notes.

Market Price Volatility – The market price of an investment in the Notes may be subject to a high degree of volatility

The market price of any investment in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other Notes or debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of an investment in the Notes without regard to the Bank's financial condition or results of operations.

The market price of any investment in the Notes will also be influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investment in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Bank's, which could adversely affect the market price of an investment in the Notes.

Exchange Rate Risks and Exchange Controls – If an investor holds Notes which are not denominated in the investor's home currency, then such investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in United States dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than United States dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of United States dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to United States dollars would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in United States dollars into the Investor's Currency, which could materially adversely affect the market value of the Notes. There may also be tax consequences for investors.

Interest Rate Risk – The value of the Notes may be adversely affected by movements in market interest rates

An investment in Notes involves the risk that subsequent changes in market interest rates could have a material adverse effect on the value and trading price of the Notes.

Tax consequences of holding the Notes

Potential investors should consider the tax consequences of investing in the Notes and consult their tax advisers about their own tax situation. See "*Taxation*".

Change of tax law

Statements in this Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact (i) the ability of the Bank to service the Notes, and (ii) the market value of the Notes.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Issuer named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons or entities outside of Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts.

In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments, or

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and the United Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment in the past confirming *de facto* reciprocity between Turkey and the United Kingdom. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based on any non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than the Republic of Turkey if:

(a) the court rendering the judgment did not have jurisdiction to render such judgment;

(b) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant brought an objection before the Turkish court against the request for enforcement on any of these grounds;

(c) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of the Republic of Turkey;

(d) the judgment is not incompatible with a judgment of a court in the Republic of Turkey between the same parties and relating to the same issues, or in certain circumstances, with an earlier foreign judgment which satisfies the same criteria and is enforceable in the Republic of Turkey;

(e) the judgment was rendered by a foreign court which treated itself competent despite the lack of connection with parties or subject matter of the case and the defendant brought an objection before the Turkish court against the request for enforcement on this ground;

(f) the judgment is clearly against public policy rules of the Republic of Turkey;

(g) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or

(h) the judgment is not of a civil nature.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which (except for the paragraphs in italics) will be incorporated by reference into each Global Note (as defined below) and endorsed on or attached to each definitive Note.

This Note is one of a Series (as defined below) of USD 300,000,000 Fixed Rate Resettable Tier 2 Notes due 2026 issued by Alternatifbank A.Ş. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global note (a Global Note), units of each Specified Denomination;

(b) any Global Note; and

(c) any definitive Notes in registered form (whether or not issued in exchange for a Global Note in registered form).

The Notes have the benefit of an agency agreement dated 15 April 2016 (such agency agreement as amended or supplemented from time to time, the "**Agency Agreement**") and made amongst the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**" which expression shall include any successor fiscal agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), BNP Paribas Securities Services, Luxembourg Branch as transfer agent (together with the Registrar (as defined below), the "**Transfer Agents**", which expression shall include any additional or successor transfer agent) and BNP Paribas Securities Services, Luxembourg Branch as registrar (the "**Registrar**", which expression shall include any successor registrar).

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes (a) which are expressed in their terms to be consolidated and form a single series and (b) the terms and conditions of which are identical in all respects except for their respective issue dates, in certain circumstances, interest commencement dates and/or issue prices.

The Noteholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 15 April 2016 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below)

Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Office (as defined in the Agency Agreement) of each of the Fiscal Agent, the Registrar, the other Paying Agents and the other Transfer Agents (such agents and the Registrar being together referred to as the "**Agents**"). The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Conditions, the Conditions will prevail.

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

The Notes are in registered form and serially numbered, and are issued in amounts of USD 200,000 and integral multiples of USD 1,000 thereafter (each a "**Specified Denomination**"). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of Turkey and the Communiqué No. II-31.1 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: Sermaye Piyasası Kurulu) (the "**CMB**"). The proceeds of the Notes shall be paid in cash in a single sum to the Issuer.

1.2 Title

Subject as set out below, title to the Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership, trust or any other interest or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next two succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note deposited with and registered in the name of a nominee for a common depositary or a common safekeeper, as the case may be, for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking société anonyme ("**Clearstream, Luxembourg**") each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall upon their receipt of such certificate or other document be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes and the registered holder of such Global Note shall be deemed not to be the holder for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the registered holder of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may be approved by the Issuer and the Fiscal Agent.

2. TRANSFERS OF NOTES

2.1 Transfers of interests in Global Notes

Transfers of beneficial interests in Global Note will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note, in each case only in the Specified Denominations (and provided that the aggregate nominal amount of any balance of such beneficial interest of the transferor not so transferred is an amount of at least the Specified Denomination) and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 **Transfers of Notes in definitive form**

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in the Specified Denominations) (and provided that, if transferred in part, the aggregate nominal amount of the balance of that Note not so transferred is an amount of at least the Specified Denomination). In order to effect any such transfer (a) the holder or holders must (i) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of the Registrar or any Transfer Agent, with the endorsed form of transfer duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the specified office of the Registrar or (as the case may be) the relevant Transfer Agent is located) of its receipt of such request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (if so requested by the specified transferee and at the risk of such transferee), send by uninsured first class mail (airmail if overseas), to such address as the transferee may request, a new Note in definitive form of a like aggregate nominal amount to the Note (or the relevant part of the Note) being transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the Note not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of the transferor) sent by uninsured mail to the transferor. No transfer of a Note will be valid unless and until entered in the Register.

2.3 **Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided in this Condition 2, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or any Agent may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3. **STATUS OF THE NOTES**

3.1 **Subordination**

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) pari passu without any preference amongst themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

No amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

3.2 **No Set-off or Counterclaim**

All payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. Following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived.

3.3 **No Link to Derivative Transactions**

The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract in a way which would result in a violation of Article 8(2)(b) of the Equity Regulation or (b) provide in any manner for such obligations to be the subject of any guarantee or security.

3.4 **Interpretation**

In these Conditions:

"**BRSA**" means the Banking Regulation and Supervision Agency (Bankacılık Düzenleme ve Denetleme Kurumu) of Turkey or such other governmental authority in Turkey having primary bank supervisory authority with respect to the Issuer;

"**Equity Regulation**" means the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated 5 September 2013 (No. 28756), with an effective date of 1 January 2014);

"**Junior Obligations**" means any class of share capital (including ordinary and preferred shares) of the Issuer together with any obligations of the Issuer in respect of any securities or other instruments, including any present and future subordinated loans or debt instruments issued in accordance with Article 7 of the Equity Regulation, or other payment obligations of the Issuer, which obligations in each case rank, or are expressed to rank, junior to the Issuer's obligations under the Notes;

"**Parity Obligations**" means any obligations of the Issuer in respect of any securities or other instruments, including any present and future subordinated loans or debt instruments (as provided under Article 8 of the Equity Regulation), or other payment obligations of the Issuer, which in each case rank, or are expressed to rank, pari passu with the Issuer's obligations under the Notes;

"**Senior Obligations**" means any of the Issuer's present and future indebtedness and other obligations (including, without limitation: (a) obligations for any Senior Taxes, statutory preferences and other legally-required payments, (b) obligations to depositors and trade creditors, and (c) obligations under hedging and other financial instruments), other than its obligations under (i) the Notes, (ii) any Parity Obligations and (iii) any Junior Obligations;

"**Senior Taxes**" means any tax, levy, fund, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) including, without limitation, the Banking and Insurance Transactions Tax (Banka ve Sigorta Muameleleri Vergisi) imposed by Article 28 of the Expenditure Taxes Law (No. 6802), income withholding tax pursuant to the Decrees of the Council of Ministers of Turkey (No. 2011/1854 and 2010/1182), Articles 15 and 30 of the Corporate Income Tax Law (No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (No. 193), any reverse VAT imposed by the VAT Law (No. 3065), any stamp tax imposed by the Stamp Tax Law (No. 488) and any withholding tax imposed by, or anti-tax haven regulations under, Article 30.7 of the Corporate Income Tax Law (No. 5520);

"**Subordination Event**" means any distribution of the assets of the Issuer on a dissolution, winding- up or liquidation of the Issuer whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation of indebtedness (konkordato) or any analogous proceedings referred to in the Banking Law (No. 5411), the Turkish Commercial Code (No. 6102) or the Turkish Execution and Bankruptcy Code (No. 2004); and

"**Turkey**" means the Republic of Turkey.

4. COVENANTS

4.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in Turkey (including, without limitation, with the CMB and the BRSA) for the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (b) save to the extent any failure to do so does not and would not have a material adverse effect on (i) the business, financial condition or results of operations of the Issuer or (ii) the Issuer's ability to perform its obligations under the Notes (a "**Material Adverse Effect**"), the conduct by it of the Permitted Business.

4.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties, revenues or assets from or (d) enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an "**Affiliate Transaction**") which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions during such 12 month period, in the aggregate have) a value in excess of USD 50,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction (and each such other aggregated Affiliate Transaction) is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

4.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent for distribution to any Noteholder upon such Noteholder's written request to the Fiscal Agent:

(a) not later than 120 days after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**") consistently applied and BRSA accounting standards ("**BRSAAS**"), together with the corresponding financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and

(b) not later than 90 days after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited consolidated financial statements for such six month period, prepared in accordance with IFRS consistently applied and BRSAAS, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by a review report of the auditors thereon.

4.4 Merger, Amalgamation, Consolidation, Sale, Assignment or Disposal

So long as any of the Notes remains outstanding, the Issuer shall not merge, amalgamate or consolidate with or into, or sell, assign or otherwise dispose of all or substantially all of its property and assets (whether in a single transaction or a series of related transactions) to, any other person (a "**New Bank**") without the prior approval of the holders of the Notes by way of an Extraordinary Resolution unless either:

(a) (i) the New Bank is incorporated, domiciled and resident in Turkey and executes a deed poll and such other documents (if any) as may be necessary to give effect to its assumption of all of the obligations, covenants, liabilities and rights of the Issuer in respect of the Notes (together, the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the New Bank shall undertake in favour of each Noteholder to be bound by the Notes, these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as fully as if it had been named in the Notes, these Conditions, the Agency Agreement and the Deed of Covenant in place of the Issuer; and

(ii) the Issuer (or the New Bank) delivers to the Fiscal Agent a legal opinion from a leading firm of lawyers in each of Turkey and England to the effect that, subject to no greater limitations as to enforceability than those which would apply in any event in the case of the Issuer, the Documents constitute or, when duly executed and delivered, will constitute, legal valid and binding obligations of the New Bank, with each such opinion to be dated not more than seven days prior to the date of such merger, amalgamation or consolidation or sale, assignment or other disposition,

and provided: (A) none of the events or circumstances described in paragraphs (a), (b) or (c) of Condition 11 below has occurred and is continuing and (B) such merger, amalgamation or consolidation or sale, assignment or other disposition does not and would not: (I) result in any other default or breach of the obligations and covenants of the Issuer under the Notes or of the New Bank on its assumption of such obligations and covenants in accordance with the provisions above or (II) otherwise have a Material Adverse Effect, as determined by reference to the Issuer immediately prior to and the New Bank immediately after the relevant merger, amalgamation or consolidation or sale, assignment or other disposition; or

(b) the surviving legal entity following any such merger, amalgamation or consolidation is the Issuer.

4.5 **Interpretation**

For the purposes of these Conditions:

"**Affiliate**" means, in respect of any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, control, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise and the terms controlling, controlled by and under common control with shall have corresponding meanings.

"**Permitted Business**" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Issue Date (as defined in Condition 5.5).

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Subsidiary**" means, in relation to any Person (the "**First Person**") at any particular time, any other Person (the "**Second Person**") whose affairs and policies the First Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the Second Person or otherwise. In relation to the financial statements of the Issuer, a Subsidiary shall also include any other entities that are (in accordance with applicable laws and BRSAAS) consolidated into the Issuer.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

Each Note bears interest:

(a) in respect of the period from (and including) the Issue Date to (but excluding) the Issuer Call Date, at the rate of 8.75 per cent. per annum (the "**Initial Interest Rate**"); and

(b) in respect of the period from (and including) the Issuer Call Date to (but excluding) the Maturity Date (the "**Reset Period**"), at the rate per annum equal to the aggregate of: (i) the Reset Margin and (ii) the 5 Year Mid-Swap Rate (the "**Reset Interest Rate**" and, together with the Initial Interest Rate, each, a "**Rate of Interest**"), as determined by the Fiscal Agent on the Reset Determination Date.

Interest will be payable semi-annually in arrear on each of 16 April and 16 October (each an "**Interest Payment Date**") in each year up to (and including) the Maturity Date, commencing on 16 October 2016. The first payment of interest shall be made on 16 October 2016 (also, an "**Interest Payment Date**") in respect of the period from (and including) the Issue Date to (but excluding) such Interest Payment Date.

In the case of any Write-Down (as defined in Condition 6.1) of the Notes, interest will be paid on the Notes:

(i) if the Notes are Written-Down in full, on the date of the Write-Down (the "**Write-Down Date**") and in respect of (A) the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date to (but excluding) the Write-Down Date and (B) the Prevailing Principal Amount(s) of the outstanding Notes during that period; and

(ii) if the Notes are not Written-Down in full, on the Interest Payment Date immediately following such Write-Down (the "**Partial Write-Down Interest Payment Date**") and calculated as the sum of the amount of interest payable in respect of:

(A) the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date to (but excluding) the Write-Down Date; and

(B) the period from (and including) the Write-Down Date to (but excluding) the Partial Write-Down Interest Payment Date,

and, in each case, the Prevailing Principal Amount(s) of the outstanding Notes during those respective periods.

Interest shall be calculated in respect of any period by applying the Rate of Interest to:

(I) in the case of Notes that are represented by a Global Note, the aggregate Prevailing Principal Amount of the outstanding Notes represented by such Global Note, or

(II) in the case of Notes in definitive form, USD 1,000 (the "**Calculation Amount**"),

and, in each case, multiplying such sum by 30/360, and rounding the resultant figure to the nearest USD 0.01 (with USD 0.005 being rounded upwards). Where the Prevailing Principal Amount of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach such Prevailing Principal Amount, without any further rounding. For any Prevailing Principal Amount of a Note in definitive form that is not a multiple of the Calculation Amount, the amount of interest payable in respect of such Prevailing Principal Amount shall be determined in the same manner as for a Global Note above.

In the case of a period for which interest is to be calculated where different Prevailing Principal Amounts have applied, the above calculation shall be performed separately for each sub-period within that period during which the Prevailing Principal Amount was different and the aggregate of the amounts resulting from such calculations shall be the interest payable in respect of the relevant period.

5.2 **Determination and notification of Reset Interest Rate**

The Fiscal Agent will at or as soon as practicable after the Relevant Time determine the Reset Interest Rate and cause it to be notified to the Issuer and any stock exchange on which the Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after such determination but in no event later than the fourth Luxembourg Business Day thereafter. For the purposes of this paragraph, the expression "**Luxembourg Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Luxembourg.

5.3 **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Agents and all Noteholders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Noteholders shall attach to the Fiscal Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

5.4 **Accrual of interest**

Each Note will cease to bear interest (if any) from the date for its redemption, unless payment of principal in respect of such Note is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

5.5 **Interpretation**

In these Conditions:

(a) "**5 Year Mid-Swap Rate**" means the annual mid-swap rate for US Dollar swap transactions with a maturity of five years (quoted on a semi-annual basis), expressed as a percentage, which appears on the Screen Page at the Relevant Time. If such rate does not appear on the Screen Page at the Relevant Time, the 5 Year Mid-Swap Rate will be the percentage per annum determined by the Fiscal Agent on the basis of the arithmetic mean of the bid and offered rates quoted by the Reference Banks at the Relevant Time for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating US Dollar interest rate swap transaction with an acknowledged dealer of good credit in the swap market, which swap transaction has a term of five years commencing on the Issuer Call Date and is in a Representative Amount, where the floating leg, (calculated on an Actual/360 day count basis) is equivalent to the rate for deposits in US Dollars for a three month period offered at the Relevant Time by the principal London offices of leading swap dealers in the New York City interbank market to prime banks in the London interbank market. The Fiscal Agent will request each of the Reference Banks to provide such quotations. If three or more quotations are so provided, the 5 Year Mid-Swap Rate will be the percentage reflecting the arithmetic mean of those quotations, eliminating the highest such quotation (or, in the event of equality, one of the highest) and the lowest such quotation (or, in the event of equality, one of the lowest). If only two quotations are so provided, it will be the arithmetic mean of the quotations provided. If only one quotation is so provided, it will be such quotation. If no quotations are provided, the 5 Year Mid-Swap Rate will be 7.833 per cent. per annum;

(b) "**30/360**" means the number of days in the Interest Period or the Relevant Period, as the case may be, to (but excluding) the relevant payment date, divided by 360, calculated on the basis of a year of 360 days with twelve 30-day months;

(c) "**Actual/360**" means the actual number of days in the Interest Period or the Relevant Period, as the case may be, to (but excluding) the relevant payment date, divided by 360;

(d) "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in İstanbul, London and New York City;

(e) "**Initial Principal Amount**" means USD 1,000 for each USD 1,000 of the Specified Denomination of the Notes as of the Issue Date;

(f) "**Interest Period**" means the period from (and including) an Interest Payment Date (or, as the case may be, the Issue Date) to (but excluding) the next (or, as the case may be, first) Interest Payment Date;

(g) "**Issue Date**" means 15 April 2016;

(h) "**Issuer Call Date**" means 16 April 2021;

(i) "**Maturity Date**" means 16 April 2026;

(j) "**Prevailing Principal Amount**" means, in respect of a Note at any time, the Initial Principal Amount of that Note as reduced (on one or more occasions) by any Write-Down (as defined in Condition 6.1) at or prior to such time.

(k) "**Reference Banks**" means five leading swap dealers in the New York City interbank market as selected by the Fiscal Agent after consultation with the Issuer;

(l) "**Relevant Period**" means the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant date of payment;

(m) "**Relevant Time**" means at or around 11:00 a.m. (New York City time) on the Reset Determination Date;

(n) "**Representative Amount**" means an amount that is representative of a single transaction in the relevant market at the Relevant Time;

(o) "**Reset Determination Date**" means the third Business Day immediately preceding the Issuer Call Date;

(p) "**Reset Margin**" means 7.833 per cent. per annum; and

(q) "**Screen Page**" means the display page on the relevant Reuters information service designated as the "**ISDAFIX1**" page or such other page as may replace it on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, in each case for the purpose of displaying equivalent or comparable rates to the 5 Year Mid-Swap Rate.

6. LOSS ABSORPTION UPON THE OCCURRENCE OF A NON-VIABILITY EVENT

6.1 Write-Down of the Notes

Under Article 8(2)(ğ) of the Equity Regulation, to be eligible for inclusion as Tier 2 capital of the Issuer it should be possible pursuant to the terms of the Notes for the Notes to be written-down or converted into equity of the Issuer against the losses it incurred upon the decision of the BRSA in *the event it is probable as a result of these losses incurred by the Issuer that (i) the operating licence of the Issuer may be revoked or (ii) shareholder rights, and the management and supervision of the Issuer, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law (No. 5411). For the purposes of the Notes, the Issuer has elected pursuant to Article 8(2)(ğ) of the Equity Regulation to provide for the write-down of the Notes and not their conversion into equity as follows.*

If a Non-Viability Event occurs at any time, the Issuer shall:

(a) *pro rata* with the other Notes and any other Parity Loss-Absorbing Instruments; and

(b) in conjunction with, and such that no Write-Down (as defined below) shall take place without there also being:

(i) the maximum possible reduction in the principal amount and/or corresponding conversion into equity being made in respect of all Junior Loss-Absorbing Instruments (Additional Tier I (*İlave Ana Sermaye*)) in accordance with the provisions of such Junior Loss-Absorbing Instruments; and

(ii) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations (Common Equity Tier I Capital (*Çekirdek Sermaye*)) to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of the Issuer within the framework of the procedures and other measures by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) or otherwise under Turkish law and regulations,

reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Write-Down Amount (any such reduction, a "**Write-Down**", "**Written-Down**" and "**Writing Down**" shall be construed accordingly).

For these purposes, any determination of a Write-Down Amount shall take into account the absorption of the relevant loss(es) to the maximum extent possible by all Junior Obligations and the Writing Down of the Notes pro rata with any other Parity Loss-Absorbing Instruments, thereby maintaining the respective rankings described under Condition 3.1 above.

As of the date of this Prospectus, a number of corrective, rehabilitative and restrictive measures may be taken by the BRSA under Articles 68 to 70 of the Banking Law (No. 5411) prior to any determination of Non-Viability of the Issuer. In conjunction with any such determination by the BRSA, losses may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF, on the condition that such loss(es) are deducted from the capital of the shareholders or (b) the revocation of the Issuer's operating licence and its liquidation. However, the Write-Down of the Notes under the Equity Regulation may take place before any such transfer or liquidation.

Pursuant to the first paragraph of this Condition 6.1, while the Notes may be Written-Down before any transfer or liquidation as described in the preceding paragraph, the Write-Down must take place in conjunction with such transfer to the SDIF or revocation of the Issuer's operating licence and liquidation pursuant to Article 71 of the Banking Law (No. 5411) in order that the respective rankings described in Condition 3.1 are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. In this respect such action will be taken as is decided by the Board of the BRSA. Where a Write-Down of the Notes does take place before the liquidation of the Issuer, Noteholders would only be able to claim and prove in such liquidation in respect of the Prevailing Principal Amount of the outstanding Notes following the Write-Down.

The Issuer shall notify the Noteholders of any Non-Viability Event in accordance with Condition 14 as soon as practicable upon receiving notice thereof from the BRSA; provided that prior to the publication of such notice the Issuer shall deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA of its determination of such Non-Viability Event. The Issuer shall further notify the Noteholders in accordance with Condition 14 and deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA specifying the Write- Down Amount as soon as practicable upon receiving notice thereof from the BRSA.

A Non-Viability Event may occur on more than one occasion and the Notes may be Written-Down on more than one occasion, with each such Write-Down to involve the reduction of the then Prevailing Principal Amount of the outstanding Notes by the relevant Write-Down Amount.

Noteholders will have no further claim against the Issuer in respect of any Written-Down Amount of the Notes and if, at any time, the Notes are Written-Down in full, the Notes shall be cancelled following payment of interest accrued and unpaid to (but excluding) the date of such final Write- Down and Noteholders will have no further claim against the Issuer in respect of any such Notes.

6.2 **Interpretation**

For the purposes of this Condition 6:

"**Junior Loss-Absorbing Instruments**" means any Loss-Absorbing Instrument that is or represents a Junior Obligation;

"**Loss-Absorbing Instrument**" means any security or other instrument or payment obligation that has provision for all or some of its principal amount to be reduced and/or converted into equity (in accordance with its terms or otherwise) on the occurrence or as a result of a Non-Viability Event (which shall not include ordinary shares or any other instrument that does not have such provision in its terms or otherwise but which is subject to any Statutory Loss Absorption Measure);

"**Non-Viable**" means, in the case of the Issuer, where as a result of losses incurred by the Issuer, it is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law (No. 5411) that: (i) its operating licence is to be revoked and the Issuer liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Issuer, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders, and "**Non-Viability**" shall be construed accordingly;

"**Non-Viability Event**" means the determination by the BRSA that, upon the incurrence of a loss by the Issuer (on a consolidated or non-consolidated basis), the Issuer has become, or it is probable that the Issuer will become, Non-Viable;

"**Parity Loss-Absorbing Instruments**" means any Loss-Absorbing Instrument that is or represents a Parity Obligation;

"**SDIF**" means the Savings Deposit Insurance Fund (Tasarruf Mevduatı Sigorta Fonu) of Turkey;

"**Statutory Loss Absorption Measure**" means the transfer of shareholders' rights and the management and supervision of the Issuer to the SDIF pursuant to Article 71 of the Banking Law (No. 5411) or any analogous procedure or other measure under the laws of Turkey by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by Junior Obligations; and

"**Write-Down Amount**", in respect of an outstanding Note, means the amount by which the Prevailing Principal Amount of such Note as of the date of the relevant Write-Down is to be Written- Down, which shall be determined as described in Condition 6.1 and may be all or part only of such Prevailing Principal Amount, in each case as specified in writing (including by way of publication) by the BRSA, and "**Written-Down Amount**" shall be construed accordingly.

While a Write-Down of the Notes may take place before the absorption of the relevant loss(es) giving rise to the Non-Viability Event to the maximum extent possible by Junior Obligations, such loss absorption would need to be taken into account by the BRSA, where relevant, in the determination of the Write-Down Amount in order for the respective rankings described in Condition 3.1 to be maintained on any Write-Down as provided in Condition 6.1.

7. PAYMENTS

7.1 Method of payment

Subject as provided below, payments will be made by credit or transfer to an account in US Dollars (or any account to which US Dollars may be credited or transferred) maintained by the payee, or, at the option of the payee, by a cheque in US Dollars drawn on a bank that processes payments in US Dollars.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

7.2 Payments in respect of Notes

Payments of principal in respect of each Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar outside of the United Kingdom (the "**Register**") at (i) where in global form), the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15th day) before the relevant due date (in each case, the "**Record Date**"). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than USD 250,000, payment may instead be made by a cheque in US Dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means any bank which processes payments in US Dollars.

Payments of interest in respect of each Note (whether or not in global form) will be made by a cheque in US Dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Note appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on such Record Date and at that holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Note, the payment will be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Note on redemption will be made in the same manner as payment of the principal amount of such Note.

Holders of Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by any Agent in respect of any payments of principal or interest in respect of the Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global

Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.3 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the case may be, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for such person's share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

7.4 **Payment Business Day**

If the date for payment of any amount in respect of any Note is not a Payment Business Day, the holder thereof shall not be entitled to payment until the next following Payment Business Day in the relevant place and, in any such case, shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a day on which banks settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in

(a) New York City; and

(b) in the case of Notes in definitive form only, the relevant place of presentation.

7.5 **Interpretation of principal and interest**

Any reference in the Conditions to principal or interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to such principal or interest under Condition 9.

8. **REDEMPTION AND PURCHASE**

8.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each outstanding Note will be redeemed by the Issuer at its then Prevailing Principal Amount on the Maturity Date.

8.2 **Redemption for tax reasons**

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 14 April 2016, on the next Interest Payment Date the Issuer would be required to:

(i) pay additional amounts as provided or referred to in Condition 9; and

(ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on 14 April 2016; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, (ii) the BRSA's written approval for such redemption of the Notes and (iii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

8.3 **Redemption at the option of the Issuer (Issuer Call)**

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notices shall be irrevocable), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, on the Issuer Call Date, at their then Prevailing Principal Amount together with interest accrued to (but excluding) the Issuer Call Date.

8.4 **Redemption upon a Capital Disqualification Event**

If a Capital Disqualification Event occurs at any time after the Issue Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding at any time at their then Prevailing Principal Amount together with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.4, the Issuer shall deliver to the Fiscal Agent: (a) the required confirmation in writing by the BRSA, if applicable, of the occurrence of the relevant Capital Disqualification Event and (b) a certificate signed by two Directors of the Issuer stating that such Capital Disqualification Event has occurred.

For the purposes of this Condition 8.4:

"**Capital Disqualification Event**" means if, as a result of any change in applicable law (including the Equity Regulation), or the application or official interpretation thereof, which change in application or official interpretation is confirmed in writing by the BRSA, all or any part of the Prevailing Principal Amount of the outstanding Notes is not eligible for inclusion as Tier 2 capital of the Issuer (save where such exclusion is only as a result of any applicable limitation on the amount of such capital); and

"**Tier 2 capital**" means tier 2 capital as provided under Article 8 of the Equity Regulation.

8.5 **Purchases**

Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of, any entity which is controlled by the Issuer or over which the Issuer has significant influence (as contemplated in the Banking Law (No. 5411) and the Equity Regulation) (a "**Related Entity**").

8.6 **Cancellation**

All Notes which are redeemed or purchased pursuant to this Condition 8 will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Fiscal Agent and cannot be held, reissued or resold.

8.7 **No other redemption or purchase**

Neither the Issuer nor any Related Entity may redeem or purchase the Notes, as applicable, before the Maturity Date other than as provided in this Condition 8.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in Turkey; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder of the relevant Note would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Business Day (as defined in Condition 7.4).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

In these Conditions:

(i) the "Relevant Date" means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the holder of the relevant Note by the Issuer in accordance with Condition 14.

(ii) "**Relevant Jurisdiction**" means Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

9.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10. PRESCRIPTION

The Notes will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 9) therefor.

11. EVENTS OF DEFAULT

If:

(a) default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) a Subordination Event occurs; or

(c) any order is made by any competent court, or resolution is passed for the winding up, dissolution or liquidation of the Issuer,

the holder of any Note may:

(i) in the case of (a) above, institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer's winding up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of the Issuer; and/or

(ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of the Issuer,

but (in either case) may take no further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Issuer.

In any of the events or circumstances described in (b) or (c) above the holder of any outstanding Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its then Prevailing Principal Amount, together with interest accrued to (but excluding) the date of repayment, subject to the subordination provisions described under Condition 3.1 above.

The holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes), provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

No remedy against the Issuer other than as provided above shall be available to the holders of Notes, whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes.

12. REPLACEMENT OF NOTES

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Transfer Agent (which may be the

Registrar) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) of such Notes at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

There may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as applicable.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. of the then Prevailing Principal Amount of the Notes for the time being remaining outstanding. A meeting that has been validly convened in accordance with the provisions of the Agency Agreement may be cancelled by the person who convened such meeting giving at least five days' notice which, in the case of a meeting convened by the Issuer, will be given to applicable Noteholders in accordance with Condition 14.

The quorum at any such meeting for passing an Extraordinary Resolution is one or more person(s) holding or representing more than 50 per cent. of the then Prevailing Principal Amount of the Notes for the time being outstanding, or at any adjourned meeting one or more person(s) being or representing Noteholders whatever the Prevailing Principal Amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or amending the Deed of Covenant in certain respects), the quorum shall be one or more person(s) holding or representing not less than two-thirds the then Prevailing Principal Amount of the

Notes for the time being outstanding, or at any adjourned such meeting one or more person(s) holding or representing not less than one-third of the then Prevailing Principal Amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they vote on the resolution.

The Agency Agreement provides that a resolution in writing signed on behalf of the holders of not less than 75 per cent. of the then Prevailing Principal Amount of the Notes for the time being outstanding (whether such resolution in writing is contained in one document or several documents in the same form, each signed on behalf of one or more Noteholders) or (b) consent given by way of electronic consents through the relevant clearing systems by or on behalf of the holders of not less than 75 per cent. of the then Prevailing Principal Amount of the Notes for the time being outstanding will, in each case, take effect as if it were an Extraordinary Resolution and shall be binding upon all Noteholders.

15.2 **Modification**

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, either (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (b) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

16. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

18.1 **Governing law**

The Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations (with respect to non-contractual obligations, to the extent permitted under applicable law) arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Notes, are and shall be governed by, and construed in accordance with, English law, except for the provisions of Condition 3 (including as referred to in Condition 6.1), which are and shall be governed by, and construed in accordance with, Turkish law.

18.2 **Submission to jurisdiction**

The Issuer irrevocably agrees, for the benefit of the Noteholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute regarding the existence, validity or termination of the Notes and any non-contractual obligations arising out of or in connection with the Notes or the consequences of their nullity) and accordingly submits to the exclusive jurisdiction of the courts of England.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Notes (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions to the extent allowed by law.

18.3 **Consent to enforcement**

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the courts of England according to the provisions of Article 54 of the International Private and Procedure Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedure Law of Turkey (Law No. 5718).

18.4 **Appointment of Process Agent**

Service of process may be made upon the Issuer in respect of any Proceedings in England at the offices of TMF Corporate Services Limited at 6 St Andrew Street, 5th Floor, London EC4A 4AE, United Kingdom and the Issuer undertakes that in the event of such process agent ceasing so to act it will appoint another person as its agent for that purpose.

18.5 **Other Documents**

The Issuer has, in the Agency Agreement and the Deed of Covenant, submitted to the jurisdiction of the courts of England and appointed an agent in England for service of process, in terms substantially similar to those set out above.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will be represented by a Global Note which will be registered in the name of, and deposited with, BNP Paribas Securities Services, Luxembourg Branch as common depositary for Euroclear and Clearstream, Luxembourg.

The Global Note will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, or (b) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Global Note is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note within five business days of the delivery, by or on behalf of the registered Holder of the Global Note, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Note; or

(b) any of the Notes evidenced by the Global Note has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder of the Global Note on the due date for payment in accordance with the terms of the Global Note,

then, at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Notes (each an "**Accountholder**") shall acquire under the deed of covenant dated 15 April 2016 (the "**Deed of Covenant**") rights of enforcement against the Issuer ("**Direct Rights**") to compel the Issuer to perform its obligations to the Holder of the Global Note in respect of the Notes represented by the Global Note, including the obligation of the Issuer to make all payments when due at any time in respect of such Notes in accordance with the Conditions as if such Notes had (where required by the Conditions) been duly presented and surrendered on the due date in accordance with the Conditions.

The Direct Rights shall be without prejudice to the rights which the Holder of the Global Note may have under the Global Note or otherwise. Payment to the Holder of the Global Note in respect of any Notes represented by the Global Note shall constitute a discharge of the Issuer's obligations under the Notes and the Deed of Covenant to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the Holder of the Global Note.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Noteholders in the manner provided for in the Conditions or the Global Note for notices to be given by the Issuer to Noteholders.

In addition, the Global Note will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note. The following is a summary of certain of those provisions:

Payments on business days: In the case of all payments made in respect of the Global Note "**business day**" means any day which is a day on which dealings in foreign currencies may be carried out in New York City.

Payment Record Date: Each payment in respect of the Global Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note is being held is open for business.

Notices: Notwithstanding Condition 14 (*Notices*), so long as the Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will form part of the Issuer's capital base and the net proceeds of the issue will be used by the Issuer for its general corporate purposes.

SUMMARY FINANCIAL AND OTHER DATA

The Group publishes audited unconsolidated and consolidated annual financial statements and reviewed consolidated quarterly financial statements in accordance with Turkish Financial Reporting Standards ("**TFRS**") and BRSA regulations. Please see "*Financial Statements and Auditors' Reports*" for further information.

The following summary financial and other data as of and for the years ended 31 December 2013, 2014 and 2015 have been extracted (except as noted under the "*Key Performance Indicators*" table) from the Issuer's consolidated BRSA Financial Statements, without material adjustment. This information should be read in conjunction with the information contained in such consolidated BRSA Financial Statements (including the notes thereto). Note that the Issuer's consolidated capital adequacy ratios are calculated based upon numbers prepared in accordance with BRSA regulations.

Income Statement

	For the year ended 31 December		
	2015	**2014**	**2013**
	(TL thousands)		
Interest income	1,147,765	1,115,986	803,692
Interest expense	-601,929	-627,752	-384,744
Net interest income	**545,836**	**488,234**	**418,948**
Fees and commissions received	78,982	62,823	51,611
Fees and commissions paid	-14,373	-11,892	-7,161
Net fees and commissions income	**64,609**	**50,931**	**44,450**
Net interest and commissions income	**610,445**	**539,165**	**463,398**
Dividend income	0	197	309
Trading income/(loss), net	-39,752	-27,480	-6,563
Other operating income	170,094	82,368	88,424
Total operating income	**740,787**	**594,250**	**545,568**
Provision for loan losses and other receivables	-211,041	-137,455	-192,078
Other operating expenses	-432,137	-293,547	-261,803
Net operating income	**97,609**	**163,248**	**91,687**
Tax provisions	-27,734	-26,425	-20,438
Net income	**69,875**	**136,823**	**71,249**

Balance Sheet

	As at 31 December					
	2015		2014		2013	
	(TL thousands)	*(per cent.)*	*(TL thousands)*	*(per cent.)*	*(TL thousands)*	*(per cent.)*
Assets						
Cash, Balances with Central Bank, Banks and Money Markets ...	1,545,498	11.0	1,358,244	12.0	1,244,321	11.3
Financial Assets at Fair Value through profit or loss.......................	27,662	0.2	74,197	0.7	226,992	2.1
Available for Sale Financial Assets...	817,103	5.8	896,108	7.9	350,781	3.2
Loans	9,305,662	66.2	7,899,540	69.6	6,440,994	58.6
Held to Maturity Securities.............	0	0.0	-	-	1,507,142	13.7
Lease Receivables...........................	1,031,649	7.3	651,409	5.7	522,296	4.8
Tax Asset	26,707	0.2	24,242	0.2	23,352	0.2
Other Assets....................................	1,310,542	9.3	443,927	3.9	674,014	6.1
Total Assets	**14,064,823**	**100**	**11,347,667**	**100**	**10,989,892**	**100**
Liabilities						
Deposits..	6,238,483	44.4	5,652,571	49.8	4,980,625	45.3
Money Market	358,823	2.6	445,487	3.9	1,690,200	15.4
Borrowings	5,029,695	35.8	2,865,399	25.3	2,678,253	24.4
Marketable Securities Issued...........	877,824	6.2	868,098	7.7	289,079	2.6
Provisions	140,220	1.0	103,678	0.9	121,851	1.1
Shareholder Equity	1,015,116	7.2	972,900	8.6	606,453	5.5
Other Liabilities.............................	404,662	2.9	439,534	3.9	623,431	5.7
Total Liabilities............................	**14,064,823**	**100**	**11,347,667**	**100**	**10,989,892**	**100**

The subordinated loans amount was TL 312.3 million, TL 329.8 million and TL 767.6 million as at 31 December 2013, 31 December 2014 and 31 December 2015, respectively.

Key Performance Indicators

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group for the indicated dates/periods, these indicators are (amongst others) those used by the Group's management to manage its business:

	As at 31 December		
	2015	**2014**	**2013**
		(per cent.)	
Key Ratios			
Return on average total assets[(1)]	0.5	1.2	0.8
Return on average shareholders' equity[(2)]	7.0	17.3	11.9
Non-performing loans to total gross cash loans (Gross NPL Ratio)[(3)]	4.9	5.0	3.9
NPL coverage ratio[(4)]	54.4	61.1	65.1
Total capital adequacy[(5)]	14.16	13.8	13.3
Tier I capital adequacy[(6)]	7.78	9.6	6.8
Cost-to-income[(7)]	48.8	49.4	48.0
Cost-to-average assets ratio[(8)]	3.4	2.6	2.7
Net interest margin[(9)]	5.1	5.3	4.8
Net yield[(10)]	11.3	12.3	10.1

(1) Return on average total assets represents profit for the period as a percentage of average total assets (average of the opening and closing balances for the applicable period).

(2) Return on average shareholders' equity represents profit for the period as a percentage of average shareholders' equity (average of the opening and closing balances for the applicable period).

(3) Non-performing loans to total gross cash loans represents non-performing loans divided by loans and receivables plus NPLs.

(4) NPL coverage ratio represents provisions divided by NPL amount.

(5) Total capital adequacy represent Total capital (Tier I capital, Tier II capital and deductions) divided by total risk weighted assets (Credit risk, operational risk and market risk).

(6) Tier I capital adequacy represents Tier I capital (excluding Tier II capital and deductions) divided by risk weighted assets.

(7) Cost to income ratio represents total operating expenses (excluding net impairment losses on financial assets) divided by total operating income before provisions (excluding dividend income).

(8) Cost to average assets ratio represents costs divided by average assets (total assets of current year and the year before divided by two).

(9) Net interest margin represents net interest income before provision for the sale of NPLs as a percentage of average interest-earning assets.

(10) Net yield represents interest income divided by average interest-earning assets (loans, leasing receivables and securities).

Furthermore, the Bank's cost of risk (i.e. new NPLs/average loans) was 2.2 per cent., 2.1 per cent. and 2.4 per cent. as at 31 December 2013, 31 December 2014 and 31 December 2015, respectively.

The following table shows the risk weighted assets for the Bank:

	As at 31 December		
	2015	**2014**	**2013**
		(TL million)	
Credit Risk	10,778	8,398	7,399
Market Risk	51	30	219
Operational Risk	939	781	609

Recent Developments of the Group

The Bank has decided to increase its paid-in capital to TL 150,000 in accordance with the Board of Directors meeting which took place on 21 January 2016.

Elmadağ Dış Tic. A.Ş. (A Portföy) completed the liquidation process on 23 February 2016.

As of 15 February 2016, 7.79 per cent. shares of Anadolu Aktif Teşebbüs ve Makine Ticaret A.Ş. were transferred to Anadolu Endüstri Holding A.Ş.

On 18 March 2016, Ms. Meriç Uluşahin resigned from her position as the CEO and as a Board Member of ABank. Following Ms. Uluşahin's resignation, Ms. Müge Öner has been appointed as the Acting CEO and as a Board Member of ABank.

At the General Assembly of the Bank dated 31 March 2016, the number of the board of directors was reduced to 9 from 13.

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Summary Financial and Other Data" and the Financial Statements.

This discussion of the Bank's financial condition and results of operations is based on the accounting and financial reporting principles announced by the BRSA, the TAS and the TFRS, unless otherwise specified, and the financial information presented in this discussion has been extracted or derived without material adjustment from the Consolidated BRSA Financial Statements; see "Basis of Presentation".

OVERVIEW

The Bank is a Turkish bank that predominantly serves large and medium-sized companies through a network of 59 branches as of 31 December 2015.

The Bank's business largely focuses on the provision of corporate and commercial banking services and products. The main product offerings include trade finance instruments, short and mid-term working capital financing, cash management, bancassurance and more recently project-based financing. Since 2008, the Bank has also been active in the retail banking sector ("**Retail Banking**"), where the main product offerings made to individuals include deposit services, consumer loans and investment products, amongst others. At present Retail Banking functions primarily as a deposit base for the Bank, since it accounts for 48 per cent. of the Bank's total deposits, whilst only 3 per cent. of the Bank's loans originate from Retail Banking (as at 31 December 2015). The Bank may also introduce its corporate and commercial services to retail customers where it considers these services to be appropriate and useful for the customer.

The Bank's corporate and commercial segments are the dominant segments of the Bank, representing 77 per cent. of the Group's operating income generated by the Bank. As at 31 December 2015 the Commercial segment was the largest, representing 39 per cent. of the operating income of the Bank, followed by Corporate (38 per cent.), Trading & ALM (13 per cent.), Subsidiaries (7 per cent.) and Retail (3 per cent).

The Bank's treasury department manages the asset and liability position of the Group, engages in trading (primarily in relation to local fixed income securities, foreign exchange and derivatives) and provides certain structured products to clients.

In addition to its core banking operations, the Bank is active in the areas of leasing, investment banking, mutual fund management and asset management through its three operating subsidiaries.

As of 31 December 2015, the Bank has 1,038 employees and the Group as a whole has 1,107 employees.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

Numerous factors affect the Bank's results of operations, some of which are outside its control. The significant factors that have affected the Bank during the periods under review are discussed below. These factors should be read in the context of the Prospectus as a whole, including all of the disclosure, and in particular that relating to the Turkish economy, and all of the risk factors, in particular that in relation to interest rate exposures.

Turkey's Economic Condition

The Group operates primarily in Turkey. Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish economic factors, including the rate of economic growth, the rate of inflation and fluctuations in exchange rates and interest rates.

Following the restructuring of the banking sector in the early 2000s, Turkey benefited from a surge in global liquidity and performed well, even in the post-crisis period. However, due to weakening global demand and poor capital flows, the Turkish economy lost momentum. Turkish economic policy is aimed at changing the country's economic structure from a consumption based economy to a more export and investment oriented one. In order to support this change, international trade volume must increase not only in nominal terms but also in terms of export quality. Turkey's economy must shift from a manufacturing orientated economy to an economy based on the exports of "value added goods". Shifts in the economic structure take time and the Turkish economy will be subject to lower growth rates until the restructuring finalises. The Turkish economy is dependent on the EU as Turkey exports 55 per cent. of its total exports to the EU. Although there is predicted to be a moderate economic recovery in the EU region, it is unclear when this might occur.

A recent downturn in the capital flows has been balanced with a sharp fall in oil prices, with Turkey managing to reduce its CAD to USD 32.2 billion in 2015 from USD 65 billion in 2013. The deficit to GDP declined to 4.4 per cent. from 8.0 per cent. in the same period. Low oil prices and weaker local demand continued to put pressure on the CAD in 2015, whilst the effect of low oil prices is expected to be neutralised by the rising local consumption demand in 2016. Energy imports, totalling USD 56 billion in 2013, declined to USD 55 billion in 2014 and USD 40 billion in 2015. So long as oil prices stay depressed, the CAD will be a less important issue for the Turkish economy. The Turkish government has declared its intention to reduce the CAD and contain local demand with measures focusing on consumer loans. However, due to the low growth trend, the government has announced a rise in minimum wage and pension payments, that is expected to increase the consumption demand and the demand for imported goods in 2016. Dependency on foreign capital and a low savings level for Turkish citizens will be the main issue for the economic policy makers.

Despite weak domestic demand, a volatile currency and high food prices helped increase inflation in 2015, whilst unfavourable climate effects from the previous year kept food prices at high levels. A consumer price inflation level of 8.2 per cent. in the end of 2014 could not decrease due to high foreign exchange volatility and finalised 2016 at 8.8 per cent. Although food prices are less depressed, service sector prices and currency depreciation will keep CPI at high levels. The Group maintains its 7.8 per cent. 2016 year end forecast for CPI. The CPI will continue to stay at approximately 7 to 8 per cent. in 2016. Any approaching FED increase in interest rates would be another factor generating foreign exchange volatility and inflationary pressures and it is unclear how such volatility might affect the Group's financial position.

In 2015, Turkey’s economy experienced real GDP growth of 4 per cent., compared to 2.9 per cent. in 2014. The inflation rate in 2015 was 8.8 per cent. (compared to 8.2 per cent. in 2014). The CBT policy rate at the end of 2015 was 7.5 per cent. (compared to 8.25 per cent. at the end of 2014).

Following a 75 bps repo rate cut in the first month of the year, CBRT implemented a tight TRY liquidity policy during the remainder of 2015. Against the backdrop of rising inflation over most of 2015, CBRT hesitated to respond via rate hikes, but continued to elevate the average funding rate and increased the average funding rate from 7.6 percent in Q1 2015 to 9.2 per cent. by the end of the year. With the trend for declining inflation, CBRT is expected to continue its rate cut cycle which began in March with a 25 bps cut in the upper bound of the interest rate corridor. In accordance with the normalization process, CBRT will narrow the rate corridor by elevating the repo and lowering the bound rate of the rate corridor.

Overall loan growth rates were 19.7 per cent. for 2015 according to BRSA data (compared to 18.5 per cent. for 2014).

According to the BRSA, asset quality deteriorated in 2015 with the banking sector’s NPL ratio up to 3.1 per cent. as at 31 December 2015 from 2.85 per cent. as at 31 December 2014.

Global uncertainties continued during 2015, driven by the uncertainty regarding the beginning of the FED’s rate hike cycle. Initial expectations favoured the rate hike cycle to start in the middle of 2015, but the ongoing global market volatility postponed the rate hike until the FED's December meeting.

The following table presents key economic indicators for Turkey for 2014 and 2015.

Economic Indicator	2014	2015
GDP	TRY 1,748 billion	TRY 1,954 billion
GDP	USD 799 billion	USD 720 billion
GDP Growth	3%	4%
Unemployment	10.9%	10.8%
CBRT Repo Rate	8.25%	7.5%
Benchmark Yield 2yr	8.0%	10.8%
Consumer Price Index	8.2%	8.8%
Exports	USD 157.6 billion	USD 143.9 billion
Imports	USD 242.2 billion	USD 207.2 billion
Trade Deficit	USD -84.6 billion	USD -63.3 billion
Current Account Deficit	USD -43.6 billion	USD -32.1 billion
Budget Deficit	TL -22.7 billion	TL -22.6 billion

Source: CBRT, Turkish Statistical Institute, Ministry of Finance, BIST.

Changes in Interest Rates in Turkey

The Group's profit share income from its loans and leasing receivables is a significant component of its total income. A significant factor affecting the Group’s net profit share margin, loans and leasing receivables is the fluctuations in interest rates in Turkey. In general, increases in interest rates in Turkey allow the Group to increase its revenue from loans due to the higher margins that the Group receives and the corresponding higher returns on its excess capital. However, such increases may adversely affect the Group’s results of operations as a result of a reduced overall demand for loans and a greater risk of default by the Group’s customers. In addition, any increase in interest rates also increases the Group’s funding costs and may adversely affect the Group’s net income if the Group is unable to pass on the increased funding costs. On the other hand, a decrease in interest rates may reduce the Group’s income from loans and leasing receivables as a result of lower rates applicable on the Group’s loans and leasing receivables. This reduction of revenue may, however, be offset by an increase in the volume of the Group’s loans and leasing receivables resulting from an increased demand for loans and finance leases and also possibly a decrease in the Group’s funding costs.

The CBT reference overnight interest (average funding rate) rate was 8.81 per cent. as at 31 December 2015.

Exchange Rates

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally USD and EUR, which can have an impact on its financial position and/or results of operations. These risks are both systemic (i.e., the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and unique to the Group (i.e., due to the Group's own net currency positions). For example, from a systemic perspective, if the Turkish Lira were to depreciate materially against USD or EUR (which both represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt.

As of 31 December 2015, 64.4 per cent. of the Group's total assets comprised loans and advances to customers and banks (compared to 39.5 per cent. as at 31 December 2014), of which 56.2 per cent. was in USD (compared to 76.7 per cent. as at 31 December 2014), and 43.8 per cent. was in EUR (compared to 23.2 per cent. as at 31 December 2014).

Any actions taken by the CBT or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) may adversely affect the financial condition of Turkey as a whole, including its inflation rate, and may have a negative effect on the Group's business, financial condition and/or results of operations. See the discussion relating to the large increases in interest rates in January 2014 described in "*Risks relating to Turkey – Foreign Exchange and Currency Risk*", which were the result of a significant depreciation of the Turkish Lira at the end of 2013 and the beginning of 2014.

A significant portion of the Group's financial assets and liabilities (including off-balance sheet commitments such as letters of credit) is denominated in, or indexed to, foreign currencies, primarily USD and EUR. If the Turkish Lira is devalued or depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's USD-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Therefore, if the Group's liabilities denominated in (or indexed to) foreign currencies exceed its assets denominated in (or indexed to) foreign currencies, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Turkish Lira could adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency.

EXPLANATION OF ACCOUNTING POLICIES

Basis of Presentation

The preparation of consolidated financial statements in conformity with BRSA Accounting and Reporting Legislation requires the use of certain critical accounting estimates for the Group management to exercise its judgment in relation to the assets and liabilities of the balance sheet and in relation to further contingent issues as of the balance sheet date. These estimates are described in the Bank's consolidated financial statements (see "*Financial Statements and Auditors' reports*") at F-19 - F-31 and F-128 - F-141.

TAXATION

The Bank is subject to Turkish corporate taxes. Corporate tax is applied on taxable corporate income which is determined from the statutory accounting profit by adding non-deductible expenses and be deducting dividends received from resident companies, other exempt income and investment incentives.

The statutory tax rate in Turkey for the years 2014 and 2015 was 20 per cent. Advance tax returns are filed on a quarterly basis in Turkey and the applicable corporate tax in 2014 and 2015 was 20 per cent.

The Group's tax position in 2015 and 2014 compared

The Group's tax expenses decreased from TL 32,2 million in 2014 to TL 24,7 million in 2015 reflecting a reduction of 23,3 per cent. compared to 2014. This decrease in corporate tax payable by the Group was a result of a decrease in the Group's taxable profit of TL 65,6 million from TL 163,2 million in 2014 to TL 97,6 million in 2015.

GOVERNMENT GRANTS

As of 31 December 2015, the Group had unused investment incentives amounting to TL 95,6 million.

SUMMARY OF FINANCIAL STATEMENTS

The Group publishes audited unconsolidated and consolidated annual financial statements and reviewed consolidated quarterly financial statements in accordance with Turkish Financial Reporting Standards ("**TFRS**") and BRSA regulations.

INCOME STATEMENT

The table below sets out a summary of the Group's income statement for 2014 and 2015.

Consolidated Income Statement	2015	2014	Change
	(TL Thousands)		*(per cent.)*
Interest Income	1,147,765	1,115,986	3
Interest Expense	601,929	627,752	-4
Net Interest Income	**545,836**	**488,234**	**12**
Net Fee and Commission Income	64,609	50,931	27
Trading Income / Loss (Net)	(39,752)	(27,480)	45
Other Operating Income	170,094	82,565	106
Total Operating Income	**740,787**	**594,250**	**25**
Provision for loan losses and other receivables	211,041	137,455	54
Other Operating Expenses	432,137	293,547	47
Net Operating Income	**97,609**	**163,248**	**-40**
Income Tax	**27,734**	**26,425**	**5**
NET INCOME	**69,875**	**136,823**	**-49**

The Group's total operating income in 2015 was TL 741 million, an increase of 25 per cent. compared to 2014. However, this increase includes TL 111 million income from the sale of NPLs. Excluding the effect of the NPL sales on operating income, the increase in operating income would have been 6 per cent. (TL 35.8 million in 2015). This increase in operating income was mainly achieved through an increase in net interest income and commission income. Net interest income increased by 12 per cent. (TL 57.6 million) while net fee and commission income increased by 27 per cent. (TL 13.7 million). However, trading losses increased by 45 per cent. (TL 12.3 million) compared to the previous year. Other operating income increased by 106 per cent. (TL 87.5 million) due to the effect of the NPL sale.

In terms of expenses, provisions for loan losses and other receivables increased by 54 per cent. (TL 73.6 million) due to NPL inflows during the year and the provisioning effect of stock NPLs resulting from the shift in the category of NPLs from Group 3 to Group 4 or Group 4 to Group 5 based on the increase in overdue days throughout the process. Other operating expenses increased by 47 per cent. (TL 138.6 million). The increase was a result of losses from the NPL sale. Excluding the effect of the NPL sale, the operating expenses remained stable.

As a result, the Group's net income decreased by 49 per cent. (TL 66.9 million) mainly due to the increase in provisioning expenses.

Net Interest Income

The Group's total operating income in 2015 (excluding the impact of the sale of NPLs) was mainly achieved through an increase in net interest income and commission income. Net interest income increased by 12 per cent. (TL57.6 million) while net fee and commission income increased by 27 per cent. (TL 13.7 million). The table below sets out a summary of the Group's net interest income for 2014 and 2015, and the percentage change.

Net Interest Income	2015	2014	Change
	(TL Thousands)		*(per cent.)*
Interest Income	**1,147,765**	**1,115,986**	**3**
Interest on Loans	967,077	876,212	10
Financial Lease Income	73,121	54,406	34
Interest Received from Marketable Securities Portfolio	60,853	174,028	-65
Interest Received from Money Market Transactions	27,150	990	2642
Interest Received from Banks	10,474	2,246	366
Interest Received from Reserve Requirements	3,194	223	1332
Other Interest Income	5,896	7,881	-25
Interest Expense	**601,929**	**627,752**	**-4**
Interest on Deposits	416,476	399,660	4
Interest on Funds Borrowed	123,113	78,497	57
Interest Expense on Money Market Transactions	24,364	117,878	-79
Interest on Securities Issued	35,114	26,886	31
Other Interest Expenses	2,862	4,831	-41
NET INTEREST INCOME	**545,836**	**488,234**	**12**

The Group derives interest income principally from loans and leasing receivables granted to customers, as well as from: securities (Turkish government bonds and Eurobonds); and interbank and money market placements.

The Group's interest income increased by 3 per cent. (TL 31.7 million) from 2014; amounting to TL 1,148 million in 2015. This increase was mainly driven by interest income from loans, leasing receivables and money market placements, and was partially offset by the decrease in the interest income from the Bank's marketable securities portfolio.

Interest income from loans increased by 10 per cent. between 2014 and 2015 (TL 90.8 million). The main reason for the change in interest income is the variance in volumes. Additionally, blended loan yields decreased by approximately 1.4 per cent in 2015 due to an increase in the proportion of foreign currency loans. By the end of 2015, foreign currency loan volumes more than doubled compared to 2014 (an increase of TL 2.2 billion), supported both by increasing share of corporate customers and the depreciation of TL. However, TL loan volumes decreased by 15 per cent. (TL 0.8 billion).

The effect of changes in interest rates on net interest income is minimal, and is summarised in the "*Net Interest Margin*" section below.

Interest income from leasing receivables increased by 34 per cent. (TL 18.7 million), mainly through the growing leasing portfolio.

Interest received from money market transactions increased to TL 27.1 million by 2015 compared to TL 1 million in 2014. The increase was mainly due to the reverse repo transactions in 2015. The overall balance of money market placements in 2015 was TL 350 million while in 2014 it was TL 6.7 million. Similarly, the TL 10.5 million interest income from bank placements was driven by the increase in average balances.

The main decreasing item of interest income is income from marketable securities due to the decreasing average balance of securities held by the Bank. In 2014, the average value of securities held by the Bank amounted to TL 1,548 million, which decreased to TL 854 million in 2015. Additionally in 2014, the Bank began to invest in Eurobonds. In 2014, 3 per cent. of the portfolio was constituted by Eurobonds, while in 2015 the proportion of Eurobonds increased to 45 per cent. As a result, because the interest rates on the Eurobonds are at a lower rate than the interest rates on domestic TL Securities, interest income from securities decreased by 65 per cent. (TL 113 million) and amounted to TL 61 million in 2015.

Interest expenses decreased by 4 per cent. (TL25.8 million) in 2015. The main reason for the decrease in interest expenses is money market transactions where interest expense on deposit, funds borrowed and securities issued increased.

The main expense item in respect of interest expenses is in relation to deposits. In 2015, interest expenses on deposits constituted 69 per cent. of total interest expenses while in 2014 it was 64 per cent. Interest expenses on deposits increased by 4 per cent. and amounted to TL 416.5 million. Although average deposit balance increased by 17 per cent. year on year, the share of foreign currency deposits significantly increased while the share of TL deposits decreased. Average foreign currency deposits increased by 80 per cent. and constituted 45 per cent. of total deposits. The average TL deposit balance decreased by 8 per cent. and constituted 55 per cent. of total deposits. In 2014, the proportion of TL deposits in the total deposit portfolio was 70 per cent. As a result, increasing the share of foreign currency deposits had the impact of limiting the increase in interest expenses on deposits. This is because foreign exchange deposits have lower interest rates in comparison to TL deposits.

The other main item of interest expense, funds borrowed, constituted 20 per cent. of total interest expenses in 2015, while in 2014 it was 13 per cent. These funds principally include long-term borrowing in the international markets and multilateral/bilateral borrowings. This increase primarily resulted from the increase in the volume of borrowing and the depreciation of TL. The Bank received subordinated loans amounting to USD 125 million in 2015. Therefore, the total increase in interest expense on funds borrowed during 2015 was 57 per cent. (TL 44.6 million).

Net Interest Margin

The table below sets out certain details of the Group's net interest income and net interest margin as of the dates indicated:

	2015	2014	Change
	TL (Thousands)		*(per cent.)*
Net interest income	545,836	488,234	12
Average interest earning assets	10,653,379	9,263,234	15
Net interest margin	5.1%	5.3%	-3

The Group's net interest income is a significant component of its total operating income, with a net interest income share of 73.7 per cent. and 82.2 per cent. of the Group's total operating income respectively in 2015 and 2014. Despite the 12 per cent. increase in net interest income, a 15 per cent. increase in average interest earning assets resulted in a new interest margin that was 20 bps lower than in 2014. Other contributing factors to the decrease in net income margin included the increasing share of corporate loans in the total loan portfolio which resulted in lower average spreads and increasing funding costs.

Net Fee and Commission Income

The Group mainly generates fee and commission income from the non-cash loans granted, guarantees given and banking services provided.

Net Fee and Commission Income	**2015**	**2014**	**Change**
	(TL Thousands)		*(per cent)*
Fee and Commission Income	**78,982**	**62,823**	**26**
Non-cash Loans	31,862	27,249	17
Other Fee and Commission Income	47,120	35,574	32
Fee and Commission Expense	**14,373**	**11,892**	**21**
Non-cash Loans	506	637	-21
Other Fee and Commission Expense	13,867	11,255	23
NET FEE AND COMMISSION INCOME	**64,609**	**50,931**	**27**

The Group's Fee and Commission Income was TL 79 million in 2015 in comparison to TL 63 million in 2014. This equates to a 26 per cent. (TL 16 million) increase. The increase was mainly achieved through the increase in other fee and commission income, which mainly consists of guarantee fees received. In addition, fees and commissions received from non-cash loans increased by 17 per cent. (TL 4.6 million) in 2015, primarily through an increase in non-cash loan volume.

Fee and commission expenses mainly consists of Debit Card, point of sale commissions, Interbank Card Centre commissions, commissions paid to Central Bank of Turkey and the foreign exchange transactions commission. Fee and commission expenses increased by 21 per cent. (TL 2.5 million) in 2015. The increase is in line with the Bank's growth in asset size and the increase in transactions (including higher POS usage, Debit Card usage, and commissions paid to the Central Bank).

Other Operating Income

The table below sets out the Group's other operating income as of the dates indicated:

Other Operating Income	**2015**	**2014**	**Change**
	(TL Thousands)		*(per cent)*
Reversal of Loan Provisions	145,434	53,193	173
Gain on Sale of Property, Plant and Equipment	14,159	14,480	-2
Provision for the Expenses Recovered from Customers	3,303	2,335	41
Provision for Communication Expenses Received from Customers	1,981	3,220	-38
Reversal of Provision Possible Risks	1,371	—	0
Operating Lease Income	—	—	0
Other	3,846	9,140	-58
Total	**170,094**	**82,368**	**107**

As at December 2015 the total Other Operating Income had increased by 107 per cent., mainly due to a 173 per cent. increase in the reversal of loan loss provisions. A TL 145 million reversal of loan loss provision included a TL 111 million NPL sale impact, which is also reflected in operating expenses under loss on sales of assets.

OPERATING EXPENSES

The Group's operating expenses mainly comprises personnel, general administrative and depreciation expenses. In 2015, total operating expenses increased by 47 per cent. (TL 139 million) compared to 2014 and amounted to TL 432 million.

The table below sets out the breakdown of operating expenses.

Operating Expenses	2015	2014	Change
	(TL Thousand)		*(per cent)*
Personnel Expenses	170,507	166,026	3
Reserve For Employee Termination Benefits	430	291	48
Unused Vacation	—	72	0
Depreciation Expenses of Tangible Assets	8,876	8,800	1
Amortisation Expenses of Intangible Assets	3,884	3,193	22
Depreciation Expenses of Assets Held for Sale	586	1,684	-65
Other Operating Expenses	94,511	87,201	8
Operational Lease Expenses	32,062	29,245	10
Other Expenses	62,449	57,956	8
Loss on Sales of Assets	129,033	4,997	2482
Other	24,310	21,283	14
Total Operating Expenses	**432,137**	**293,547**	**47**

Personnel expenses constituted 39 per cent. of total expenses in 2015, and increased by 3 per cent. (TL 3.5 million) compared to 2014. This increase in personnel cost is a result of a decreasing number of personnel. Average salaries increased in line with inflation, which was approximately 9 per cent., but the increase in personnel costs was limited because of a decrease in the number of personnel. In 2015, the Group's total number of personnel decreased to 1,107 which is a 17 per cent. decrease in comparison to 1,340 in 2014.

Losses on the sale of assets were TL 129 million in 2015 mainly due to the sale of NPLs. The Bank sold TL 15.2 million and TL 115.9 million of NPLs in two tranches and recorded a total loss of TL 123.9 million from these sales.

The other main items of operating expenses are operational lease expenses and general administrative expenses. In 2015, Other Operating Expenses increased by 8 per cent. (TL 7.3 million) in comparison to 2014 and amounted to TL 94.5 million. Operational Lease expenses primarily consist of building and car rental expenses and increased to TL 32 million, whereby they constituted 34 per cent. of other operating expenses. Other expenses mainly consist of taxes and duties, consultancy, audit, advertising, communication and technology expenses. These expenses increased by 8 per cent. in comparison to 2014 and amounted to TL 62.5 million.

Provision Expenses for Loan Losses and Other Receivables

According to the BRSA analysis, the requisite amounts are calculated according to the number of days overdue the respective loan is. The following table shows the BRSA classifications and related provision amounts.

BRSA Special Loan Loss Provision (SLLP)

	Days Overdue	Provision Amount
Group 3	90 days>Due Days>180 days	20% of the NPL
Group 4	181 days>Due days>360 days	50% of the NPL
Group 5	Due days>360 days	100% of the NPL

The following table shows the provisions of the Group, broken down by BRSA classification, along with related expenses for 2014 and 2015.

	2015	2014	Change
	TL (thousands)		*(per cent.)*
Specific Provisions for Loans and Other Receivables	166,633	117,216	42
Group 3 Loans and Receivables	38,067	6,658	472
Group 4 Loans and Receivables	54,285	28,613	90
Group 5 Loans and Receivables	74,281	81,945	-9
General Provision Expenses	30,498	-	0
Marketable Securities Impairment Expense	4,924	13,848	-64
Financial Assets at Fair Value Through Profit or Loss	3,372	13,518	-75
Available-for-sale Financial Assets	1,552	330	370
Other	8,986	6,391	41
Total	**211,041**	**137,455**	**54**

The Bank changed its provisioning methodology in 2014. Prior to this change, the Bank made a 100 per cent. provision for NPLs after collateral is deducted regardless of the number of days which NPLs were overdue. From April 2014, the Bank has booked provisions for NPLs by considering the group into which NPLs are placed according to the BRSA classification and the number of days they are overdue.

In 2015, the amount of provisions in respect of Group 3 NPLs increased by 472 per cent. compared to 2014, to TL 38 million. This was due to an overall inflow of NPLs of TL 304 million within this category in 2015 (compared to an inflow of TL 135 million in 2014) and a consequent provision expense of TL 38 million after the amount of collateral is deducted. In 2015, the amount of provisions in respect of Group 4 NPLs increased by 90 per cent. compared to 2014, to TL 54 million. This was due to an overall inflow of NPLs of TL 230 million within this category in 2015 (compared to an inflow of TL 129 million in 2014) and a consequent provision expense of TL 54 million after collateral is deducted. In 2015, the amount of provisions in respect of Group 5 NPLs decreased by 9 per cent. compared to 2014, to TL 74 million, when TL 18 million provisions were reversed due to the NPL sale. In the event that the Bank had not sold NPLs in 2015, the Group's Loans and Receivables would have been TL 92 million, which would have been a 13 per cent. increase compared to 2014.

In summary, the Bank sold TL 131.1 million NPLs for TL 7.2 million in 2015 and an amount of TL 128.8 million provisions were reversed. A TL 111 million gain was accounted for in other operating income while TL 18 million was reversed (which reflects the share of current year provisions) in provisions for loan losses. The effect of this is reflected as a TL 128 million gain from the sale of NPLs. However, the Bank recorded TL 123.9 million losses under operating expenses. Net gain from the sale of NPLs for the Bank is 4.9 million. Additionally, ALease sold TL 9.1 million NPLs and recorded a TL 0.1 million gain from the sale of NPLs. Total gain from the sale of NPLs for the Group is TL 5 million.

Absence of general provision expense in 2014

In 2013 the Bank applied a 1 per cent. provision for all standard cash loans. However, in 2014, and in accordance with the change in the "*Regulation and Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside*" (published in the Official Gazette numbered 28789 dated October 08, 2013, and numbered 29267 dated February 14, 2015), banks may apply (i) 0 per cent. provision for standard qualified cash and non-cash credits for transit trade; foreign currency earning services and for sales and deliveries deemed to be exports, (ii) 0.5 per cent. provision for SME cash loans and (iii) 0.1 per cent. for non-cash loans.

In December 2014, the Bank’s loan portfolio included TL 627m of export loans and TL 3.5bn of SME loans. Applying 0 per cent. and 0.5 per cent. provisions to export loans and SME loans respectively produced an approximately TL 24m positive impact on general loan loss provision only on standard cash loans. Furthermore, a TL 12m positive impact from the reversal of loan loss provisions was realised in 2014.

CASH FLOW

The table below summarises the Group's cash flows for each of 2015 and 2014:

Cash Flow Statement	2015	2014
	(TL Thousands)	
Net cash provided from/(used in) banking operations	656,637	(1,981,295)
Net cash provided from investing activities	72,413	1,127,026
Net cash provided from financing activities	439,727	779,040
Effect of change in foreign exchange rate on cash and cash equivalents	(341,282)	(78,724)
Net (decrease)/increase in cash and cash equivalents	827,495	(153,953)
Cash and cash equivalents at beginning of the period	459,281	613,234
Cash and cash equivalents at period end	**1,286,776**	**459,281**

The principal factor impacting the Group's operating cash flow is changes in loans and advances to customers and finance lease receivables. In 2015 leasing receivables increased by TL 380 million thousand, while loans increased by TL 1,406 million.

In 2014, the Group's negative operating cash flow was due to funds provided under repurchase agreements. In 2013, the Group provided TL 1,675 million under repurchase agreements. The decrease in the Group's repurchase agreements was the principal reason for the Group's positive operating cash flows.

In 2014, the Bank sold TL 1,727 million of its securities which were classified in the Held To Maturity portfolio in 2013. The cash flow generated through the sale of portfolio was TL 1,236 million and is the principal reason for the significant net cash generated from investing activities in 2014 compared to 2015.

GUARANTEES AND OTHER CONTINGENT LIABILITIES

The Group retains certain off-balance sheet contingent liabilities in the normal course of its business in order to meet the needs of its customers. These contingent liabilities, which include letters of guarantee, acceptance credits, import letters of credit and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in the Group's balance sheet.

The table below sets out details of the Group's guarantees and other contingent liabilities as of the dates indicated:

Off-Balance Sheet Items	2015	2014	Change
	(TL Thousands)		*(per cent.)*
Letters of Guarantee	2,241,064	1,855,242	21
Bank Acceptances	35,849	43,905	-18
Letters of Credit	345,726	362,242	-5
Other Guarantees	551,332	12,776	4215
Commitments	1,032,681	1,056,720	-2
Total	**4,206,652**	**3,330,885**	**26**

In addition to the items listed above, derivative financial instruments with a value of TL 10,904 million and custody and pledges with a value of TL 54,390 million contribute to total off-balance sheet commitments amounting to TL 69,501 million. In comparison, in 2014 derivative financial instruments amounted to TL 4,280 million and custody and pledges amounted to TL 39,841 million, which were included in the TL 47,452 million total off-balance sheet commitments.

RELATED PARTY TRANSACTIONS

The Bank has both loan and deposit relations with related parties, most notably Commercial Bank and various Anadolu Group companies in the ordinary course of their business and commercial business. The Bank also shares real estate with related parties. For example, as of 31 December 2015 the Group has a rent agreement with Anadolu Endüstri Holding. The Bank has paid rent amounting to TL 4.598 to Anadolu Endüstri Holding which is reflected in its profit and loss accounts as at 31 December 2015.

As at 31 December 2015, the Bank had deposits and borrowings of TL 737.5 million with respect to related parties. In addition, 5.6 per cent. of all deposits held by the Bank are from related parties.

A breakdown of transactions with related parties in respect of the periods indicated is set out below:

Risk Group	2015	2014
	(TL Thousands)	
Cash Loans	210,752	85,969
Non Cash Loans	79,905	145,472
Derivatives	—	5,411
Deposits	350,691	1,257,565
Share within total deposits	5.62%	22.2%
Borrowings	386,809	70,762
Share within total funds borrowed and subordinated loans	7.7%	2.5%

FINANCIAL CONDITION

The table below sets out a summary of the Group's assets for 2014 and 2015:

Assets	2015	2014	Change
	(TL Thousands)		*(per cent.)*
CASH AND BALANCES WITH CENTRAL BANK	1,545,498	1,358,244	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS	27,662	74,197	-63
BANKS	611,996	105,215	482
MONEY MARKETS PLACEMENTS	350,105	6,774	5068
FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	817,103	896,108	-9
LOANS	9,305,662	7,899,540	18
Loans	9,069,821	7,727,910	17
Non Performing Loans	517,341	440,873	17
Specific Provisions (-)	281,500	269,243	5
LEASE RECEIVABLES (Net)	1,031,649	651,409	58
TANGIBLE ASSETS (Net)	29,493	31,601	-7
INTANGIBLE ASSETS (Net)	82,808	74,558	11
TAX ASSET	26,707	24,242	10
OTHER ASSETS	236,140	225,779	5
TOTAL ASSETS	**14,064,823**	**11,347,667**	**24**

TOTAL ASSETS

In December 2015, the total asset size of the Group had increased by 24 per cent. compared to total assets as at 31 December 2014, an increase which principally reflects the Group's increased lending activity. The Group's principal assets are its loans and lease receivables; cash and balances with the Central Bank; financial assets at fair value through Profit/Loss; financial assets available for sale and bank and money market placements which, together, comprised 97.3 per cent. of its total assets as at December 2015, in comparison to 96.9 per cent. of its total assets as at December 2014.

Loans

As of 31 December 2015, the amount of performing loans increased by 17 per cent., compared to performing loan volume as at 31 December 2014, due to the provision of large corporate loans and the 25 per cent. currency exchange rate depreciation of the Turkish Lira against the U.S. dollar. The amount of foreign currency loans increased by 106.8 per cent., as at 31 December 2015 compared to 31 December 2014. In comparison, the amount of loans denominated in Turkish Lira decreased by 14.4 per cent for the same period. In 2014 the share of corporate/commercial loans was 43 per cent., and as of 31 December 2015, the share of corporate loans has increased to 58 per cent. As of 31 December 2015 the share of SME loans has decreased to 39 per cent., from 49 per cent. as at 31 December 2014. In comparison, the leasing receivables have increased by 58 per cent. for the same period of time due to an increase in the volume of transactions and the depreciation of the Turkish Lira.

As at 31 December 2015, segmentation of performing loans is stated below:

	Foreign	Domestic	Total
		(TL thousands)	
Corporate	39,524	5,286,909	5,326,433
SME	38,640	3,445,703	3,484,343
Retail	—	259,045	259,045
Total	**78,164**	**8,991,656**	**9,069,821**

Loans that meet the criteria set out below are classified as SME loans:

Criteria	Small size	Medium size	Micro size
Number of personnel	< 50	< 250	< 10
Annual net sales revenue	< 8 million TL	< 40 million TL	< 1 million TL

Non-Performing Loans ("NPL")

As at 31 December 2015, the NPL ratio was 4.9 per cent., a decrease of 0.1 per cent. compared with 31 December 2014 (and 3.9 per cent. as at 31 December 2013). Changes in NPL ratios can occur for various reasons, including changes in the levels of new NPLs, the increasing number of retail customers due to the Group's entry into retail credits, the amount and nature of the Group's cash loans and negative developments in the Turkish economy. For example, the higher level of NPLs in 2015 reflected the Group's previous focus in on lending growth in higher-yielding SME loans, which was a focus prior to 2014. On the other hand, the number of companies which apply for suspension of the bankruptcy has increased in a continual uptrend. NPL additions from commercial business units (mainly SME loans) caused a net increase in the amount of NPLs compared with 31 December 2014 of TL 76 million (after accounting for the sale of TL 115.8m of NPLs).

As at 31 December 2015 specific provisions increased by 5 per cent., specific provisions did not increase in line with the increase in NPLs due to the significant amount of collateral received and the percentage provisions which are implemented according to BRSA regulations (20 per cent. if the loan is overdue between 90 and 180 days, 50 per cent. for 180 to 360 days and 100 per cent. for over 360 days).

The Bank sold TL 15.2 million and TL 115.9 million of NPLs in two tranches and recorded a total loss of TL 123.9 million from these sales. On the other hand, due to reversal of existing provisions, the Bank recorded TL 128.8 million income within Other Operating Income and Specific Provisions for Loans and Other Receivables lines. Accordingly, in net terms, the Bank recorded TL 4.9 million income from sale of those NPLs. In addition, in 2015 A Lease sold TL 9.1 million of fully provisioned NPLs for TL 125 thousand and recorded an income of TL 125 thousand as a result.

BRSA Loan Loss Reserves

For details on the Bank's policies in relation to loan loss reserves, please see "Key Regulatory Characteristics of the Turkish Banking System—Loan Loss Reserves".

CASH AND CASH EQUIVALENTS

As at 31 December 2015 balances with the central bank increased by 14 per cent. in comparison to balances as at 31 December 2014, mainly due to the 10 per cent. and the 68 per cent. increase in deposits and borrowings respectively.

LEASING RECEIVABLES

Leasing receivables increased by 58 per cent. compared to leasing receivables as at 31 December 2014, which is in line with the increase in transaction volume (TL 380 million) and the depreciation of TL.

MARKETABLE SECURITIES PORTFOLIO

The Group's securities portfolio mainly consists of investment securities which are held as available for sale and for trading public sector debt securities. The Group's total securities portfolio amounted to TL

817.5 million as at 31 December 2015 and was 934.1 million as at 31 December 2014 (including held for trading securities). The decreases reflect disposals and the sales of available for sale securities.

TL bonds constitute 43 per cent. of the available for sale security portfolio, with the remaining 57 per cent. composed of Eurobond securities. TL securities principally comprise Turkish government bonds while the Eurobond portfolio mainly consists of public debt securities. The marketable securities are subject of the short-term repurchase agreements with the Turkish central bank and the Istanbul Stock Exchange Settlement and Custody, principally to meet short term funding needs.

Trading Assets

The Group enters into derivative instruments including forwards, swaps, futures and options in the foreign exchange and capital markets. As at 31 December 2015, derivative transactions are undertaken for asset liability management purposes in order to hedge balance sheet foreign currency and interest rate positions.

The Group's trading assets (excluding its held for trading securities) amounted to TL 27.2 million and TL 37.9 million as at 31 December 2015 and 31 December 2014 respectively. The change in these assets is due to the transfer of funds and fair valuation movements.

LIABILITIES

The table below sets out a summary of the Group's liabilities for 2014 and 2015:

Liabilities	**2015**	**2014**	**Change**
	(TL Thousands)		*(per cent)*
DEPOSITS	6,238,483	5,652,571	10
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	14,859	12,429	20
FUNDS BORROWED	4,262,137	2,535,573	68
MONEY MARKET FUNDS	358,823	445,487	-19
MARKETABLE SECURITIES ISSUED (Net)	877,824	868,098	1
MISCELLANEOUS PAYABLES	219,448	231,198	-5
OTHER LIABILITIES	139,085	150,519	-8
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	113	8,578	-99
PROVISIONS	140,220	103,678	35
TAX LIABILITY	28,497	30,938	-8
PAYABLES FOR ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS	2,660	5,872	-55
SUBORDINATED LOANS	767,558	329,826	133
LIABILITIES	**13,049,707**	**10,374,767**	**26**
SHAREHOLDERS' EQUITY	1,015,116	972,900	4
TOTAL LIABILITIES	**14,064,823**	**11,347,667**	**24**

The Group has focused on maintaining a large, stable and well-diversified external funding base, which reduces reliance on a limited number of funding sources and minimises the interest rate risk on the loan book.

Approximately 44.4 per cent. of the Bank's consolidated liabilities derives from customer deposits, 30.3 per cent. from borrowings, 6.2 per cent. from bond issuances, 5.5 per cent. from subordinated loans, 7.2 per cent. from equity and, 6.4 per cent. from other sources as at 31 December 2015. The Bank also has bilateral loan facilities in place with its correspondent banking network (USD 573 million as at 31 December 2015). The Bank also entered into a USD 185 million and EUR 147.5 million syndicated loan facility in July 2015.

Deposits

The Group raises funds mainly through deposits, as well as across the domestic and the foreign markets. The following table shows the breakdown of deposits received by the Bank according to deposit type, source, original maturity and whether the currency is foreign or domestic, as at 31 December 2015:

	Demand	Up to 1 Month	1 - 3 Month	3 - 6 Month	6 Month-1 Year	1 Year and over	Total
Saving deposits	52,036	56,362	1,718,980	48,754	13,078	14,985	1,904,324
Foreign currency deposits	201,788	152,270	1,819,601	77,905	21,342	13,276	2,286,182
Residents in Turkey	195,001	152,270	1,628,266	75,792	18,912	13,156	2,083,397
Residents abroad	6,787	—	191,335	2,113	2,430	120	202,785
Public sector deposits	17,162	—	—	—	—	—	17,162
Commercial deposits	93,185	668,712	545,953	25,682	74,137	19,718	1,427,387
Other institutions' deposits	1,722	6,855	17,082	8	42	19,275	44,984
Precious metals deposits	1,399	—	205,124	585	126	774	208,008
Interbank deposits	484	198,500	119,549	31,903	—	—	350,436
Central Bank of Turkey	—	—	—	—	—	—	—
Domestic banks	124	175,123	87,682	—	—	—	262,929
Foreign banks	360	23,377	31,867	31,903	—	—	87,507
Participation banks	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total	**367,776**	**1,082,699**	**4,426,289**	**184,837**	**108,725**	**68,028**	**6,238,483**

As of 31 December 2015 the amount of the deposits increased by 10 per cent., in comparison to that at 31 December 2014, and this is mainly due to an increase in deposits made by corporate and retail businesses and also a 65.1 per cent. increase in foreign currency deposits. As of 31 December 2015 the amount of TL deposits have decreased by 13.4 per cent., in comparison to that at 31 December 2014. As of 31 December 2015 the amount of deposits made by other banks with the Group have increased by 84.8 per cent., in comparison to that at 31 December 2014.

Funds borrowed

The Group's borrowed funds amounted to TL 5,030 million and TL 2,865 million as at 31 December 2015 and 31 December 2014 respectively (including subordinated loans). The Bank preferred to fund the increase in loans and leasing receivables by large scale borrowings and consequently funds borrowed and subordinated loans increased 68 per cent. and 133 per cent. as of 31 December 2015 and 31 December 2014 respectively compared with funds borrowed and subordinated loans as at 31 December 2014 respectively. In addition, foreign currency borrowings consists of 97.5 per cent. of total borrowings and depreciation of TL has boosted the increase in borrowings.

The Bank has increased its funding by renewing its syndicated loan in July 2015 of USD 346 million and by receiving a subordinated loan of USD 125 million in June 2015.

The table below sets out a summary of the Group's loans and other sources of funding for 2014 and 2015.

Loan name	Tenor	2015
		(USD millions)
Bilateral Loans	6 months to 1 Year	383
Syndicated Loan	1 Year	346
Longer Term Bilateral Loans	1 to 3 Years	190
ETDB Loan	4 Years	16
Woman in Business Loan	5 Years	11
Energy and SME Loan	7 Years	97
Subordinated Loan	10 Years	263
Eurobond	5 Years	250
EIB Loan	7 Years	18
Other Funds Borrowed	Over 1 Year	139

Loan name	Tenor	2014
		(USD millions)
Bilateral Loans	6 months to 1 Year	343
Syndicated Loan	1 Year	328
Longer Term Bilateral Loans	1 to 3 Years	20
ETDB Loan	4 Years	20
Woman in Business Loan	5 Years	23
Subordinated Loan	10 Years	142
Eurobond	5 Years	250
EIB Loan	7 Years	26
Other Funds Borrowed	Over 1 Year	184

Marketable Securities Issued

In addition to the Bank's USD 250 million Eurobond issue in July 2014, A-Lease (a subsidiary of the Bank) also has two outstanding bonds; the bonds are TL denominated, each with a maturity of approximately 1 year, with the combined value of TL 142 million.

Provisions

As of 31 December 2014 provisions increased by 35 per cent. in comparison to that at 31 December 2014 mainly due to a TL 30 million increase in collective provisions. As at 31 December 2015, provisions included TL 93 million general loan loss provisions, TL 9 million reserve for employee benefits and TL 38 million for other provisions. In comparison, the 2014 general loan loss provision amounted to TL 63 million, reserve for employee benefits amounted to TL 9 million and other provisions amounted to 32 million.

Shareholders' Equity

The Group's shareholders' equity amounted to TL 1,015 million at 31 December 2015 and TL 973 million at 31 December 2014. As at 31 December 2015 shareholders' equity included TL 620 million paid in capital, TL 358 million profit reserves and TL 29 million negative impact of capital reserves, which consists of marketable securities valuation reserve and actuarial losses.

THE GROUP AND ITS BUSINESS

Overview of the Group

The Bank is a Turkish bank that predominately serves large and medium-sized companies through a network of 59 branches. According to statistics published by the Banks Association of Turkey, as at 31 December 2015, the Bank was ranked as the 16th largest in Turkey in terms of total deposits, and 18th largest in terms of total assets. As at 30 September 2015, the Bank's assets represented approximately 0.6 per cent. of the assets of the banking sector in Turkey as a whole, according to the Banks Association of Turkey.

The Bank's business largely focuses on the provision of corporate and commercial banking services and products. The main product offerings include trade finance instruments, short and mid-term working capital financing, cash management and bancassurance, and more recently project-based financing. Since 2008, the Bank has also been active in the retail banking sector ("**Retail Banking**"), which includes providing services to individuals such as deposit services, consumer loans and investment products, amongst others. At present this functions primarily as a deposit base as it accounts for 48 per cent. of total deposits, while just three per cent. of the Bank's loans originate from Retail Banking (as at 31 December 2015). The Bank may also introduce its corporate and commercial services to retail customers where it considers these services to be appropriate and useful for the customer.

The Bank's treasury department manages the asset and liability position of the Group, engages in trading (primarily in relation to local fixed income securities, foreign exchange and derivatives) and provides certain structured products to clients.

In addition to its core banking operations, the Bank is active in the areas of leasing, investment banking, mutual fund management and asset management through its three operating subsidiaries as further detailed below (see "*Subsidiaries*").

The Bank's operations constitute a significant majority of the Group's total activities, as shown by the table below.

	As at 31 December 2015	
	Bank	**Group**
	(TL thousands)	
Assets	13,149,663	14,064,823
Loans (performing)	9,124,472	9,069,821
Deposits	6,288,120	6,238,483
Equity	996,610	1,015,116
Employees	1,038	1,107

The registered head office address of the Bank is Cumhuriyet Cad. No: 46, 34367 Şişli/İstanbul, Turkey and its telephone number is +90 (0)212 315 65 00. The Bank is registered with the İstanbul Trade Registry under number 280445-228027.

History

The Bank was incorporated by the Doğan Group as a joint stock company in İstanbul, Turkey, on 6 November 1991 and commenced operations in February 1992. The Bank operated entirely under the Doğan Group's private ownership until 3 July 1995, when 20 per cent. of its shares were admitted to trading on the Borsa İstanbul.

In 1996, the remaining 80 per cent. shareholding in the Bank was purchased from the Doğan Group by the Anadolu Group, an international conglomerate. The Anadolu Group subsequently increased its stake in the Bank to approximately 96 per cent. via purchases in the secondary marketplace.

On 24 December 2012, it was announced that Anadolu Endüstri Holding A.Ş., the majority shareholder of the Bank, had begun talks with CB for the sale of a majority stake in the Bank. CB acquired a 70.84 per cent. stake in the Bank on 18 July 2013 and an additional equity interest of 3.40 per cent. in September 2013. Following completion of the share sales and a mandatory call, CB and the Anadolu Group owned 74.25 per cent. and 25 per cent. respectively of the Bank's shares. On 2 July 2014 CB (on behalf of itself and the Anadolu Group) made an application to the Bank requesting that the Bank apply to the CMB and Borsa İstanbul for the mandatory sale of the remaining 0.75 per cent. of shares. The process was complete as at July 2015 and CB acquired an additional 0.75 per cent. of shares. As at the date of this Prospectus, CB owns 75 per cent. and the Anadolu Group owns 25 per cent. of the Bank's shares.

A put option is held by the principal non-controlling shareholders of the Issuer. A call option is held by CB on all the shares owned by the principal non-controlling shareholders of the Issuer.

Key Strengths

The Bank's management believes that the Bank's position in the Turkish banking sector can be attributed to several key strengths and that it is well positioned to compete in the Turkish market due to its relatively unique niche market position. The Bank does not compete for general banking business with other banks operating in the Turkish corporate banking market. However, reflecting its focus on target customer segments and industry sectors, it does compete with both Turkish and foreign banks in these areas. Management believes that its more specialised approach and its shareholder structure provides a competitive advantage. In the Turkish retail sector, the Bank seeks to compete on the basis of its products and efficiency of execution.

With an approach that is focussed on priority sectors, the Bank aims to add value to all phases of its customers' commercial activities by providing effective and timely solutions to various product offerings including its project/structured finance, working capital finance, trade finance, cash management, treasury products and the bancassurance products. This holistic approach also represents the core of the Bank's success in enhancing relations with its clients and strengthening customer loyalty.

In addition, offering its shareholder base a wide range of opportunities in client acquisition provides a significant competitive advantage for the Bank. The Bank has a good track record of developing a value-chain with a well-established focus on commercial and corporate customers. The Bank's alliance with CB and its associates also offers new cross-selling opportunities for Middle Eastern clients in Turkey.

The following summarises the Bank's key strategic objectives, which are reflected in each business segment, and are then more fully described below.

Financial profile

The Group has a stable financial profile, having a capital adequacy ratio of 13.83 per cent. and 13.26 per cent. as at 31 December 2014 and 31 December 2013, respectively. As of December 2015, the capital adequacy ratio increased to 14.16 per cent.

Strong shareholders

The Bank has strong and committed shareholders in the form of CB and the Anadolu Group, both of whom provide opportunities for cross-selling and developing new products.

Distribution network

The Bank has a traditional branch structure that covers the most economically active areas of Turkey, as well as a track record of investment in alternative distribution channels ("**ADCs**") (see "*Marketing and Distribution Channels" below*). Whilst both the branch network and ADCs are equipped and focused on providing services to all business segments, the branch network is of particular importance to supporting the activities of the Bank with regard to mid-size corporates, who rely upon and value the relationship management to support them in developing their businesses, while also relying on the physical infrastructure necessary for efficient cashflow management. In comparison, retail customers place greater emphasis and value on the flexibility and availability of services, and therefore the Bank strategy for Retail Banking focuses more on the delivery of services online and through other ADCs.

Funding base

The Group has focused on maintaining a large, stable and well-diversified external funding base, which reduces reliance on a limited number of funding sources and minimises the interest rate risk on the loan book. Approximately 44.4 per cent. of the Bank's liabilities derives from customer deposits, 30.3 per cent. from borrowings, 6.2 per cent. from bond issuances, 5.5 per cent. from subordinated loans, 7.2 per cent. from equity and 6.4 per cent. from other sources as at 31 December 2015. The Bank also has bilateral loan facilities in place with its correspondent banking network (USD 573 million as at 31 December 2015). The Issuer also entered into a USD 185 million and EUR 147.5 million syndicated loan facility in July 2015, and issued a USD 250 million eurobond in the debt capital markets in July 2014.

Effective cost management

The Bank focuses on prudent cost management. This approach was sustained even during the first quarter of 2015, when costs increased in order to optimise the Bank's operations. Over time, this serves to improve profitability and reduce the Bank's cost to income ratio ("**CIR**"). Operational processes are frequently reviewed to ensure their efficiency, and a prudent scoring system for loans is used to promote the asset quality of the loan portfolio over time. The CIR, currently at 48.8 per cent., has slightly increased compared to 2014 mainly due to increasing efficiencies and optimising the Bank's network of branches.

Risk Management Strategy

The Bank has a conservative risk management strategy that proactively analyses credit, market, structural interest rate, liquidity and operational risks.

Strategy

The Bank's overall objective is to achieve efficient capital allocation, with sustainable profitability. With the Bank's strategic roadmap referred to as the "transformation project", the Bank is focused on growing its client base within the corporate and commercial sector ahead of the project's full implementation, which is currently scheduled for 2017. It has defined its long-term strategy as being based on a "focused banking model" built on three main pillars: (i) focusing on specific sectors in business banking (targeting specific, highly profitable corporate and commercial sectors) (ii) aiming to achieve operational efficiency through a number of cost-saving initiatives (such as automating back office functions) and (iii) focusing on retail banking deposits (developing its deposit base by targeting specific geographical locations containing high net worth individuals).

Targeting Specific Business Sectors

The Bank aims to grow its business operations by targeting specific highly profitable corporate and commercial sectors. For example, the Bank targets to expand its commercial and corporate customer base to include financial institutions and multinational companies currently operating or planning to operate in Turkey. The Bank plans to be a key player in the market, in particular, by focusing on the tailor made solutions to clients such as corporate finance, trade finance, structured products/treasury products and cash management.

Operational Efficiency

The Bank's focus is on increasing efficiency in its business by optimising the use of capital to bring a high return on equity, as well as cost efficiency by managing operating expenses in line with its strategy.

The Bank changed its technological infrastructure in 2012 (see "*Information Technology"*), resulting in a more efficient IT platform for both internal and client facing operations. It will continue to build on this operational efficiency by implementing several strategies, for example, in the digitization of back-office functions. In 2015, the Bank invested in its technological infrastructure by introducing various projects aimed at further increasing the efficiency of its departments, for example, in updating the scanner systems for each branch and its ATM and credit card management services.

Increased core demand deposit base

Within the retail banking sector, growing and diversifying the deposit base is considered a key objective of the Bank's management team as it reduces the risk profile of the revenue base whilst rendering it more stable. Currently, high net worth individuals account for 80 per cent. of the total individual deposits in Turkey according to the BRSA and BCG's Internal Strategy Consulting study, whilst making up 95 per cent. of the Bank's total individual deposits. To further build on this, the Bank aims to develop long-lasting relationships with high net worth individuals by satisfying their long-term borrowing needs and helping to support their daily cashflow requirements. The Bank aims to concentrate its efforts by targeting Turkey's deposit consumer base, largely centred around several main Turkish cities (principally, 45 per cent. in İstanbul, 10 per cent. in Ankara and 7 per cent. in İzmir).

Use of Financial Instruments and Foreign Currency Transactions

Risk-bearing short-term positions of currency, interest or price movements in money and capital markets is evaluated when assessing trading risk. The Bank evaluates the required capital to cover trading risks and, based on this assessment, risk limits are determined and monitored on a daily basis. Risk limits are approved by the Board of Directors once a year following the approval of the budget. However, the risk limits are reconsidered and can be revised depending on economic conditions.

The Core Business Segments of the Bank

The Corporate Banking department mainly focuses on mid-size corporates with an annual turnover of 150 million TL and above and multinational companies. The Bank's strategy is based on an industry focused banking approach. This industry focussed strategy is aimed at selected corporate banking sectors which offer solid growth and profitability, and high potential for the Bank to be able to differentiate in its service offering. With this focused business banking strategy, the Bank aims to develop deep expertise in order to provide differentiated sector offerings and offer competitive products and services. The Bank's main goal is to be one of the primary banks of choice for clients in these sectors through competitive loan offerings. The Bank believes that a "best-in-class" service, as a result of its special expertise and knowledge of the sector, will allow it to compete with the other financial institutions.

The Bank predominantly provides commercial banking products and services to medium-sized companies. The Bank's retail arm has made a strategic decision to increase its focus on deposit gathering, in particular targeting affluent and high net worth clients with deposit-focused products. The Bank also aims to introduce these clients to its commercial and corporate services, in line with its new strategy. The Bank also conducts certain treasury and other business activities such as swaps, forwards, IRS, swaptions, cross-currency and option transactions.

The following table shows the breakdown of the loan book of the Group as at 31 December 2015 by its three main business segments.

	Cash	**Non-Cash**	**Other**	**Total**
		(TL thousands)		
Corporate	5,326,433	2,255,918	-	7,582,351
SME	3,484,343	917,576	-	4,401,918
Retail	259,045	477	-	259,522
Total	**9,069,821**	**3,173,971**	**-**	**12,243,792**

Loans that meet the criteria set out below are classified as SME loans:

Criteria	**Small size**	**Medium size**	**Micro size**
Number of personnel	< 50	< 250	< 10
Annual net sales revenue	< 8 million TL	< 40 million TL	< 1 million TL

Retail loans provided to customers include consumer, real estate and automotive loans, and personnel credit cards.

Corporate loans provided to legal entities include commercial, export– and import– loans, corporate credit cards, commercial real estate, commercial automotive loans and other commercial loans.

In addition to the core banking operations of the Bank, the Group is active in the areas of leasing, investment banking, mutual fund management and asset management (as further described under *Subsidiaries* below).

The activities of the Bank are almost entirely conducted in Turkey. The following table shows the breakdown of the loan book of the Bank as at 31 December 2015 according to its three main business segments and the location – inside or outside of Turkey – of customers.

	Foreign	**Domestic**	**Total**
		(TL thousands)	
Corporate	39,524	5,286,909	5,326,433
SME	38,640	3,445,703	3,484,343
Retail	0	259,045	259,045
Total	**78,164**	**8,991,656**	**9,069,821**

Corporate

Corporate Banking was separated from Commercial Banking in 2015. Companies with an annual turnover of TL 150 million or more are now within Corporate Banking.

Corporate branches were established and a new sales force and management team was recruited to manage Corporate Banking. Three different departments have been established in the new organisation structure of the Corporate Banking Group – being Sales & Marketing Management, Corporate Finance, and Trade Finance – to manage the branch organisation and to serve customers directly from the Bank's headquarters.

Corporate Banking's existing clients and target market are local "blue-chip" companies and multinational corporations operating in Turkey. The customers in this segment operate in several industries, including food and beverage, chemicals, telecommunications, energy, household appliances, oil, iron and steel, construction, real estate and retail. The Bank has over 800 active Corporate Customers who are supported by a network of 15 RMs and 15 RM assistants dedicated to corporate banking in six branches. Corporate branches are located in İstanbul, Ankara, İzmir and Gaziantep, the largest and most developed cities in Turkey.

Corporate Banking tries to reach new customers in sectors parallel with the new strategy of ABank. Targeted sectors include manufacturing, tourism, real estate and retail. To capture new customers and penetrate further into existing markets, Corporate Banking has several key strengths: (a) it is able to establish long-standing relationships which are enhanced through its commitment to existing clients; (b) it has the ability to cross-sell on cash management, trade finance and treasury products; (c) it has the ability to cross-sell to strong and reputable shareholders; and (d) its experienced, high-quality staff act as financial consultants for clients.

The Bank offers a large number of products and services to its corporate customers. The most significant of these are cash loan products (including structured loan products such as project financing), non-cash loan products (such as letters of credit and letters of guarantee), foreign trade financing and cash management services. In addition, a broad range of investment products (such as deposits, government securities and mutual funds) and a variety of treasury and derivative products are offered to corporate customers. Different types of products are offered including mid-term and long-term instalment loans, revolving loans, spot loans, foreign currency-indexed loans, Turkish Eximbank loans, commercial overdrafts and general purpose loans.

ABank's main purpose is to grow its corporate segment rapidly by establishing long-lasting, sustainable cooperation with selected existing customers and targeted new customers, with a view to capturing further ancillary business for both corporate and other segments of ABank.

As at 31 December 2015, 45 per cent. of total loans, 36 per cent. of total deposits and 38 per cent. of total income were generated by Corporate Banking. These ratios were 34 per cent., 38 per cent. and 17 per cent., respectively, as at 31 December 2014.

Commercial

With the strategic roadmap announced in December 2014, the Bank initiated a "transformation" project that is to be completed by 2017. As part of this project, Corporate and Commercial Banking were organised as separate units effective from 1 January 2015. Following the launch of the new organisational structure, the Commercial Banking department introduced new segmentation criteria for its clients to better address their needs and provide tailored, client-specific services more efficiently. Consequently, Commercial Banking carries out its banking operations through two main business segments, commercial banking and SME banking. As a result of the new segmentation, the Commercial Banking Department is focusing on larger commercial entities and SME clients respectively. Customers are segmented mainly by the value of their annual turnover. Commercial Banking customers are companies with an annual turnover of TRY 40 million to TRY 150 million, while SME customers are companies with an annual turnover of up to TRY 40 million.

As of 31 December 2015, the Bank had approximately 103,477 Commercial and SME customers who are supported by a network of 200 relationship managers ("**RMs**") that is dedicated to commercial banking. The Bank has long-term relationships with its commercial customers, which it strives to maintain.

In total, as at 31 December 2015, Commercial Banking customers accounted for 49.2 per cent. of the total loan portfolio and 21.1 per cent. of the total deposit portfolio, with operating profit from commercial banking representing 55.3 per cent. of the Bank's total income.

ABank's Commercial Banking SBU offers its customers a holistic service model, including a complete and up-to-date product range that is able to respond to their current needs. Based on the holistic service approach, businesses at all levels that make up the value chains of customers are provided with credit, deposit, investment, foreign trade and cash management products and services in the commercial and SME segments.

The primary business lines in the commercial banking segment are working capital financing, foreign trade finance, leasing, domestic and international non-cash credit line facilities (such as letters of credit and guarantees), cash management, e-banking services and, more recently, project financing to mid-sized corporates. The Bank's strategic focus is on project-based, cash management and trade finance.

Within Commercial Banking is a Large Accounts Credit Support team, which extends corporate finance and project-based credit support in various fields including, but not limited to energy, hotels and income-generating real estate projects, as well as providing boutique financing solutions to fulfil the long-term financing needs of its customers in speciality sectors such as tourism, construction, maritime, food and beverages, with a particular focus on the renewable energy sector. Commercial SBU will remain active in the provision of project based loans. The large account team, operating under the Commercial Banking SBU, comprises experienced staff specialising in corporate finance, energy and real estate projects, as well as acquisition finance. The Commercial Banking Department underwrote approximately TL 412 million (USD 153 million) of loans offered by the Large Accounts Credit Support team as at 31 December 2015.

Commercial banking also provides a variety of support services and payment management mechanisms to Turkish firms engaging in international trade transactions. These include advance payments, letters of credit (sight, deferred and acceptance), cash against documents, cash against goods, standby letters of credit, export financing (pre- and post-shipment), import financing and export credit insurance (export receivables-backed financing guaranteed by Turk Eximbank and Coface/Euler Hermes Insurance). In addition to traditional import and export products, the Bank offers its customers innovative and alternative structures in foreign trade products. In order to increase the pace of delivery and ease of use for customers, the Bank's trade finance operation unit provides direct support to the Bank's branches and customers.

The Bank's cash management team offers a broad variety of products, including collection services, cash transfer services, electronic banking and operational services. Commercial Banking management intends to continue to grow its market share in this area through the cross-selling of its products and services.

SMEs

As mentioned above, SME banking is organised under the management of Commercial Banking.

SMEs differ from commercial customers in terms of their scale, employment and management structure. With an understanding of SMEs' particular needs, the Bank has developed a service model specifically focused on the needs of SMEs, including different offerings for specific industries.

The strengths of the Bank's SME banking segment include: (a) a customer-centric approach that provides highly tailored packages of products to SMEs; (b) the ability to cross-sell by leveraging on cash management and the strength of existing relationships; and (c) strong and reputable shareholders.

SMEs can markedly improve profit retention and capitalisation through a well-structured cash flow solution, which is ideal for both the customer and the Bank. Hence the Bank focuses on increasing the profitability of SME customers (who mainly have an annual turnover of TRY 25 million to TRY 40 million) by offering a wide range of products, including liability-side, cash management and trade finance products and by providing support to help customers' businesses to grow. The Bank's management believes that building relationships with SMEs through a more customer-centric approach, and focusing on nurturing SMEs that have the potential to grow and become part of the commercial segment, represents a potential growth opportunity for the Bank. In this context, focusing on SMEs that have growth potential and selectively building relationships with these SMEs through a more customer-centric approach will form the principal aim of the Bank's SME banking strategy.

Retail Banking

The Bank re-established its retail banking services in 2008 after an eight-year absence from the sector. The reintroduction of retail banking was designed to broaden the Bank's customer portfolio, with a particular focus on individual customers and micro-enterprises (being enterprises with a turnover of less than TL 1 million). In 2014, retail banking generated TL 8.6 million. As at 31 December 2015, the Bank had approximately 37,086 active individual customers.

The Banks retail strategy mainly focuses on increasing its deposit base. The Bank's retail strategy also seeks to take advantage of the Bank's relationship with the Anadolu group of companies, and any cross-over of services between the corporate/commercial department. Efes and Coca Cola combined (both of which are part of the Anadolu Group of companies) have approximately 200,000 points of sale across Turkey. This represents a potential means of marketing to micro-enterprises, and is aligned with the Bank's cross-selling strategy. One of the products introduced by the Bank is the 'Efes Pazarlama Kart' (or EfesKart), a credit card designed to be used by micro-enterprise customers in purchases of beverages from vendor kiosks, markets and restaurants and offered through Efes Pazarlama A.Ş., an Anadolu Group company. This particular credit card has an independent credit limit and may be used for the purchase of specific Efes products through all Efes point-of-sale ("**POS**") terminals owned by Efes distributors. Following an Efes Pazarlama Kart-focused direct sales initiative in 2014, the number of EfesKart holders now exceeds 10,000. The Bank is considering options to include further Anadolu Group companies within this – or similar – initiatives to extend the number of points of sale and to reach a wider distribution of potential micro-enterprise customers.

In the second half of 2013, the Bank introduced the 'Enterprise Membership Services' initiative. Enterprise Members who install the new POS terminals of the Bank may offer to their customers not only the ability to pay with Visa and MasterCard credit cards, but also the option to pay in instalments and to earn bonus points (subject to owning a Bonus card). By the end of December 2015, more than 3,000 such POS terminals had been utilised within the network. As a result, a new direct sales team was established to focus on the Enterprise Membership Services, to support branch sales operations and to enhance market penetration of the initiative.

Furthermore, in the second half of 2013, the Bank also introduced "Commercial Credit Cards", which have prominent 'Bonus' features.

In April 2015, the Bank introduced the new "Virtual POS" product. Virtual POS is a secure payment solution that enables merchants to accept credit card payments for e-commerce transactions. As at December 2015, ABank had nine merchants using this virtual POS solution, with a monthly turnover of approximately 9.3 million TL.

Products and Services

Deposits

The Bank offers its retail customers a range of cash and gold deposit accounts and periodic saving accounts. Deposit collection is a principal focus of the Bank, as deposits provide low-cost funds to be invested in loans and other assets.

Deposits from the retail banking business are the largest funding source of the Bank, reaching TL 1.9 billion of Turkish Lira deposits and the equivalent of USD 371.7 million in foreign currency deposits as at 31 December 2015.

Consumer Loans (including Overdraft Accounts)

The Bank's retail loan portfolio (which since 2009 has been made in Turkish Lira), comprises mortgage loans, auto loans, general purpose loans and overdrafts.

The Bank's primary consumer loan products are described below:

- *Mortgages*: The Bank's retail mortgage offering is focused on both high and medium-net worth individuals with a strong credit history. The Bank's maximum loan-to-value ratio is 75 per cent. and the term is 120 months, which is in line with the maximum limit allowed under legislation. The Bank's mortgage strategy is not only to use competitive prices periodically, but also to provide credit as quickly as possible.

- *Vehicle Loans*: The Bank offers secured loans to finance the purchase of both new and used vehicles. The duration of these loans is typically around four years, and they are offered on fixed interest rates.

  As of the first quarter of 2015, consumers wishing to buy a new car by way of a vehicle loan must have over 30 per cent. cash in relation to the sale price, according to new regulations. This will affect the number of vehicle loans the Bank will be able to offer.

- *General Purpose Loans (including overdraft loans and other loans)*: The Bank offers general purpose loans to its retail customers. The average maturity of such loans is approximately 35 months. The Bank's general purpose loan book reached TL 110 million as at 31 December 2015.

  The Bank seeks to capture market share through various central marketing approaches such as pre-approved loan limits and going forward will look to maximise its use of ADCs.

  As general purpose loans are generally unsecured, the Bank's credit analysis for these loans focuses principally on the potential borrower's income, the credit history from the credit bureau in Turkey (the "**KKB**") and the other assets of the customer.

- *Overdraft Accounts*: The Bank has registered a stable and strong overdraft account base built mainly upon employer payroll customers. Targeted marketing campaigns are conducted to increase utilisation of overdraft accounts. As at 31 December 2015, the number of active overdraft accounts operated by the Bank was approximately 6,033 with an aggregate overdraft risk of TL 7 million.

- *ABank Diners Club Credit Card:* The Bank is the exclusive issuer of the Diners Club credit card in the Turkish credit card market. The target population will be high net worth affluent customers. The Diners Club membership is for a select demographic. The Bank will offer two card types, a "Black" card which will be by invitation only and a "Platinum" card which customers can apply for through branches and the Bank's web site.

Investment Products

On 1 July 2015, the investment funds Alternatifbank A.Ş. B Tipi Likit Fon and Alternatifbank A.Ş. B Tipi Özel Sektör Odaklı Tahvil Bono Fon were transferred to Ak Portföy Yönetimi A.Ş.. On 31 December 2015, the investment funds Alternatifbank B Tipi Değişken Fon, Alternatifbank A.Ş. A Tipi Değişken Fon and Alternatifbank A.Ş. A Tipi Hisse Fon were transferred to Fokus Portföy Yönetimi A.Ş.

The Bank's agency contract with Alternatif Yatırım A.Ş. has terminated by mutual agreement as of 30 June 2015.

Cash Management Products

These are one of the principal products for retail customers. The Bank offers a leading cash management tool, its "Happy Money" account, as an excess liquidity management asset account ("***Mutlu Para***

Hesap"), and was the first bank to offer such a product with three different investment options. The *Mutlu Para Hesap* account automatically converts any excess money in the customer's current account into liquid mutual funds of a type that are generally invested in Turkish government securities, Turkish Lira overnight time deposit accounts or foreign exchange ("**FX**") deposit accounts. Another cash management facility offered by the Bank is automatic payment orders for utility bills. The total number of utility payments facilitated by the Bank reached approximately 212,120 as of December 2015.

New Deposit Product

VOV is an account in which customers are able to withdraw and deposit money at any time without loss of interest. The Bank launched the VOV product in July 2015 and, as of 31 December 2015, it had a total of 454 customers and TL 27.4 million under deposit.

Insurance Products

The structuring of the Bancassurance Department as a part of the Retail Banking department continued in 2014, in order to expand the insurance and individual pension product range offered to customers. The total number of insurers represented now stands at eight: Ray Sigorta; Anadolu Sigorta; Axa Sigorta; Axa Hayat ve Emeklilik; Cardif Hayat ve Emeklilik; HDI; Groupama and AvivaSA. These partnerships support the Bank's product growth and supplement its non-interest income. The new product lines include: ABank Commercial Liability, ABank Personal Accident and ABank Card Protection Plan, amongst others. Through these investments and IT developments, these products can be offered directly and efficiently by branch staff to customers.

By extending the product range, offering wider coverage and upgrading its systems, the Bank recognised insurance profits of TL 4.1 million in 2014 and TL 3.1 million in 2015, and attracted a new customer base, increasing the number of insurance customers of the Bank from 27,300 as at 31 December 2013 to 32,135 by December 2014, and reducing the number of customers of the Bank to 32,099 as at December 2015

Payment Systems

The Bank launched the ABank Bonus Card in September 2012. This is the most common credit card loyalty programme in Turkey. This programme is owned and run by Garanti Bankasi. As of 31 December 2015, the Bank had approximately 13,000 credit card customers and provided credit card processing services to some 1,162 merchants.

In July 2013, the Bank launched the ABank Bonus Business Card. Currently there are approximately 2,400 ABank Bonus Business Cards in issue.

Efes Pazarlama Kart (Efes Card) was introduced in 2013. This is a closed cycle credit card that targets the cash flow between Efes distributors and sales points, which enables the Bank to access approximately 75,000 sales points of Efes. As of 31 December 2015, there were approximately 10,000 Efes Cards in issue.

A new credit card was launched in May 2014. Uygun Card is a new individual credit card for the Bank's customers. Uygun Card customers do not pay annual card fees, but also do not benefit from all ABank Bonus campaigns.

Management estimates the Bank's share of the retail market at less than 1 per cent., however, the annual growth rates have been significant. During 2013, the number of consumer loans of the Bank increased by 96 per cent. from 5,437 as at 31 December 2012 to 10,655 as at 31 December 2013; the number of active retail (including micro-enterprises, without SME) customers increased by 40 per cent. from 22,830 as at 31 December 2012 to 31,927 as at 31 December 2013; the number of time deposits increased by 9 per cent. from 8,659 as at 31 December 2012 to 9,395 as at 31 December 2013; total demand deposits grew by 49 per cent. from 37,842 as at 31 December 2012 to 56,568 as at 31 December 2013; and finally total overdraft accounts grew by 84 per cent. from 4,119 as at 31 December 2012 to 7,559 as at 31 December 2013.

During 2014, the number of consumer loans provided by the Bank increased by 41 per cent. from 10,655 as at 31 December 2013 to 18,164 as at 31 December 2014: the number of active retail (including micro-enterprises, without SME) customers increased by 29 per cent. from 31,927 as at 31 December 2013 to

45,247 as at 31 December 2014; the number of time deposits increased by 11 per cent. from 9,395 as at 31 December 2013 to 10,583 as at 31 December 2014; total demand deposits decreased by 147 per cent. from 56,568 as at 31 December 2013 to 22,892 as at 31 December 2014; and finally total overdraft accounts grew by 14 per cent. from 7,559 as at 31 December 2013 to 8,792 as at 31 December 2014.

During 2015, the number of consumer loans of the Bank decreased by 36 per cent. from 18,164 as at 31 December 2014 to 11,594 as at 31 December 2015 (due to the new segmentation strategy, 1,128 of consumer loans were moved to the corporate and commercial segments): the number of active retail (including micro-enterprises, without SME) customers decreased by 18 per cent. from 45,247 as at 31 December 2014 to 37,085 as at 31 December 2015 (due to the new segmentation strategy, 3,028 active customers were moved to the corporate and commercial segments); the number of time deposits increased by 1.2 per cent. from 10,583 as at 31 December 2014 to 10,714 as at 31 December 2015 (due to the new segmentation strategy 123 of time deposits were moved to the corporate and commercial segments); the total demand deposits decreased by 9.8 per cent. from 22,892 as at 31 December 2014 to 20,659 as at 31 December 2015 (due to the new segmentation strategy 1089 of demand deposits were moved to the corporate and commercial segments); and finally total overdraft accounts decreased by 36 per cent. from 8,792 as at 31 December 2014 to 5,630 as at 31 December 2015 (due to the new segmentation strategy 688 of overdraft accounts are moved to the corporate and commercial segments).

The table below sets out the data for the years 2014 and 2015.

				Due to New Strategy Segmentation	
(#)	**31.12.2014**	**31.12.2015**	**per cent.**	**Accts Moving to Corporate and Commercial Segments**	**Closed Accts in 2015**
Consumer Loan	18.164	11.594	-0.362	1.129	830
Demand Deposit	22.892	20.659	-0.098	1.089	2.079
Overdraft accounts	3.792	5.630	-0.36	688	242
Time Deposit	10.583	10.714	0.012	123	558
Active Customer Number	45.247	37.085	-0.18	3.028	3.709

Sector Exposure

The Bank holds a diversified portfolio of assets in respect of its corporate, SME and micro-enterprise customers. The Bank's loan book is well diversified across a variety of industry sectors. The Bank aims to maintain its total loan exposure in respect of any single sector other than construction and manufacturing at no more than approximately 15 per cent.. The Bank aims to maintain its exposures to each of the construction and the manufacturing industries at no more than approximately 23 per cent. of total loan exposure. The Bank has greatest exposure to the manufacturing industry, accounting for approximately 22 per cent. of its total exposure. The construction sector accounts for 21% of the total exposure and the wholesale and retail trade accounts for 17 per cent of its total exposure.

The breakdown of loans of the Bank to corporate, SME and micro-enterprises (as described under "*Retail Banking"*) customers according to corporate sector, cash and non-cash assets, in domestic and foreign currency as at 31 December 2015 is set out below (the figures below exclude accruals, credit commitments and check commitments):

Sectors	Non Cash		Total Non-Cash	Cash		Total Cash	Grand Total	Percentage (approximate)
Currency	Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency			
				(TL, or equivalent)				
Manufacturing	227,003	471,878	698,881	1,153,055	1,075,466	2,228,521	2,927,402	22
Wholesale and Retail Trade	199,074	161,545	360,619	1,315,680	520,375	1,836,055	2,196,674	17
Construction	298,331	349,250	647,581	783,932	1,304,976	2,088,908	2,736,489	21
Professional Activities	144,463	63,370	207,833	267,609	495,168	762,777	970,610	7
Transportation and Information Activities....................	67,366	114,091	181,457	248,325	441,326	689,651	871,108	7
Electricity, Gas, Water.....	26,347	42,277	68,624	117,000	239,732	356,732	425,356	3
Financial Institutions	174,437	19,946	194,383	182,239	289,301	471,540	665,923	5
Accommodation and Food Services Activities....................	10,066	1,926	11,992	94,829	87,435	182,264	194,256	1
Mining and Quarrying	8,026	28,315	36,341	196,798	284,749	481,547	517,888	4
Agriculture and livestock.....................	10,046	9,638	19,684	143,307	48,448	191,755	211,439	2
Human Health and Social Work Activities....................	3,199	573	3,772	37,123	31,189	68,312	72,084	1
Real Estate Activities.......	567	520	1,087	85,430	99,775	185,205	186,292	1
Fishing	306	0	306	2,224	6,420	8,644	8,950	0
Education	589	0	589	1,946	-	1,946	2,535	0
Forestry	803	0	803	6,841	21,864	28,705	29,508	0
Others.............................	56,688	683,331	740,019	429,592	69,769	499,361	1,239,380	9
Grand Total	**1,227,311**	**1,946,660**	**3,173,971**	**5,065,930**	**5,015,993**	**10,081,923**	**13,255,894**	**100**

Treasury

The Bank's treasury department comprises of departments responsible for Asset and Liability Management; Trading; Treasury Marketing and Economic Research.

Asset and Liability Management

The Asset and Liability Management ("**ALM**") department manages the Bank's interest rate, funding and liquidity risks and is responsible for the management of the Bank's assets and liabilities positions in Turkish Lira and foreign currencies. The ALM department creates and acts on investment, funding and hedging strategies to manage the liquidity and balance sheet risks.

The Bank's ALM risk management software produces detailed reports with respect to the positions carried on the Bank's balance sheet and allows the Bank's management team to monitor the interest rate, foreign currency and liquidity risk levels of the banking book.

Trading

The trading department coordinates the Group's trading activities, which include trading Turkish Lira swaps, local fixed income securities, foreign exchange swaps and derivatives as well as issuing domestic securities. Trading is currently a key factor in supporting the ALM department's committee decision making process and providing competitive pricing for the treasury marketing department. However, it is anticipated that this will represent a decreasing contributor to proprietary income over time as the Bank implements its strategy going forward. As a part of the Bank's strategy, trading facilities will be concentrated to cover flow business rather than directional positioning in the markets. Following the acquisition by CB, tighter limits have been placed on the activities of the trading department as part of a strategic focus away from trading activity. It is anticipated that this will represent a decreasing contributor to income over time as the Bank implements its strategy going forward.

The Bank calculates market, foreign exchange and interest rate risk according to the Value at Risk ("**VaR**") method by analysing and using Turkish capital markets data. The Board stipulates the permitted VaR limits of trading positions. The VaR model is used by the Bank to analyse various money market products including loans, coupon and discount bonds, forward foreign exchange buying and selling transactions, forward interest transactions and interbank transactions. The Bank's market risk management software produces detailed reports with respect to the positions carried by the trading desk and allows the Bank's management team to monitor the nominal position and risk levels of the trading book in terms of interest, maturity, foreign currency exposures.

Treasury Marketing

The Treasury Marketing department aims to improve the access of the Bank's retail and corporate clients to the derivative markets and to assist in their operations therein. The Treasury Marketing department offers a full range of products to the Bank's local clients to help to determine investment/hedging solutions.

Economic Research

The Economic Research department provides information to the treasury department, senior management and the Bank's customers on a regular basis with its reports on the trends and risks in the markets and the overall economy.

The activities of the treasury department have had a significant impact on the profitability of the Bank, as shown by the table below, which sets out the profit and loss, assets and liabilities of the treasury department, and compares these as against the main Corporate and Retail business segments and other activities of the Group as at 31 December 2014 and 31 December 2015. The numbers below are classified according to BRSA methodology and the activities of the trading department are booked across the business lines of the Bank and represented accordingly. The activities of the treasury department set out below represent only the security portfolio and asset and liability operations.

As at 31 December 2014:

	Corporate and Retail Banking	**Treasury**	**Other**	**Total**
		(TL thousands)		
Net Interest Income	500,073	-12,269	430	488,234
Net fees and commissions income and other operating income	122,265	12,516	-1,482	133,299
Trading Profit/Loss	1,945	-30,155	730	-27,480
Dividend Income	-	66	131	197
Impairment Provision for loans and other receivables	-123,607	-13,848	-	-137,455
Other operating expenses	-275,041	-17,264	-1,242	-293,547
Profit before tax	**225,635**	**-60,954**	**-1,433**	**163,248**
Tax provision	-262	426	-26,589	-26,425
Minority rights	-	-	232	232
Net Profit for the period	**225,373**	**-60,528**	**-28,022**	**136,823**
Total Assets	8,452,961	2,482,961	411,745	11,347,667
Total Liabilities	6,245,785	2,508,990	2,592,892	11,347,667
Segment Liabilities	6,284,936	2,483,878	1,605,953	10,374,767
Shareholders' Equity	-39,151	25,112	986,939	972,900

As at 31 December 2015:

	Corporate and Retail Banking	Treasury	Other	Total
		(TL thousands)		
Net Interest Income	583,964	-39,095	967	545,836
Net fees and commission income and other income	231,373	3,330	-	234,703
Trading Profit Loss	-199	-39,553	-	-39,752
Dividend Income	0	0	0	0
Provision for loan and other receivables	-207,669	-3,372	-	-211,041
Other operating expenses	-422,356	-9,781	-	-432,137
Profit before tax	**185,113**	**-88,471**	**967**	**97,609**
Tax	0	0	0	-27,734
Minority Income	0	0	0	0
Net Profit/Loss	**0**	**0**	**0**	**69,875**
Segment Assets	10,403,625	3,023,828	638,370	14,065,823
Segment Liabilities	7,293,931	3,890,133	2,880,759	14,064,823
Liabilities	7,180,942	3,869,521	1,999,244	13,049,707
Equity	112,989	20,612	881,515	1,015,116

The activities of the treasury department are highly influenced by external factors and susceptible to macro-economic changes. At present, portfolios consisting of a small number of securities are considered to be low risk. Therefore trading activities in respect of such portfolios are within the stop/loss and position limits mandated by the Board of Directors.

Concentrations

The following table shows the 20 largest borrowers of the Bank by value as at 31 December 2015, along with the type of collateral provided for the loan.

The top 20 cash borrowers represented 31.9 per cent. of the total cash loan portfolio of the Bank.

Customer	Sector	Non-Cash	Cash	Total	Collateral
			(TL thousands)		
1	Construction	70,800	336,460	336,531	Mortgage
2	Construction	1,236	304,716	305,952	Mortgage
3	Financial Institutions	-	233,906	233,906	Mortgage
4	Construction	-	181,130	181,130	Guarantees
5	Wholesale and Retail Trade	-	170,068	170,068	Deposit blockage
6	Wholesale and Retail Trade	-	162,964	162,964	Transfer
7	Mining	-	146,147	146,147	Transfer
8	Transportation and Telecommunication	87,543	141,110	228,653	Transfer
9	Construction	376	138,570	138,945	Mortgage
10	Manufacturing	-	132,684	132,684	Guarantees
11	Professional Services	-	132,077	132,077	Mortgage
12	Transportation and Telecommunication	160	108,900	109,059	Transfer
13	Wholesale and Retail Trade	-	105,636	105,636	-
14	Professional Services	328	101,360	101,688	Pledge of vehicle
15	Manufacturing	-	95,895	95,895	Pledge of commercial enterprise
16	Real Estate and Leasing Ser.	-	86,206	86,206	Transfer
17	Manufacturing	22,602	85,687	108,289	Collateral bill Transfer
18	Professional Services	41,512	79,604	121,115	-
19	Construction	-	78,056	78,056	Collateral bill
20	Electric, Gas, Water	-	73,350	73,350	Transfer
Total		**153,827**	**2,894,524**	**3,048,352**	

Marketing and Distribution Channels

The Bank operates through a country-wide branch network in 21 cities as well as through ADCs, such as ATMs and internet banking.

Branch Network

As at 31 December 2015, the Bank had 59 domestic branches in 21 cities geographically located to provide services to the regions in which approximately over 85 per cent. of the country's gross domestic product is generated. The Bank operates in 21 cities in Turkey, with over half of its branches servicing the country's three largest cities (namely İstanbul, Ankara and İzmir).

In 2005, the Bank started a process of downsizing its portfolio of domestic branches, with the aim of reducing overall business costs, as well as aligning the business to its new corporate and commercial banking focus.

Over the course of the past year, a "regional branch management" structure has been introduced, comprising four regional hubs headed by regional branch directors and staffed with teams including credit, marketing and sales officers who monitor the corporate, SME and retail activities of the branches. All branches report to their regional sales manager, who in turn reports to the executive vice president ("**EVP**") in charge of Commercial Banking.

Six branches dedicated to Corporate Banking have been established in Kozyatağı, Buyaka, İstanbul, Ankara), Gaziantep, Manavkuyu.

Alternative Distribution Channels

The Bank believes ADCs are a key tool for further increasing its market penetration, particularly in business segments such as Retail Banking (both in respect of individual customers and micro-enterprises), where greater importance is placed on flexibility and availability of access. The corporate and SME business segments also value the online and mobile platforms available to them, however, for such segments the branch network is of key importance. The Bank has already realised and invested in a number of ADCs, and has consequently benefited from increased cost-efficiency and improved customer convenience (by the introduction of services that are accessible 24 hours a day, seven days a week). The Bank now handles approximately 50.73 per cent. of its transactions through ADCs and consequently views further investment in ADCs as key to its continued expansion.

ATMs

In 2009, the ATM infrastructure of all Turkish banks was combined, creating a standardised ATM platform. Consequently, all bank customers in Turkey are now able to use any ATM in the network, regardless of their bank. BRSA regulations introduced in 2009 also required security cameras to be installed into every ATM. As at 30 September 2015, the Bank's branch network was supported by a network of 66 ATM machines, all of which are fitted with the required security cameras.

Internet Banking

Internet Banking is an important focus in the Bank's retail strategy as the Bank is increasingly aware of the emphasis consumers place on mobility and convenience when handling their finances. As such, since 2013, a number of new features have been designed to enhance the customer's online experience.

The Bank has introduced an Internet Banking Portal that allows customers to apply for cash advances online, rather than having to visit a local branch. This product, the 'Virtual Card' (*Sanal Kart*), has been specifically launched and designed with secure functionality for internet transactions, similarly allowing customers to conduct their banking activities online rather than relying on a local branch. One of the advantages of the 'Virtual Card' is that it does not require a physical plastic card; rather, customers are provided with details of a card account (such as the card number, expiry date and security card) which can then be used for online purchases.

A new digital banking platform, "*mutluparam.com"* was launched in the first quarter of 2014 and in July 2014 its name was changed to "*digital.abank.com.tr*". This has allowed the Bank to provide new, inexpensive and fast non-branch banking services to its customers. "*digital.abank.com.tr"* is unique in Turkey, and is the first digital banking platform to simultaneously offer both loan and deposit services, meaning customers are able to utilise credit and open deposit accounts without the need to visit a branch. The Bank believes this will allow it to cater to the demands and priorities of potential new customers.

As at the date of this Prospectus, the Bank has approximately 8,100 retail customers and 6,900 corporate customers that are active through the online banking platform.

Automated Banking

The Bank now also offers customers the possibility of automated banking via telephone. The service has been further improved since the implementation of a call centre in 2013; customers can now use self-service telephone banking, facilitated by an interactive voice response system, by calling a dedicated telephone number.

Credit Analysis

Credit Allocation Department

The main responsibility of the Credit Allocation department is to accurately assess the credit-worthiness of the Bank's customers. When applying for credit, credit analysts within the department analyse the customer's credit data and historic financial statements to determine the degree of risk involved in extending credit or lending money. Further information is provided by the Monitoring department to determine if the proposed credit limits, maturity and collateral are consistent with the customer's existing borrowing limits.

Once complete, the credit analysts report their findings electronically to the appropriate manager (depending on the customer this will be channelled either via head office or the Regional Credit Unit). In many cases, the manager assigned to the particular loan will have sufficient authority to authorise the loan. However, the approval of the Board is required for sums in excess of USD 20 million and the approval of the Credit Committee is required in respect of sums in excess of TL 16.5 million.

At the end of 2014, the Credit Allocation department was divided into the Corporate Banking Credit Allocation Unit, the Commercial Credit Allocation Unit and the Retail Credit Allocation Unit (micro-enterprise customers and individual credits). Credit Analysts now routinely visit branches with the aim of standardising credit proposals and developing the credit evaluation culture within the Bank.

From April to December 2013, a scoring model was trialled which rated and set a cut-off point for each retail product. This created an efficient means to reject applications if they did not meet the Bank's lending criteria. This model was fully implemented in April 2014, and now applications are automatically rejected if they do not meet the requisite rating score. An automatic approval tool for branch authorised consumer credits has also been introduced to further improve the efficiency of the application process. In addition, a decision support system project for retail and micro products was started in May 2015 with Experian. The planned date for the project to become live is scheduled for mid-2016.

From June 2015, the Bank reorganised its limit allocation authorities for Commercial and Corporate lending, factoring in credit limit and collateral. The tables below set out the levels of authorisations required for lending to be granted to corporate customers (including corporate, SME and micro-enterprise customers), according to the internally assessed credit rating of the borrower, and the type of collateral provided in each case:

	Credit Grade	**Direct & Settlement Risk Limits**	**Cash Backed & Reference Limits**
Delegated Credit Approval Authorities		*(TL thousands)*	
Board Credit Committee (BCC)	All Ratings	\$20.000	150.000
Management Credit Committee (CEO, CRO and EVP of Respective Business Units)	1/5-	16.500	100.000
	6+/ 6-	16.500	100.000
	7+<	16.500	75.000

	Clean (**)	Guarantees	Trade	Mortgage	Total	Daily Settlement Limits	Cash-Backed and Reference Limits
Delegated Credit Approval Authorities				*(TL thousands)*			
CRO/EVP Credit Underwriting (Business Approver: EVP Commercial Banking/EVP Corporate Banking)		10.000			**10.000**	10.000	75.000
EVP Credit Underwriting/VP Credit Underwriting (Business Approver: EVP Commercial Banking/EVP Corporate Banking Regional/Group Manager		7.500			**7.500**	7.500	50.000
VP Credit Underwriting/AVP Credit Underwriting (Business Approver: Regional/Group Manager)	150	1.500	5.000		**5.00**	1.500	30.00
VP SME Credit Underwriting / AVP SME Credit Underwriting	150	1.500	3.500		**3.500**	500	10.000
AVP Credit Underwriting / Credit Analyst	35	500	750	1.000	**1.000**	100	5.000
Branch Manager / Asst. (Branch) Manager	35	45	75	100	**100**	30	1.000

(*) Excluding files under Restructuring & Recovery.
(**) "Clean" collateral will be used only for one individual firm.
In credit applications for micro based companies there is no obligation to take opinions from related business unit.
In credit applications for micro based companies there is just one approval authority.

Collateral

Approximately 10 per cent. of the assets of the Bank are unsecured. The remaining 90 per cent. of assets are backed by varying types of collateral depending on the products and business segment. These include: personal or corporate guarantees, liens and other charges, bills and receivables, cash collateral, mortgages and other collateral types.

A breakdown of the types of collateral by business segment of the Bank as at 31 December 2015 is set out below:

Commercial	**Corporate**	**Commercial**
	(TL thousands)	
Personal & Corporate Guarantee	1,793,638	2,631,806
Lien	1,315,390	2,027,134
Bills & Receivables	338,044	756,192
Cash	298,855	161,040
	778,924	410,407
Non-Collateral	1,104,930	293,298

Retail	
	(TL thousands)
Mortgage	142,588
Consumer	96,777
Overdraft	7,038
Credit Cards	11,147
Car	3,248

In Retail Banking, the Bank's main products are mortgages, car loans, credit cards and consumer loans. For underlying residential mortgages the figure stated above includes mortgages and consumer loans backed with mortgages. Although there are some exceptions, most consumer, overdraft and credit cards are unsecured. For car loans a pledge over the vehicle is taken as collateral.

Non Performing Loans

When a loan is overdue by 90 days or more, it is considered as an NPL and a provision is made against such asset in the same month. The Bank maintains the regulatory minimum requirements set by the BRSA regulations, which require 20 per cent., 50 per cent. or 100 per cent. provisioning depending on the varying categories. In 2015, the Bank founded and developed a module named the "Problematic Loans Management System" which is embedded in the main banking system. Early warning signals (such as bad cheques, payment delays and combined risk reports) have been monitored efficiently via this module and the necessary actions have been taken. The process of transferring good loans to NPLs has been made more efficient by the accurate reporting of payment day delays.

In terms of the BRSA regulations, the loans which are delayed between 30 to 90 days are strictly followed up within the scope of the Problematic Loans Management System. If the loan delay time exceeds the limit of 90 days, it is categorised as an NPL.

In 2013 and 2015, the Bank sold part of its NPL portfolios (TL 91,739,000 of NPLs in 2013 and TL 113,584,000 in May 2015). As part of the sale process in each case a selected portfolio of information was provided for potential buyers and offers were collected in a tender process, with such portfolios sold to the highest bidder.

Banks in Turkey generally do not write off NPLs. Instead, NPLs are provisioned 100 per cent. or are sold to asset management companies.

The effects on the NPL figures with regards to the Bank's recent change in strategy are expected to be seen over the course of the next few years.

Restructuring and Legal Follow Up Group

The Bank operates a "Risk Restructuring and Legal Follow Up" group comprising of 35 employees (5 managers and 11 assistant managers, with the remainder being specialists), who are responsible for collecting and logging problem loan customers and liquidating problem loans in order to decrease the NPL and delinquent portfolio ratio.

The realised recovery rate in 2013, 2014 and 2015 was as follows:

Year	**Recovery Rate**
	(per cent.)
2015	32.6
2014	22.9
2013	35.6

The value of performing to non-performing loans of the Group as at 31 December 2015, 31 December 2014 and 31 December 2013 are set out below:

	As at 31 December		
	2015	**2014**	**2013**
	(TL thousands unless otherwise indicated)		
Cash loans			
Performing loans	9,069,821	7,727,910	6,342,899
NPL	517,341	440,873	281,051
Specific provisions	281,500	269,243	182,956
Percent of cash loans which are NPL	*5.70%*	*5.70%*	*4.43%*
Specific provision cash coverage (per cent.)	*54.41%*	*61.07%*	*65.10%*
Non cash loans			
Performing loans	3,173,971	2,274,165	2,353,331
NPL	45,717	47,595	44,153
Specific provisions	20,097	15,787	21,397
Percent of non cash loans which are NPL	*1.44%*	*2.09%*	*1.88%*
Specific provision non cash coverage (per cent.)	*43.96%*	*33.17%*	*48.46%*
General provisions	93,386	62,858	74,582
Cash	84,815	56,905	62,019
Non cash	8,571	5,953	12,563
General provision coverage (per cent.)	*66.60%*	*60.63%*	*61.21%*
Total provisions	140,220	103,678	121,851
Overall provision coverage (per cent.)	*1.15%*	*1.04%*	*1.40%*

Funding

The Group raises funds mainly through deposits, as well as across the domestic and foreign markets. The following table shows the breakdown of deposits received by the Bank according to deposit type, source, original maturity, and whether the currency is foreign or domestic, as at 31 December 2015:

	Demand	With 7 Days Mat.	Up to 1 Month	1 - 3 Month	3 - 6 Month	6 Month-1 Year	1 Year and over	Total
				(TL thousands)				
Saving deposits	52,036	-	56,362	1,718,980	48,754	13,078	14,985	1,904,324
Foreign currency deposits	201,788	-	152,270	1,819,601	77,905	21,342	13,276	2,286,182
Residents in Turkey	195,001	-	152,270	1,628,266	75,792	18,912	13,156	2,083,397
Residents abroad	6,787	-	-	191,335	2,113	2,430	120	202,785
Public sector deposits	17,162	-	-	-	-	-	-	17,162
Commercial deposits	93,185	-	668,712	545,953	25,682	74,137	19,718	1,427,387
Other institutions' deposits	1,722	-	6,855	17,082	8	42	19,275	44,984
Precious metals deposits	1,399	-	-	205,124	585	126	774	208,008
Interbank deposits	484	-	198,500	119,549	31,903	-	-	350,436
Central Bank of Turkey	-	-	-	-	-	-	-	-
Domestic banks	124	-	175,123	87,682	-	-	-	262,929
Foreign banks	360	-	23,377	31,867	31,903	-	-	87,507
Participation banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	**367,776**	**-**	**1,082,699**	**4,426,289**	**184,837**	**108,725**	**68,028**	**6,238,483**

As of 31 December 2015, 45.3 per cent. of deposits were held in foreign currency, 30.5 per cent. of deposits were savings deposits, 5.9 per cent. of deposits are callable on demand, and 2.8 per cent. were term deposits with a maturity of one year or over.

The Bank also raises funds from financial instruments including issuing marketable securities. The breakdown of liabilities comparing marketable securities issued and other financial instruments, according to their maturity profile, as at 31 December 2015, is set out below:

	Demand	Up to 1 Month	1-3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Undistributed	Total
				(TL thousands)				
Liabilities								
Funds provided from other financial instruments [(1)]	-	140,340	502,928	2,388,326	744,467	1,253,634	-	5,029,695
Marketable securities issued	-	-		142,088	735,736	-	-	877,824
Total	-	140,340	502,928	2,530,414	1,480,203	1,253,634	-	5,907,519

(1) Other financial instruments relates to funds other than deposits, repos and bonds (such as bilateral loans, syndicated loans and subordinated loans, etc.)

The Bank also raises funds in US Dollars and Euro. The breakdown of liabilities of the Bank in US Dollars or Euros, indicating whether they are fixed or floating interest rates, from domestic or international sources, and the average maturity profile, as at 31 December 2015, is as follows:

	As of 31 December 2015		
	Funds *(millions)*	**Share** *(per cent.)*	**Maturity** *(av. months)*
Interest Type (U.S. dollars)			
Floating	737	34	45
Fixed	1436	66	12
Total	**2172**	**100**	**24**
Origin (U.S. dollars)			
Domestic	798	36	2
International	1375	64	36
Total	**2172**	**100**	**24**

	As of 31 December 2015		
	Funds *(millions)*	**Share** *(per cent.)*	**Maturity** *(av. months)*
Interest Type (Euro)			
Floating	205	49	25
Fixed	216	51	2
Total	**421**	**100**	**13**
Origin (Euro)			
Domestic	135	32	2
International	286	68	18
Total	**421**	**100**	**13**

USD 845 million of the bank's international funding book has a maturity of greater than 1 year. One of the most recent long term facilities secured by the bank was in April 2015 from IFC and EFSE for USD 75 million and EUR 20 million with a maturity of seven years. Three ten-year subordinated loans: (i) for USD 105 million from three multilateral institutions in December 2010, (ii) for EUR 30 million from two other multilateral institutions in December 2011 and (iii) for USD 125 million from its parent the Commercial Bank and Commercial Bank's two other affiliates United Arab Bank and National Bank of Oman in June 2015 were also received. The following table shows the funds borrowed from the international markets:

Loan name	**Tenor**	**Outstanding as of 31 December 2015**
		(USD millions)
Bilateral Loans	6 months to 1 Year	383
Syndicated Loan	1 Year	346
Longer Term Bilateral Loans	1 to 3 Years	190
ETDB Loan	4 Years	16
Woman in Business Loan	5 Years	11
Energy and SME Loan	7 Years	97
Subordinated Loan	10 Years	263
Eurobond	5 Years	250
EIB Loan	7 Years	18
Other Funds Borrowed	Over 1 Year	139

The Bank entered into a EUR 137 million and USD 162.5 million dual tranche one-year syndicated loan from 24 international banks in June 2013. This facility was repaid in June 2014 and renewed in June 2014 with another one-year EUR 114 million and USD 189.5 million dual tranche syndicated loan from 21 international banks. This facility was repaid in June 2015 and renewed in July 2015 with another one-year USD 185 million and EUR 147.5 million dual tranche syndicated loan from 25 international banks.

Capital Adequacy

The ratios below are calculated in accordance with BRSA guidelines. The BRSA sets the minimum capital adequacy ratio target as 12 per cent. Please see "*Turkish Regulatory Environment-Basel Committee*" for the contemplated changes to the core and Tier I capital ratios. The Group and the Bank capital adequacy ratios are above the BRSA's target rate:

	As at 31 December		
	2015	**2014**	**2013**
		(TL thousands)	
I-TIER 1	915,236	884,726	559,761
II-TIER 2	754,375	391,999	534,192
III – CAPITAL (I+II)	1,669,611	1,276,725	1,093,953
IV – DEDUCTIONS FROM CAPITAL	3,584	3,126	2,716
V – CAPITAL (III-IV)	1,666,027	1,273,599	1,091,237
		(per cent.)	
VI – CAPITAL ADEQUACY RATIO (V/(VII+IX))	14.16	13.83	13.26

Capital Adequacy Ratios	Regulatory Minimum	Internal Target	Sep-15 Actual Non-Consolidated	Sep-15 Actual-Consolidated	Regulatory CAR Requirements 2015	2016	2017	2018	2019
Total Capital Ratio	8.00%	12.50%	14.67%	13.50%	8.00%	8.63%	9.25%	9.88%	10.50%
Tier 1 Ratio	6.00%	6.50%	8.14%	7.38%	6.00%	6.63%	7.25%	7.88%	8.50%
Tangible Common Equity Ratio (CET1)	4.50%	5.00%	8.33%	7.89%	4.50%	5.13%	5.75%	6.38%	7.00%
Capital Conservation Buffer					0.00%	0.63%	1.25%	1.88%	2.50%

Capital adequacy was assessed in the 2014 ICAAP study under base and several stress scenarios for 3 years business plan. The Tier 1 and Total CAR ratios are shown below:

Scenarios	Years	Regulatory CAR	Internal CAR	Tier 1 Regulatory CAR
	2014	15.1%	13.2%	10.6%
BASE	2015	14.2%	13.0%	8.8%
	2016	15.1%	13.8%	9.5%
	2017	15.1%	13.8%	10.6%
SEVERE	2015	12.4%	11.2%	7.5%
	2016	13.4%	12.0%	8.1%
	2017	13.4%	12.0%	9.2%
EXTREME	2015	12.1%	10.5%	7.2%
	2016	12.7%	11.1%	7.8%
	2017	12.7%	11.0%	8.8%
HISTORICAL 2006	2015	13.5%	12.1%	8.5%
	2016	14.2%	12.7%	8.9%
	2017	13.3%	11.9%	9.1%
HISTORICAL 2008	2015	12.1%	10.5%	7.2%
	2016	12.7%	11.1%	7.8%
	2017	13.0%	11.3%	9.1%
HISTORICAL 2013	2015	13.9%	12.8%	8.8%
	2016	14.6%	13.5%	9.3%
	2017	14.5%	13.3%	10.2%

Budgeting

The Bank's budgeting process starts in early September of the relevant year and continues until mid-December. The following steps are taken before the final budget is submitted to the Board for final approval:

- Business units prepare branch targets by product and upload to the SAP system;
- Operating expenses and investment plans of branch and head office units are collected via SAP;
- Invoice/contract-based expenses are budgeted by the General Accounting department;
- Operating expenses are distributed to profit centres through SAP and financial tables on a branch basis are created; and
- Calculations for funding and head office are completed where the balance sheet funding stability is established and deposits targets for branches may be modified, if necessary.

Subsidiaries

The following table reflects the contribution of the Bank's consolidated subsidiaries to the Group's net income and total assets as of the indicated dates:

Total Assets	Ownership	As at 31 December		
		2015	2014	2013
*Alternatif Finansal Kiralama A.Ş.	99.99%	1,110,099	709,147	596,624
Alternatif Yatırım A.Ş.	100.00%	24,444	90,583	120,188

Net Income	Ownership	December 2015	2014	2013
			(TL thousands)	
*Alternatif Finansal Kiralama A.Ş.	99.99%	14,817	8,156	(867)
Alternatif Yatırım A.Ş.	100.00%	(4,453)	(846)	6,014

* Alternatif Finansal Kiralama A.Ş. was first consolidated to the Group as at 31 December 2013

A summary of the subsidiaries' operations is set out below:

Alternatif Finansal Kiralama A.Ş. ("ALease")

ALease was established in February 1997 and has been a wholly owned subsidiary of the Bank since the acquisition of 2,727,259,500 shares (amounting to 95.8 per cent. of total shares) from Anadolu Endüstri Holding A.Ş and 118,990,100 shares from other shareholders pursuant to a group reorganisation in 2013. ALease mainly operates in the field of SME finance by leasing a variety of equipment to a diversified group of customers, including: construction machinery, textile machinery, office equipment and real estate.

In 2015, ALease increased its contract volume by 10 per cent., resulting in an annual transaction volume of USD 247 million and increasing financial leasing receivables by 58 per cent. to TL 1,032 million. Whilst ALease directly markets to customers, it also utilises connections with vendor companies, dealer networks and, most significantly, the Bank's branch network in order to target customers. ALease operates three branches in Ankara, İzmir and Adana in order to provide services to its customers in markets outside İstanbul.

ALease has approximately 1,900 active clients. As of 31 December 2015, in terms of new business volume, ALease had an average contract value of USD 279,000; the leasing sector average is USD 275,000. In terms of new business, ALease had a 3.8 per cent. market share in 2015. ALease contributes 7.33 per cent. of the Bank's total assets as of 31 December 2015.

The registered capital of the company has increased from TL28.5 million to TL50.0 million in cash and was registered on 29 December 2015.

ALease's main products are financial leases, the sale and leaseback of real estate and machinery to and from companies and the leasing of reproduced computer software. ALease can also provide operating leases for the short-term supply of machinery and equipment, but does not presently offer this service to customers. ALease's distribution channels include sales directly to new customers (through, for example, its dedicated website), the Bank's customers and vendors such as manufacturers, dealers and resellers.

The Bank is currently exploring opportunities for cross-selling opportunities in respect of ALease products. All ALease customers are now automatically assessed in respect of their creditworthiness to enable potential opportunities.

The following table shows some of the key financial information in relation to ALease:

	As at 31 December 2015
	(TL millions)
Net Lease Receivables	1,031.6
Total Assets	1,110.1
Borrowings and debt securities issued	964.6
Total Equity	112.9
Lease Interest Income	73.1
Income Before Tax	17.6
Net Income	14.8

In April 2015, Fitch updated ALease's long-term foreign currency and local currency Issuer Default Ratings ("**IDRs**") as 'BBB' and 'BBB+', respectively. Furthermore, Fitch affirmed ALease's short-term local currency IDR of 'F2', national long-term rating of 'AAA(tur)' and a support rating of '2'. Fitch also upgraded ALease's short-term foreign currency IDR from 'F3' to 'F2'. The outlooks on the long-term ratings were affirmed as being stable.

Alternatif Yatırım A.Ş. ("AInvest")

Founded in 1997, AInvest is a wholly owned subsidiary of the Bank and operates as a boutique intermediary company specialising in brokerage and asset management services for individual and corporate clients in the Turkish equity and derivatives markets. AInvest is a member of the Borsa İstanbul and is regulated by the CMB. AInvest has experienced stable growth by constantly expanding its service range and international reach until recently when its market shares in the overall trading volume of the equity market and future and options market were 0.55 per cent. and 0.75 per cent. in 2015 and 2014, respectively. In addition, out of the five mutual funds that were under the management of AInvest, two were ranked by Istanbul Clearing, Settlement and Custody Bank Bank Inc. ("**Takasbank**") within the sector's top five in terms of annual yield, whilst the equity stock-weighted fund was also ranked at the top by Takasbank. However, AInvest has started to reduce the size of its operations since the second quarter of 2015, in line with the strategy of ABank towards gaining more weight in the corporate banking sector. As of December 2015, there are no further steps to be taken with regards to the Bank's strategy in downsizing its branch network. This strategic move, while reducing the retail distribution abilities of AInvest due to limited access to retail customers through ABank branches, is also expected to support the company in corporate finance-related activities. AInvest will play an important role when ABank offers capital raising instruments to their sizeable customer base for their sophisticated funding needs. In this context, AInvest is going to be active in the market through the stock exchange, custody finance and corporate finance.

The following table shows some key financial information for AInvest:

	As at 31 December 2015
	(TL millions)
Total Assets	23,8
Commission Income	3,1
Net Interest Income	0,8
Net Income	-4,6

Alternatif Yatırım Ortaklığı A.Ş.

Alternatif Yatırım Ortaklığı A.Ş. ("**AYO**") is a 80 per cent. ABank-owned subsidiary established in 1995. AYO has been operating under the regulatory framework of the CMB, with specific involvement in the management of stock, repo and other securities portfolios on domestic exchanges until mid-2014. The liquidation of the company was completed as of 3 December 2015.

Alternatif Portföy Yönetimi A.Ş.

Alternatif Portföy Yönetimi A.Ş. is a 100 per cent. AInvest-owned subsidiary established in 2013, as a separate fund management company. This company is also in liquidation.

Human Resources Management and Planning

The Bank's human resources department (the "**HR Department**") works in coordination with all of the Bank's departments to support the Bank's operational strategy through a combination of overseeing training programmes, devising the approach to recruitment, career development, talent and performance management and promoting integration between branches. The HR Department also acts as an interface between the Bank and its employees, providing guidance in respect of personal and professional issues.

As of 31 December 2015, the Group had 1,107 employees, of which 1,038 were employees of the Bank. The following table sets out the number of employees of the Bank as of 31 December 2015, 2014, 2013, 2012, 2011 and 2010, along with a breakdown of age, gender and educational history.

	As at 31 December 2015				
	2015	**2014**	**2013**	**2012**	**2011**
Number of Employees					
Head Office	535	521	550	483	452
Branches	503	710	863	747	733
Total	**1,038**	**1,231**	**1,413**	**1,230**	**1,185**
Gender and Age					
Male (per cent.)	51	51	51	52	52
Female (per cent.)	49	49	49	48	48
Average Age	37	36	35	35	35
Education					
Primary School	14	17	19	22	25
High School	147	191	225	179	186
University	757	905	1043	898	857
Post-graduate	120	118	126	131	114
Proficiency in a Foreign Language	456	458	534	460	471
Average Seniority	**5.64**	**5.3**	**4.7**	**5.6**	**5.7**

The Bank's management believes that the Bank employs a qualified workforce with appropriate educational backgrounds. Orientation programmes are held for newly hired employees, and technical training programmes are also offered to employees as required, including preparatory training for mandatory licences (including capital markets, insurance and private pensions). A training centre has been established by the Bank for the purpose of training staff, and an e-learning platform has been introduced to enable staff to access training resources remotely.

As of 31 December 2015, the Bank conducted 24,150 hours of training, representing an average of 23 hours per employee.

The Bank prefers to employ new graduates for entry level positions and prepare them within the corporate culture for managerial positions. In order to strengthen the applicant pool for new positions, the Bank has launched a number of initiatives including "Happy CVs", a referral scheme which incentivises current employees to recommend candidates for vacant positions, and a long-term internship programme accepting final year undergraduates and recent graduates from Turkish universities.

In 2014, two new projects were implemented: Branch Manager Pool and ABank BEST Talent Management Programme:

- *Branch Manager Pool*: 36 employees were chosen on the basis of predetermined criteria. This training and mentoring programme is prepared based on the results of an assessment process.

- *ABank BEST Talent Management Programme*: 29 employees were chosen based on the feedback of senior managers. The one-year programme offers training through in-class sessions, e-books, project/group work, social responsibility projects and mentorship.

The Bank has adopted a policy of internal promotion to fill non-entry level positions. All lateral and vertical career opportunities arising internally are advertised to employees through the intranet portal. With the vacant positions model, the Bank's employees have the opportunity to map out their preferred career path and work towards their personal preferences. Job applications can be submitted through the Bank's website. All applications are included in the Bank's human resources database and the respective entries are retained for one year. In the event of any additional staffing requirements beyond those provisioned for, or in case of any vacant positions, candidates are selected from this database and those who have the required credentials are invited for an interview.

Successful employees who demonstrate outstanding performance and contribute significantly to the Bank's business can be promoted to senior positions within the organisation. Aimed at ensuring continuous development, the Bank employs a performance management system based on metrics which are approved by the Board at the beginning of the calendar year. At the end of each year, each employee's performance is evaluated by their senior managers against those objectives and the assessment's results, which are shared with the employee, are used for career planning and promotion decisions. The Bank's Personnel Committee subsequently determines which employees are eligible for promotion on the basis of the performance evaluation results.

Information Technology

The Bank's management considers its IT infrastructure central to the effective provision of services both within the Group and to its customers (see "*Key Strengths*" and "*Strategy*"), and it strives to maintain its IT infrastructure in order to support its growing business and minimise operational risk and business interruption.

The Bank's IT functions are kept separate from the other members of the Group in order to address the specific needs of each business, providing a better service internally and improving the efficiency of core banking activities. Whilst the subsidiaries appoint specialists on an ad hoc basis to assist with maintaining and improving their IT framework, the Bank is unique in that it operates a separate operations and technology centre which serves as a hub for all of its technology functions and initiatives (the "**IT Department**"). The IT Department also assists with the execution of strategic tasks set and prioritised by the subsidiaries.

In 2015, the IT Department processed 489 fundamental tasks, including exercises relating to legal compliance, improving operational efficiency, providing technical solutions and responding to internal inquiries. Additionally, the project management component of the IT Department completed 66 projects specifically designed to achieve strategic objectives, as set by the IT Project Management Office each quarter, including the following:

- *ATM/Debit Card Applications*: ATM/debit card payment systems were replaced with in-house software applications (December 2015).

- *Credit Card Applications*: credit card payment systems were replaced with in-house software applications in December 2015.

- *Point of sale ("**POS**") and Merchant Applications*: POS systems were replaced with in-house software applications, completed in December 2015.

- *New Generation Internet Banking*: new generation internet banking is currently being developed. This is an ongoing project, which is expected to be completed by April 2016.

- *New Mobile Banking Application*: new generation mobile banking systems are currently being developed. This is an ongoing project, which is expected to be completed by April 2016.

- *New Time Deposits*: three new time deposit products have been introduced: (i) Non-Maturity Deposits; (ii) Cumulative Deposits; and (iii) Currency Deposits. These new products calculate daily interests, yet such interest will only be collected by the customer on maturity.

- *Cheque Inquiry and Collateral Process Automation*: for all cheques recieved as collateral, an automatic intelligence system has been implemented.

- *DMS project*: improving the user's ability to control the document content management process.

- *Expertise & mortgage process automation project*: automation of real estate appraisal and mortgage processes has been completed.

- *Utility Payment via Credit Cards*: utility payments can now be made by credit card.

- *Enhancement Retail Loan Scoring System*: allows the system to calculate its workflow scoring.

- *Asseco Virtual POS*: a new product that provides cardholders with secure shopping on the internet and allows customers to make payments by credit card.

- *New Scanner Systems for Branches*: allows customer documents (including forms of ID etc.) to be scanned quickly and efficiently, which in turn reduces physical and manual work within the branches.

- *Legal Follow-up*: allows the Bank to quickly track and monitor the status of customers' debt obligations etc.

- *Credit Guarantee Fund*: controls of guarantee rates in utilisation and collaterals added for the "Credit Guarantee Fund" loans.

- *Moody's Risk Analyst:* Moody's risk analyst software systems have been integrated into the loan allocation workflow processes (as of March 2016).

- *Halkbank Online*: optimising the "Halkbank" repayment times.

- *Commitments Module*: calculates customer deficits and produces reports for export loans.

- *Utilisation/Closure*: the utlisation workflow process has been modified so as to allow the closing of an old loan and the utilisation of a new loan to be made through one workflow process.

- *Segmentation*: this system calculates and shows customers' segments in loan allocation workflows.

- *Business Intelligence Platform (SAP BO):* has been implemented to provide business users access to data mining tools they need to make faster and informed decisions.

In 2012, the Bank updated its technology infrastructure by changing its underlying banking platform to "InterNext" (developed and maintained by an in-house team), an online integrated platform providing technological and operational advantages over its predecessor. This includes customisation using parametric infrastructure, statistical monitoring and reporting tools for core banking modules and the installation of updated software architecture. System updates and revisions are in the process of being planned.

In the Bank's view, the primary objective of the IT Department is to implement customer–focused projects that create product and channel diversity, increase operational efficiency, effective scoring and allow effective cost management and risk management. As such, further IT investment is a central part of its strategy in 2016, digitalisation is the main focus of the Bank's IT strategy. Any failure, interruption or breach in security of the Bank's IT systems could result in failures or interruptions in the Bank's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. The Bank has developed back-up systems and a fully-equipped disaster recovery centre, and may continue its banking operations through the Bank's branches in case of emergency. The Bank has a disaster recovery centre ("**DRC**") in Kazan and replicates all data with approximately a five to 15 minute delay. The Infrastructure Data Line Back-Up Project, which has been completed, aims to enable branch operations to access data through the 3G infrastructure when all other connections are down.

The Bank created its own Business Continuity Management plan in 2009 and established the DRC in Kazan, Ankara in 2008. The Bank tests its DRC systems annually by creating dummy transactions and running processes of a critical nature via the DRC system. The last test was performed in 2015 and the test was repeated twice. The Bank has disaster recovery plans for specific scenarios. The disaster recovery plans are being developed in order to include new business requirements and business impact analysis.

Property

As of 31 December 2015, the total net book value of the Group's tangible assets (including land, buildings and furniture) was TL 79,942,000 which equated to 0.57 per cent. of its total assets.

The Group maintains comprehensive insurance coverage on all of its real estate.

Insurance

The Group's fixed assets, cash-in-transit and cash-in-hand are covered by general insurance arrangements with third parties covering normal risks, and the Group also maintains blanket liability insurance (including, in relation to electronic computer crime, professional indemnity and directors' and officers' liability). The Group also requires that loans which are secured by real estate are also covered by insurance.

Anti-Money-Laundering and Combating the Financing of Terrorist Policies

Turkey has been a member country of the Financial Action Task Force ("**FATF**") since 1991 and has enacted laws and regulations to combat money-laundering, terrorist financing and other financial crimes. The Combating the Financing of Terrorism ("**CFT**") Law entered into force as of 16 February 2013. In Turkey, all banks and their employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money-laundering.

The CFT Law expanded the scope of the financing of terrorism offence (as defined under Turkish anti-terrorism laws). The law includes further criminalising terrorist financing and implementing an adequate legal framework for identifying and freezing terrorist assets.

The main provisions of the applicable law include regulation of: (a) client identification; (b) reporting of suspicious activity; (c) training, internal audit and control, risk management systems and other measures; (d) periodical reporting; (e) information and document disclosure; (f) retention of records and data; (g) data access systems to public records; (h) protection of individuals and legal entities; and (i) written declaration of beneficial owners by transacting customers, amongst other provisions. Suspicious transactions must be reported to the Turkish Financial Crimes Investigation Board (the "**FCIB**").

To ensure that the Bank is not used as an intermediary in money-laundering and other criminal activities, the Bank has implemented a programme that complies with the *Anti-Money-Laundering and Combating the Financing of Terrorism Rules*. The programme is mandatory for all employees. The programme also includes identity verification, written policies and procedures, assigning a compliance officer to monitor suspicious transactions, an audit and review function to test the robustness of anti-money-laundering policies and procedures, monitoring and auditing customer activities and transactions in accordance with anti-money-laundering legislation and regulations and employee training.

The Bank has comprehensive anti-money-laundering policies and procedures that are in compliance with the recommendations issued by FATF and Turkish Laws on Law No. 5549 Prevention of Laundering Proceeds of Crime and the CFT Law, and takes all necessary measures to prevent any money laundering through the Bank. All monitoring and control activities in the context of AML and KYC are carried out by the Bank's Compliance department.

In March 2010, the FCIB fined the Bank TL 26,452 for carrying on client acceptance procedures without concluding the overseas address confirmation of two non-residents opening accounts. In January 2014, the FCIB of Turkey also fined the Bank TL 31,408 for failing to identify shareholders, whether natural or legal, holding more than 25 per cent. of the shares in two legal entities.

Sanctions Laws

The Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, specially designated nationals ("**SDNs**"), and similar rules have been put in place by the EU, the United Nations and Turkey (the SDNs and other targets of these restrictions being together the "**Sanction Targets**"). The Bank maintains policies and procedures designed to ensure that it complies with all such laws, regulations and orders (including those of OFAC and the FATF) regarding doing business with, maintaining accounts or handling transactions or monetary transfers for Sanction Targets.

The names of all new customers and also existing customer database are automatically checked against sanction lists by a separate KYC software module. During the customer approval process checks are undertaken in respect of the customer's identification and address, the consistency of submitted documents and information, the customer's reason for choosing the bank and opening an account, the customer's occupation and primary source of income, work principles, work address and, if the customer is a corporate entity, information about their customers and vendors are obtained. Before opening an account for, or entering into any transaction with a customer, the Bank ensures that the customer is not listed as a Sanction Target and all outgoing transactions are continuously and automatically screened against the list of Sanction Targets. All daily transactions are further reviewed for compliance with sanction lists by the Bank using anti money laundering software and a third party screening company. Accordingly, the Bank's current policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets, including Iran, Syria, North Korea, Sudan, Cuba and Myanmar.

Credit Ratings

The Bank's credit ratings from Fitch and Moody's as of the date of this Prospectus are set out below. Fitch and Moody's are established in the EU and is registered under Regulation (EU) No. 1060/2009, as amended. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Fitch (March 2016)

Foreign Currency	
Long Term	BBB (stable)
Short Term	F2
Viability Rating	b+
Support Rating	2

Turkish Lira	
Long Term Turkish Lira	BBB+ (stable)
Short Term Turkish Lira	F2
Long Term National	AAA(tur) (stable)

Moody's (March 2016)

Foreign Currency	
Long Term	Baa3 (Under Review)
Short Term	P-3 (Under Review)

Turkish Lira	
Long Term Turkish Lira	Baa3 (Under Review)
Short Term Turkish Lira	P-3 (Under Review)
Long Term National	A1.tr
Short Term National	TR-1

Litigation and Administrative Proceedings

The Bank is involved in litigation from time to time in the ordinary course of business, however, there is currently no material litigation facing the Bank or the Group.

RISK MANAGEMENT OF THE BANK

General

Assessment and control of risk is critical to the Bank's success. For the Bank, risk management is a strategic function that works to facilitate the achievement of the Bank's business targets. The Bank's risk management, which includes identification, measurement, monitoring and mitigation of risks, is fully integrated into the strategic, tactical and operational decision making processes.

The Board is ultimately responsible for the Bank's risk management. This includes determining, approving and periodically reviewing the Bank's risk profile, risk appetite and risk management strategy and policies. To fulfil its responsibilities, the Board has established a Board Risk Committee ("**BRC**"), Risk Management Department, Internal Audit Department, Compliance Department and Internal Control Department.

The general risk management principles cited in the Bank's risk strategy are as follows:

1. The Board is responsible for the definition, approval and periodic review of the risk profile, risk appetite and risk management strategies and policies of the Bank.

2. The BRC is responsible for ensuring that senior management takes necessary measures for monitoring and controlling risks according to approved strategies and policies.

3. The BRC is regularly informed of the Bank's risk exposure, ensuring that the Bank's risk profile stays at defined/approved levels.

4. The Board has the ultimate responsibility for the management of all risks assumed and faced by the Bank and understanding the nature and level of risk accepted by the Bank.

5. The BRC and senior management are responsible for the implementation of a risk strategy approved by the Board and, proportional with the nature and complexity of the activities, development of policies, methodologies and procedures for the definition, measurement, monitoring and controlling of all risk types.

6. Established independently from operative units of the Bank and reporting to the Board through the BRC, the Risk Management Department is responsible for building a comprehensive risk management framework across the Bank, the recognition of the Bank's risk exposure, the development of proper analysis tools to measure these risks, effectively monitoring the risk/return profile, improving capital allocation and ensuring an effective risk monitoring system which is aimed at developing a conscious for risk within the corporate culture of the Bank.

7. The necessary framework for the definition, measurement, monitoring and control of risk is documented by the Risk Management Department and this constitutes a basis for the strategies, policies and procedures of all risk-bearing units. The risk management framework takes into account the general risk appetite and profile as well as outside regulations and best banking practices and it is regularly reviewed. The risk management function includes major risk factors related to all portfolios and operations.

8. The risk management model has a three-level defence strategy designed for the purpose of managing the risk effectively:

    - *1st Defence Level (risk-taking units)*: represents the Bank's operative units, which are directly responsible for minimising and controlling the risks exposed during their respective operations conducted in line with the Bank's standards and policies.

    - *2nd Defence Level (risk-management)*: this is the Risk Management Department, which is responsible for developing the risk management methodologies, tools and guidelines to be used for the management of risks. The Risk Management Department is supported by the same specialised units used in other risk management procedures such as Internal Control, Legal, Compliance, Human Resources, Information Technologies, Operations and Financial Control Departments. Furthermore, in addition to assisting and developing actions for mitigating risk it is responsible for monitoring possible risk.

- *3rd Defence Level (Internal Audit)*: this is the responsibility of the Internal Audit Department to evaluate efficiency and compliance with the risk management framework and reviewing its implementation across the Bank.

9. The Internal Audit Department manages the following with respect to risk management:

- monitoring the implementation and execution of risk strategies from an independent viewpoint, and advising the Board Audit Committee accordingly;

- independently and pragmatically advising management on the necessary regular review processes within the risk environment; and

- independently validating the integrity and administration of risk models for use within regulatory or internal capital adequacy or capital allocation policies.

Board Risk Committee

The BRC consists of five designated Board members and is primarily responsible for all aspects of enterprise risk management, including but not limited to, credit risk, market risk and operational risk. The BRC's role, responsibilities, composition, membership requirements and other relevant information are documented in the risk charter. The committee operates in accordance with the Procedure of Working Principles. The BRC is the common communication and coordination platform of the Bank's internal systems units and executive functions. The BRC facilitates assessment of the risks that the Bank is exposed to and elicits recommendations on the measures and the methods to be followed in response. Committee meetings are held on a quarterly basis and monitor the Bank's risk appetite, risk profile and tolerance level established for the consolidated group as prescribed by the Bank's risk policy and the decisions made by the Board of Directors. The BRC also ensures the implementation and supervision of the prescribed measures by the sub-committees and the relevant departments.

Management Risk Committee

The Management Risk Committee ("**MRC**") is the highest authority at the management level on all risk-related issues of the Bank. The MRC provides reports on all risk policies and portfolio issues to the BRC.

The MRC meets monthly and, amongst other things, maintains a high-level bank-wide Risk Policy Framework overseeing credit, market and operational risk, as directed by the BRC and monitors and controls all risks to ensure that risk strategies and policies that are approved by the Board are adhered to and implemented. It also recommends for approval any risk tolerance levels and portfolio limits, including limits associated with industry sector, geography, asset quality and other factors, and also provides necessary recommendations to the BRC regarding strategic and tactical directions/adjustments on all facets of the Bank's risks according to perceived economic conditions. It also establishes the framework of the Bank's risk appetite for credit, market and operational risks and thus helps the Bank develop and allocate its resources and commit the necessary capital needed to pursue its identified objectives.

Risk Management Department

The Risk Management Department sits independently from the executive functions of the Bank and reports to the Board via the BRC and the Board Audit Committee. The Risk Management Department is responsible for building and implementing a comprehensive risk management framework across the Bank. This includes determining the risks the Bank has incurred, developing tools to measure such risks, monitoring the risk/return profile, enhancing capital allocation and utilisation, ensuring efficient risk monitoring and developing the risk awareness and management culture in the Group. Further, it is the responsibility of the Risk Management Department to document the framework that will form the basis for strategies, policies and procedures of all risk-taking departments.

Internal Audit Department

The Internal Audit department is responsible for auditing the Bank's processes and effectiveness of risk management and internal control activities.

Risk Management Policies

The Bank has adopted international risk management principles in line with the regulatory requirements of the BRSA and the risk management criteria set out in the Basel frameworks of the Bank of International Settlements ("**BIS**"). The Bank continuously enhances its risk management practices by implementing new applications and increases its risk management capacity by following both the local and international best practices.

Credit Risk

The Bank defines credit risk as the potential loss arising from a borrower's inability to meet its contractual financial obligations to the Bank and follows credit risk management policies to ensure the independence and integrity of the risk evaluation practices.

All credit risks, to which the Bank is exposed, either on- or off-balance sheet, are monitored and managed individually and on a portfolio basis.

The Bank seeks to manage its credit risk exposure and to maintain its quality, by analysing the credit portfolio on a regular basis and reporting in terms of sectors, exposure, collateral structure, concentration, loan size, rating and other metrics to the Board, the BRC and the management.

The Bank uses internal risk rating models supported by statistical analysis in the credit assessment process. Different criteria are used for the corporate model, SME model and retail model. The corporate and SME models are used to define lending limits and to calculate provisioning. The retail model is used for cut-off level determination, limit allocation and risk based pricing.

Customer selection and monitoring the credit worthiness of customers is performed by specific credit teams with the use of internal rating systems. The rating systems are validated and continuously reviewed and monitored for their performance by the Risk Management department. The capital charge is currently being calculated based on the "Standard Approach" for credit risk, as defined in Basel II. The Bank aims to calculate "capital charge" using the Basel II advance approaches as of the beginning of 2018.

In early 2015, the Bank implemented an early warning system to identify potential defaulting customers and classify them immediately with a standardised system by using customers' historical repayment performance, indebtedness level, current financials, and bankruptcy information, amongst others.

The table below shows the credit risk appetite parameters of the Bank:

Risk Appetite	Risk Appetite Measure	Risk Tolerance for 2016
Single Obligor Concentration Limit (Risk Group)	ABank Risk Rating 1 – 4(-); 10% of Total Equity	
	ABank Risk Rating 5(+) – 5(-); 10% of Total Equity	
	ABank Risk Rating 6(+); 7% of Total Equity	If loss given default ("LGD") is equal or less than 55%, it can be extended to 9%
	ABank Risk Rating 6 – 6(-); 4% of Total Equity	If LGD is equal or less than 55%, it can be extended to 7%
	ABank Risk Rating 7(+); 2% of Total Equity	If LGD is equal or less than 55%, it can be extended to 3%
	ABank Risk Rating 7 – 7(-); 0,8% of Total Equity	If LGD is equal or less than 55%, it can be extended to 1% for existing portfolio, for new underwritings tolerance level shall be applied as half of the mentioned levels for this rating category
Related Party Concentration Limit	CB and Anadolu Groups; 20% of Equity	Subject to approval of the Board
Single Obligor Concentration Limit for Financial Institutions	Banks and FIs rated (long term) not less than S&P A- or equivalent and above; 25%	

	Banks and FIs rated S&P's BBB or equivalent; 10%	
	Banks and FIs rated S&P's less than BBB; 5%	
	Local Banks operating in Turkey; No Limit	Subject to approval of relevant Credit Authorities
Asset Quality	Overall Non Performing Loans	Maximum 4.4% of total portfolio for 2016 without impact of NPL sale, long term Bank's target 3.0%
	Non-Performing Loans – Corporate	Maximum 0.2% of corporate portfolio for 2016, long term Bank's target 1.0%
	Non-Performing Loans – Commercial	Maximum 5.0% of commercial portfolio for 2016, long term Bank's target 4.0%
	Non-Performing Loans – SME	Maximum 10.0% of commercial portfolio for 2016, long term Bank's target 7.0%
	Non-Performing Loans – Retail	Maximum 4.0% of retail portfolio for 2016, long term Bank's target 4.0%
	New NPL Generation Ratio	Annually generated NPL should not exceed 1.8% of total average performing portfolio
	Loan Loss Coverage Ratio (Specific)	>=60% of Gross NPL Portfolio
Unsecured Lending (including clean and shareholder guarantee)	Total unsecured lending	Maximum 50% of total portfolio
	Corporate unsecured lending	Maximum 70% of total portfolio
	Clean lending in Commercial portfolio	Maximum 8% of total portfolio
	Commercial unsecured lending	Maximum 45% of total portfolio
	SME unsecured lending	Maximum 35% of total portfolio
Portfolio Concentration	Large Exposure Concentration (% of Portfolio)	Aggregated Top 20 Risk Group exposure cannot exceed 30% of total performing portfolio, long term Bank's target 25%
		Aggregated Top 100 Risk Group exposure cannot exceed 45% of total performing portfolio, long term Bank's target 40%
	Sectoral Concentration (% of Portfolio)	Total Exposure in Construction cannot exceed 20% of total performing portfolio.
		Each sector except for Construction cannot exceed 15% of total performing portfolio

The Bank aims to limit its exposure to the "income generating" firms in the construction sector to not more than 10 per cent and "without income generating" firms to not more than 15 per cent. of the total lending portfolio of the Bank.

According to the Banking Law, the total amount of loans to be extended by a bank to a real or a legal person or a risk group shall not be more than 25 per cent. of its equity (or 20 per cent. in respect of related groups).

As specified in the "*Social and Environmental Risk Management Procedure*" and in the "*Corporate Credit Policy*" of the Bank, the credit requests of the customers engaging in the sectors included in the definition "Sectors Prohibited by the International Financial Cooperation" cannot be financed by the Bank. The Bank has policies and procedures in place to reduce lending exposure to high risk sectors.

Market Risk

Market risk arises from the risk of any loss that may occur in the value of positions in trading accounts due to movements in interest rates, share prices and exchange rates. The Bank manages its exposure to market risk through its processes and information systems for measuring, monitoring, controlling and reporting market risk exposures and defining and monitoring operating limits.

For regulatory capital adequacy purposes, the Bank uses the BRSA standard method and has adopted procedures to monitor its compliance with the BRSA's capital adequacy requirements.

Market risks associated with trading accounts are quantified and monitored on a daily basis through the VaR method. The validity of the VaR model is monitored through back testing where theoretical losses/gains, as calculated in the VaR model, are compared to the real losses/gains the next business day and any deviations, if any, are monitored. The Bank also monitors and makes use of stress test and scenario analysis reporting.

The Bank's main policy is not to take an open position in its balance sheet for the foreign currency risk. The Bank seeks to effectively hedge its foreign currency risk with derivative transactions.

The table below shows the market risk appetite parameters of the Bank.

Risk Appetite	**Risk Appetite Measure**	**Risk Tolerance for 2016**
Market Risk	Value at Risk ("**VaR**") for Trading Book	Yearly VaR cannot exceed total allocated Market Risk Capital
	Stop Loss	Yearly stop loss cannot exceed 10% of allocated Market Risk Capital or 50% of budgeted trading return whichever is lower
	Nominal Position Limits	Not to exceed limits as per policy
	Treasury Products	Zero tolerance for Exotic products, Board approval is necessary before trading

Structural Interest Rate Risk

The Bank defines structural interest rate risk as the risk that the Bank is exposed to through products such as credits, securities and deposits, which are sensitive to interest rates despite being booked in non-trading accounts.

The Bank aims to keep changes in its economic value within the limits (which are determined based on its shareholders' equity), in the event that the Bank is subject to standard interest rate shocks determined by the BRSA as well as internal interest rate shocks. Duration/gap reports, used in the measurement and management of structural interest rate risk, are produced by placing those financial products that are monitored in non-trading accounts into the cash flow statements on a currency basis, according to the re-pricing periods or durations.

The structural interest rate risk that the Bank is subject to because of maturity mismatch is measured by applying standard interest rate shocks to the gaps on a maturity tranche basis, and the risk is continuously monitored for its compliance with the limits determined by the Board. The interest sensitivity of the balance sheet is measured every two weeks by the Risk Management department and evaluated at bi-weekly Asset Liability Committee ("**ALCO**") meetings. When required, and with the approval of the Board, interest rate risk is hedged or limited with derivative transactions. ALCO is responsible for maintaining the Bank's net economic value and creating a stable income structure for the Bank.

The table below shows the structural interest rate risk appetite parameters of the Bank:

Risk Appetite	Risk Appetite Measure	Risk Tolerance for 2016
Maximum Tenor	Mortgage Loan Maturity: 12 years	More than 12 years subject to BCC approval
	Other retail instalment loans: 3 years	Zero Tolerance
	Other commercial loans: 10 years	More than 10 years subject to BCC approval
	Turkish Government Bond (TRY): 10 years	More than 10 years subject to ALCO approval
	Turkish Government Eurobond: 15 years	More than 15 years subject to ALCO approval
	Bonds issued by Banks in Turkey: 6 years	More than 6 years subject to BCC approval
Interest Rate Risk in Banking Book	Net Economic Value Change (NEVC) of Equity (the loss ratio of equity when a possible 500 bps TRY and 200 bps foreign currency interest rate bump is simulated on assets and liabilities)	Regulatory limit is 20% of Equity Up to 7.5% on solo basis, 9.5% on consolidated basis ALCO has the authority. Above those limit up to regulatory level only Board has authority
	Earning at Risk (EaR) (under 99% Confidence Interval on 1 year time horizon) of budgeted Net Interest Income (NII)	Up to 12% on solo basis, 14% on consolidated basis ALCO has the authority

Liquidity Risk

Liquidity risk is the risk that the Bank might not be able to fulfil its payment obligations in a timely and complete manner due to imbalances in cash flows. Therefore, in this scenario, the available cash or cash inflows (both in quality and in quantity) would not cover the cash outflows of the Bank.

The purpose of liquidity risk management is to prevent the sum of cash held by the Bank, and the borrowing resources available to the Bank, from falling below pre-determined regulatory and internal ratios of the sum of deposits and other liabilities that require creation of liquidity. The Bank closely monitors possible liquidity risks associated with cash-flow volatility caused by market conditions and/or its balance sheet structure and its liquidity position in TL and FX terms, as well as in terms of total liquidity. The Bank's liquidity level is monitored within the framework of the "Regulation on the Liquidity Coverage Ratios", published by the BRSA on 21 March 2014, while the Risk Management department reports on the issue to ALCO and the BRC. The Bank's liquidity is monitored according to legal liquidity adequacy ratios as well as various parameters that are internally determined and tested under various stress assumptions, while test results are reported to its ALCO and its BRC.

The table below shows the liquidity risk appetite parameters of the Bank:

Risk Appetite	Risk Appetite Measure	Risk Tolerance for 2016
Liquidity	-Total Liquidity Coverage Ratio (LCR)-Total>100% -FX Liquidity Coverage Ratio (LCR)-FX>80%	Limit is going to be 80% min. in 2016 (legal limit is 70%) Limit is going to be 60% min. in 2016 (legal limit is 50%)
Deposit Concentration	-Loan to Deposit ration can not be higher than 135% for both solo and consolidated basis	
	When loan to deposit ratio at solo basis is limited as 135%, time deposit concentration above 1 Mio TL can not be higher than 75% of all time deposits	Limit excesses due to funding cost, urgent liquidity requirement or lowering loan to deposit ratio are on ALCO approval.
	When loan to deposit ratio at solo basis is limited as 135%, time deposit concentration above 5 Mio TL can not be higher than 55% of all time deposits	Limit excesses due to funding cost, urgent liquidity requirement or lowering loan to deposit ratio are on ALCO approval.
	When loan to deposit ratio at solo basis is limited as 135%, total deposits of first 20 time deposit customers cannot be higher than 20% all time deposits and it can not be higher than 20% of all time deposits when loan to deposit ratio at consolidated level is considered.	Limit excesses due to funding cost, urgent liquidity requirement or lowering loan to deposit ratio are on ALCO approval.

Operational Risk

The Bank defines operational risk as the possibility of a direct or indirect loss, caused by people, processes, systems and external factors.

The Bank has a three-tier operational risk governance structure consisting of the business lines as the first-tier responsible for dealing with risks, the Risk Management Group as the second-tier providing methodology, coordination and assistance and Internal Audit as the third-tier providing an independent review of the risks.

The Risk Management department has primary responsibility for defining, measuring and monitoring operational risks, as well as taking the required measures to eliminate such risks.

The compliance of all activities with applicable regulations and with the Bank's current procedures and policies is followed closely by the Internal Audit department, Internal Control and Compliance departments, and overseen by the Board Audit Committee and the BRC.

Records of incidents leading to monetary losses are stored in a database established to follow up on operational risks. Operational events that frequently occur or lead to significant losses are evaluated by the Management Risk Committee. These events are managed by determining the reasons for such losses and creating an action plan to follow in the future. Key Risk Indicators are also established in order to monitor risk levels of certain processes by tracking limits and thresholds involved in these processes.

The table below shows the operational and other risk appetite parameters of the Bank:

Risk Appetite	**Risk Appetite Measure**	**Risk Tolerance for 2016**
Operational Loss	Actual Operational Loss	<=TRY 1 million or 0.15% of Gross Revenue whichever is lower
Business Continuity	Disruption in "Critical" Business back in order within 2-4 hrs	Zero Tolerance
Audit Issue Overdues	High impact open Audit items	High impact open Audit items, not to exceed 10. (Solo)
Reputation Risk	Maintain Highest Ethical Standards	Zero Tolerance
	The number of complaints for which a resolution process has not been initiated through contact with the complainant customers within 5 workdays	>20%
	Complaints responded to later than 30 days (20 if Card related)	Zero Tolerance Compliant with BRSA limit
Regulation/Compliance	Intentional Regulatory/Compliance Breach	Zero Tolerance
BRSA & Central Bank Ratios	As per regulatory guidelines	Zero Tolerance
	Total Capital Adequacy Ratio (Solo or Consolidated)	CAR >= 12.5% (Regulatory limit 12%)
Capital Adequacy Ratios	Total Capital Adequacy Ratio Tier 1 (Solo or Consolidated)	CAR >= 7.25% (Regulatory limit 6,625%)

MANAGEMENT OF THE BANK

Board of Directors

Pursuant to the Bank's articles of association and the Turkish Commercial Code, the Board is responsible for the Bank's management. The Board meets regularly and makes all major management decisions affecting the Bank.

Pursuant to the Bank's articles of association, the Board shall consist of a minimum of seven and a maximum of 13 members elected by the General Assembly, with the CEO (each as defined in the articles of association) holding a board seat, as required by the Banking Law. Currently, the number of members on the Board is fixed at 13. According to the articles of association of the Bank, the members of the Board can be appointed for a maximum of three years. Currently each member of the Board is appointed for one year and a member may be re-elected. However, the Bank's CEO is not subject to such restrictions. Each member has a right of one vote and cannot vote on behalf of another member by proxy. Three members of the Board are independent members appointed when the Issuer was a publicly held company, thus complying with the independency criteria of the Communiqué on Corporate Governance Principles (Serial: II, No:17.1) published by the CMB on 3 January 2014 (the "**Corporate Governance Communiqué**") published by the CMB. Nevertheless the Issuer's parent made an application to the Capital Market Board and Borsa İstanbul A.Ş. for removal of the minority shareholders and delisting from the stock-exchange, in accordance with the CMB's "Squeeze-out and Sell-out Rights Communiqué" published on 11 July 2014. As of 23 July 2015, the delisting from the stock-exchange quotation was confirmed by the Capital Market Board, hence the Issuer is no longer subject to the Corporate Governance Communiqué or other CMB regulations.

Corporate Governance

The Bank is subject to corporate governance principles, as stated in the banking regulations.

The business address of each director of the Bank is Cumhuriyet Cad. No: 46, 34367 Şişli/İstanbul, Turkey.

Members of the Board

Member	Position	Term of Office	Educational Status
Müge Öner..	Acting CEO, CFO and Member	Acting CEO, CFO and Member of the Board	Graduate
Tuncay Özilhan	Chairman	18 years	Post Graduate
Omar Hussain I H Al-Fardan	Vice Chairman	13 months	Post Graduate
Fahad Abdulrahman Badar......................................	Member	3 years	Post Graduate
Didem Çerçi	Independent Member	4 years	Graduate
İzzat Dajani	Member	3 years	Post Graduate
Mohd Ismail M Mandani Al-Emadi	Member	13 months	Post Graduate
Andrew Charles Stevens..	Member	3 years	Post Graduate
Mehmet Hurşit Zorlu...	Member	6 years	Graduate

The business address of each of the Directors is Cumhuriyet Cad. No: 46, 34367 Şişli/İstanbul, Turkey.

Additional information on each of the Directors is set forth below:

Mr. Tuncay Özilhan (Chairman)

Mr. Özilhan graduated from Saint Joseph High School, Istanbul, and Istanbul University, Faculty of Economics, before obtaining his Master's degree at Long Island University, USA.

After working at Erciyas Biracılık ve Malt Sanayii A.Ş. as General Manager, Mr. Özilhan became the Beer Group Coordinator at Anadolu Group, followed by General Coordinator, before finally being appointed Anadolu Group Executive Chairman in 1984. Mr. Özilhan, who rose to the position of Chairman of the Board of Directors of the Group in 2007, continues to serve as Chairman of the Board in many of the Group companies in addition to ABank, which joined Anadolu Group in 1996. From 2001 to 2003, Mr. Özilhan served as Chairman of TÜSİAD (Turkish Industrialists' and Businessmen's Association). Currently, he is the Vice Chairman of TÜSİAD High Counsel, member of the Board of

Directors at DEİK (Foreign Economic Relations Board), Chairman of the Turkish - Russian Executive Business Council of DEİK, Estonian Honorary Consulate General and President of the Anadolu Efes Sports Club.

Mr. Omar Hussain I H Al-Fardan (Vice Chairman)

Mr. Al-Fardan is the Managing Director of Alfardan Corporation and is also the President and CEO of Alfardan Group, one of the most successful privately owned family businesses in Qatar and across the region. Mr. Al-Fardan, holds a Bachelor's Degree in Business Administration and a Master's Degree in Finance from Webster University in Geneva, Switzerland, developed his business insight over the years working with his father the renowned businessmen Mr. Hussain Ibrahim Al-Fardan. As a distinguished businessman with a visionary approach, Mr. Al-Fardan played a vital role in the Group's sustained growth, success and strategic expansion into diversified business sectors in Qatar and the region. Mr. Al-Fardan is a fervent supporter of charitable, social and human enhancement programmes and is a founding member of the GCC family business network. Mr. Alfardan joined ABank in September 2014.

Mr. Fahad Abdulrahman Badar

Mr. Badar graduated from the University of Wales with a BA in Banking & Finance. He then obtained his MBA from Durham University, UK in 2006. Mr. Badar has been with The Commercial Bank (Q.S.C.) for the past 16 years, where he has undertaken different roles in Operations and Cards, before joining Retail Banking as a Branch Manager in 2004. In 2007, he joined the International Banking Division where he worked on several transactions with multinational companies and GCC corporates, such as a USD 100 million working capital facilities and QAR 515 million contract financing facilities. Subsequently, he assumed the role of Head of Government and Public Sector Relations, managing the various corporate banking requirements of this customer segment. In 2011, he assumed the role of executive general manager, Government & International Banking, handling the International Banking corporate portfolio, MNCs operating in Qatar, the Financial Institutions Group, and Government & Public Sector relations. In 2013, he was appointed as Head of Wholesale Banking, and his role expanded to further include Domestic Corporates, Transaction Banking and Structured Finance. Mr. Badar was appointed in December 2014 as Executive General Manager, International Banking looking after the Bank's international operations. Mr. Badar joined ABank as a Board Member in August 2013.

Mr. Izzat Dajani

Mr. Dajani is an experienced banker and well-known investment professional. A civic and business leader recognised for his leadership roles in Banking & Financial Services, Corporate Advisory, Investment Management, Private Equity and Direct Investments across countries in the Middle East, Turkey, Australia and East Asia. Mr. Dajani is CEO of IMCapital. Mr. Dajani is Member of the Board of Directors of ABank in Turkey, Chairman of the Board Corporate Governance Committee and Member of the Board Risk Committee. He is also Honorary Consul of the Republic of Seychelles in Jordan and Governor of Capital Club of UAE. Mr. Dajani was Chairman and CEO of Citibank in Qatar. He was also Head of Key & Priority Clients of the Investment Management Division covering the MENA region at Goldman Sachs. Mr. Dajani was the founding Chief Executive of the Investment & Development Office (IDO) of the Government of Ras Al Khaimah (RAK) in the UAE, leading major investment activities of this sovereign wealth fund and directing multi-billion dollar investments into the Emirate. He was Chairman and Board Member of various large corporations in the oil & gas, petroleum, industrial, real estate, hospitality, education and healthcare sectors. Mr. Dajani was also Senior Vice President of Rasmala Investments, a regional private equity group. Mr. Dajani has an MPA from Harvard University, completed the Executive Management Program at the Graduate School of Business, Stanford University, and a BSc from Liverpool School of Pharmacy. He is a founding member of the Royal Pharmaceutical Society of Great Britain.

Mr. Mohd Ismail M Mandani Al-Emadi

Mr. Al-Emadi graduated from Holy Names College, California with a Bachelor of Arts degree in Business Administration and Economics and has over 30 years of banking experience. Mr. Al-Emadi has held a number of key roles at The Commercial Bank (Q.S.C.) from 1982 until 2007, after which he served as Chief Executive Officer of Qatar Real Estate Investment Company up to 2011 and also served as its Director from 2003 until 2005. Mr. Al-Emadi has also served as a Board Member for Doha Securities Market, Qatar from 2000 to 2003, Qatar Shipping Co. (Q.S.C.), from 2000 to 2006, and Mannai

Corporation Co. (Q.S.C.), Qatar from 2001 to 2004. Mr. Al-Emadi currently serves as a Board Member of The Commercial Bank (Q.S.C.), the National Bank of Oman (S.A.O.G.) and Qatar Cinema and Film Distribution (Q.S.C.). Mr. Al-Emadi joined ABank as a Board Member in September 2014.

Ms. Didem Çerçi

Mrs. Çerçi graduated from the Business Administration Department of Boğaziçi University. She started her career as a Product Manager at Bekoteknik Industry/Koç Holding in 1990. She then went on to become a Marketing Officer in the Corporate Banking Department of İktisat Bankası between the years of 1991 - 1994. Following which, she served as an Executive within the Corporate Banking Department of WestLB, Demirbank, Ulusal Bank and İktisat Bankası. At the same time, she served as a Member of the Board of Directors at Interbank Card Center, İktisadi Yatırım Menkul Değerler and Kablonet İletişim Sistemleri. In 2002, she was appointed as Regional Manager, Group Manager and Assistant General Manager within the Commercial Banking Department of INGBANK A.Ş. as well as serving as a Member of the Board of Directors at ING Factoring and ING Leasing. Mrs. Çerçi, who was appointed as Finance Director of Aras Holding in 2011, has been serving as a Member of the Board of Directors of ABank since April 2011.

Mr. Mehmet Hurşit Zorlu

Mr. Zorlu holds a BSc degree in Economics from Istanbul University. Prior to joining Anadolu Group in 1984, he held various positions at Toz Metal and Turkish Airlines. Mr. Zorlu joined Anadolu Group as a Marketing Specialist in the Efes Beverage Group and held various positions including Assistant Marketing Manager, Assistant Project Development Manager, Project Development Manager and Business Development & Investor Relations Director. He served as Chief Financial Officer (CFO) of Efes Beverage Group from 2000 until 2008 and CFO of Anadolu Group between 2008 and 2013. In January 2013, Mr. Zorlu was appointed Deputy CEO of Anadolu Group and is also currently acting as Board Member in various Anadolu Group companies. Mr. Zorlu is the Chairman of Turkish Corporate Governance Association ("**TKYD**") and also serves as a Board Member in Turkish Investor Relations Society ("**TUYİD**").

Mr. Andrew Charles Stevens

Mr. Stevens graduated from Birmingham University in 1980 with a B.Com (Hons) in Banking and Finance. Mr. Stevens began his career in banking in 1980 with Standard Chartered Bank Group, initially working in their office in Ireland, and subsequently seconded to the Group's offices in Hong Kong, Bahrain and then Uganda. Mr. Stevens joined CBQ in 1989, in 1992 he was appointed Manager-Consumer Banking, AGM-Retail Banking in 1994, and General Manager in 2001. In 2005 Mr. Stevens was appointed as Chief Executive Officer of CBQ and was subsequently promoted to Group CEO from 2008-2014 following execution of CBQ's regional expansion strategy. In 2014 Mr. Stevens retired from executive management of CBQ and is now Advisor to the Board of Directors of CBQ as well as a Director of the National Bank of Oman (S.A.O.G.), United Arab Bank (P.J.S.C.) in the UAE and CBQ Finance Limited, Chairman of Orient 1 Limited, and Director of QIC International LLC, Mr. Stevens joined ABank as a Board Member in August 2013.

The Executives

The Bank's senior executives (the "**Executives**") as of the date of this Prospectus include the following:

Executive	Title	Responsibility	Year Joined
Müge Öner	Acting CEO, CFO and Member of the Board	Acting CEO, CFO and Member of the Board	2014
Demet Çaldağ	CRO	CRO	2014
Tanol Türkoğlu	Executive Vice President	COO	2014
Mutlu Çalışkan	Executive Vice President	Internal Audit	2008
Suat Çetin	Executive Vice President	Operations	2012
Sezin Erken	Executive Vice President	Retail Banking	2014
Mete Hakan Güner	Executive Vice President	Commercial Banking	2015
İzzet Metcan	Executive Vice President	Digital Banking	2014
Musa Kerim Mutluay	Executive Vice President	Restructuring & Legal Follow-Up	2014
Işıl Funda Öney	Executive Vice President	IT Group	2012
İsmail Murat Özer	Executive Vice President	Human Resources	1992
Muzaffer Gökhan Songül	Executive Vice President	Credit Underwriting	2015
Şakir Sömek	Executive Vice President	Financial Institutions	1998

Aytay Tolga Şenefe	Executive Vice President	Treasury	2011

The business address of each of the Executives is Cumhuriyet Cad. No: 46, 34367 Şişli/İstanbul, Turkey.

Additional information on each Executive is set forth below:

Mrs. Müge Öner, Acting CEO, CFO and Member of the Board

Mrs. Öner graduated from Tevfik Fikret High School in 1991 and from Bilkent University, Business Administration in 1996. She began her career at Arthur Andersen in 1996. Between 1999 and 2005 she held various positions at Finansbank and at Credit Europe Bank N.V. in the Financial Control and Planning departments. In 2005 she was appointed as a Managing Partner at Ernst & Young. In May 2014, she was assigned as CFO and deputy CEO of ABank. On 18 March 2016, Mrs. Müge Öner was appointed as the Acting CEO and as a Board Member of ABank, following the resignation of Ms. Meriç Uluşahin from her position as the CEO and as a Board Member of ABank.

Mrs. Demet Çaldağ, Chief Regulatory Officer ("CRO")

Mrs. D. Çaldağ graduated from Üsküdar American Academy for Girls in 1988 and from Boğaziçi University, Business Administration in 1992. She worked as Management Trainee at Saudi Arabian Bank Corporate Banking Group between 1992 - 1994, Account Manager at Saudi Arabian Bank Corporate Banking Group between 1994 - 1995, Account Manager at ABN AMRO Bank İstanbul Branch Corporate Banking Department between 1995 - 1997, Senior Account Manager at ING Bank N.V. Corporate Banking Department between 1997 - 1998, Senior Credit Analyst at ING Bank N.V., ING Barings Global Lending Risk Management Department between 1998 - 1999, Manager at ING Bank N.V. Risk Management Department between 1999 - 2001, Vice President at ING Bank N.V. ING Wholesale (International) Banking Department between 2001 - 2004, Vice President at ABN AMRO Bank N.V. Group Risk Management Department between 2004 - 2005, Vice President at ABN AMRO Bank N.V. Commercial Clients Department between 2005 - 2006, Executive Director at ABN AMRO Bank N.V. Group Risk Management Department between 2006 - 2010, CRO at Royal Bank of Scotland Turkey, Head of Corporate Credit, Emerging Markets between 2010 - 2014. As of 18 September 2014, Mrs. Demet T. Çaldağ is assigned as CRO of ABank.

Mr. Tanol Türkoğlu, Chief Operating Officer ("COO")

Mr. Türkoğlu graduated from Kabataş Erkek High School in 1984 and from Middle East Technical University, Computer Engineering in 1989. He worked as a Software Analyst at Yapı Kredi technology company Bilpa A.Ş. between 1989 - 1993, IT Manager at Yapı Kredi technology company Bilpa A.Ş. Network and Systems Support between 1994 - 1996, Senior IT Manager at Yapı Kredi technology company Bilpa A.Ş Alternative Delivery Channels between 1996 - 2000, Coordinator at İktisat Bank T.A.Ş. IT & Operations and Organisation between 2000 - 2002, CIO at Şekerbank T.A.Ş. between 2002 - 2014, Executive Board Member at Şeker Bilişim A.S. between March 2014 – November 2014. As of December 18, 2014, Mr. Tanol Türkoğlu is assigned as IT and Operations Group COO of ABank.

Mr. Mutlu Çalışkan, Chief Audit Executive ("CAE"), Internal Audit

Mr. Çalışkan graduated from Galatasaray High School in 1987 and from İstanbul University, Faculty of Economics in 1993. He worked as an assistant Auditor at the Internal Audit Department of Garanti Bank A.Ş. between 1994 – 1996 as an Auditor at Internal Audit Department of İktisatbank A.Ş. between 1996 - 1998, Manager at Internal Audit Department of İktisatbank A.Ş. between 1998 - 2002, Director at Accounting, Budget and Management Control Department of Renault Mais A.Ş between 2005 - 2008. Manager at Internal Audit Department of ABank. Between 2003 - 2005, Manager at Internal Control Department of ABank between 2008 - 2011. As of 1 November 2011, Mr. M. Mutlu Çalışkan is assigned as President of Board of Inspectors of ABank.

Mr. Suat Çetin, EVP, Operations

Mr. Çetin graduated from Çankaya High School in 1984 and from Middle East Technical University, Public Administration in 1989. He worked as Assistant Specialist at State Institute of Statistics between 1991 - 1993, Manager, Treasury Operations at Ottoman Bank between 1993 - 2001, Project Leader, General Manager Consultancy Department at Akbank A.Ş. between Feb, 2002 – June 2002, Group Head, Central Operations at Koçbank between 2002 - 2006, Group Head, Operations at Yapı ve Kredi Bankası

A.Ş. between 2006 - 2012. As of 3 September 2012, Mr. Suat Çetin is assigned as Executive Vice President of ABank, responsible for Operations.

Mrs. Sezin Erken, EVP, Retail Banking

Mrs. Erken graduated from TED Ankara College in 1994 and from Middle East Technical University, Management in 1998, Graduated from Columbia Business School, MBA Master Program in 2003. She worked as Business Analyst at McKinsey&Company between 1998 - 2001, Product Management Manager at Capital One New York between 2003 - 2006, Product Development Manager at Capital One New York between 2006 - 2007, Retail Banking Deposit Pricing Director at Capital One New York between 2007 - 2009, Group Manager at Capital One New York Commercial Banking Pricing and Data Analysis between 2009 - 2014. She joined ABank in September 2014 as Executive Vice President in charge of Asset-Liability Management. Since 1 June 2015, she has been serving as Executive Vice President responsible for Retail Banking Group.

Mr. Mete Hakan Güner, EVP, Commercial Banking

Mr. Güner graduated from Ankara Atatürk Anatolian High School in 1991 and from Middle East Technical University, Business Administration in 1995. He worked as Portfolio Manager at Commercial Banking Department of Garanti Bank Gimat Branch between August 1995 - October 1996, Portfolio Manager at Commercial Banking Department of Garanti Bank Levent Branch between October 1997- November 1997, Cash Management Assistant Manager at Corporate Banking Department of Finansbank between January 1998 - September 1999, Manager at Commercial Banking Department of Finansbank between October 1999 - November 2001, Manager at Corporate Banking Department of Finansbank between December 2001 - June 2002, Cash Management Group Head at Corporate Banking Department of Finansbank between June 2002 - December 2004, Regional Manager at Commercial Banking Department of Finansbank between January 2005 - January 2008, Senior Vice President at Commercial Banking Sales Department of Finansbank between January 2008 - December 2010, Senior Vice President at SME and Commercial Banking Department of Finansbank between December 2010 - August 2012, Director at Commercial Banking Department of Finansbank between August 2012 - January 2015. As of 2 February 2015, Mr. Mete Hakan Güner, is assigned as Executive Vice President at ABank Commercial Banking.

Mr. İzzet Metcan, EVP, Digital Banking

Mr. Metcan graduated from Haydarpaşa Technical High School in 1986 and from İstanbul University, Department of Philosophy in 1990, graduated from İstanbul University, Philosophy Master Programme in 1993, Since 2010 he has been studying in Maltepe University on the Philosophy PhD Programme. He worked as a Supervisor in the Retail Banking Marketing & Product Development Department of İktisat Bank A.Ş. between 1. 1991 - 3. 1997, R&D Manager at Anadolu Kredi Kartları Turizm Tic. A.Ş. between 3.1997 - 7.1998, Executive Vice President at Operation and IT Department of Universal Kredi Kart Hizmetleri between 7.1998 - 8.2002, General Manager of Universal Kredi Kart Hizmetleri A.Ş. between 8.2002 - 10.2005, Operation Manager at Retail Banking Department of Şekerbank between 1.2006 - 2.2014, Executive Vice President at Aktif Nokta / Aktif Bank A.Ş. between 2.2014 - 6.2014. Between 1, July 2014 and 1, August 2015, he was the Deputy General Manager in charge of Sales and Marketing for ABank Retail Banking Distribution Channels. Since 1, August 2015, he has been serving as Executive Vice President- ABank Digital Banking Group.

Mr. Musa Kerim Mutluay, EVP, Restructuring & Legal Follow-Up

Mr. Mutluay graduated from Konya Gazi High School in 1991 and from Hacettepe University, Department of Public Administration in 1996 and received his Public Administration and Political Science master's degree from Hacettepe University in 2001. He worked in the Financial Analysis Department of Yaşar Bank between March 1998 - August 2000, Specialist at the Financial Analysis Department of Tekstilbank between August 2000 - July 2001, İstanbul Region Assistant Manager at the Commercial Marketing Sales Department of Oyak Bank between January 2003 - May 2004, Assistant Manager at Commercial Marketing Sales Department of Oyak Bank between May 2004 - May 2006, Manager at Commercial Marketing Sales Department of ING Bank between May 2006 - January 2010, Group Manager at the SME Department of ING Bank between January 2010 - June 2013, Group Manager at the Nonperforming Loans Department of ING Bank between June 2013 - June 2014, Group Manager at the Restructuring & Legal Follow-Up Department of ABank between July 2014 - December 2014. As of

1 January 2015, Mr. Musa Kerim Mutluay is assigned as Executive Vice President at ABank Restructuring & Legal Follow- Up Group.

Mrs. Işıl Funda Öney Babacan, EVP, Information Technologies

Mrs. Öney Babacan graduated from Silivri High School in 1990 and from İstanbul Technical University, Business Administration Engineering in 1994; graduated from Boğaziçi University, Industrial Engineering Master Program in 1998. She worked as Researcher, at Strateji Mori between 1995 - 1996, At Intertech A.Ş. between 1996 – 2012 Analyst, Maintenance Support and Joker Group, Manager, Core Banking Department, Assistant General Manager, Project Improvement, Assistant General Manager, MIS, Credits, Treasury Projects. As of 03 September 2012, Mrs. Işıl Funda ÖNEY Babacan is assigned as Executive Vice President at ABank A.Ş. responsible for Information Technology Group.

Mr. Murat Özer, EVP, Human Resources

Mr. Özer graduated from Galatasaray High School in 1986 and from İstanbul University, Department of Economics in 1991. He worked as clerk at irFrance between 1990-1991, Securities Department of TurkishbankA.Ş. between 1991-1992, Specialist, Treasury Department, April 1992 - January 1994, Authorised Specialist, Treasury Department, January 1994 - January 1995, Assistant Manager, Treasury Department, January 1995 - July 1997, Manager, Treasury Department, July 1997 - July 2004, Executive Vice President of Treasury, July 2004 - June 2011. As of 06 June 2011, Mr. İsmail Murat Özer is assigned as Executive Vice President of Human Resources at ABank.

Mr. Muzaffer Gökhan Songül, EVP, Credit Portfolio and Projects Management

Mr. Songül graduated from Kenan Evren Anatolian High School in 1998 and from İstanbul University, Business Administration in 2002. He graduated from Marmara University, International Economics Master Programme in 2005 and from Kadir Has University, Finance and Banking Doctorate in 2009. He worked as Finance Specialist at Özgün Chemical Industries Medical Supply Co. between 2001 - 2002, Assistant Finance Manager at Körfez Medical Equipment Supply Co. between 2002 - 2004, Credit Portfolio Manager at Garanti Bank A.Ş. between 2004 - 2007, Senior Credit Risk Manager at The Royal Bank of Scotland İstanbul Branch between 2007 - 2012, Director at The Royal Bank of Scotland İstanbul Branch between 2012 – 2014, Group Manager ABank Credit Portfolio and Projects Management between October 2014 and December 2014. As of 1 January 2015, Mr. Songül is assigned as Executive Vice President at ABank Credit Underwriting.

Mr. Şakir Sömek, EVP, International Financial Institutions

Mr. Sömek graduated from University of Wisconsin, River Falls with an undergraduate degree in Business Administration in 1985, he received his master's degree in economics from the American University in Washington D.C. in 1987. He worked as Customer Representative, at Turkishbank in 1988, Credit and Marketing Officer at Kıbrıs Endüstri Bankası (Industry Bank of Cyprus) in 1990, held various posts at Körfezbank, Financial Institutions Department between 1995 - 1998, Manager at ABank, International Financial Institutions Department between 1998 - 2008. As of 2008, Mr. Şakir Sömek is assigned as Executive Vice President of Financial Institutions.

Mr. Ahmet Kağan Yıldırım, EVP, Corporate Banking

Mr. Yıldırım graduated from Ankara Atatürk Anatolian High School in 1991 and from the Middle East Technical University, Political Science & Public Administration in 1996. He worked as Assistant Manager at the Corporate Banking Department of Finansbank between December 1996 - May 2000, Relationship Manager at the Corporate Banking Department of HSBC Bank between May 2000 – May 2002, Manager at the Global Corporate Banking Department of Citibank between May 2002 - August 2003, Executive Vice President at the Global Corporate Banking Department of Citibank Turkey between August 2003 – January 2008, Executive Vice President at Global Corporate and Investment Banking Department of Citibank / Abu Dhabi between January 2008 - May 2011, Executive Vice President at Global Corporate and Investment Banking Department of Citibank / Turkey between May 2011 - February 2012, Executive Vice President at the International Banking Department of The Commercial Bank (Q.S.C.) between August 2012 - December 2014. As of 1 January 2015, Mr. Ahmet Kağan Yıldırım is assigned as Executive Vice President at ABank Corporate Banking.

Mr. A. Tolga Şenefe, EVP, Treasury

Mr. Şenefe graduated from Yeşilköy 50. Yıl High School in 1986 and from İstanbul University, Department of Economics in 1990. He received his master's degree in finance from Marmara University in 1993. He worked as Assistant Inspector, at the Istanbul Stock Exchange ("ISE"), Board of Inspectors, 1992 - 1995, Supervisor, at Alfa Menkul Değerler A.Ş., Treasury Department, 1995 - 1997, Manager, at Ulusal Bank A.Ş., Treasury Department, 1997 - 2000, Deputy General Manager and Director, at Ulusal Yatırım A.Ş., 2000 – 2003 General Manager at Ziraat Portföy Yönetimi A.Ş., 2004-2006, Project Manager at Helix Management Danışmanlık during 2006-2007, Department Head at Anadolubank A.Ş., Treasury Department during 2007 - 2011. As of 8 June 2011, Mr. Aytay Tolga Şenefe is assigned as Executive Vice President of Treasury at ABank.

Conflicts of Interest

There are no actual or potential conflicts of interest between the duties of any of the Directors and any of the Executives and their respective private interests or other duties.

Corporate Governance

The Bank's Board has established various committees in order to have primary responsibility for certain matters with respect to the operation of the Bank which include the Board Audit Committee, the Board Credit Committee, the Board Corporate Governance Committee, the Remuneration Committee of the Board, the Board Risk Committee and the Executive Committee of the Board. In accordance with the Corporate Governance Principles, the chairmen of all committees other than the Executive Committee are elected amongst the independent members of the Board. Certain information relating to these committees is set out below.

Board Credit Committee

The Bank's Board Credit Committee is responsible for handling matters related to credit facilities in accordance with applicable legislation. The committee studies, discusses, and decides on those credit proposals that are brought to its attention by the management. The decisions within the credit extending authority of the Board Credit Committee are made unanimously are implemented directly, whilst decisions made by majority vote are implemented after the approval of the Board of Directors. The Board Credit Committee is composed of five permanent and two alternate members. The committee's role, responsibilities, composition, membership requirements and other relevant information are documented in the risk charter.

Board Audit Committee

The Board Audit Committee is primarily responsible for overseeing the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Bank. The committee also sets forth compliance, anti-money laundering and combating financing of terrorism requirements, and defines the criteria and control mechanisms for all activities involving risks within departments and functions throughout the Bank. The committee was established pursuant to Article 24 of Banking Law 5411. The Chairman, who is an independent Board Member, is also responsible for coordinating and overseeing the activities of departments that operate under the Internal Systems structure (i.e. Internal Audit, Internal Control, Compliance and Risk Management Departments). The Committee's role, responsibilities, composition, membership requirements and other information are documented in the Board Audit Committee's Terms of Reference.

Board Corporate Governance Committee

The Bank's Board Corporate Governance Committee is responsible for performing those duties that may be required by Turkey's regulatory bodies this includes: ensuring that all regulatory guidelines and rules related to corporate governance are met, acting in an advisory capacity to the Board of Directors to enhance ABank's corporate governance through a continuing assessment of the Bank's approach to corporate governance and making policy recommendations. The committee operates in line with the Regulation on Banks' Corporate Governance Principles, which was published by the Banking Regulation and Supervision Agency in the Official Gazette dated 1 November 2006 and Number. 26333 and the Communiqué on Corporate Governance (II-17.1), which was published by the Capital Markets Board in the Official Gazette dated 3 January 2014 Number. 28871.

Remuneration Committee

The Remuneration Committee of the Board is responsible for evaluating the compensation and remuneration of the Members of the Board, management and staff and setting the key performance indicator ("KPI") is in line with the Bank's strategy and policies. The Remuneration Committee of the Board's role, responsibilities, composition, membership requirements and other relevant information are documented in the Remuneration Committee of the Board's Terms of Reference.

Board Risk Committee

The BRC consists of five designated Board members and is primarily responsible for all aspects of enterprise risk management, including but not limited to, credit risk, market risk and operational risk. The committee's role, responsibilities, composition, membership requirements and other relevant information are documented in the risk charter. The committee operates in accordance with the Procedure of Working Principles for the Board Risk Committee. The committee is the common communication and coordination platform of the Bank's Internal Systems Units and executive functions. The committee facilitates assessment of the risks that the Bank is exposed to and elicits recommendations on the measures and the methods to be followed in response. Committee meetings are held on a quarterly basis and monitor the Bank's risk appetite, risk profile and tolerance level established for the consolidated group as prescribed by the Bank's risk policy and the decisions made by the Board of Directors. The committee also ensures the implementation and supervision of the prescribed measures by the sub-committees and the relevant departments.

Executive Committee of the Board

The Executive Committee of the Board is primarily responsible for issues related to approving all strategies, plans, budgets, objectives, policies, procedures and systems, and reviewing the Bank's performance in relation to each of the foregoing, excluding the authorisations and operations under the Board of Directors), in accordance with legal provisions and the Bank's Articles of Association. The committee operates in accordance with the Procedure of Duties and Working Principles for the Executive Committee.

Compensation

The Bank aims to provide compensation that allows it to attract and retain individuals with the skills necessary to manage successfully and grow its business. The Bank's compensation policy seeks to provide compensation that is competitive with other financial organisations similar to it and is based on performance criteria. The compensation policy targets to motivate the employees by evaluating and rewarding high performance (see "*The Group and its Business – Human Resources Management and Planning*"). Individual salaries are reviewed and evaluated each year based on individual performance. The Bank does not have any pension plan in place but makes the necessary social security payments in relation to its employees. For instance, all employees (including family members) have health insurance and all employees benefit from a private retirement plan.

OWNERSHIP OF THE BANK

Shareholdings

As of the most recently available public information at the date of this Prospectus, the Bank's issued shares were held as follows:

Shareholder	Shares held	Issued shares (per cent.)	Voting rights (per cent.)
Commercial Bank	465,000	75.00	75.00
Anadolu Endüstri Holding A.Ş.	106,683	17.21	17.21
Anadolu Aktif Teşebbus ve Makine Ticaret A.Ş.	48,317	7.79	7.79
Total	**620,000**	**100.00**	**100.00**

An overview of the Bank's shareholders is set out below.

The Commercial Bank

Established in 1975, The Commercial Bank (Q.S.C.) is today one of the leading financial institutions in Qatar's fast growing and diversifying economy. The Commercial Bank (Q.S.C.) has built a strong regional presence with its 75 per cent. shareholding in ABank in Turkey, a 34.89 per cent. shareholding in the National Bank of Oman (S.A.O.G.) in Oman and 40 per cent. shareholding in United Arab Bank (P.J.S.C.) in the United Arab Emirates.

National Bank of Oman (S.A.O.G.) is the second largest bank in Oman with 61 branches in Oman and one branch each in Egypt, Dubai and Abu Dhabi. United Arab Bank (P.J.S.C.) is based in Sharjah and operates 30 branches across the United Arab Emirates. These strategic alliances enable The Commercial Bank (Q.S.C.) to offer integrated services in Turkey and across the region, including cross border transactions for corporate banking and capital markets; support on trade, private banking and syndicated loans.

Anadolu Endüstri Holding A.Ş. (the "Anadolu Group")

Founded in the early 1950s by the Yazıcı and Özilhan families, Anadolu Group is primarily engaged in soft drinks, automotive, financial services and stationery sectors. Six of the Group's retail companies are traded on the BIST and the Group conducts operations with approximately 29,000 employees working in 80 companies and 61 production facilities in 18 countries including Turkey, representing a broad geographical coverage from the Atlantic Ocean to the Pacific Ocean. The Group remains committed to its social responsibility initiatives to contribute to the society in the fields of education, healthcare and sports through Anadolu Foundation, Anadolu Medical Center and Anadolu Efes Sports Club.

Anadolu Motor Üretim ve Pazarlama A.Ş.

Anadolu Group has been active in the automotive sector since early 1960s. In the automotive sector, Çelik Motor imports and markets KIA branded passenger cars and light commercial vehicles in Turkey and runs operational fleet leasing operations with over 14,000 vehicles fleet size.

Anadolu Group is also a manufacturer in the automotive sector. Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. is one of the leading medium-size coach manufacturing companies in Europe whose major shareholders are the Anadolu Group, Isuzu Motors and Itochu Co. Its main fields of operation are the production and marketing of light duty trucks and buses. Since the establishment of the company in 1984, more than 125,000 vehicles have been manufactured in accordance with the Isuzu Motors licence agreement.

Through Anadolu Motor company, Anadolu Group also produces generators, engines, spare parts; imports and distributes Lombardini and Honda branded engines and applications, LS, Landini, Solis branded tractors and Gallignani branded balers.

Dividends and Dividend Policy

In accordance with Turkish law, the distribution of profits and the payment of any annual dividend in respect of the preceding fiscal year are recommended by the Bank's Board each year for approval by the Bank's shareholders at the annual shareholders' meeting, which must be held following the end of the preceding fiscal year. In addition, while not required by law, Turkish banks (including the Bank) generally consult with the BRSA before announcing any dividends. The Bank has not distributed any dividends since 2000.

Relationship with Shareholders

Whilst the Bank receives financial support from its shareholders, management regards the Bank as capable of financial and operational independence and does not consider it to be reliant on assistance from any of its shareholders.

The rights of CB and the Anadolu Group as shareholders in the Bank are contained in the Bank's articles of association, and the Bank is managed in accordance with those articles and with the provisions of Turkish law.

RELATED PARTY TRANSACTIONS ENTERED INTO BY THE BANK

The Bank has both loan and deposit relations with related parties, most notably CB and various Anadolu Group companies in the ordinary course of their business and commercial business. The Bank also shares real estate with related parties, for example as of 31 December 2015 the Group has a rent agreement with Anadolu Endüstri Holding. The Bank has paid rent amounting to TL 4,598 to Anadolu Endüstri Holding which is reflected in its profit and loss accounts as at 31 December 2015.

As at 31 December 2015, the Bank had deposits and borrowings of TL 737.5 million with respect to related parties. In addition, 5.6 per cent. of all deposits held by the Bank are from related parties.

A breakdown of transactions with related parties in respect of the periods indicated, is set out below:

	For the year ended 31 December		
	2015	**2014**	**2013**
		(TL thousands)	
Risk Group			
Cash Loans	210,752	85,969	2,184
Non Cash Loans	79,905	145,472	122,205
Derivatives	0	5,411	226
Deposits	350,691	1,257,565	641,674
Share within total deposits	*5.62%*	*22.20*	*12.90*
Borrowings	386,809	70,762	181,539
Share within total funds borrowed and subordinated loans	*7.7%*	*2.50*	*6.80*

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that the Issuer's management believes to be reliable but the Issuer has not independently verified such information.

Structural Changes in the Turkish Banking Sector

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to USD 4,916 million at the end of 2001 from USD 8,056 million for 28 banks at the end of 2000, according to the BAT.

The Turkish money markets and foreign exchange markets have stabilised since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8 per cent. minimum capital requirement, transferred to the SDIF or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field amongst banks. Certain advantages for state banks were diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, amongst other things, weakened financial stability and liquidity, and efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking sector, the government reduced the rate of the Resource Utilisation Support Fund ("**RUSF**") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; however, the 3 per cent. RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from 2 January 2013, RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years increased from 0 per cent. to 1 per cent. and those with an average maturity of between two to three years increased from 0 per cent. to 0.5 per cent., while those with an average maturity of three years or more remained at 0 per cent. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10 per cent. to 15 per cent. in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers set the RUSF charged on consumer credits to be utilised by real persons (for non-commercial utilisation) to be 15 per cent. with its decision numbered 2010/974, which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on 31 December 2008, which stayed at that level until February 2011, when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. In October 2012, Odea Bank A.Ş. commenced operations and Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. In December 2012, the Burgan Bank Group became Eurobank Tekfen Bank's majority shareholder with its acquisition of a 99.26 per cent. stake as a result of its purchase of shares previously belonging to Eurobank and Tekfen Holding. In January 2013, Eurobank Tekfen Bank began doing business under its new name, Burgan Bank A.Ş., following completion of formalities pertaining to the change of the bank's legal name. In addition, on 20 December 2012, the BRSA resolved to permit the establishment of a new deposit bank to be controlled by Bank of Tokyo-Mitsubishi UFJ Ltd, the operating licence for which was given by the BRSA decision in September 2013. Finally, Portigon AG, which ceased its operations in Turkey on August 2013, entered into a liquidation process on 15 November 2013. GSD Holding entered into an agreement to transfer its majority stake held in Tekstilbank to Industrial and Commercial Bank of China in May 2014. The transfer was completed on 22 May 2015. A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking sector as of the end of each indicated year. HSBC decided to sell its Turkey operations and negotiations with the ING Bank and FİBA Bank are continuing. The negotiations are ongoing at a very slow pace and the details are still not clear. In addition it has been announced on 22 December 2015 that a share purchase agreement has been executed between National Bank of Greece S.A. and Qatar National Bank S.A.Q. for the sale of Finansbank. On 3 February 2015, the SDIF took over the management of Asya Katılım Bankası A.Ş. ("**Bank Asya**") on the grounds that Bank Asya is in violation of the Banking Law provisions regarding transparency and open shareholding and organisational structures required for the BRSA audits on the banks. In May 2015, the BRSA granted permission to Ziraat Katılım Bankası A.Ş. ("**Ziraat Katılım**") to start operations as a participation bank. Furthermore on 29 May 2015, BRSA announced its decision to transfer the shareholding rights (except the right to receive dividends), management and audit of Bank Asya to the SDIF for partial or full transfer, sale or merger of the same in accordance with Article 71 of the Banking Law. In February 2016, the BRSA granted permission to Vakıf Katılım Bankası A.Ş. ("**Vakıf Katılım**") to start operations as a participation bank.

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Number of Banks	48	47	46	46	45	45	45	44	45	45	47	47

Source: *Banks Association of Turkey (www.tbb.org.tr).*
Note: *Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).*

As of 31 December 2015, 47 banks were operating in Turkey. 34 of these were deposit-taking banks and the remaining banks were investment and development banks (four participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Amongst the deposit-taking banks, three banks were state-controlled banks, 10 were private domestic banks, 20 were private foreign banks and one was under the administration of the SDIF. As indicated above, upon the BRSA's permission granted to Vakıf Katılım in February 2016 to operate as a participation bank, the number of participation banks operating in Turkey increased to six.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit taking Turkish banks' total balance sheets have grown at a compound average growth rate ("**CAGR**") of 18.6 per cent. from 31 December 2006 to 30 June 2015, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 24.0 per cent. and 16.6 per cent., respectively, between 31 December 2006 and 30 June 2015, in each case according to the BRSA. Despite strong growth of loans and customer deposits since 2006, the Turkish banking sector remains relatively under penetrated compared with banking penetration in the eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 68.7 per cent. and 59.8 per cent., respectively, as of 30 June 2015 according to BRSA.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	As at 31 December 2015							
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
	(TL millions, except percentages)							
Balance sheet								
Loans	338,091	355,285	479,018	621,379	716,307	939,772	1,118,887	1,484,960
Total assets	683,823	773,357	932,371	1,119,911	1,247,653	1,566,190	1,805,427	2,357,451
Customer Deposits	435,554	487,909	583,947	656,276	724,296	884,457	987,463	1,245,428
Shareholders' equity	72,060	93,833	114,979	123,007	157,553	165,954	201,117	262,275
Income statement								
Net Interest Income...........	28,245	38,758	35,895	36,056	47,837	52,353	59,705	77,316
Net Fees and Commission Income	9,611	10,846	11,459	13,345	14,704	17,444	20,739	22,407
Net Profit	11,851	18,490	20,518	18,177	21,539	22,473	22,927	26,067
Key ratios								
Loans/deposits	77.60%	72.80%	82.00%	94.70%	98.90%	106.30%	113.31%	119.23%
Net interest margin	4.90%	5.80%	4.60%	4.00%	4.70%	4.40%	4.56%	4.61%
Return on average equity	17.70%	22.30%	19.80%	15.40%	15.50%	14.00%	11.54%	10.55%
Capital adequacy ratio	16.60%	19.30%	17.70%	15.50%	17.30%	14.60%	15.66%	15.56%

Source: *BRSA monthly bulletin (www.bddk.org.tr).*

Competition

The banking industry in Turkey is highly competitive across each banking segment and sector, in large part reflecting three major trends:

- Substantial consolidation, with the number of banks declining from 84 in 1999 to 47 (including six branches of international banks) as of December 2015. As the legal framework for mergers and acquisitions is developed, further consolidation in the banking sector is expected by the Issuer's management in the coming years.

- International banks, such as HSBC, UniCredito Italiano, BNP Paribas, National Bank of Greece, Dexia, BBVA, Citibank, ICBC and others, have made significant investments in the Turkish banking sector through acquisitions of significant shareholdings in Turkish banks.

- Public banks, which typically focused on government and related projects, are increasingly focusing on the private sector, leading to increased competition and pressure on margins.

Overall, the banking system's capital base has been strengthened, fragmentation has decreased and market risks have been reduced. Out of the 47 banks currently operating in the Turkish market, state banks (of which there are three) represent approximately 30 per cent. of the sector's assets, the four largest private banks approximately 44 per cent., and the remaining banks including the medium-sized banks and the smallest banks have approximately 26 per cent. of the sector's assets.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks and branches of foreign banks in Turkey are primarily governed by five regulatory authorities in Turkey; the BRSA, the CBT, FCIB, CMB and the SDIF.

The Role of the BRSA

In June 1999, the Banks Act No. 4389 established the BRSA, which is responsible for ensuring that banks observe banking legislation, supervising the application of banking legislation and monitoring the banking system. The BRSA has administrative and financial autonomy. The Banking Law regulating the capital adequacy, control and audit carried out by the BRSA, market discipline and liability insurance requirements for third party service providers to banks, replaced the former Banks Act No. 4389 for the purposes of increasing the stability and confidence in financial markets.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure the application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardise the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA is responsible for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other related legislation, examination of all banking operations and an analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure. The BRSA's on-site supervision is conducted through a team of sworn bank auditors and other experts who are employed by the BRSA. In addition, the chairman of the BRSA has the authority to commission independent audit teams to examine specific matters within any bank that the chairman deems appropriate.

Pursuant to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 (the "**Internal Systems and Internal Capital Adequacy Assessment Process Regulation**"), banks are obligated to establish, manage and develop (for themselves and consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities including all of their branches, regional directorates and units and all of their consolidated affiliates, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal system personnel cannot also be appointed to work in a role conflicting with their internal system duties.

The Role of the Central Bank

The CBT was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the government's fiscal and monetary policies, maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The CBT exercises its powers independently of the government. The CBT is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The CBT is the only authorised and responsible institution for the implementation of such monetary policy.

The CBT has responsibility for all banks operating in Turkey, including foreign banks. The CBT sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the CBT, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

The Role of the SDIF

The SDIF is a public legal entity, set up to insure savings deposits and participation funds held with banks. The SDIF is responsible for, and authorised to take measures in relation to, restructuring, transfer of title to third parties and strengthening the fiscal structures of banks provided that the management and control of the bank have been transferred to the SDIF in accordance with Article 71 of the Banking Law.

Pursuant to Article 63 of the Banking Law, the savings deposits and participation funds belonging to real persons in credit institutions are insured by the SDIF. The coverage and amount of the savings deposits and participation funds belonging to real persons which will be subject to insurance is set by the SDIF upon the approval of the CBT, the BRSA and the Treasury. According to the Banking Law, the risk-based insurance premium rate cannot exceed 20/1000 of the deposits and participation funds subject to insurance on an annual basis. The tariff, collection time, method and other conditions of the risk-based insurance premium is set by the SDIF after consultation with the BRSA. Pursuant to the Regulation on Saving Deposits and Participation Funds subject to Insurance and Premiums to be collected by the SDIF, the insurance premium rate to be paid by Alternatifbank A.Ş. as of the date of this Prospectus is 0.19 per cent. of the deposits and participation funds subject to insurance. The SDIF may borrow with the authorisation of the Treasury and/or if necessary, the Treasury can issue government securities, the proceeds of which shall be allocated to the SDIF. The principles and procedures regarding government securities including their interest rates and terms and conditions of repayments to the Treasury are determined collectively by the Treasury and the SDIF.

In extraordinary circumstances, where the resources of the SDIF do not match its needs, the CBT may advance funds to the SDIF upon the request by the SDIF. The maturity, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the CBT upon consultation with the SDIF.

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations.

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Enforcement and Bankruptcy Law (1932), exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration. Also in such event, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

As of the date of this Prospectus, Adabank A.Ş. and Birleşik Fon Bankası A.Ş ("**BFB**") and Bank Asya are the only banks which are under the supervision and administration of the SDIF. BFB has been incorporated by the SDIF by merging the assets of Etibank A.Ş, Iktisat Bankası T.A.Ş, Interbank A.Ş, Esbank A.Ş, EGSBank A.Ş, Kentbank A.Ş. and Toprakbank A.Ş. into Bayındırbank A.Ş and by converting the latter into BFB. In February 2015 Bank Asya came under the supervision of the SDIF as a result of a determination by the BRSA that Bank Asya had failed to submit information and documents concerning 132 of 185 of its privileged shareholders (See "*The SDIF*").

The Banks Association of Turkey

The BAT is an organisation that provides limited supervision of and coordination amongst banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Types of Banks in Turkey

Banks in Turkey are classified as: public sector commercial banks; private sector commercial banks; foreign commercial banks; development and investment banks; participation banks or banks under the control of the SDIF.

The following table sets out certain statistical information for the Turkish banking sector as of 31 December 2015 under BRSA accounting principles:

	Public Sector Banks	Private Sector Banks	Foreign Banks	Development and Investment Bank*	Participation Bank	Total
			(TL millions, where applicable)			
Total assets	676,858	851,230	602,511	106,668	120,183	2,357,451
Total loans	428,154	540,037	370,958	73,773	72,038	1,484,960
Total deposits..............	387,516	465,640	318,095	0	74,176	1,245,428
Total shareholders'	68,384	93,883	65,875	23,489	10,645	262,275
Net income..................	9,431	9,152	5,304	1,772	409	26,067
Number of domestic branches	3,647	4,269	3,153	40	1,076	12,185
Number of domestic employees................	58,039	74,368	62,431	5,366	16,518	216,722
Number of banks..........	3	8	21	13	5	50

Source: *BRSA.*

* *Development and Investment Bank's Total Deposits collected from banks are included in "Payables to Banks" item.*

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full-service banks and corporate/trade finance-orientated banks.

In recent years, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. The following are examples of notable merger and acquisition activities by foreign banks in recent years. In February 2005, BNP Paribas acquired 50 per cent. of the shares of TEB Mali Yatırımlar A.Ş. which owns 84.3 per cent. of the shares of TEB A.Ş. In October 2006, Denizbank A.Ş. was acquired from the Zorlu Group by Dexia for USD 2.4 billion. In September 2012, Sberbank acquired 99.85 per cent. of Denizbank from Dexia for USD 3.6 billion (subject to post-closing adjustments). In January 2007, Citigroup acquired a 20 per cent. stake in Akbank T.A.Ş. and later in the same year ING acquired Oyakbank for USD 2.7 billion. More recently, in March 2011, General Electric Co. and Doğuş Holding A.Ş. sold their 18.6 per cent. and 6.3 per cent. stakes, respectively, in Türkiye Garanti Bankası A.Ş. to BBVA for USD 3.8 billion and USD 2 billion, respectively In December 2012, Burgan Bank SAK purchased 99.3 per cent. of Eurobank Tekfen A.Ş. for USD 355 million. CB acquired 70.84 per cent. of the Issuer in July 2013 by paying two times book value at 30 June 2013.

In October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, Odea Bank A.S., which was later granted an operation permit in September 2012. Since 1997, this was the BRSA's first authorisation to establish a deposit bank in Turkey. Later in 2012, the BRSA also approved The Bank of Tokyo-Mitsubishi UFJ's application to establish a deposit bank and The Bank of Tokyo-Mitsubishi UFJ was granted an operation permit in September 2013. In August 2013, Rabobank International Holding B.V. was granted an authorisation to establish a deposit bank in Turkey. In May 2015, Industrial and Commercial Bank of China Ltd. acquired 75.5 per cent. of Tekstillbank from GSD Holding A.Ş. On 22 December 2015, it was announced that a share purchase agreement had been executed between National Bank of Greece S.A. and Qatar National Bank S.A.Q. for the sale of Finansbank.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept customer deposits.

The Banking Law permits commercial banks to engage in all areas of financial activities including deposit taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds and financial leasing activities). The Banking Law permits participation banks to engage in all areas of financial activities (other than accepting deposits).

Public Sector Commercial Banks

There are three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit.

Through their broad branch networks and ownership structures, these banks have traditionally been able to collect a substantial amount of deposits and thereby access cost-efficient funding sources.

The following table sets out the three state-owned commercial banks in Turkey, ranked for size of assets under Turkish GAAP accounting principles as of 31 December 2015:

	Total Assets	**Number of Branches**
	(TL thousands)	
Bank		
Vakıflar Bankasi T.A.O.	182,947,124	920
Türkiye Halk Bankası.	187,729,350	949
T.C. Ziraat Bankası.	302,848,326	1,812

Source: *The Banks Association of Turkey; BRSA.*

Private Sector Commercial Banks

Private sector commercial banks comprise full-service banks and corporate/trade finance-oriented banks.

Bank	**Ownership**	**Total Assets**	**Number of branches**
		(TL thousands)	
T. İş Bankası A.Ş.	İşBankası Sandığı and CHP	275,717,584	1,377
Garanti BankasıA.Ş.	Doğuş Holding & BBVA	254,342,586	980
Akbank T.A.Ş.	Sabancı Holding	234,808,988	902
Yapı ve Kredi Bankası A.Ş.	Koç Holding	220,369,420	1,000
Anadolubank A.Ş.	Habas Group	11,620,425	108
Fibabanka A.Ş.	Fiba Holding	11,191,373	67

The following table ranks the niche branch network private sector commercial banks by asset size as of 31 December 2015.

Bank	**Ownership**	**Total Assets**	**Number of branches**
		(TL thousands)	
ICBC Turkey Bank A.Ş.	ICBC	6,654,517	44
Turkish Bank A.Ş.	National Bank of Kuwait, Özyol Holding and Mehmet Tanju Özyol	1,213,713	13
Adabank	Transferred to SDIF	53,346	1

Source: *The Banks Association of Turkey; BRSA.*

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at the date of this Prospectus there are 16 foreign banks in total, 11 of which are locally incorporated banks and six of which are Turkish branches of foreign banks.

The table below sets out certain information regarding foreign commercial banks in Turkey, together with their asset size, under Turkish GAAP accounting principles as of 31 December 2015:

Locally Incorporated Banks	**Ownership**	**Total Assets**	**Number of branches**
		(TL thousands)	
Finansbank A.Ş.	National Bank of Greece S.A.	85,727,397	642
Denizbank A.Ş.	Sberbank of Russia	84,220,667	692
Türk Ekonomi Bankası A.Ş.	TEB Holding and BNP Paribas	71,960,342	532
HSBC Bank A.Ş.	HSBC Bank PLC.	31,647,393	284
ING Bank A.Ş.	ING Bank N.V.	49,244,874	298
Şeker Bank T.A.Ş.	ŞekerBank Sandığı & Kazakhstan Public Fund	24,415,966	301
Alternatif Bank A.Ş.	Commercial Bank and Anadolu Endüstri Group	13,149,663	59
Citibank A.Ş.	Citi Group	8,919,928	8
Burgan Bank A.Ş.	Burgan Bank S.A.K.	10,674,834	56
Deutsche Bank A.Ş.	Deutsche Bank AG	2,681,115	1
Türkland Bank A.Ş.	Arab Bank Suisse; Arab Bank; BankMed	5,818,733	34
Arab Türk Bankası A.Ş.	Libyan Arab Foreign Bank Tripoli Libya	3,974,635	7
Odea Bank A.Ş.	Bank Audi Sal and Audi Private Bank Sal	32,840,567	55
Branches of Foreign Banks	**Country of Incorporation**		
Intesa Sanpaolo S.P.A.	Italy	3,925,344	1
The Royal Bank of Scotland	Scotland	1,754,470	1
Société Générale	France	477,191	1
JP Morgan Chase Bank N.A.	United States	392,243	1
Bank Mellat	Iran	354,169	3
Habib Bank Limited	Pakistan	112,863	1

Source: *The Banks Association of Turkey; BRSA.*

Development and Investment Banks

Development banks are funded by the CBT, international banks and institutions such as the World Bank, the European Investment Bank and various export credit agencies. Their objective is to provide medium and long-term financing to large and medium-sized companies on a project basis. Development banks do not accept deposits and are also active in foreign exchange and securities transactions.

There are four state-owned, six privately-owned and three foreign development and investment banks in Turkey. The following table sets out these banks and their assets and number of branches as of 31 December 2015:

	Total Assets	**Number of branches**
	(TL thousands)	
Bank		
State-owned Development Banks		
Iller Bankasi A.Ş.	17,494,489	19
Türk Eximbank	44,437,795	3
Türkiye Kalkınma Bankasi A.Ş.	4,774,366	1
İstanbul Takas ve Saklama Bankasi A.Ş.	7,631,265	1
Privately-owned Development and Investment Banks		
Türkiye Sinayi Kalkınma Bankası A.Ş.	20,734,585	3
Aktif Yatırım Bankası A.Ş.	7,560,462	8
Nurol Yatırım Bankası A.Ş.	719,301	1
GSD Yatırım Bankası A.Ş.	231,322	1
Diler Yatırım Bankası A.Ş.	115,780	1
Pasha Yatırım Bankası A.Ş.	275,767	1
Foreign Development and Investment Banks		
BankPozitif Kredi ve Kalkınma Bankası	2,090,127	1
Merrill Lynch Yatırım Bankası	204,172	1
Standard Chartered Yatirim Bankasi Turk A.Ş.	82,962	1

Source: *The Banks Association of Turkey*

Participation Banks

Participation banks structure their products and provide services on an interest-free basis. Participation banks are subject to the Banking Law and are permitted to engage in financial activities other than accepting deposits. As at the date of this Prospectus, there are six participation banks operating in Turkey, and each of these participation banks is a member of the Participating Banks Association of Turkey.

The table below sets out the five participation banks in Turkey, ranked by size of assets under Turkish GAAP accounting principles as of 31 December 2015:

	Total Assets	**Number of branches**
	(TL thousands)	
Bank		
Bank Asya	11,967,386*	200
Türkiye Finans	38,576,299	286
Kuveyt Türk	42,052,507	358
Al Baraka Türk	29,561,999	212
Ziraat Katılım	2,177,435	22

Source: *The Participation Banks Association of Turkey.*
**Bank Asya asset size is 31 March 2015 data since it is the latest data available.*

Key Regulatory Characteristics of the Turkish Banking System

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10 per cent. or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or board audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSA. In the absence of such authorisation, a shareholder at such levels cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends attached to such shares. Additionally, the direct and indirect acquisition or the transfer of the shares of a legal entity owning more than 10 per cent. of a bank is also subject to BRSA approval if such transfer directly or indirectly results in the total number of the shares held by a shareholder increasing above or falling below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of such legal entity. If such approval is not sought, then the relevant shares would merely entitle its owner to the dividend rights. In such case, the voting and other shareholder rights are exercised by the SDIF.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending general assemblies have obtained the relevant authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. In the case that the procedure to cancel such general assembly resolutions is not yet started, or approval of the BRSA regarding the share transfer is not obtained, even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Board Lending Limits

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Credits extended to a real person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10 per cent. or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot exceed eight times the bank's own fund (*Özkaynak*) containing its Tier I and Tier II capital. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, interest accrued but not yet collected, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Warranties, guarantees and sureties accepted from a real person or legal entity in a risk group securing the loans extended to that risk group are not taken into account in calculating loan limits.

- The Banking Law restricts the total financial exposure (including *inter alia* the extension of credits and issuance of guarantees) that a bank may have to any one customer or risk group directly or indirectly, to 25 per cent. of its own funds (*Özkaynak*) containing its Tier I and Tier II capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships, directly or indirectly, individually or jointly controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's own funds (*Özkaynak*), subject to the BRSA's discretion to increase such lending limits up to 25 per cent. or to lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1 per cent. of the share capital of the bank and their risk groups may not exceed 50 per cent. of the bank's own funds (*Özkaynak*).

Non-cash loans, futures and option contracts and other similar contracts, warranties, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions against cash, cash-like assets and accounts and precious metals;

- transactions carried out with the Undersecretariat of Treasury, the CBT, the Privatisation Administration and the Housing Development Administration of Turkey, as well as transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;

- transactions carried out in the CBT markets or other money markets organised by law;

- in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements;
- equity subscriptions due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow;
- transactions carried out amongst banks on the basis set out by the BRSA;
- equity subscriptions acquired through underwriting commitments in public offerings; **provided that** such participations are disposed of in a manner and at a time determined by the BRSA;
- transactions that are taken into account as deductibles in calculation of own funds; and
- other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks are required to formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette No. 26333 on 1 November 2006 (the "**Regulation on Provisions and Classification of Loans and Receivables**"), banks are required to classify their loans and receivables into one of the following groups:

(a) *Group I: Standard Loans and Other Receivables*: This group involves loans and other receivables:

   (i) that have been disbursed to natural persons and legal entities with financial creditworthiness,

   (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

   (iii) the repayment of which has been made within specified periods, for which no repayment problems are expected in the future and that can be fully collected, and

   (iv) for which no weakening of the creditworthiness of the applicable debtor has been found.

   The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, general loan provisions, not being less than the sum of five times 1 per cent. of the total cash loan portfolio and five times 0.2 per cent. of the total non-cash loan portfolio (for example, letters of guarantee, bank avals, sureties and other non-cash loans) (except for: (a) cash and non-cash export loans, for which the general loan loss reserve is calculated at five times 0 per cent., and (b) cash and non-cash SME loans, for which the general loan loss reserve is calculated at five times 0.5 per cent. and 0.1 per cent. respectively) are required to be set aside, and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short-term loan and the interest payments thereof are made in a timely manner; **provided that** such extension shall not create additional cost for the bank and the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

(b) *Group II: Closely Monitored Loans and Other Receivables:* This group involves loans and other receivables:

(i) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising the loan;

(ii) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk;

(iii) that are very likely to be repaid but the principal and interest due dates are delayed for more than 30 days for justifiable reasons but not falling within the scope of "*Loans and other Receivables with Limited Recovery*" set forth under Group III below; or

(iv) where although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a bank has made several loans to a customer and any of these loans is included in this Group II and others are classified in Group I, then all of the bank's loans to such customer are required to be classified in Group II. The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, general loan provisions, not being less than the sum of 2.5 times 2 per cent. of the total cash loan portfolio and 2.5 times 0.4 per cent. of the total non-cash loan portfolio (i.e., letters of guarantee, bank avals, sureties and other non-cash loans) is required to be set aside and such modifications are required to be disclosed in the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; **provided that** such extension shall not create additional cost for the bank and the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

(c) *Group III: Loans and Other Receivables with Limited Collection Ability*: This group involves loans and other receivables:

(i) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt in full on the due date, and where if the problems observed are not eliminated, they are likely to give rise to loss,

(ii) the credibility of the debtor has weakened and where the loan is deemed to have distressed,

(iii) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date, or

(iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

(d) *Group IV: Loans and Other Receivables with Improbable Collection Ability*: This group involves loans and other receivables:

(i) that seem unlikely to be repaid or liquidated under existing conditions,

(ii) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement;

(iii) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase; or

(iv) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

(e) *Group V: Loans and Other Receivables Considered as Losses*: This group involves loans and other receivables:

(i) that are deemed to be uncollectible;

(ii) collection of whose principal or interest or both has been delayed by one year or more from the due date; or

(iii) for which, although sharing the characteristics stated in Groups III and IV above, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must establish and execute policies regarding:

(a) the reservation of adequate provisions against (i) the losses that have arisen, or are likely to arise, in connection with loans and other receivables and (ii) depreciation or impairment of other assets;

(b) the qualification and classification of assets;

(c) the receiving guarantees and securities and the measurement of the reliability and the value of these guaranties and securities; and

(d) the monitoring of the watch-listed loans and the repayment of overdue loans and establishing and operating the structures that will perform these functions.

The policies on the abovementioned items must also be reviewed regularly. All provisions set aside for loans and other receivables in accordance with Article 53 of the Banking Law are considered to be deductible from the corporate tax base in the year they are set aside. Pursuant to the amendment made to the Regulation on Provisions and Classification of Loans and Receivables on 21 September 2012, banks have until the end of the month during the course of which the receivables could not be collected to set aside these reserve provisions.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to provide a general reserve calculated at 1 per cent. of the total cash loan portfolio and 0.2 per cent. of the total non-cash loan portfolio (for example, letters of guarantee, bank avals, sureties and other non-cash loans) (except for: (a) cash and non-cash credits utilised in connection with transit trade, export sales and deliveries and foreign currency providing service and activities the general loan reserve is zero per cent; and (b) cash and non-cash SME loans, for which the general loan loss reserve is calculated at 0.5 per cent. and 0.1 per cent. respectively) for standard loans defined in Group I above; and a general reserve calculated at 2 per cent. of the total cash loan portfolio and 0.4 per cent. of the total non-cash loan portfolio (*i.e.*, letters of guarantee, warranties and their sureties and other non-cash loans) for closely-monitored loans defined in Group II above.

In addition to the general provisions that must be set aside for Group I and Group II receivables as described above, 25 per cent. of such rates will be applied for each cheque for an amount limited with statutory liability of banks for each cheque pursuant to the provisions of Law on Cheques (Law No. 5941), that remains uncollected for a period of five years after issuance. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 40 per cent. of the general reserve amount calculated according to the above mentioned ratios had to be reserved by 31 December 2012, at least 60 per cent. had to be reserved by 31 December 2013, at least 80 per cent. had to be reserved by 31 December 2014 and 100 per cent. had to be reserved by 31 December 2015.

Banks with consumer loan ratios greater than 25 per cent. of their total loans and banks with non-performing consumer loan (classified as illiquid receivables (excluding housing loans)) ratios greater than 8 per cent. of their total consumer loans (excluding housing loans) (pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a 4 per cent. general provision for outstanding (but not yet due) consumer loans (excluding housing loans) under Group I, and an 8 per cent. general provision for outstanding (but not yet due) consumer loans (excluding housing loans) under Group II (the "**Consumer Loans Provisions**").

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to banking regulations, a 0.3 per cent. general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the "Regulation on Loan Transactions of Banks" (published in the Official Gazette No. 26333 on 1 November 2006) by applying the general provision rate applicable for cash loans. In addition to the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V for an amount limited with statutory liability of banks for each cheque pursuant to the provisions of Law on Cheques (Law No. 5941), at least in the amounts of 20 per cent., 50 per cent. and 100 per cent., respectively. An amount equal to 25 per cent. special provisions is set aside for each cheque of customers who have loans under Groups III, IV and V, which cheques were delivered by the bank at least five years previously; however, if a bank sets aside specific provisions at a rate of 100 per cent. for non-performing loans, then it does not need to set aside specific provisions for cheques that were delivered by such bank at least two years previously; provided that a registered letter has been sent to the relevant customer requiring it to return the cheques to the bank within 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "frozen receivables" (*Donuk alacak*). If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase these provision rates, taking into account the sector and country risk status of the borrower.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the CBT, the Treasury, the Housing Development Administration of Turkey or the Privatisation Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Treasury, the CBT, the Housing Development Administration of Turkey or the Privatisation Administration and transactions made against promissory notes, debenture bonds, lease certificates and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by the central governments or central banks of countries that are members of the OECD, (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the European Central Bank and the guarantees and sureties issued by the same, (f) sureties, letters of guarantee, avals and acceptance and endorsement of non-cash loans issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds and debentures that are issued by the banks operating in Turkey, lease certificates, the proceeds of which are utilised by the banks, mortgage covered bonds and asset covered bonds issued by the banks.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, ***provided that*** their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, (i) bills of exchange, promissory notes or cheques stemming from actual trading relations which are received from individuals and legal entities, (j) commercial receivable insurance policies and (k) the Credit Guarantee Fund guarantees not benefitting from Undersecratariat of Treasury support.

Category III Collateral: (a) commercial enterprise pledges; (b) other export documents; (c) vehicle pledges; (d) mortgages on aircraft or ships; (e) sureties from individuals or legal entities whose creditworthiness is higher than the debtor itself; and (f) other promissory notes of individuals and legal entities.

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from an applicable borrower is deducted from such borrower's loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	**Discount Rate**
Category I collateral	100%
Category II collateral	75%
Category III collateral	50%
Category IV collateral	25%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the next six-month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15 per cent. of the total receivables for restructured loans, then the remaining receivables are reclassified to the "Renewed/Restructured Loans Account." The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; provided that at least 20 per cent. of the principal and other receivables are collected on a yearly basis.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries (such as current rules that are in place for the maritime industry and for real persons or legal entities residing in or engaged in activities relating to Libya and Syria).

Capital Adequacy

Article 45 of the Banking Law defines "Capital Adequacy" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8 per cent.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Issuer as required by the BRSA is currently 8 per cent. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio of 8 per cent.

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee in December 2010 and revised in June 2011 *(*i.e., Basel III) into Turkish law, the Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014. The Equity Regulation defines the capital of a bank as the sum of: (a) principal capital (i.e., Tier I capital), which is composed of core capital and additional principal capital (i.e., additional Tier I capital); and (b) supplementary capital (i.e., Tier II capital) *minus* capital deductions. Pursuant to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (as so amended): (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent.; and (ii) both the minimum Tier I capital adequacy ratio and the minimum consolidated Tier I capital ratio are 6.0 per cent.

The BRSA also published several amendments to its regulations and communiqués on various matters, such as internal capital adequacy ratios and internal systems in accordance with the Basel Committee’s RCAP, which is conducted by the Bank for International Settlements with a view to ensure Turkey’s compliance with Basel regulations. The New Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes items including: (a) the risk weights of foreign currency required reserves in the Central Bank from 0 per cent. to Turkey’s foreign currency risk weight, which is 50 per cent. as of the date of this Base Prospectus, and (b) exclusion of free provision for possible losses from capital calculations. The new amendments to the New Capital Adequacy Regulation lower the risk weights of certain assets, including reducing: (a) the risk weights of residential mortgage loans from 50 per cent. to 35 per cent. and (b) the risk weights of consumer loans. These revisions are expected to result in corresponding increases in the Bank’s and the Group’s capital adequacy levels.

In addition, the Regulation on the Capital Maintenance and Countercyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812, which regulations entered into force on 1 January 2014 and certain provisions of the latter regulation entered into effect on 1 January 2015. The Regulation on the Capital Maintenance and Countercyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks is 0.625 per cent. for 2016, which will be phased to 2.5 per cent. through 2019. The BRSA has published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks’ exposures in Turkey was initially set at 0 per cent. of a bank’s risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks.

Lastly, the Regulation on Liquidity Coverage Ratios, published in the Official Gazette dated 21 March 2014 and numbered 28948, seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and non-consolidated liquidity and 80 per cent. in respect of total consolidated and non-consolidated foreign exchange liquidity however, pursuant to the BRSA decision dated 26 December 2014 No. 6143 (the "**BRSA Decision on Liquidity Ratios**") for a period starting from 5 January 2015 and ending on 31 December 2015, such ratios shall be applied as 60 per cent. and 40 per cent., respectively. Furthermore, pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be applied in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year. This includes non-compliances which have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant more than twice within a calendar year, including the non-compliances that have already been remedied. The Regulation on Liquidity Coverage Ratios entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 and certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance entered into effect on 1 January 2015.

Under the Equity Regulation, debt instruments and their issuance premium can be included either in additional Tier I capital or in Tier II capital subject to certain conditions; *however*, such amount is required to be reduced by the amount of any investment made by the bank in Tier I or Tier II capital debt instruments of the banks and financial institutions which have invested in the relevant bank's Tier I or Tier II capital debt instruments.

See also a discussion of the implementation of Basel III in "*Basel Committee-Basel III*" below.

Tier II Rules under Turkish Law

According to the Equity Regulation, Tier II capital shall be calculated by subtracting capital deductions from general provisions, issuance premiums and the debt instruments that are not to be included in Tier I capital and have been approved by the BRSA upon the application of board of directors of the applicable bank along with a written statement confirming compliance with the conditions set forth below (the "**Tier II Conditions**") in accordance with the Equity Regulation:

(a) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash;

(b) in the event of the dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors;

(c) the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly;

(d) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate;

(e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:

    (i) the bank should not create any market expectation that the option will be exercised by the bank;

(ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations; or

(iii) following the exercise of the option, the equity of the bank shall exceed (A) the higher of the capital adequacy requirement (i) that is to be calculated pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks and the Regulation on the Capital Maintenance and Countercyclical Capital Buffer, or (ii) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (B) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised before the initial 5 (five) years after its issuance; provided that the above conditions in this condition (e) are met and the BRSA approval is obtained,

(f) the debt instrument shall not provide investors with the right to demand early redemption except for during a bankruptcy or dissolution process relating to the issuer;

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer;

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;

(i) the debt instrument may be written-down or converted into equity against the relevant losses upon the decision of the BRSA in the event that it is probable as a result of losses incurred by the bank that (i) the bank's operating licence may be revoked or (ii) shareholder rights, and the management and supervision of the bank, may be transferred to the SDIF, as referred under Article 71 of the Banking Law. (see "- *Permanent write-down or conversion into equity of Tier II instruments upon a determination of non-viability by the BRSA*" below);

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above; and

(k) the prepayment of the principal amount before its maturity date must be subject to the BRSA's approval. The BRSA shall examine whether the conditions in item (e) above are fulfilled before granting its approval.

Similarly loans that are in compliance with above mentioned conditions and have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the Tier II Conditions (except the issuance and registration with the CMB) can also be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the Equity Regulation also amended the limit for inclusion of general provisions in Tier II capital. Pursuant to the Equity Regulation, (i) in the case of the application of standard approach under the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, the portion of the general provisions that exceeded 125 parts per 10,000 of the total risk-weighted assets (i.e., credit risk, market risk and operation risk) and (ii) in the case of the application internal rating approach under the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, the positive amount (calculated in accordance with Article 8 of the Communiqué on the Calculation of Credit Risk Amount by Internal Rating Approach) exceeding six per mill of the aggregate risk weighted amount of receivables will not be taken into consideration in calculating the Tier II capital. In the Equity Regulation, the basis for the calculation of this limit was changed from total risk-weighted assets to risk-weighted assets related to credit risk only.

Furthermore, in addition to the Tier II Conditions stated above, the BRSA may require new conditions for each debt instrument.

Applications to include debt instruments or loans into Tier II capital shall be accompanied with the original copy or a notarised copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five business days of the signing of such agreement). The amendments to the Equity Regulation provide that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier II capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument, or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital.

Debt instruments and loans that are so approved by the BRSA are included in the calculation of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Once a debt instrument or loan that has been included in a bank's Tier II capital calculations has less than five years to maturity, its value for the purposes of the Tier II capital calculations of the bank shall be reduced by 20 per cent. each year.

Permanent write-down or conversion into equity of Tier II instruments upon a determination of non-viability by the BRSA

Under Article 8(2)(ğ) of the Equity Regulation (which came into force on 1 January 2014), in order for a debt instrument to constitute Tier II capital it should be possible pursuant to the terms of that debt instrument for the debt instrument to be written-down or converted into equity against the losses incurred by the bank upon the decision of the BRSA in the event that it is probable as a result of these losses incurred by the bank that (i) the bank's operating licence may be revoked or (ii) shareholder rights, and the management and supervision of the bank, may be transferred to the SDIF, as referred under Article 71 of the Banking Law.

Prior to any determination of non-viability of a bank under Article 71 of the Banking Law, in accordance with Articles 68, 69 and 70 of the Banking Law the BRSA may require a number of corrective, rehabilitative and restrictive measures to be taken by the bank, see "*Turkish Regulatory Environment – Cancellation of Banking Licence*" for these measures.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the new Basel II regulations is the calculation of risk-weighted assets related to credit risk. The new regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks will largely stem from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the CBT, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted in accordance with their credit assessment, which currently results in a 50 per cent. risk weighting for Turkey; however, the Turkish rules implementing the Basel principles in Turkey (i.e., the "**Turkish National Discretion**") revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the CBT will have a 0 per cent. risk weight. According to the New Capital Adequacy Regulation, only Turkish Lira-denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0 per cent. risk weight, whereas the risk weights of foreign currency-denominated required reserves of the Central Bank in the form of required reserves will be increased from 0 per cent to 50 per cent.

Basel III. Turkish banks' capital adequacy requirements have been and may be further affected by Basel III (as implemented by the Equity Regulation and other regulations including the Regulation on Measurement and Evaluation of Capital Adequacy of Banks), which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which entered into effect on 1 January 2014. Subsequently, a new Regulation on the Measurement and Evaluation of Capital Adequacy (the "**New Capital Adequacy Regulation**") was published in the Official Gazette, dated 23 October 2015 and numbered 29511. The Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) change the risk weights of certain items that are categorised under "other assets." The Equity Regulation has also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In addition: (a) the Regulation on the Capital Maintenance and Countercyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount; and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 and of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that entered into effect on 1 January 2015. Lastly, the Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which the BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948, and entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 5 January 2015 pursuant to the BRSA Decision on Liquidity Ratios) with additional revisions decreed under the BRSA Decision on Liquidity Ratios and certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance came into force on 1 January 2015. If the Bank and/or the Issuer is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Issuer's business, financial condition and/or results of operations. On 6 August 2014, the BRSA announced that a number of draft regulations, including a guide for stress tests on liquidity and regulation on the calculation of internal capital adequacy, presented for public opinion as part of the BRSA's efforts in promulgating the Basel III requirements by April 2014, had been finalised and announced in the Official Gazette. On 6 September 2014 an amendment to the Regulation on Equities of Banks was published in the Official Gazette and entered into force. This amendment introduced certain novelties as to the BRSA's authority to write off Tier I and Tier II debt instruments. In addition to this amendment, the New Capital Adequacy Regulation, among other amendments to the regulatory capital regulations, was published in the Official Gazette on 23 October 2015 as well as other regulations as to calculation of capital adequacy as part of the BRSA's efforts to adopt Basel III requirements.

On 23 October 2015, the BRSA issued certain amendments to regulatory capital regulations with a view to align the Turkish regulatory capital regime with Basel III requirements, which are all published in the Official Gazette numbered 29511. Briefly, these new regulations foresee (i) certain amendments to the Equity Regulation, introducing certain clarifications to the eligibility requirements of Additional Tier I and Tier II instruments and also amending the regulatory treatment of certain capital items that are taken into account for the purposes of calculating regulatory capital of the banks; (ii) certain amendments to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks imposing new regulatory requirements to enhance the effectiveness of the internal risk management and internal capital adequacy assessment including amongst others, introduction of new stress test requirements; and (iii) the introduction of a new Regulation on the Measurement and Evaluation of Capital Adequacy of Banks to replace the existing regulation.

The BRSA issued amendments to the Equity Regulation in the Official Gazette dated 20 January 2016 and numbered 29599. These amendments introduced certain limitations to the items that are included in the capital calculations of banks that have issued old-style Additional Tier 1 and old-style Tier 2 instruments prior to 1 January 2014 and some adjustments in capital deduction items. Accordingly, the old-style Tier 2 instruments treated under the Bank's Tier 2 capital is now subject to greater deduction in such capital treatment. The amortisation of the grandfathering treatment for old-style Tier 2 instruments increased with the deduction for such capital treatment increasing from 20 per cent. to 40 per cent. for 2016.

Systemically Important Banks

On 23 February 2016, the BRSA issued the Regulation on Systemically Important Banks. The Regulation categorises Turkish banks based on their systemic importance to the banking market and imposes additional core capital requirements for systemically important banks depending on what category they fall into (systemic bank capital buffer). The amount of the necessary additional core capital is determined by multiplying the risk-weighted asset amount of the relevant bank on a consolidated basis ("**RWAA**") by the systemic bank capital buffer ratio corresponding to the bank's group as set out below:

Category	Buffer Ratio (to be multiplied with RWAA)
Group 4 (empty)	3%
Group 3	2%
Group 2	1.5%
Group 1	1%

Each bank's consolidated December 2014 figures will be taken into account for the initial determination of the systemically important banks and each bank must comply with its obligations under the Regulation by 31 March 2016. The Regulation envisages a transitional period until 2019. Accordingly, the ratios applicable until 1 January 2019 are as set out below:

	Buffer Ratios for the Systemically Important Banks			
Groups	2016	2017	2018	2019
Group 4 (empty)	0.75%	1.5%	2.25%	3%
Group 3	0.5%	1%	1.5%	2%
Group 2	0.375%	0.75%	1.125%	1.5%
Group 1	0.25%	0.5%	0.75%	1%

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the CBT.

As of the date of this Prospectus, the reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits, private current accounts, deposit/participation accounts up to 1 month, 3 month, 6 month and 1 year maturities	13%
Deposit/participation accounts with maturities of 1 year and longer	9%
Other liabilities up to 1 year maturity (including 1 year)	25%
Other liabilities up to 2 years maturity (including 2 years)	20%
Other liabilities up to 3 years maturity (including 3 years)	15%
Other liabilities up to 5 years maturity (including 5 years)	7%
Other liabilities longer than 5 years maturity	5%

As of the date of this Prospectus, the reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.5%
Deposits/participation accounts up to 1 month maturity (including 1-month)	11.5%
Deposits/participation accounts up to 3 month maturity (including 3-month)	11.5%
Deposits/participation accounts up to 6 month maturity (including 6-month)	8.5%
Deposits/participation accounts up to 1 year maturity	6.5%
Deposits/participation accounts with maturities of 1 year and longer	5%
Other liabilities up to 1-year maturity (including 1-year)	11.5%
Other liabilities up to 3-years maturity (including 3-years)	8%
Other liabilities longer than 3-year maturity	5%

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. dollars and another portion of the Turkish Lira reserve requirements in standard gold; and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, portions of which are revised from time to time by the CBT. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements entered into force on 17 January 2014, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

(a) its total liabilities;

(b) its total non-cash loans and obligations;

(c) its revocable commitments *multiplied* by 0.1;

(d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate; and

(e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
	Below 3.0%	2.0%
From the 4th quarter of 2013 through the 3rd quarter of 2014	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
	Below 3.0%	2.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	From 3.0% (inclusive) to 3.5%	1.5%
	From 3.5% (inclusive) to 5.0%	1.0%
	Below 3.0%	2.0%
Following the 4th quarter of 2015 (inclusive)	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Additional Reserve Calculation Period for Leverage Ratio Requirement

According to the Regulation on the Measurement and Evaluation of the Liquidity Adequacy of Banks issued by the BRSA and announced in the Official Gazette dated 1 November 2006 and numbered 26333, the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. On a weekly basis, a bank must maintain: (a) a 100 per cent. liquidity adequacy ratio for the first maturity period (assets and liabilities maturing within seven days are taken into account in calculations on a weekly average as defined by the regulation) and the second maturity period (assets and liabilities maturing within 31 days of the last working day are taken into account) on an aggregate basis; and (b) a 80 per cent. liquidity adequacy ratio on a foreign currency-only basis, however pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be applied as 0 per cent. to deposit banks.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20 per cent., calculation of which is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' boards of directors are required to establish board audit committees for the execution of the audit and monitoring functions of the board of directors. Board Audit Committees shall consist of a minimum of two members and be appointed from amongst the members of the board of directors who do not have executive duties. The duties and responsibilities of the board audit committee include, amongst others, (i) the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems; (ii) functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation; (iii) integrity of the information produced; (iv) conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; (v) regularly monitoring the activities of independent audit firms selected by the board of directors; and (vi) in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to board audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette dated 11 July 2014 and numbered 29057. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. With the Internal Systems and Internal Capital Adequacy Assessment Regulation, new standards as to principles of internal audit and risk management systems were established in order to bring such standards into compliance with Basel II requirements.

Further to the amendments in October 2015 the BRSA issued additional amendments to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks on 20 January 2016 to align the Turkish regulatory capital regime with Basel III requirements. In accordance with these amendments, the board of directors and senior management of a bank are liable to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The CBT has the right to monitor compliance by banks with the CBT's regulations through on-site and off-site examinations. Banks are also supervised by the FCIB and Turkish Revenue Administration of Ministry of Finance.

Pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Regulation, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems in line with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the members of the internal control committee personnel cannot also be appointed to work in another role. This prohibition is not applicable to the banks that are established by law with the purpose of development of the country or financing a specific sector or field, and which do not accept deposit funds or participation funds.

The BRSA amended the Regulation on Principles and Procedures of Audits on 23 October 2015 to expand the scope of the audit of banks in compliance with the RCAP Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

The SDIF

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Issuer is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the CBT, BRSA and the Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

(b) *Borrowings of the SDIF*

The SDIF: (i) may incur indebtedness with authorisation from the Undersecretariat of the Treasury; or (ii) the Undersecretariat of the Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks*

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the CBT*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the CBT will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the CBT upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*

Deposits, participation funds and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets generated through the offences set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item*

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*

In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's savings deposit accounts for each bank benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119 are as follows:

(i) ensuring the enforcement of the SDIF board's decisions;

(ii) establishing the human resources policies of the SDIF;

(iii) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty;

(iv) insuring the savings deposits and participation accounts in the credit institutions;

(v) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the CBT, BRSA and Treasury Undersecretaries, and the risk-based insurance premium timetable, collection time and form and other related issues in cooperation with the BRSA;

(vi) paying (directly or through another bank) the insured deposits and participation funds from its sources in the credit institutions whose operating permission has been revoked by the BRSA;

(vii) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital;

(viii) taking management and control of the banks whose operating permission has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks;

(ix) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law;

(x) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision; and

(xi) fulfilling the other duties that the Banking Law and other related legislation assign to it.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure;
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems; or
- imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then in accordance with Article 68 of the Banking Law, the BRSA may require the board of directors of such bank:

- to increase its equity capital;
- not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;

- to limit its salary and other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions by re-evaluating its credit policy;
- to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA; and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to getting a favourable result, then in accordance with Article 69 of the Banking Law, the BRSA may require such bank to:

- strengthen its financial structure, increase its liquidity and/or increase its capital adequacy;
- dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- decrease its operational and management costs;
- postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees;
- limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above;
- implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing; and/or
- to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to getting a favourable result, then in accordance with Article 70 of the Banking Law, the BRSA may require such bank to:

- limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period;
- apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation;
- remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them;

- make available long-term loans; **provided that** these will not exceed the amount of deposit or participation funds subject to insurance, and be secured by the shares or other assets of the controlling shareholders;

- limit or cease its non-performing operations and to dispose of its non-performing assets;

- merge with one or several banks;

- provide new shareholders in order to increase its equity capital;

- deduct any resulting losses from its own funds; and/or

- take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, or (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, or (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, or (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system, or (e) such bank cannot cover its liabilities as they become due, or (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; **provided that** any loss is deducted from the share capital of current shareholders.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly keep all their transactions' records and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade when preparing their annual reports. These reports include the following information: management and organisation structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, board audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report comprising financial performance and risk evaluations is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual assembly of the bank. Banks must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them on their websites by the end of May following the end of the relevant fiscal year.

The BRSA has also issued amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which requires annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

With the Communiqué on Financial Statements to be Disclosed by Banks to the Public published in the Official Gazette No. 28337 dated 28 June 2012 (as amended with the Communiqué Amending the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28983 dated 26 April 2014), new principles of disclosure of annotated consolidated and unconsolidated financial statements of banks were promulgated. The amendments to the calculation of risk weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk were determined. In addition, new principles were determined with respect to the disclosure of position risks relating from (inter alia) securitisation transactions and investments in quoted stocks.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management in line with the disclosure requirements of the Basel Committee. According to this communiqué, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Anti-Money Laundering and Combating the Finance of Terrorism Policies

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime.

The AML and CFT Law policies applicable to banks are defined under the Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Turkish Criminal Code No. 5237 and the Regulation on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Finance of Terrorism and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism and related Financial Crime Investigation Board Communiqués (together the

"**Anti-Money Laundering Laws**"). In addition, the CFT Law has been published in the Official Gazette on 16 February 2013.

Pursuant to the Anti-Money Laundering Laws, banks are required to identify their customers and the persons carrying out transactions on behalf of, or on account of, their customers. In the event there is any information or concern that a transaction concluded by a customer is a suspicious transaction or there are reasonable grounds to suspect that the asset which is the subject of the transaction, carried out or attempted to be carried out within or through a bank, is acquired through illegal means or used for illegal purposes, such a transaction must be reported by the relevant bank to the Turkish FCIB. The notifying bank cannot disclose such notification to third parties, including the parties to the suspicious transaction, other than to the investigators assigned to inspect the transaction and the competent courts during legal proceedings.

When requested by the FCIB or the investigators thereof, banks are required to provide information relating to their customer identification and their transactions. Furthermore, banks are required to maintain all the documents, books and records of identification documents regarding all transactions for eight years starting from the transaction date, the last record date and the last transaction date. The eight year period for identification documents relating to bank accounts will commence on the closing date of the account. In addition to these, banks are required to provide them to the officials when requested.

Banks breaching any of the obligations set out in the Anti-Money Laundering Laws may be subject to an administrative fine of approximately TL 19,370 for the year 2015. Furthermore, there are also penalties which can be levied against persons who are found not to have complied with their duty of confidentiality with respect to the notification that they made regarding the suspicious transactions to the FCIB to provide all necessary information, documents, records, passwords, etc. to the public authorities, FCIB and inspection officials, when requested and to keep all relevant documents, records, books etc., in relation to their duties and transaction within the scope of Anti-Money Laundering Laws for eight years starting from the transaction date, the last record date and the last transaction date. They may be subject to imprisonment, with terms ranging from one year to three years.

The Law on Prevention of Financing of Terrorism (number 6415) dated 7 February 2013, has been enacted by the Republic of Turkey and published in the Official Gazette on 16 February 2013. It sets out procedure and principles applicable to the freezing of assets for the implementation of decisions taken for the purpose of fighting, and the prevention of, financing of terrorism within the framework of the International Convention for Suppression of the Financing of Terrorism adopted by the General Assembly of the United Nations on 9 December 1999. The financing of terrorism is defined as an offence committed by a legal or real person by providing or collecting funds, directly or indirectly, unlawfully and wilfully, with the intention that such funds would be used, in full or in part, in order to carry out an act which constitutes an offence within the scope of and as defined in Article 3 of the Law No. 6415.

The CFT Law sets out the procedure and principles applicable to implementation of asset freezing decisions taken to prevent terrorism financing within the framework of the International Convention for Suppression of the Financing of Terrorism adopted by the General Assembly of the United Nations on 9 December 1999. As per the CFT Law, Turkish banks must comply with these decisions. Such decisions will be published in the Official Gazette and, upon the publishing of the relevant decision, officers of the banks must block access to bank accounts and other assets of persons who are subject to asset freeze decisions, and prevent any disposition over such assets. Officers of banks who fail to implement, or delay the implementation of, a freezing order shall be subject to imprisonment of six months to two years, or judicial fines. Additionally, legal entities, such as banks, where such officers, shall be subject to fines from a minimum amount of TL 10,000 up to a maximum amount of TL 100,000 for failing to comply with such decision.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013 the BRSA introduced new regulations that aim to limit the expansion of individual loans (especially credit card instalments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for the purpose of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time, if their income cannot be determined by the bank, (c) require credit card issuers to monitor a cardholder's income levels before each limit increase of the credit card, and (d) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank should monitor the income level of the consumer. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer's monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30 per cent., 35 per cent. and 40 per cent. for credit cards with limits lower than TL 15,000, from TL 15,000 to TL 20,000, and from TL 20,000, respectively, or 40 per cent. for newly-issued credit cards for one year from the date of first use. These new regulations might result in slowing the growth and/or reducing the profitability of the Issuer's credit card business.

The Regulation Amending the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year); and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated for the first time cardholders in the sector, new cardholders, existing cardholders and existing cardholders' second cards by customer limits, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid; and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used, and will not be available for a limit upgrade, until the total amount due is paid.

The BRSA, by the Regulation Amending the Regulation on Bank Cards and Credit Cards published in the Official Gazette dated 31 December 2013 and numbered 28868 (which entered into force on 1 February 2014), has adopted limitations on payment instalments on credit cards. Pursuant to such limitations, instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed nine months. In addition, for telecommunication and jewellery expenditures and food, nutrition and fuel oil purchases, credit cards may not provide for instalment payments. This limitation was amended by the Regulation Amending the Regulation on Bank Cards and Credit Cards published in the Official Gazette dated 25 November 2015 and numbered 29543 (which entered into force on the same date) which set the limits for instalments for expenses for (i) jewellery; and (ii) household appliances, education and study to four and twelve months, respectively.

The Law on the Protection of Consumers (Law No: 6502), published in the Official Gazette No. 28835 dated 28 November 2013 (the "**Consumer Protection Law**") imposes new rules applicable to Turkish banks, such as requiring banks to offer to customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed-term loan accounts and mortgage accounts).

The Consumer Protection Law includes specific provisions for financial products and services together with the general considerations for consumer protection. The third subclause of the Article 4 of the Law, titled "General Principles", authorises the BRSA to determine all commission, fees and expenditure types which are charged to the consumer for products and services offered by banks, consumer finance companies and credit card companies. These products must be suitable, in accordance with the opinion of the Ministry of Customs and Trade. The Consumer Protection Law is therefore designed to protect the consumers. Within the scope of the Consumer Protection Law, the Regulation on the Procedures and Principles Regarding the Fees to be Charged on Financial Consumers, published in the Official Gazette dated 3 October 2014 and numbered 29138 by the BRSA, aims to address complaints regarding banking prices in general. The relevant regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan-related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. Charges for any other fees and commissions by Turkish banks are subject to the BRSA's approval.

The Regulation Amending the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated 8 October 2013 and numbered 28789, reduced the general reserve requirements for cash and non-cash loans provided for export purposes and obtained by SMEs: (a) for cash export loans and non-cash export loans, from 1 per cent. and 0.2 per cent., respectively, to 0 per cent., (b) for cash SME loans and non-cash SME loans, from 1 per cent. and 0.2 per cent. to 0.5 per cent. and 0.1 per cent., respectively, (c) for cash export loans whose loan conditions will be amended in order to extend the first payment schedule, from 5 per cent. to 0 per cent., and (d) for cash

SME loans whose loan conditions will be amended in order to extend the first payment schedule, from 5 per cent. to 2.5 per cent. In addition, this regulation altered the requirements for calculating consumer loan provisions by: (i) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20 per cent. to 25 per cent. and (ii) requiring the inclusion of auto loans and credit cards in the calculation of the ratio of non-performing consumer loans to total consumer loans ratio (if such ratio is beyond 8 per cent., which ratio was not altered by these amendments, additional consumer loans provisions are required). Credit cards are included in the definition of consumer loans by this regulation and the consumer loan provision rate for credit cards in Group I (Loans of a Standard Nature and Other Receivables) and Group II (Loans and Other Receivables under Close Monitoring) increased from 1 per cent. and 2 per cent. to 4 per cent. and 8 per cent., respectively. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 50 per cent. of the additional general reserve amount for Group I and II consumer loans (excluding housing loans), which additional amount is a consequence of amendments to the Regulation on Provisions and Classification of Loans and Receivables, were required to be reserved by 31 December 2014 and 100 per cent. of such general reserve amount is required to be reserved by 31 December 2015.

On 31 December 2013, the BRSA adopted new rules on LTV and instalments of certain types of loans. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses and for financial lease transactions is 75 per cent. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions, the loan-to-value requirement is set at 70 per cent.; **provided that** in each case the sale price of the respective auto is not higher than TL 50,000. On the other hand, if the sale price of the respective auto is above this TL 50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70 per cent. and the remainder is set at 50 per cent. As for limitations regarding instalments, the maturity of consumer loans (other than loans extended for housing finance and other real estate finance loans) are not permitted to exceed 36 months, while auto loans and loans secured by autos may not have a maturity longer than 48 months. Provisions regarding the minimum loan-to-value requirement for auto loans entered into force on 1 February 2014, while the other provisions of this amendment entered into force on 31 December 2013.

On 3 October 2014, the BRSA issued the Regulation on the Procedures and Principles Regarding Fees to be Collected from Customers of the Financial Institutions, which enumerates the fees and commissions that banks may charge customers and limits their levels. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. Any other fees and commissions can only be charged by Turkish banks further to the BRSA’s approval.

TAXATION

The following is a general description of certain Republic of Turkey tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in Turkey or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and the tax laws of the Republic of Turkey, of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also, investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as at the date of this Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment, or on income otherwise sourced, in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in total during a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or a particular purpose specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "**accounted for**" means that a payment is made in Turkey or, if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 10 per cent. withholding tax for notes with an original maturity of less than one year;
- 7 per cent. withholding tax for notes with an original maturity of at least one year and less than three years;

- 3 per cent. withholding tax for notes with an original maturity of at least three years and less than five years; and

- 0 per cent. withholding tax for notes with an original maturity of five years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required. The Provisional Article 67 was valid until the end of 2015. However, the validity of the Provisional Article 67 may be extended. If the validity of the Article 67 is not extended, capital gains may be taxable.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "**beneficial owner**" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double taxation treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, being a resident of such country, by the related tax office directly, or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax then, upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

The Turkish tax authorities ("**Revenue Administration**") have issued a tax ruling (the "**VAT Ruling**") dated 10 February 2015 stating that interest payments on bonds issued outside of Turkey by Turkish issuers are subject to value added tax ("**VAT**"), provided that interest payments on bonds to a non-resident Noteholder that qualifies as a bank or an insurance company in its home jurisdiction are exempt from such VAT (the "**Foreign FI Exemption**"). On 11 March 2015, the Turkish Banks Association contacted the Revenue Administration with respect to the VAT Ruling and requested that the VAT Ruling be revised on the basis that the VAT Ruling is not compatible with existing Turkish VAT laws and international capital market norms. In its response to the Turkish Banks Association dated 18 March 2015, the Revenue Administration agreed to stay the VAT Ruling while it reassesses its analysis (with the effect that no VAT should be imposed pursuant to the VAT Ruling until further notice by the Revenue Administration).

The Revenue Administration has not made a final decision with respect to the VAT Ruling as at the date of this Prospectus. However, if the Revenue Administration decides to allow the VAT Ruling to stand in its current form with respect to a holder of Notes that is: (a) non-resident in Turkey but for which the Foreign FI Exemption does not apply, such holder would not be liable to pay tax in Turkey for VAT purposes, but rather it is the Issuer that would be liable (*sorumlu sıfatıyla*) to make such VAT payments; and (b) if resident and a VAT tax payer in Turkey, liability for such VAT payments resides with such holder. There would be no withholding or other deduction for or on account of any such VAT payments by the Issuer in respect of any payments on the Notes, and thus there would be no additional payments made by the Issuer pursuant to Condition 9.1 with respect to any such VAT payments. VAT would apply to any payment, at the then current rate; as at the date of this Prospectus that is 18 per cent.

In practice, for interest payments on securities such as the Notes that are held in global form through clearing systems, it would not be possible for the Issuer to identify the tax residency of Noteholders other than the registered holder of the Global Notes. It is, therefore, unclear as a practical matter as to the extent to which: (a) the Foreign FI Exemption would apply for Global Notes, (b) notwithstanding that some Noteholders might be resident in Turkey or would (if holding definitive Notes instead of interests in Global Notes) be eligible for the Foreign FI Exemption, all such VAT payments might be required to be made by the Issuer, or (c) Turkish resident Noteholders holding interests in Global Notes might be subject to such VAT payments.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Members. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate, and participating Member States may decide to withdraw their participation.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Merrill Lynch International, Citigroup Global Markets Limited and Commerzbank Aktiengesellschaft (the "**Joint Lead Managers**") have, in a subscription agreement dated 14 April 2016 (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.01 per cent. of their principal amount plus any accrued interest in respect thereof less a combined management and underwriting commission. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been, nor will they be, registered under the Securities Act, and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until forty (40) days after the later of the commencement of the offering and the Issue Date of the Notes, within the United States, or to or for the account or benefit of U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

In addition, until the expiration of forty (40) days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Republic of Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Consent from the BRSA required for the issuance of the Notes. Pursuant to the CMB Approval and the BRSA Consent, the offer, sale and issue of the Notes has been authorised and approved in accordance with Decree 32, the Banking Law and its related legislation, and the Capital Markets Law and its related legislation. In addition, Notes (or beneficial interests therein) may only be offered or sold outside Turkey in accordance with the CMB Approval and the BRSA Consent. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875, and in accordance with Decree 32, residents of Turkey (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis both in the primary and secondary markets, **provided that** such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under the BRSA regulations.

Moneys paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong ("**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such beneficiaries' rights or interest (howsoever described) in that trust are acquired at a consideration of not less than Singapore Dollars ("**SGD**") 200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module of the DFSA Rulebook.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an accredited investor means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of USD 1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than USD 1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

General

Each Joint Lead Manager has represented, warranted and agreed that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any related offering material. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of the Issuer dated 3 June 2015.

Legal and Arbitration Proceedings

2. Save as disclosed in the section "*The Group and its Business – Litigation and Administrative Proceedings*", there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the twelve (12) months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and the Group taken as a whole.

Significant/Material Change

3. Since 31 December 2015 there has been no material adverse change in the prospects of the Issuer or the Group, and since 31 December 2015 there has been no significant change in the financial or trading position of the Issuer or the Group taken as a whole.

Auditors

4. The consolidated financial statements of the Issuer as at and for the years ended 31 December 2015 and 2014, included in this Prospectus, have been reviewed by KPMG Turkey. KPMG Turkey's registered office is Büyükdere Caddesi, Yapı Kredi Plaza, C Blok Kat: 17, Levent 34330, İstanbul, Turkey. KPMG Turkey is licensed by the Capital Markets Board of Turkey and the Banking Regulation and Supervision Agency of Turkey and is a member of the Union of Chambers of Certified Public Accountants of Turkey (which is a member of the International Federation of Accountants).

Documents on Display

5. Physical copies of the following documents (together with English translations thereof, where appropriate) may be inspected during normal business hours at the registered office of the Issuer or the specified office of the Fiscal Agent (as the case may be) for the lifetime of the Prospectus:

   (a) the articles of association of the Issuer;

   (b) the Agency Agreement and the Deed of Covenant; and

   (c) the audited consolidated BRSA financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2014.

Websites

6. Any websites referred to herein do not form part of this Prospectus.

Yield

7. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the gross real yield of the Notes is 9.00 per cent. on an annual basis.

ISIN and Common Code

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1396282177 and the common code is 139628217.

Listing Agent

9. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of The

Irish Stock Exchange plc or to trading on the regulated market of The Irish Stock Exchange plc for the purposes of the Prospectus Directive.

Estimate of Total Expenses

10. The estimate of the total expenses related to admission to trading is €5,000.

Joint Lead Managers Transacting with the Issuer

11. In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investment and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities including, potentially, the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ANNEX A:
OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

The financial statements and financial information included in this Prospectus have been prepared in accordance with BRSA principles. BRSA principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (such as IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34. Some of the most important differences in accounting policies are set out below.

Consolidation and Equity Accounting

Only subsidiaries and associates in the financial sector are consolidated and equity accounted, respectively, under BRSA principles; others are carried at cost or fair value. The definition of control under BRSA principles is based on the power to appoint or remove the decision-making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital, whereas in IFRS 10 an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates

The threshold for "significant influence" for associates differs. Under BRSA principles, if the parent bank has qualified shares (i.e. shares that represent directly or indirectly 10 per cent. or more of the capital or voting rights in the associate or that give the privilege to appoint members to the associate's board of directors even though such rate is below 10 per cent.) in the invested entity, unless otherwise proved, it is accepted that the parent bank has significant influence in that associate, whereas according to IFRS the applicable rate of voting rights is 20 per cent. or more.

Specific Provisioning for Loan Losses

BRSA provisioning for loan losses is different from IAS 39. It is based on minimum percentages related to number of days overdue prescribed by relevant regulations, whereas in IFRS provision for loan loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Furthermore, according to BRSA, any collateral is included in the calculation of specific reserves using the percentages provided in the regulation by type of collateral; in IAS 39, the calculation of the present value of the estimated future cash flows of a collateralised financial asset is based on the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

General Loan Loss Provisioning

BRSA requires general loan loss provisions to be calculated over on and off-balance sheet financial instruments that carry credit risk, using specific percentages as defined in the regulation. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

Assets Held for Sale

Under BRSA principles, depreciation of assets held for sale is taken into account for assets with a probability of disposal within one year whereas, pursuant to IFRS 5, non-current assets held for sale are classified in this category only if their sale is highly probable, is expected to be completed within one year, and they are carried at lower of cost or fair value less cost to sell.

Deferred Taxation

Certain differences exist in this area. According to IAS 12, income taxes' deferred taxation is calculated based on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the relevant issuer, whereas under BRSA principles, it is not permitted to recognise deferred tax on general loan loss provisions.

Application Period for Hyperinflationary Accounting

Under BRSA principles, this period ends at 1 January 2005, whereas under IFRS it ends at 1 January 2006, constituting a one-year difference between the two.

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

Alternatifbank A. Ş.

Translation of publicly announced Consolidated BRSA Financial Statements as at and for the year ended 31 December 2015 and audit report thereon, originally issued in Turkish

Translation of publicly announced Consolidated BRSA Financial Statements as at and for the year ended 31 December 2014 and audit report thereon, originally issued in Turkish

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Alternatifbank A.Ş.
And it's Financial Subsidiaries

Consolidated Financial Statements
As of and For the Year Ended 31 December 2015
With Independent Auditors' Report Thereon
(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

5 February 2016

This report includes "Independent Auditors' Report" comprising 3 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 103 pages.

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English

To the Board of Directors of Alternatifbank Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Alternatifbank Anonim Şirketi ("the Bank") and its consolidated financial subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Alternatifbank Anonim Şirketi and its financial subsidiaries as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No.6102; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Parent Bank's bookkeeping activities are not in compliance with TCC and provisions of the Parent Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Murat Alsan, SMMM
Partner
5 February 2016
İstanbul, Turkey

Additional paragraph for convenience translation to English

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

THE CONSOLIDATED FINANCIAL REPORT OF
ALTERNATİFBANK A.Ş. AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2015

Headquarter Address	: Cumhuriyet Cad. No:46 34367 Şişli/İstanbul
Telephone	: 0 212 315 65 00
Fax	: 0 212 225 76 15
Web site	: www.abank.com.tr
E-mail	: malikontrol@abank.com.tr

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

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

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

Subsidiaries:

1. Alternatif Yatırım A.Ş.
2. Alternatif Finansal Kiralama A.Ş.

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, **in thousands of Turkish Lira (TL)** , have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited and presented as attached. Unless otherwise stated, the accompanying unconsolidated financial report presented in thousands of Turkish Lira (TL) and has been subjected to independent audit report as attached.

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

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

The authorized contact person for questions on this financial report:

Name-Surname / Title	: Kağan Gündüz / Financial Control Group Head
Telephone Number	: 0 212 315 65 00
Fax Number	: 0 212 226 76 15

SECTION ONE
General Information About the Group

SECTION TWO
Consolidated Financial Statements

SECTION THREE
Explanations on Accounting Policies

SECTION FOUR
Information on the Fianncial Position of the Group

SECTION FIVE
Explanations and Notes on the Consolidated Financial Statements

SECTION SIX
Other Explanations and Notes

SECTION SEVEN
Disclosures on Independent Auditor's Review Report

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

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

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

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

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

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

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

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

IV. Information on the Parent Bank's Qualified Shareholders

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

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

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

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

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

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

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

None.

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

None.

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS AT 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDER'S EQUITY

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

ALTERNATİFBANK A.Ş.
STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. PROFIT DISTRIBUTION STATEMENT (*)	31 December 2015 (**)	31 December 2014 (***)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1. CURRENT YEAR INCOME	85,109	156,540
1.2. TAXES AND DUTIES PAYABLE (-)	25,598	32,098
1.2.1. Corporate Tax (Income tax)	24,664	32,098
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and duties	934	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	**59,511**	**124,442**
1.3. PRIOR YEAR LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVES (-)	-	6,222
1.5. OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)] (*)	**59,511**	**118,219**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Preferred Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Share	-	-
1.9.3. To Owners of Preferred Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.10. SECOND LEGAL RESERVES (-)	-	-
1.11. STATUTORY RESERVES (-)	-	-
1.12. EXTRAORDINARY RESERVES	-	118,219
1.13. OTHER RESERVES	-	-
1.14. SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES	**-**	**-**
2.1. APPROPRIATED RESERVES	-	-
2.2. SECOND LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of preferred shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (****)		
3.1. TO OWNERS OF ORDINARY SHARES	0.1127	0.2217
3.2. TO OWNERS OF ORDINARY SHARES (%)	11.27	22.17
3.3. TO OWNERS OF PRIVILEGED SHARES	-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PRIVILEGED SHARES	-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) The statement of profit distribution presents the Parent Bank's figures due to not having consolidated profit distribution.
(**) Profit distribution is decided by the Board of Directors of the Parent Bank. Annual General Meeting has not been held as of reporting date.
(***) Statement of profit distribution related to prior period has been approved and restated in accordance with General Assembly Decision as of 16 March 2015, after issuance of audited financial statements of 31 December 2014.
(****) Full TL amount has been stated for each nominal amount of 1.000.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

As prescribed in the Article 37 and Article 38 of the Banking Act No. 5411, the Parent Bank prepares its financial statements and underlying documents in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency ("BRSA") and Turkish Accounting Standards ("TAS'') published by Public Oversight Accounting and Auditing Standards Authority ("POA") except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

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

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

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

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

Additional paragraph for convenience translation into English

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

II. Strategy of Using Financial Instruments and Foreign Currency Transactions

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. Consolidated Subsidiaries

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

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

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

Consolidation principles for subsidiaries:

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. Forward Transactions, Options and Derivative Instruments

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

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

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

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

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

V. Interest Income and Expense

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

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

VI. 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)

VII. Financial Assets

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

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

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

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

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

a. Cash, Banks and Other Financial Institutions

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

b. Marketable securities

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Financial Assets (Continued)

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

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

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

c. Loans and receivables

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. Impairment of Financial Assets

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

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

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

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

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

IX. 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.

X. 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)

XI. 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.

XII. 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)

XIII. 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.

XIV. Leasing Transactions

Finance leasing activities as the lessee

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

Finance leasing activities as the lessor

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

Operating lease transactions

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. Provisions, Contingent Asset and Liabilities

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

Provisions are recognized when the Parent Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by using the Parent Bank Management' s best expectation of expenses in fulfilling the obligation, and discounted to present value if material. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Parent Bank, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. Obligations Related To Employee Rights

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

XVII. Taxation

a. Current tax

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Taxation (Continued)

b. Deferred tax

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

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

XVIII. Additional Explanations on Borrowings

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

XIX. Explanations on Share Certificates and Issuance of Share Certificates

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

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

XX. Avalized Drafts And Acceptances

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

XXI. Government Grants

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

XXII. Profit Reserves And Profit Distribution

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIII. Earnings Per Share

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

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

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

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

XXIV. Related Parties

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

XXV. Cash and Cash Equivalents

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

XXVI. Operating Segments

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

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

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

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. Operating Segments (Continued)

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

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

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

g) According to the table provided, share of each Bank's operating segment in the Balance sheet is as follows:
corporate/retail banking 74%, investment banking 21% and other 5%.

Major balance sheet and income statement items according to operating segments

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

ALTERNATİFBANK A.Ş.
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. Operating Segments (Continued)

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION FOUR

INORMATION ON THE FINANCIAL POSITION OF THE GROUP

I. Information on Capital Adequacy Ratio

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

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

Information related to capital adequacy ratio

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

Summary information about the capital adequacy ratio

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

Information about the shareholders' equity items

	31 December 2015	31 December 2014
COMMON EQUITY		
Paid-in capital to be entitled for compensation after all creditors	620,000	620,000
Share premium	54	119
Share cancellation profits	-	(3,296)
Legal reserves	356,619	232,062
Other comprehensive income according to TAS		-
Profit	65,869	120,955
Net Current Period Profit	69,876	136,591
Prior Period Profit	(4,007)	(15,636)
Provisions for possible losses	-	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	-	-
Minority shares	11	9,214
Common Equity Before Deductions	**1,042,553**	**979,054**
Deductions From Common Equity		
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	27,437	6,154
Leasehold improvements on operational leases (-)	12,266	13,401
Goodwill and intangible assets and related deferred tax liabilities (-)	16,562	14,912
Net deferred tax assets / liabilities (-)	4,806	215
Shares obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Investments in own common equity (-)	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank does not own 10%or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-
Total of net long Positions of the investments in equity items of unconsolidated Banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-
Mortgage servicing rights exceeding the 10% threshold of Tier I Capital (-)	-	-
Net deferred tax assets arising from temporary differences exceeding the10% threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% threshold of Tier I Capital as per the Article 2, clause 2 of the regulation on measurement and assessment of Capital Adequacy Ratios of Banks (-)	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or more of the issued share capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not Deducted (-)	-	-
Excess Amount Arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no Adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Regulatory Adjustments to Common Equity	**61,071**	**34,682**
Total Common Equity	**981,482**	**944,372**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

Information about the shareholders' equity items (Continued)

ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other Items to be Defined by the BRSA (-)	-	-
Deductions from Additional Core Capital in Cases Where There are no Adequate Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Deductions from Tier I Capital		
Goodwill and Other Intangible Assets and Related Deferred Taxes not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	66,246	59,646
Net Deferred Tax Asset/Liability not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Total Tier I Capital	**915,236**	**884,726**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	660,989	329,141
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-	-
General Provisions	93,386	62,858
Tier II Capital Before Deductions	**754,375**	**391,999**
Deductions from Tier II Capital	-	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other Items to be Defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	**754,375**	**391,999**

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

Information about the shareholders’ equity items (Continued)

CAPITAL		
Loans Granted Against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired Against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	3,584	3,100
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)		-
Other Items to be Defined by the BRSA (-)	-	26
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not Deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not Deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights not Deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
SHAREHOLDERS’S EQUITY	**1,666,027**	**1,273,599**
Amounts Lower than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns more than 10% or less of the Tier I Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising from Temporary Differences	-	-

Components of items of shareholders’ equity subject to temporary applications

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

Details on Subordinated Liabilities

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

Details on Subordinated Liabilities (Continued)

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. Information on Capital Adequacy Ratio (Continued)

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

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

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk

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

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

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

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

The Group does not use any loan derivative instruments.

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

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

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

The Group is not active in international banking market.

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

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

(*) Includes the risk amounts after credit conversion.
(**) Average risk amounts are calculated by the arithmetic average of the July-December periods risk amounts.

a. Information on types of loans and specific provisions:

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

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

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

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

c. Information on debt securities, treasury bills and other bills:

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

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

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

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

d. Information on rating concentration:

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

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

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

f. Risk profile according to the geographical concentration :

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

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

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

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

g. Risk profile by Sectors or Counterparties:

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

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

Risk classifications	Term To Maturity (*)				
	1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	-	-	-	-	667,072
Contingent and Non-Contingent Receivables from Regional Governments or Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	910	-	-	-	400
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-
Contingent and Non-Contingent Receivables from Banks and Intermediaries	1,418,948	67,425	66,249	30,533	304,767
Contingent and Non-Contingent Corporate Receivables	1,125,383	532,491	830,959	1,407,04	3,291,567
Contingent and Non-Contingent Retail Receivables	766,201	155,563	232,605	335,147	369,077
Contingent and Non-Contingent Receivables Secured by Residential Property	91,850	81,285	155,778	202,476	1,933,985
Non-Performing Receivables	-	-	-	-	236,253
Receivables Identified as High Risk by the Board	-	-	-	-	83,365
Secured by Mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short-term Receivables frorn Banks, Brokerage Houses and Corporates	-	-	-	-	-
Investments Similar to Collective Investrnent Funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
TOTAL	**3,403,292**	**836,764**	**1,285,591**	**1,975,20**	**6,886,486**

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

i. Exposures by risk weights:

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. Explanations on Credit Risk (Continued)

j. Information of major sectors or type of counterparties

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

k. Information Related with Value Adjustments and Change in Provisions:

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

III. 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).

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. Explanations on Market Risk (Continued)

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

a. Information on Market Risk

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

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

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

c. Information on Counterparty Credit Risk:

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. Explanations on Market Risk (Continued)

d. Quantitative Information on Counterparty Risk:

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

IV. Explanations on Operational Risk:

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. Explanations on Currency Risk

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

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

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

	Usd	Euro
Rate used:	**TL 2.9181**	**TL 3.1838**
31 December 2015 Foreing Currency Bid Rate	TL 2.9181	TL 3.1838
30 December 2015 Foreing Currency Bid Rate	TL 2.9076	TL 3.1776
29 December 2015 Foreing Currency Bid Rate	TL 2.9084	TL 3.1921
28 December 2015 Foreing Currency Bid Rate	TL 2.9157	TL 3.2006
25 December 2015 Foreing Currency Bid Rate	TL 2.9123	TL 3.1904

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

Usd: TL 2.9177
Euro: TL 3.1765

As of 31 December 2014;

	Usd	Euro
Rate Used:	TL 2.3269	TL 2.8272

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. Explanations on Currency Risk (Continued)

a. Information on currency risk of the Group

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

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

(*) Accruals of derivative assets held for trading amounting to TL 4,119 (31 December 2014: TL 10,708) have been deducted from fair value through profit and loss.
(**) FC indexed loans and accruals amounting to TL 933,448 (31 December 2014: TL 1,028,110) and TL 788,646 (31 December 2014: TL 462,577) leasing receivables are shown in loans.
(***) Leasing receivables amounting to TL 52 are shown in other asset line (31 December 2014: TL 462,577).
(****) Accruals of derivative liabilities held for trading amounting to TL 13,288 (31 December 2014: TL 8,201), other provisions amounting to TL 3 and (31 December 2014: TL 7) have been deducted from other liabilities.
(*****) No effect on Net off-balance sheet position.

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. Explanations on Currency Risk (Continued)

b. Exposure to currency risk

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

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

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

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

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

VI. Explanations on Interest Rate Risk

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. Explanations on Interest Rate Risk (Continued)

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

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

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. Explanations on Interest Rate Risk (Continued)

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

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

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. Explanations on Interest Rate Risk (Continued)

b. Average interest rates for monetary financial instruments

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. Explanations on Interest Rate Risk (Continued)

c. Interest rate risk arising from banking accounts

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

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

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

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

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

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

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. Explanations on Interest Rate Risk (Continued)

c. Interest rate risk arising from banking accounts(Continued)

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

d. Explanation on share certificates

None.

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

None.

VII. Explanations on Liquidity Risk

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

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Liquidity risk management and liquidity coverage ratio (Continued)

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

1.d Information on current liquidity risk mitigation techniques

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

1.e Information on the use of stress testing

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Liquidity risk management and liquidity coverage ratio (Continued)

II. Liquidity Coverage Ratio

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Liquidity risk management and liquidity coverage ratio (Continued)

II. Liquidity Coverage Ratio (Continued)

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Liquidity risk management and liquidity coverage ratio

III. Banks explanations as a minimum regarding the liquidity ratio:

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

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

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

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

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

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

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

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

3.e Counterparty and fund resources on the basis of products and concentration limits on collaterals

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Liquidity risk management and liquidity coverage ratio (Continue)

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Breakdown of assets and liabilities according to their outstanding maturities

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

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

(**) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Financial liabilities according to their remaining maturities:

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

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

Contractual maturity analysis of the Group's derivative instruments:

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Explanations on securitization position

None.

Explanations on Credit Risk Mitigation Techniques

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

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

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

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

Collaterals in terms of Risk Groups

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. Explanations on Liquidity Risk (Continued)

Collaterals in terms of Risk Groups (Continued)

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

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

VIII. Explanations on Leverage Ratio

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VIII. Explanations on Leverage Ratio (Continued)

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

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

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

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

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

IX. Explanations on the Risk Management Objectives and Policies

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

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

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

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

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

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

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

a. Financial Assets and Liabilities at their fair values:

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

b. Fair value hierarchy:

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

a) Quoted market prices (non-adjusted) (1st level);
b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level);
c) Data not based on observable data regarding assets or liabilities (3rd level).

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

XI. Explanation on Hedge Accounting

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

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

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

(*) Total of purchase and sale notional amounts.

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

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

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

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

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

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/Losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the "Trading gains / losses on derivative financial instruments" account.

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

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

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Notes on Assets

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

1. Information on cash and the account of the CBRT

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

2. Information on the account of the CBRT

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

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

3. Information on reserve requirements

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

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

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

b. Information About Financial Assets at Fair Value Through Profit or Loss

1. As of 31 December 2015 the Group, does not have financial assets at fair value through profit/loss subject to repo transactions (31 December 2014: TL 138) and have no financial assets at fair value through profit and loss given as collateral/blocked amount.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

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

2. Positive differences related to trading derivative financial assets

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

c. Information on banks

1. Information on banks

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

2. Information on foreign banks:

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

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

d. Information on available-for-sale financial assets

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

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

2. Information on available-for-sale financial assets

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans

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

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

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

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

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

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I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

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

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

3. Loans according to their maturity structure

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

5. Information on commercial installment loans and corporate credit cards

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

6. Loans according to types of borrowers

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

7. Distribution of domestic and foreign loans

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

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

8. Loans given to investments in associates and subsidiaries

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

9. Specific provisions provided against loans

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

10. Information on non-performing loans (Net)

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

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

10.(ii). Information on the movement of total non-performing loans

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

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

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

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

10.(iv). Information on non-performing loans based on types of borrowers

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2015 (Net)			
Loans to Real Persons and Legal Entities (Gross)	105,537	122,980	288,824
Specific Provision Amount (-)	(14,376)	(47,781)	(219,343)
Loans to Real Persons and Legal Entities (Net)	91,161	75,199	69,481
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
31 December 2014 (Net)			
Loans to Real Persons and Legal Entities (Gross)	42,408	113,503	284,962
Specific Provision Amount (-)	5,663	45,005	218,575
Loans to Real Persons and Legal Entities (Net)	36,745	68,498	66,387
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

11. Explanation on liquditation policy for uncollectible loan and receivable

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

12. Explanations on write-off policy

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

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

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

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

f. Information on held-to-maturity investments:

1. Information on held to maturity debt securities

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

2. Information on held to maturity investments

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

3. Movement of investments held-to-maturity:

None.

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Information on investments in associates (Net)

None (31 December 2014: None).

h. Information on subsidiaries (Net)

1. Information on shareholders' equity of the significant subsidiaries

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

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

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

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

2. Information on unconsolidated subsidiaries:

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

h. Information on subsidiaries (Net) (Continued)

3. Information on consolidated subsidiaries

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

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

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

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

4. The movement of the subsidiaries

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

h. Information on subsidiaries (Net) (Continued)

6. Valuation of investments in consolidated subsidiaries

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

7. Subsidiaries quoted on stock exchange

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

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

i. Information on joint ventures

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

j. Information on lease receivables (net)

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

k. Information on hedging derivative financial assets

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

l. Information on property and equipment

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

l. Information on property and equipment (Continued)

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

m. Information on the goodwill and intangible assets

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

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

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

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

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

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

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

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

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

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

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

n. Information on investment property

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

o. Movement of assets held for resale and discontinued operations

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

p. Information on other assets

1. The distribution of other assets

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

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

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

None (31 December 2014: None).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities

a. Information on deposits

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

1(i). 31 December 2015:

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

1(ii). 31 December 2014:

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

a. Information on deposits (Continued)

2. Information on saving deposits insurance

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

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

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

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

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

b. Information on trading derivative financial liabilities

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

c. Information on borrowings

1. Information on borrowing

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

c. Information on borrowings (Continued)

2. Information on maturity profile of borrowings

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

d. Information on other foreign liabilities

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

e. Information on financial lease agreements

None (31 December 2014: None).

f. Information on hedging derivative financial liabilities

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

(*) Explained in Section Four Note X.

g. Information on provisions

1. Information on general provisions

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

2. Information on reserve for employment termination benefits

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

g. Information on provisions (Continued)

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

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

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

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

Movement of employment termination benefits liability in the balance sheet

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

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

3. Other provisions

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

h. Information on taxes payable

Information on current tax liability

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

(i) Information on taxes payable

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

(ii) Information on premium payables

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

i. Explanations about deferred tax provision

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

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

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

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

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

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

2. Information on subordinated loans

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

k. Information on shareholders' equity

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

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

(*) It refers to the nominal capital.

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling (As of nominal; non-adjusted amounts according to inflation):

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

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

None.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

k. Information on shareholders' equity (Continued)

4. Information on additions from revaluation reserves to capital in the current period: None.
5. Information on capital increases from capital reserves during the current period: None.
6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties of these indicators

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

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

None.

8. Information on marketable securities valuation reserve

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

9. Information of the previous year profit distribution

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

l. Information on minority interests

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes on Off-Balance Sheet Accounts

a. Information on off balance sheet commitments

1. The amount and type of irrevocable commitments

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

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

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

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

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

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a. Information on off balance sheet commitments (Continued)

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

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

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b. Information on derivative financial instruments

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

c. Investment Funds

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

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

d. Information on contingent liabilities

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement

a. Information on interest income

1. Information on interest income on loans

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

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

2. Information on interest income on banks

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

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

3. Information on interest income on marketable securities

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

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

None (31 December 2014:None).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

b. Information on interest expense

1. Information on interest expense on borrowings

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

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

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

None (31 December 2014:None).

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

3. Information on interest expense to marketable securities issued

4. Information on interest rate and maturity structure of deposits

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

c. Information on dividend income

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

d. Information on trading income/loss (Net)

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

e. Explanations about other operating income

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

f. Provision expenses related to loans and other receivables

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

g. Information related to other operating expenses

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

(*) Other operating charges is TL 5,557 (31 December 2014: TL 6,664) except premium of TMSF and tax.
(**) The Parent Bank has disposed non performing loan corresponds to provision amount of TL 15,199 and has collected TL 2,500 on 31 March 2015.
(***) The Parent Bank has disposed non performing loans correspond to provision amount of TL 113,584 to Güven Varlık Yönetim A.Ş and has collected TL 4,650 on 5 May 2015.
(****) Alternatif Finansal Kiralama A.Ş. has sold non performing loans correspond to provision amount of TL 9,142 to Artı Varlık Yönetim A.Ş and has collected TL 125 on 29 May 2015.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

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

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

i. Provision for taxes on income from continuing operations

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

j. Information on net income/loss for the period

1) Interest income from ordinary banking transactions is TL 1,147,765 (31 December 2014: TL 1,115,986), interest expense is TL 601,929 (31 December 2014: TL 627,752).

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

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

Fees and Commissions Paid Other	**31 December 2015**	**31 December 2014**
CBRT Interbank Money Market	1,278	4,115
Commisions Granted to Correspondent Banks	797	560
Commissions for Effective and Future Transactions	287	359
Transfer Commissions	463	27
Other	11,042	6,194
Total	**13,867**	**11,255**

Fees and Commissions Received Other	**31 December 2015**	**31 December 2014**
Insurance Commissions	3,076	4,053
Account Management Fee Commission	2,591	4,635
Transfer Commissions	1,951	2,593
Expertise Commissions	1,839	3,638
Other (*)	37,663	20,655
Total	**47,120**	**35,574**

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

l. Profit or loss attributable to minority shares

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Notes on Changes in Shareholders' Equity

a. Information on profit distribution:

None.

b. Information on available for sale financial assets:

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

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

None.

d. Information on share issue premium:

Explained in details in note XIX of Section Three.

VI. Explanations and Notes on Statement of Cash Flows

a. Information on cash and cash equivalent assets:

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

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

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

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

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

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

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

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

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

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

None.

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period

1. 31 December 2015

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

(*) Defined in the 49th article of paragraph 2 of the Banking Act No. 5411.
(**) The information in table above includes banks as well as loans and receivables.

2. 31 December 2014

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

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

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Group's Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Transactions for Trading Purposes (**)	-	-	-	-	-	-
Beginning of the Period (***)	-	-	5,411	-	-	226
End of the Period (***)	-	-	-	5,411	-	-
Total Profit / Loss	**-**	**1,262**	**134**	**(3,091)**	**161**	**384**
Transactions for Hedging Purposes	-	-	-	-	-	-
Beginning of the Period (***)	-	-	-	-	-	-
End of the Period (***)	-	-	-	-	-	-
Total Profit / Loss (****)	-	-	-	-	-	-

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

(**) The Bank's derivative instruments are classified as "Financial Assets at Fair Value through Profit or Loss" according to TAS 39.

(***) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

b. With respect to the Parent Bank's risk group

1. The relations with entities that are included in the Group's risk group and controlled by the Parent Bank irrespective of the relationship between the parties:

The Parent Bank performs various transactions with group companies during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues

	Total Risk Group	Share in Financial Statements (%)
Deposit	350,691	5.62%
Non-cash Loans	79,905	2.52%
Loans	210,752	2.26%
Subordinated Loans	364,763	47.52%

These transactions are priced according to the Bank's pricing policy and they are in line with the market prices.

3. Equity accounted transactions:

None.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b. With respect to the Parent Bank's risk group (Continued)

4. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

As of 31 December 2015, there is no financial leasing agreement between the Parent Bank and Alternatif Finansal Kiralama A.Ş. Also the agency agreement with Alternatif Yatırım A.Ş. is cancelled on 30 June 2015 with. The Bank have also cost sharing agreements with Alternatif Finansal Kiralama A.Ş. and Alternatif Yatırım Menkul Değerler A.Ş.

The bank allocate cash and non-cash loans to risk group of the Bank in limit of Bank Law and that amount is 2.33 % of total cash and non-cash loan amount (31 December 2014: 2.27%).

As of 31 December 2015 the Group have rent agreement with the risk group. The Bank have paid the rent expense amounted to TL 4,598 to Anadolu Endüstri Holding and it have been recognized in the profit and loss accounts in the year ended 31 December 2015. Besides, rent expense amounted TL 377 was payed to other risk groups.

Cost of the services received from Holding are shared according to pre-determined key.

c. Information regarding benefits provided to the Group's key management

Benefits provided to the Group's key management amount to TL 21,586 as of 31 December 2015 (31 December 2014: TL 15,492).

VIII. Explanations and notes on the domestic,foreign,off-shore branches and foreign represantatives of the bank

a. Information on domestic, foreign branches and foreign representatives:

	Number	Number of Employees	Country of Incorporation	Total Asset	Statutory share capital
Domestic Branch	59	1,038			
Foreign Representative	-	-	-		
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

The Parent Bank does not open any new branches in 2015.

IX. Explanations and Notes on Subsequent Events

The Parent Bank's paid-in capital has been decided to increase TL 150,000 in accordance with the Ordinary General Assembly dated 21 January 2016.

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. Other Explanations Related To The Parent Bank's Operations

Summaries about The Bank's rates from international credit rating agencies

The Parent Bank's ratings from latest report of Fitch Ratings as of March 2015 in the below.

Fitch Ratings: March 2015
Foreign Currency

Long Term	BBB
Short Term	F2

Turkish Lira

Long Term	BBB+
Short Term	F2
Ulusal Not	AAA(tur)

Outlook	**Stable**
National Note	2
Financial Capacity Note	b+

Moody's: 22 December 2015
Foreign currency

Long Term	Baa3
Short Term	P-3

Local currency

Long term	Baa3
Short term	P-3
National Long Term	A1.tr
National ShortTerm	TR-1
Outlook	**Negative**

SECTION SEVEN

DISCLOSURES ON INDEPENDENT AUDITORS' REPORT

I. Explanations on Independent Auditors' Report

The Parent Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2015 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International, a Swiss cooperative) and the independent auditors' report dated 5 February 2016 has been presented with the consolidated financial statements. It is stated that these consolidated financial statements reflected The Parent Bank and its financial condition and results of operations of financial subsidiaries correctly.

II. Explanations and Footnotes Prepared by Independent Auditor

None.

(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 Year Ended 31 December 2014
With Independent Auditors' Report Thereon

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi
6 February 2015

This report includes "Independent Auditors' Report" comprising 2 page and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 95 pages.

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

To the Board of Directors of Alternatifbank A.Ş.

We have audited the consolidated balance sheet of Alternatifbank A.Ş. ("the Bank") and its subsidiaries (together "the Group") as of 31 December 2014 and the consolidated income statement, statements of cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués and circulars in respect of accounting and financial reporting published by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Auditors' Responsibility:

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.

Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alternatifbank A.Ş. and its subsidiaries as of 31 December 2014 and the result of its consolidated operations and consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and Article 38 of the Banking Act No: 5411 and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements published by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") no.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 was audited by another auditor who expressed an unmodified opinion on those statements on 3 February 2014.

İstanbul
6 February 2015

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat ALSAN
Partner

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 ALTERNATIFBANK A.Ş. AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

Headquarter Address	: Cumhuriyet Cad. No:46 34367 Şişli/İstanbul
Telephone	: 0 212 315 65 00
Fax	: 0 212 225 76 15
Web site	: www.abank.com.tr
E-mail	: malikontrol@abank.com.tr

The consolidated financial report as of and for the yearended 31 December 2014 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' 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.
4. Alternatif Portföy Yönetimi A.Ş.

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

Tuncay Özilhan	**Meriç Uluşahin**	**Müge Öner**	**Kağan Gündüz**
Chairman of the Board of Directors	Member of Board of Directors and General Manager	Vice President, CFO	Financial 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 Group Head
Telephone Number	: 0 212 315 71 55
Fax Number	: 0 212 226 76 15

SECTION ONE

GENERAL INFORMATION

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

SECTION FOUR

EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

SECTION SIX

OTHER EXPLANATIONS AND NOTES

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. 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 73 (31 December 2013:73) branches.

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 Parent bank made an application to Capital Market Board and Borsa İstanbul A.Ş. about to leave the partnership and to start the process of removing the stock market according to Capital Market Board "Removing the Partnership and Selling Rights Communiqué"on 11 July 2014. In this scope, The Parent bank's shares which is traded on the National Market (ALNTF.E) began to be traded on the Second National Market on 1 August 2014. Delisting process is still ongoing as of 31 December 2014.

II. EXPLANATION ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO:

As of 31 December 2014, 74,25% of the shares of the Parent Bank are owned by Commercial Bank of Qatar. Shareholder's structure of the Parent Bank is as follows:

	31 December 2014		**31 December 2013**	
Name/Commercial Name	**Share Amount**	**Share Ratio**	**Share Amount**	**Share Ratio**
Commercial Bank of Qatar	460.341	74,25%	311.815	74,24%
Anadolu Endüstri Holding A.Ş.	106.683	17,21%	72.269	17,21%
Anadolu Motor Üretim ve Pazarlama A.Ş.	48.317	7,79%	32.731	7,79%
Borsa İstanbul Shares and Publicly Traded	4.659	0,75%	3.185	0,76%
Total	**620.000**	**100%**	**420.000**	**100%**

Alternatifbank A.Ş.
Notes to the Consolidated Financial Statements
As of and for the Year Ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:

Name	Title	Responsibility	Indirect Share Capital (%)
Tuncay Özilhan	Chairman of Board of Directors	-	3
Ömer Hussain I H Al-Fardan	Vice Chairman of the Board	Chairman of The Executive Comitee	-
Andrew Charles Stevens	Member of Board of Directors	Board of Directors Member,Remuneration Committee Member and Principal Member of Credit Committee	-
İzzat Dajani	Member of Board of Directors	Chairman of Corporate Governance Committee	-
İpek Nezahat Özkan	Member of Board of Directors	Member of Audit Committee, Alternate Member of the Credit Committee, Member of Corporate Governance Committee, Member of the Executive Committee	-
Nicholas Charles Coleman	Member of Board of Directors	Member of Audit Committee, Management and Early Detection of Risk Committee Member	-
Mohd İsmail M Mandani Al-Emadi	Member of Board of Directors	Chairman of the Management and Early Detection of Risk Committee	-
Fahad Abdulrahman Badar	Member of Board of Directors	Principal Member of Credit Committee	-
Mehmet Hurşit Zorlu	Member of Board of Directors	Alternate Member of the Credit Committee, Management and Early Detection of Risk Committee, Member of Pricing Committee, Member of the Executive Committee	-
Bahattin Gürbüz	Member of Board of Directors	Chairman of Credit Committee	-
Kemal Semerciler	Member of Board of Directors	Member of Audit Committee and Corporate Management Committee	-
Meriç Uluşahin	Member of Board of Directors and General Manager	Principal Member of Credit Committee and Member of the Executive Committee	-
Didem Çerçi	Member of Board of Directors	Chairman of Pricing Committee, Member of Credit Committee and Management and Early Detection of Risk Committee	-
Muzaffer Öztürk (*)	Executive Vice President	Corporate/Commercial Banking	-
Mustafa Mutlu Çalışkan	Chairman of Inspection Committee	Committee of Inspection	-
Işıl Funda Öney Babacan	Executive Vice President	Information Technologies	-
Suat Çetin	Executive Vice President	Operations	-
Murat Büyükkürkçü (*)	Executive Vice President	Credits	-
Müge Öner	Deputy Executive Vice President	CFO	-
Aytay Tolga Şenefe	Executive Vice President	Fund Management	-
Murat Özer	Executive Vice President	Human Resources	-
Şakir Sömek	Executive Vice President	International Finance Committee	-
İzzet Metcan	Executive Vice President	Retail banking distribution,sale and marketing	-
Seher Demet Tanrıöver Çaldağ	Executive Vice President	Credit Risk Management-CRO	-
Sezin Erken	Executive Vice President	Liabilities and Resource Management	-
Tanol Türkoğlu	Executive Vice President	Information technology and operation-COO	-
Musa Kerim Mutluay(**)	Executive Vice President	Restructuring and Legal Following	-
Muzaffer Gökhan Songül(**)	Executive Vice President	Credit Allocation	-
Ahmet Kağan Yıldırım (**)	Executive Vice President	Corporate Banking Sales	-
Mete Hakan Güner (***)	Executive Vice President	Commercial Banking	-

(*) Murat Büyükkürkçü resigned on 01.01.2015, Muzaffer Öztürk resigned on 31.01.2015.

(**) They started to work as of 01.01.2015.

(***) He started to work as of 03.02.2015.

Alternatifbank A.Ş.
Notes to the Consolidated Financial Statements
As of and for the Year Ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

IV. 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 Rates	Paid-in Capital (Nominal)	Unpaid Portion
Commercial Bank of Qatar	460.341	74,25%	460.341	-
Anadolu Endüstri Holding A.Ş.	149.730	24,15%	149.730	-

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 31 December 2014, Bank has 73 branches (31 December 2013: 73 branches).

As of 31 December 2013, the Bank has 1.231 employees (31 December 2013: 1.413 employees).

Parent Bank and its subsidiaries that are consolidated with the Parent Bank are called "Group" as a whole. As of 31 December 2014, The Group has 1.340 employees (31 December 2013: 1.535 employees).

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION 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.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET

	ASSETS	Note (Section Five)	31 December 2014 TL	31 December 2014 FC	31 December 2014 Total	31 December 2013 TL	31 December 2013 FC	31 December 2013 Total
I.	**CASH AND BALANCES WITH CENTRAL BANK**	**I-a**	**165.485**	**1.192.759**	**1.358.244**	**335.322**	**908.999**	**1.244.321**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)**	**I-b**	**58.226**	**15.971**	**74.197**	**86.123**	**140.869**	**226.992**
2.1	Financial Assets Held for Trading		58.226	15.971	74.197	86.123	140.869	226.992
2.1.1	Public Sector Debt Securities		1.400	355	1.755	6.243	82	6.325
2.1.2	Equity Securities		96	-	96	18.041	-	18.041
2.1.3	Derivative Financial Assets Held for Trading		20.661	15.616	36.277	9.929	140.787	150.716
2.1.4	Other Marketable Securities		36.069	-	36.069	51.910	-	51.910
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**	**71.781**	**33.434**	**105.215**	**236.987**	**80.399**	**317.386**
IV.	**MONEY MARKETS PLACEMENTS**		**6.774**	**-**	**6.774**	**2.488**	**-**	**2.488**
4.1	Interbank Money Market Placements		6.774	-	6.774	2.488	-	2.488
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	**FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)**	**I-d**	**791.737**	**104.371**	**896.108**	**329.383**	**21.398**	**350.781**
5.1	Share Certificates		161	-	161	160	-	160
5.2	Government Debt Securities		791.574	104.371	895.945	329.221	21.398	350.619
5.3	Other Marketable Securities		2	-	2	2	-	2
VI.	**LOANS**	**I-e**	**5.863.873**	**2.035.667**	**7.899.540**	**5.106.628**	**1.334.366**	**6.440.994**
6.1	Loans		5.703.830	2.024.080	7.727.910	5.023.143	1.319.756	6.342.899
6.1.1	Loans to the Bank's Risk Group		253	85.716	85.969	2.188	-	2.188
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		5.703.577	1.938.364	7.641.941	5.020.955	1.319.756	6.340.711
6.2	Non Performing Loans		416.043	24.830	440.873	257.210	23.841	281.051
6.3	Specific Provisions (-)		256.000	13.243	269.243	173.725	9.231	182.956
VII.	**FACTORING RECEIVABLES**		-	-	-	-	-	-
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	**I-f**	**-**	**-**	**-**	**1.507.142**	**-**	**1.507.142**
8.1	Public Sector Debt Securities		-	-	-	1.507.142	-	1.507.142
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**I-g**	-	-	-	-	-	-
9.1	Accounted for under Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		-	-	-	-	-	-
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		-	-	-	-	-	-
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	**I-h**	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)**	**I-i**	-	-	-	-	-	-
11.1	Consolidated Under Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	**LEASE RECEIVABLES (Net)**	**I-j**	**188.832**	**462.577**	**651.409**	**149.719**	**372.577**	**522.296**
12.1	Financial Lease Receivables		221.280	525.499	746.779	168.999	397.846	566.845
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		4.246	9.751	13.997	5.524	11.164	16.688
12.4	Unearned Income (-)		36.694	72.673	109.367	24.804	36.433	61.237
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**	**31.601**	**-**	**31.601**	**32.267**	**-**	**32.267**
XV.	**INTANGIBLE ASSETS (Net)**	**I-m**	**74.558**	**-**	**74.558**	**73.180**	**-**	**73.180**
15.1	Goodwill		49.647	-	49.647	49.647	-	49.647
15.2	Other		24.911	-	24.911	23.533	-	23.533
XVI.	**INVESTMENT PROPERTY (Net)**	**I-n**	-	-	-	-	-	-
XVII.	**TAX ASSET**	**II-i**	**24.242**	**-**	**24.242**	**23.352**	**-**	**23.352**
17.1	Current Tax Asset		-	-	-	6.557	-	6.557
17.2	Deferred Tax Asset		24.242	-	24.242	16.795	-	16.795
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**	**209.790**	**15.989**	**225.779**	**197.306**	**51.387**	**248.693**
	TOTAL ASSETS		**7.486.899**	**3.860.768**	**11.347.667**	**8.079.897**	**2.909.995**	**10.989.892**

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

Alternatifbank A.Ş.
Consolidated Financial Statements
As of and for the Year Ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

I. BALANCE SHEET

	LIABILITIES	Note (Section Five)	31 December 2014 TL	FC	Total	31 December 2013 TL	FC	Total
I.	**DEPOSITS**	**II-a**	**3.940.146**	**1.712.425**	**5.652.571**	**3.385.723**	**1.594.902**	**4.980.625**
1.1	Deposits from Bank's Risk Group		650.681	584.368	1.235.049	509.482	132.192	641.674
1.2	Other		3.289.465	1.128.057	4.417.522	2.876.241	1.462.710	4.338.951
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**II-b**	**2.406**	**10.023**	**12.429**	**39.856**	**65.519**	**105.375**
III.	**FUNDS BORROWED**	**II-c**	**137.120**	**2.398.453**	**2.535.573**	**186.570**	**2.179.344**	**2.365.914**
IV.	**MONEY MARKET FUNDS**		**363.386**	**82.101**	**445.487**	**1.671.848**	**18.352**	**1.690.200**
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		43.232	-	43.232	15.003	-	15.003
4.3	Funds Provided Under Repurchase Agreements		320.154	82.101	402.255	1.656.845	18.352	1.675.197
V.	**MARKETABLE SECURITIES ISSUED (Net)**		**281.356**	**586.742**	**868.098**	**289.079**	**-**	**289.079**
5.1	Bills		233.771	586.742	820.513	238.832	-	238.832
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		47.585	-	47.585	50.247	-	50.247
VI.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**148.449**	**82.749**	**231.198**	**325.248**	**40.283**	**365.531**
VIII.	**OTHER LIABILITIES**	**II-d**	**144.436**	**6.083**	**150.519**	**111.932**	**7.565**	**119.497**
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**	**8.578**	**-**	**8.578**	**-**	**-**	**-**
11.1	Fair Value Hedge		8.578	-	8.578	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Net Foreign Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	**II-g**	**103.671**	**7**	**103.678**	**121.839**	**12**	**121.851**
12.1	General Loan Loss Provision		62.858	-	62.858	74.582	-	74.582
12.2	Provisions for Restructuring		-	-	-	-	-	-
12.3	Reserve for Employee Benefit		8.622	-	8.622	9.358	-	9.358
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		32.191	7	32.198	37.899	12	37.911
XIII.	**TAX LIABILITY**	**II-h**	**30.938**	**-**	**30.938**	**17.795**	**-**	**17.795**
13.1	Current Tax Liability		30.938	-	30.938	17.795	-	17.795
13.2	Deferred Tax Liability	II-i	-	-	-	-	-	-
XIV.	**PAYABLES FOR ASSET-HELD-FOR-RESALE AND DISCONTINUED OPERATIONS (Net)**		**2.393**	**3.479**	**5.872**	**300**	**14.933**	**15.233**
14.1	Held for Sale		2.393	3.479	5.872	300	14.933	15.233
14.2	Discontinued Operations		-	-	-			
XV.	**SUBORDINATED LOANS**	**II-j**	**-**	**329.826**	**329.826**	**-**	**312.339**	**312.339**
XVI.	**SHAREHOLDERS' EQUITY**	**II-k**	**972.634**	**266**	**972.900**	**606.719**	**(266)**	**606.453**
16.1	Paid-in Capital		620.000	-	620.000	420.000	-	420.000
16.2	Capital Reserves		(9.597)	266	(9.331)	(40.460)	(266)	(40.726)
16.2.1	Share Premium		119	-	119	98	-	98
16.2.2	Share Cancellation Profits		(3.296)	-	(3.296)	-	-	-
16.2.3	Marketable Securities Valuation Reserve	II-l	(6.420)	266	(6.154)	(40.558)	(266)	(40.824)
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		-	-	-	-	-	-
16.3	Profit Reserves		232.062	-	232.062	134.313	-	134.313
16.3.1	Legal Reserves		20.052	-	20.052	15.165	-	15.165
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		212.010	-	212.010	119.148	-	119.148
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Profit or (Loss)		120.955	-	120.955	82.113	-	82.113
16.4.1	Prior Years' Profit or (Loss)		(15.636)	-	(15.636)	10.846	-	10.846
16.4.2	Current Year Profit or (Loss)		136.591	-	136.591	71.267	-	71.267
16.5	Minority Shares	**II-m**	9.214	-	9.214	10.753	-	10.753
	TOTAL LIABILITIES		**6.135.513**	**5.212.154**	**11.347.667**	**6.756.909**	**4.232.983**	**10.989.892**

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

Alternatifbank A.Ş.
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. OFF-BALANCE SHEET ITEMS

		Note (SectionFive	31 December 2014			31 December 2014		
			TL	FC	Total	TL	FC	Total
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**	**III-a-2.3**	**3.866.422**	**3.744.418**	**7.610.840**	**7.757.506**	**9.720.340**	**17.477.846**
I.	**GUARANTEES AND WARRANTIES**	III-a-2.2	**1.287.724**	**986.441**	**2.274.165**	**1.315.746**	**1.037.585**	**2.353.331**
1.1	Letters of Guarantee		1.287.724	567.518	1.855.242	1.315.318	676.833	1.992.151
1.1.1	Guarantees Subject to State Tender Law		37.089	13.923	51.012	49.883	13.615	63.498
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee	III-a-2.2	1.250.635	553.595	1.804.230	1.265.435	663.218	1.928.653
1.2	Bank Acceptances		-	43.905	43.905	-	56.516	56.516
1.2.1	Import Letter of Acceptance		-	43.905	43.905	-	56.516	56.516
1.2.2	Other Bank Acceptances	III-a-2.2	-	-	-	-	-	-
1.3	Letters of Credit		-	362.242	362.242	428	304.236	304.664
1.3.1	Documentary Letters of Credit		-	362.242	362.242	428	304.236	304.664
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		-	12.776	12.776	-	-	-
1.9	Other Warrantees		-	-	-	-	-	-
II.	**COMMITMENTS**		**957.422**	**99.298**	**1.056.720**	**876.433**	**105.385**	**981.818**
2.1	Irrevocable Commitments		**912.954**	**47.502**	**960.456**	**860.632**	**66.064**	**926.696**
2.1.1	Asset Purchase and Sales Commitments		19.715	29.007	48.722	65.951	66.064	132.015
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries	III-a-1	-	-	-	-	-	-
2.1.4	Commitments for Loan Limits		237.190	-	237.190	241.311	-	241.311
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		311.229	-	311.229	289.133	-	289.133
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		161.841	-	161.841	92.867	-	92.867
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		179.241	18.495	197.736	167.632	-	167.632
2.2	Revocable Commitments		**44.468**	**51.796**	**96.264**	**15.801**	**39.321**	**55.122**
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		44.468	51.796	96.264	15.801	39.321	55.122
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**III-b**	**1.621.276**	**2.658.679**	**4.279.955**	**5.565.327**	**8.577.370**	**14.142.697**
3.1	Hedging Derivative Financial Instruments		220.000	-	220.000	-	-	-
3.1.1	Transactions for Fair Value Hedge		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		1.401.276	2.658.679	4.059.955	5.565.327	8.577.370	14.142.697
3.2.1	Forward Foreign Currency Buy/Sell Transactions		115.544	407.060	522.604	1.451.858	2.388.288	3.840.146
3.2.1.1	Forward Foreign Currency Transactions-Buy		54.407	206.572	260.979	376.370	1.553.799	1.930.169
3.2.1.2	Forward Foreign Currency Transactions-Sell		61.137	200.488	261.625	1.075.488	834.489	1.909.977
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.007.213	1.972.806	2.980.019	1.115.219	1.821.722	2.936.941
3.2.2.1	Foreign Currency Swap-Buy		358.543	1.142.834	1.501.377	750.752	673.567	1.424.319
3.2.2.2	Foreign Currency Swap-Sell		648.670	829.972	1.478.642	264.467	1.148.155	1.412.622
3.2.2.3	Interest Rate Swap-Buy		-	-	-	50.000	-	50.000
3.2.2.4	Interest Rate Swap-Sell		-	-	-	50.000	-	50.000
3.2.3	Foreign Currency, Interest rate and Securities Options		278.519	278.813	557.332	2.998.250	4.367.360	7.365.610
3.2.3.1	Foreign Currency Options-Buy		130.832	148.922	279.754	1.427.670	2.270.681	3.698.351
3.2.3.2	Foreign Currency Options-Sell		147.687	129.891	277.578	1.562.126	2.096.679	3.658.805
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	4.227	-	4.227
3.2.3.6	Securities Options-Sell		-	-	-	4.227	-	4.227
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)**		**31.039.866**	**8.801.182**	**39.841.048**	**16.475.949**	**2.682.056**	**19.158.005**
IV.	**ITEMS HELD IN CUSTODY**		**1.327.551**	**627.049**	**1.954.600**	**1.030.956**	**373.054**	**1.404.010**
4.1	Customer Fund and Portfolio Balances		135.917	-	135.917	127.129	-	127.129
4.2	Investment Securities Held in Custody		718.864	21.282	740.146	683.818	25.436	709.254
4.3	Cheques Received for Collection		195.748	40.493	236.241	198.891	48.519	247.410
4.4	Commercial Notes Received for Collection		34.397	3.590	37.987	21.118	3.025	24.143
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		242.625	561.684	804.309	-	296.074	296.074
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**29.704.422**	**8.174.006**	**37.878.428**	**15.435.319**	**2.308.753**	**17.744.072**
5.1	Marketable Securities		-	1.191	1.191	-	1.091	1.091
5.2	Guarantee Notes		22.911.508	6.706.148	29.617.656	9.906.197	1.860.501	11.766.698
5.3	Commodity		43.017	127.431	170.448	66.367	184.965	251.332
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		6.327.811	1.147.610	7.475.421	5.110.741	217.664	5.328.405
5.6	Other Pledged Items		422.086	191.626	613.712	352.014	44.532	396.546
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**7.893**	**127**	**8.020**	**9.674**	**249**	**9.923**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**34.906.288**	**12.545.600**	**47.451.888**	**24.233.455**	**12.402.396**	**36.635.851**

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

Alternatifbank A.Ş.
Consolidated Financial Statements
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III.	INCOME STATEMENT	Note (Section Five)	1 January – 31 December 2014	1 January – 31 December 2013
	INCOME AND EXPENSE ITEMS			
I.	**INTEREST INCOME**	**IV-a**	**1.115.986**	**803.692**
1.1	Interest on Loans	IV -a-1	876.212	609.238
1.2	Interest Received from Reserve Requirements		223	-
1.3	Interest Received from Banks	IV -a-2	2.246	1.853
1.4	Interest Received from Money Market Transactions		990	850
1.5	Interest Received from Marketable Securities Portfolio	IV -a-3	174.028	177.417
1.5.1	Trading Financial Assets		11.028	21.796
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		43.579	59.568
1.5.4	Held-to-maturity Investments		119.421	96.053
1.6	Financial Lease Income		54.406	7.472
1.7	Other Interest Income		7.881	6.862
II.	**INTEREST EXPENSE**	**IV-b**	**627.752**	**384.744**
2.1	Interest on Deposits		399.660	238.580
2.2	Interest on Funds Borrowed	IV -b-1	78.497	53.052
2.3	Interest Expense on Money Market Transactions		117.878	70.991
2.4	Interest on Securities Issued		26.886	21.017
2.5	Other Interest Expenses		4.831	1.104
III.	**NET INTEREST INCOME (I - II)**		**488.234**	**418.948**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**50.931**	**44.450**
4.1	Fees and Commissions Received		62.823	51.611
4.1.1	Non-cash Loans		27.249	26.958
4.1.2	Other	IV -l	35.574	24.653
4.2	Fees and Commissions Paid		11.892	7.161
4.2.1	Non-cash Loans		637	233
4.2.2	Other	IV -l	11.255	6.928
V.	**DIVIDEND INCOME**	**IV-c**	**197**	**309**
VI.	**TRADING INCOME / LOSS (Net)**	**IV-d**	**(27.480)**	**(6.563)**
6.1	Trading Gains/Losses on Securities		542	(33.996)
6.2	Trading Gains/Losses on Derivative Financial Instruments	IV-e	719	119.142
6.3	Foreign Exchange Gains/Losses		(28.741)	(91.709)
VII.	**OTHER OPERATING INCOME**	**IV-f**	**82.368**	**88.424**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**594.250**	**545.568**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**IV-g**	**137.455**	**192.078**
X.	**OTHER OPERATING EXPENSES (-)**	**IV-h**	**293.547**	**261.803**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**163.248**	**91.687**
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-i**	**163.248**	**91.687**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (±)**	**IV-j**	**26.425**	**20.438**
16.1	Current Tax Provision		32.163	1.297
16.2	Deferred Tax Provision		(5.738)	19.141
XVII.	**NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV± XVI)**		**136.823**	**71.249**
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-k**	**136.823**	**71.249**
23.1	Group's Profit/Loss		136.591	71.267
23.2	Non-controlling interest (-)	IV-m	232	(18)
	Earnings / (Loss) per share in Full TL		0,2328	0,1697

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IV. STATEMENT OF COMPREHENSIVE INCOME

	INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31 December 2014	31 December 2013
I.	**ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS**	**33.132**	**(65.538)**
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**	**-**	**645**
VIII.	**OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS**	**-**	**-**
IX.	**DEFERRED TAX ON VALUATION DIFFERENCES**	**1.538**	**14.130**
X.	**NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)**	**34.670**	**(50.763)**
XI.	**CURRENT PERIOD INCOME/LOSS**	**136.591**	**71.267**
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	10.263	6.270
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	126.328	64.997
XII.	**TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)**	**171.261**	**20.504**

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	31 December 2014	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Shares	Minorty shares	Total Shareholders' Equity
I.	**Prior Period End Balance**		**420.000**	**-**	**98**	**-**	**11.529**	**-**	**77.899**	**-**	**70.526**	**(15.148)**	**9.939**	**-**	**-**	**-**	**-**	**574.843**	**15.831**	**590.674**
	Changes in the Period																			
II.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-	-	-	-	-	**(50.763)**	-	-	-	-	**(50.763)**	-	**(50.763)**
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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share Premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share Cancellation Profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Adjustment to Share Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	-	-	**514**	-	-	-	-	-	**514**	**(7)**	**507**
XVII.	**Net Profit or Loss for the Period**		-	-	-	-	-	-	-	-	**71.267**	-	-	-	-	-	-	**71.267**	**(18)**	**71.249**
XVIII.	**Profit Distribution**		-	-	-	-	**3.636**	-	**41.249**	-	**(70.526)**	**25.480**	-	-	-	-	-	**(161)**	**(5.053)**	**(5.214)**
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(5.053)**	**(5.053)**
18.2	Transfers to Reserves		-	-	-	-	**3.636**	-	**41.249**	-	**(70.526)**	**25.480**	-	-	-	-	-	**(161)**	-	**(161)**
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+II+III+… +XVIII)		**420.000**	**-**	**98**	**-**	**15.165**	**-**	**119.148**	**-**	**71.267**	**10.846**	**(40.824)**	**-**	**-**	**-**	**-**	**595.700**	**10.753**	**606.453**

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

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I. Prior Period End Balance	**420.000**	**-**	**98**	**-**	**15.165**	**-**	**119.148**	**-**	**71.267**	**10.846**	**(40.824)**	**-**	**-**	**-**	**-**	**595.700**	**10.753**	**606.453**
Changes in the Period																		
II. Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	**34.670**	-	-	-	-	**34.670**	-	**34.670**
IV. Hedging Reserves (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation Differences of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of the Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equity of Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase	**200.000**	-	**21**	-	-	-	-	-	-	-	-	-	-	-	-	**200.021**	-	**200.021**
12.1 Cash	200.000	-	21	-	-	-	-	-	-	-	-	-	-	-	-	200.021	-	200.021
12.2 Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	**(3.296)**	-	-	-	-	-	-	-	-	-	-	-	**(3.296)**	-	**(3.296)**
XV. Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.771)	(1.771)
XVII. Current Year Income or Loss	-	-	-	-	-	-	-	-	136.591	-	-	-	-	-	-	136.591	232	136.823
XVIII. Profit Distribution	-	-	-	-	4.887	-	92.862	-	(71.267)	(26.482)	-	-	-	-	-	-	-	-
18.1 Dividend Paid	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves	-	-	-	-	4.887	-	92.862	-	(71.267)	(26.482)	-	-	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+… +XVIII)	**620.000**	**-**	**119**	**(3.296)**	**20.052**	**-**	**212.010**	**-**	**136.591**	**(15.636)**	**(6.154)**	**-**	**-**	**-**	**-**	**963.686**	**9.214**	**972.900**

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

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VI	STATEMENT OF CASH FLOWS	Note (Section Five)	31 December 2014	31 December 2013
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	Operating profit before changes in operating assets and liabilities		992.282	541.560
1.1.1	Interest received		1.233.958	795.864
1.1.2	Interest paid		(631.469)	(368.070)
1.1.3	Dividend received		197	309
1.1.4	Fees and commissions received		62.823	51.611
1.1.5	Other income		15.956	96.908
1.1.6	Collections from previously written-off loans and other receivables		74.450	84.102
1.1.7	Payments to personnel and service suppliers		(159.239)	(146.013)
1.1.8	Taxes paid		(34.381)	(38.344)
1.1.9	Other		429.987	65.193
1.2	Changes in operating assets and liabilities		(2.973.577)	(266.914)
1.2.1	Net (increase)/decrease in trading securities		38.539	(25.586)
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net increase/(decrease) in due from banks		(42.111)	(716.114)
1.2.4	Net (increase)/decrease in loans		(1.743.687)	(1.724.055)
1.2.5	Net (increase)/decrease in other assets		(702.379)	(582.617)
1.2.6	Net (increase)/decrease in bank deposits		(44.691)	148.301
1.2.7	Net increase/(decrease) in other deposits		719.614	650.189
1.2.8	Net increase/(decrease) in funds borrowed		(9.046)	917.708
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase/(decrease) in other liabilities		(1.189.816)	1.065.260
I.	**Net cash provided from banking operations**		**(1.981.295)**	**274.646**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**1.127.026**	**(125.925)**
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		(13.160)	(74.843)
2.4	Disposals of property and equipment		14.848	26.704
2.5	Cash paid for purchase of investments available-for-sale		(235.844)	(8.578.924)
2.6	Cash obtained from sale of investments available-for-sale		345.449	8.994.040
2.7	Cash paid for purchase of investment securities		(220.830)	(757.925)
2.8	Cash obtained from sale of investment securities		1.236.563	265.023
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from financing activities**		**779.040**	**141.573**
3.1	Cash obtained from funds borrowed and securities issued		779.019	391.573
3.2	Cash used for repayment of funds borrowed and securities issued		(200.000)	(250.000)
3.3	Issued capital instruments		200.000	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		-	-
3.6	Other		21	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**(78.724)**	**(147.906)**
V.	**Net increase in cash and cash equivalents (I+II+III+IV)**		**(153.953)**	**142.388**
VI.	**Cash and cash equivalents at beginning of the period**	**VI-a**	**613.234**	**470.846**
VII.	**Cash and cash equivalents at end of the period**	**VI-a**	**459.281**	**613.234**

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

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VII. PROFIT APPROPRIATION STATEMENT(*)	31 December 2014(**)	31 December 2013(**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1. CURRENT YEAR INCOME	156.540	95.651
1.2. TAXES AND DUTIES PAYABLE (-) (****)	26.476	19.376
1.2.1. Corporate Tax (Income tax)	-	-
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and duties (****)	26.476	19.376
A. NET INCOME FOR THE YEAR (1.1-1.2)	**130.064**	**76.275**
1.3. PRIOR YEAR LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVES (-)	-	4.638
1.5. OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)](**)	**130.064**	**71.637**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Preferred Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Share	-	-
1.9.3. To Owners of Preferred Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.10. SECOND LEGAL RESERVES (-)	-	-
1.11. STATUTORY RESERVES (-)	-	-
1.12. EXTRAORDINARY RESERVES	-	71.637
1.13. OTHER RESERVES	-	-
1.14. SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES	**-**	**-**
2.1. APPROPRIATED RESERVES	-	-
2.2. SECOND LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of privileged shares	-	-
2.3.3. To owners of preferred shares	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To holders of profit and loss sharing certificates	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE(*****)		
3.1. TO OWNERS OF ORDINARY SHARES	0,2328	0,1816
3.2. TO OWNERS OF ORDINARY SHARES (%)	23,28	18,16
3.3. TO OWNERS OF PRIVILEGED SHARES	-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PRIVILEGED SHARES	-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial slatements of the Parent Bank.

(**) Profit distribution is decided by the Annual General Meeting. As of this reporting date of the financial statements, the General Assembly has not been held yet.

(***) Statement of profit appropriation related to prior period has approved with General Assembly Decision as of 24 March 2014, after issuance of audited financial statements of 31 December 2013 and this statement is revised accordingly.

(****) As of 31 December 2014, TL 26.476 current and deferred tax expense is not added to profit appropriation statement.

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

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 IFRS except IFRS 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.

II. 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 is aimed to be in line with the maturities of resources of the country to the extent permitted by current conditions.

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

As of 31 December 2014 and 31 December 2013, the Parent Bank does not have any investment in foreign companies.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. 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 31 December 2014.

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 (%) 31 December 2014	Indirect ownership rates (%) 31 December 2014
Alternatif Yatırım A.Ş.	İstanbul / Türkiye	Investment Management	99,99	99,99
Alternatif Yatırım Ortaklığı A.Ş.(*)	İstanbul / Türkiye	Portfolio Management	4,04	74,76
Alternatif Finansal Kiralama A.Ş.	İstanbul / Türkiye	Leasing	99,99	99,99
Alternatif Portföy Yönetimi A.Ş.(*)	İstanbul / Türkiye	Portfolio Management	100,00	-

(*) These companies are in liquidation phase, explanation in detailed is given section five I-h note.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

Group's derivative transactions include foreign currency swap, nterest 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 cash flow hedges or not and to the content of hedge account.

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

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

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

V. 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.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

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.

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)

VII. 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 Bank' balance sheet in all respects. The Bank 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 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.

a. 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:

In the Group's balance sheet securities are grouped under three main headings:

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 Bank. The Bank 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.

However, if fair values cannot be obtained from the fair market transactions, it is assumed that the fair value cannot be measured reliably and that the financial assets are carried at "amortized cost" using the effective interest method. 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)

VII. EXPLANATIONS ON FINANCIAL ASSETS(Continued):

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability other than loans and receivables. After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any. The Bank does not have any financial assets that are previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of incompliance with the principles of financial assets classification.

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

In the last quarter of 2014, The Bank has sold a portion of its securities classified as in held to maturity portfolio before the maturity dates of such securities.

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. Total value of the financial assets that are classified in available for sale portfolio is TL 654.932 as of 31 December 2014.

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:

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 expenditure 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 82.968 with maturity 3 years and TL 88.809 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 9.406 which was calculated for these loans is refered to ' Interest on Loans'.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. 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 Bank 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.

IX. 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.

X. 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)

XI. 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.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

Group has TL 49.467 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)

XIII. 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.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

The Bank does perform financial operations as "Lessee".

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 consolidated balance sheet of the Group. 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. The provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated 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.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION :

a. 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.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. 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.

b. 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".

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 31 December 2014, the Group has unusued investment incentives amounting to TL 103.974.

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.

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.

	31 December 2014	31 December 2013
Group's Profit	136.591	71.267
Weighted Average Number of Issued Ordinary Shares (Thousand)	586.667	420.000
Earnings Per Share (Disclosed in full TL)	**0,2328**	**0,1696**

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 during 2014 (31 December 2013: None).

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 VII. 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 XII. of Section Four.

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SECTION FOUR

EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP

I. INFORMATION ON CAPITAL ADEQUACY RATIO:

a. The standard rate of the capital adequacy of the Group is 13,83%. (31 December 2013: 13,26%)

b. 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)", the "Communiqué on Loan Risk Mitigation Techniques", and the "Communiqué on Risk-Weighted Amounts In Regard To Securitization", which were published in Official Gazette No.28337 dated 28 June 2012, and the "Regulation on the Equities of Banks" which was published in Official Gazette No. 28756 dated 5 September 2013.

c. **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	**2.246.088**	**-**	**309.646**	**1.504.534**	**3.039.403**	**4.532.232**	**55.345**	**111.832**	**-**	**-**
Risk Groups										
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	2.053.949	-	-	104.371	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	-	-	-	-	-	1.476	-	-	-	-
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	-	-	309.646	77.184	-	414	-	-	-	-
Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	4.136.592	-	-	-	-
Contingent and Non-Contingent Retail Receivables	-	-	-	-	3.039.403	15.333	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-	-	1.285.492	-	-	-	-	-	-
Non-Performing Receivables	-	-	-	37.487	-	105.180	10.504	-	-	-
Receivables identified as high risk by the Board	-	-	-	-	-	-	44.841	111.832	-	-
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	192.139	-	-	-	-	273.238	-	-	-	-

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	Risk Weights									
	Consolidated									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at Credit Risk	**2.278.111**	**-**	**309.646**	**1.519.613**	**3.441.114**	**4.663.206**	**72.485**	**111.832**	**-**	**-**
Risk Groups										
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	2.053.949	-	-	104.371	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises	-	-	-	-	-	1.476	-	-	-	-
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	-	-	309.646	88.149	-	412	-	-	-	-
Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	4.406.769	-	-	-	-
Contingent and Non-Contingent Retail Receivables	-	-	-	-	3.441.114	15.333	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-	-	1.289.606	-	-	-	-	-	-
Non-Performing Receivables	-	-	-	37.487	-	105.486	27.645	-	-	-
Receivables identified as high risk by the Board	-	-	-	-	-	-	44.841	111.832	-	-
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	224.162	-	-	-	-	133.730	-	-	-	-

d. Summary information about the capital adequacy ratio:

	The Parent Bank	Consolidated	The Parent Bank	Consolidated
	31 December 2014	31 December 2014	31 December 2013	31 December 2013
Capital Requirement for Credit Risk (Main Amount related with Credit Risk*0,08) (CRCR)	634.613	671.854	556.859	591.934
Capital Requirement for Market Risk (CRMR)	1.367	2.423	11.695	17.525
Capital Requirement for Operational Risk (CROR)	59.168	62.442	46.564	48.689
Shareholders Equity	1.312.808	1.273.599	1.132.193	1.091.237
Shareholders Equity/((CRCR+CRMR+CROR) *12,5*100)	**15,11%**	**13,83%**	**14,72%**	**13,26%**
Core Capital/((CRCR+CRMR+CROR) *12,5*100)	**10,63%**	**9,61%**	**-**	**-**
Tier I Capital/((CRCR+CRMR+CROR) *12,5*100)	**10,82%**	**10,25%**	**-**	**-**

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

e. Information about the shareholders' equity items:

	31 December 2014
TIER 1 CAPITAL	**944.372**
Paid-in Capital to be Entitled for Compensation after All Creditors	620.000
Share Premium	119
Share Cancellation Profits	(3.296)
Legal Reserves	232.062
Other Comprehensive Income according to TAS	-
Profit	120.955
Net Current Period Profit	136.591
Prior Period Profit	(15.636)
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period‟s Profit	-
Minority shares	9.214
Tier I Capital Before Deductions	**979.054**
Deductions From Tier I Capital	**34.682**
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	6.154
Leasehold Improvements on Operational Leases (-)	13.401
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	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 Tier 1 capital	**34.682**
Tier 1 capital	**944.372**

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

e. Information about the shareholders' equity items (Continued):

ADDITIONAL CORE CAPITAL	-
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions from Additional Core 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 Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	**59.646**
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 (-)	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 Core Capital	**884.726**
TIER II CAPITAL	**391.999**
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	329.141
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	**62.858**
Tier II Capital before Deductions	**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	**391.999**

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

e. Information about the shareholders' equity items (Continued):

CAPITAL	**1.276.725**
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 (-)	3.1
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	26
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	**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	-

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

e. Information about the shareholders' equity items (Continued):

	31 December 2013
CORE CAPITAL	
Paid-in capital	420.000
Nominal capital	420.000
Capital commitments (-)	-
Paid-in Capital Indexation Difference	-
Share Premium	98
Share cancellation profits	-
Legal reserves	15.165
Extraordinary reserves	119.148
Indexation differences of legal reserves	-
Profit	82.113
Current period profit	71.267
Prior years' profits	10.846
Provision for possible losses up to 25 % of the Core Capital	-
Gains on sale of associates and subsidiaries and properties to be added to capital	-
Primary subordinated loans up to 15 % of the Core Capital (1)	-
Minority Shares	10.753
Losses that cannot be covered by reserves (-)	-
Net current period loss	-
Prior years' losses	-
Leasehold improvements (-)	14.336
Intangible assets (-)	23.533
Deferred tax asset exceeding 10 % of the Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
Goodwill	49.647
Total Core Capital	**559.761**

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

e. Information about the shareholders' equity items: (Continued)

SUPPLEMENTARY CAPITAL	31 December 2013
General provisions	74.582
45% of the movables revaluation fund	-
45% of the immovables revaluation fund	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-
Primary subordinated loans that are not considered in the calculation of core capital	200.000
Secondary subordinated loans	300.434
45% of marketable securities valuation reserve	(40.824)
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (Except inflation adjustment of legal reserves, status reserves and extraordinary reserves)	-
Minority interests	-
Total Supplementary Capital	**534.192**
TIER III CAPITAL	**1.093.953**
DEDUCTIONS FROM THE CAPITAL	**2.716**
Shares in unconsolidated banks and financial institutions	-
The secondary subordinated loans extended to banks, financial institutions (domestic or foreign) or significant shareholders of the bank and the debt instruments of a primary or secondary subordinated loan nature purchased from them	-
Shares of banks and financial institutions final equity method applied but assets and liabilities are not consolidated	-
Loans extended as contradictory to the articles 50 and 51 of the Law	-
The net book value of bank's immovables that are over 50% of shareholders' equity and immovables or commodities that are received on behalf of the receivables from customers and are to be disposed of according to banking law article 57 as they have been held for more than five years from the acquisition date	2.680
Securitization Positions Deducted from Equity	-
Other	36
TOTAL SHAREHOLDERS' EQUITY	**1.091.237**

EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

f. 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.

II. EXPLANATIONS ON CREDIT RISK

The sectoral concentrations for loans are monitored closely in accordance with the Group's loan policy. During the meetings held every three months, overall Group's risk is monitored by analyzing sectoral concentration and the risk concentration for each sector is not allowed to exceed 20%.

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 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.

Recovered non-cash loans are placed in the same risk weight as the overdue loans.

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.

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

II. EXPLANATIONS ON CREDIT RISK(Continued)

The accumulation of the Bank's highest 100 cash loan clients is 25,62% (31 December 2013: 26,98%) of the overall cash loans.

The accumulation of the Bank's highest 100 non-cash loan clients is 33,88% (31 December 2013: 45,66%) of the overall non-cash loans.

The accumulation cash and non-cash receivables of the Bank's highest 100 loan clients are 5,03% (31 December 2013: 25,63%) of the overall balance sheet and off balance sheet items.

As of 31 December 2014, general loan loss provision is to TL 62.858 (31 December 2013: TL 74.582).

Risk Group	**Current Period Risk Amount(1)**	**Average Risk Amount(2)**
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	2.158.320	2.664.329
Contingent and Non-Contingent Receivables from regional governments or local authorities	-	-
Contingent and Non-Contingent Receivables from administrative units and non-commercial enterprises	1.476	1.484
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	408.099	423.232
Contingent and Non-Contingent Corporate Receivables	4.794.956	4.432.066
Contingent and Non-Contingent Retail Receivables	3.504.106	3.399.999
Contingent and Non-Contingent Receivables Secured by Residential Property	1.300.595	1.300.732
Non-Performing Receivables	171.630	156.056
Receivables identified as high risk by the Board	160.439	163.531
Secured by mortgages	-	-
Securitization positions	-	-
Short-term receivables frorn banks, brokerage houses and corporates	-	-
Investrnents similar to collective investrnent funds	-	-
Other Receivables	357.892	363.325
Total	**12.857.513**	**12.904.754**

(1) Includes the Risk amounts after credit conversion.
(2) Average risk amounts are calculated by the arithmetic average of the 2014 risk amounts.

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

II. EXPLANATIONS ON CREDIT RISK(Continued)

a. Information on types of loans and specific provisions:

31 December 2014	Corporate	SME	Consumer	Credit Cards	Total
Standard Loans	3.319.484	3.684.223	280.935	256.263	7.540.905
Loans under close monitoring	32.605	95.696	43.835	14.869	187.005
Non-performing loans	153.013	258.402	20.820	8.638	440.873
Specific provision (-)	(102.740)	(148.966)	(13.126)	(4.411)	(269.243)
Total	**3.402.362**	**3.889.355**	**332.464**	**275.359**	**7.899.540**

31 December 2013	Corporate	SME	Consumer	Credit Cards	Total
Standard Loans	3.344.612	2.409.476	292.686	74.603	6.121.377
Loans under close monitoring	116.996	75.491	27.114	1.921	221.522
Non-performing loans	89.990	176.480	13.373	1.208	281.051
Specific provision (-)	(73.022)	(98.345)	(10.381)	(1.208)	(182.956)
Total	**3.478.576**	**2.563.102**	**322.792**	**76.524**	**6.440.994**

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

31 December 2014	Corporate	SME	Consumer	Credit Cards	Total
Past due up to 30 days	189.983	304.276	111.326	32.339	637.924
Past due 30-60 days	16.743	54.530	27.189	9.133	107.595
Past due 60-90 days	15.862	41.164	16.646	5.736	79.408
Total	**222.588**	**399.970**	**155.161**	**47.208**	**824.927**

31 December 2013	Corporate	SME	Consumer	Credit Cards	Total
Past due up to 30 days	390.302	333.674	104.867	13.941	842.784
Past due 30-60 days	70.100	33.832	17.494	1.112	122.538
Past due 60-90 days	46.894	41.660	9.620	809	98.983
Total	**507.296**	**409.166**	**131.981**	**15.862**	**1.064.305**

c. Information on debt securities, treasury bills and other bills:

31 December 2014 Fitch's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
BBB- (*)	1.755	895.945	-	897.700
Total	**1.755**	**895.945**	**-**	**897.700**

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

31 December 2013 Fitch's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
BB+ (*)	4.736	350.620	1.507.142	1.862.498
Total	**4.736**	**350.620**	**1.507.142**	**1.862.498**

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

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EXPLANATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued)

d. Information on rating concentration:

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

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

	31 December 2014	31 December 2013
High (A,B)	73,52%	57,04%
Standard (C)	17,64%	34,88%
Substandard (D)	4,54%	3,84%
Impared (E)	0,35%	0,46%
Not rated	3,95%	3,78%

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

31 December 2014	Corporate	SME	Consumer	Credit Cards	Total
Loans under close monitoring	23.949	91.559	54.372	9.084	178.964
Non-performing loans	75.063	151.046	6.584	2.082	234.775
Total	**99.012**	**242.605**	**60.956**	**11.166**	**413.739**

31 December 2013	Corporate	SME	Consumer	Credit Cards	Total
Loans under close monitoring	101.101	149.375	36.631	1.795	288.902
Non-performing loans	40.663	190.133	12.072	-	242.868
Total	**141.764**	**339.508**	**48.703**	**1.795**	**531.770**

Type of Collaterals	31 December 2014	31 December 2013
Real-estate mortgage	393.816	472.970
Vehicle Pledge	12.464	6.697
Cash and cash equivalents	1.878	3.406
Other	5.581	29.707
Total	**413.739**	**512.780**

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

f. Risk profile according to the geographical concentration :

	Risk Categories (*)									
	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	**Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises**	**Contingent and Non-Contingent Receivables from Banks and Intermediaries**	**Contingent and Non-Contingent Corporate Receivables**	**Contingent and Non-Contingent Retail Receivables**	**Contingent and Non-Contingent Receivables Secured by Residential Property**	**Non-Performing Receivables**	**Receivables identified as high risk by the Board**	**Other receivables**	**Total**
31 December 2014										
Domestic	2.158.320	1.476	370.565	4.716.186	3.503.925	1.289.958	171.630	160.439	-	12.372.489
EU Countries	-	-	19.420	45.587	121	10.637	-	-	-	75.765
OECD Countries (**)	-	-	1.270	-	-	-	-	-	-	1.270
Off-Shore Banking Regions	-	-		-	-	-	-	-	-	-
USA, Canada	-	-	13.986	-	-	-	-	-	-	13.986
Other Countries	-	-	2.858	33.183	60	-	-	-	-	36.101
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-
Unallocated Assets Liabilities(***)	-	-	-	-	-	-	-	-	357.892	357.892
Total	**2.158.320**	**1.476**	**408.099**	**4.794.956**	**3.504.106**	**1.300.595**	**171.630**	**160.439**	**357.892**	**12.857.513**

(*) Risk categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) OECD countries other than EU countries, USA and Canada.
(***) Assets and liabilities are not allocated on a consistent basis.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

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

	Risk Categories (*)									
	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	**Contingent and Non-Contingent Receivables from Administrative Units and Non-Commercial Enterprises**	**Contingent and Non-Contingent Receivables from Banks and Intermediaries**	**Contingent and Non-Contingent Corporate Receivables**	**Contingent and Non-Contingent Retail Receivables**	**Contingent and Non-Contingent Receivables Secured by Residential Property**	**Non-Performing Receivables**	**Receivables identified as high risk by the Board**	**Other receivables**	**Total**
31 December 2013										
Domestic	2.887.403	1.662	736.488	4.380.462	2.687.059	980.092	145.805	102.807	-	11.921.778
EU Countries	-	-	19.196	48.535	76	-	-	-	-	67.807
OECD Countries (**)	-	-	738	-	-	-	-	-	-	738
Off-Shore Banking Regions	-	-		-	-	-	-	-	-	-
USA, Canada	-	-	13.933	-	-	-	-	-	-	13.933
Other Countries	-	-	4.482	-	-	-	-	-	-	4.482
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-
Unallocated Assets Liabilities(***)	-	-		-	-	-	-	-	347.702	347.702
Total	**2.887.403**	**1.662**	**774.837**	**4.428.997**	**2.687.135**	**980.092**	**145.805**	**102.807**	**347.702**	**12.356.440**

(*) Risk categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) OECD countries other than EU countries, USA and Canada.
(***) Assets and liabilities are not allocated on a consistent basis

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

g. Risk profile by Sectors or Counterparties:

	Risk Categories (*)											
Sectors/Counterparties	1	2	3	4	5	6	7	8	9	TL	FC	Total
Agriculture	-	-	-	101.965	133.457	20.959	15.899	-	-	212.261	60.019	272.280
Farming and Stockbreeding	-	-	-	87.292	125.621	20.179	15.839	-	-	196.964	51.967	248.931
Forestry	-	-	-	6.530	772	736	60	-	-	4.650	3.448	8.098
Fishery	-	-	-	8.143	7.064	44	-	-	-	10.646	4.604	15.251
Manufacturing	-	3	-	1.825.714	1.126.364	271.365	43.146	-	-	1.836.872	1.429.720	3.266.592
Mining and Quarrying	-	-	-	213.501	82.075	24.992	3.183	-	-	136.089	187.662	323.751
Production	-	3	-	1.172.277	1.038.425	234.076	39.436	-	-	1.440.217	1.044.000	2.484.217
Electricity, Gas and Water	-	-	-	439.936	5.864	12.297	527	-	-	260.566	198.058	458.624
Construction	-	-	-	868.635	456.006	281.551	32.818	-	-	959.479	679.531	1.639.010
Services	-	983	408.099	1.731.380	1.398.017	483.656	61.489	-	-	2.569.533	1.514.071	4.083.624
Wholesale and Retail Trade	-	2	-	662.420	997.727	250.991	39.739	-	-	1.433.391	517.488	1.950.879
Hotel, Food and Beverage services	-	-	-	106.832	31.582	57.852	698	-	-	59.426	137.538	196.964
Transportation and Telecom	-	22	-	288.971	149.471	49.031	8.407	-	-	320.000	175.902	495.902
Financial Institutions	-	-	408.099	188.558	11.871	1.038	59	-	-	320.918	288.697	609.625
Real Estate and Rental Services	-	-	-	57.403	21.413	9.470	290	-	-	40.583	47.993	88.576
Self-employment Services	-	-	-	395.737	166.370	107.552	8.928	-	-	348.059	330.528	678.587
Educational Services	-	1	-	3.314	2.031	521	3	-	-	4.180	1.690	5.870
Health and Social Services	-	958	-	28.145	17.552	7.201	3.365	-	-	42.986	14.235	57.221
Other	2.158.320	490	-	267.262	390.262	243.064	18.278	160.439	357.892	2.323.550	1.272.457	3.596.007
TOTAL	**2.158.320**	**1.476**	**408.099**	**4.794.956**	**3.504.106**	**1.300.595**	**171.630**	**160.439**	**357.892**	**7.901.715**	**4.955.798**	**12.857.513**

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

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

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

Risk classifications	Term To Maturity (*) 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	103	-	386.105	15.059	494.678
Contingent and Non-Contingent Receivables from regional governments or local authorities	-	-	-	-	-
Contingent and Non-Contingent Receivables from administrative units and non-commercial enterprises	27	-	426	424	598
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	295.725	33.751	44.505	32.509	1.611
Contingent and Non-Contingent Corporate Receivables	596.848	493.516	982.300	1.113.530	1.608.762
Contingent and Non-Contingent Retail Receivables	295.090	652.709	743.190	966.279	846.838
Contingent and Non-Contingent Receivables Secured by Residential Property	71.094	145.007	189.312	252.780	642.402
Non-Performing Receivables	-	-	-	-	171.800
Receivables identified as high risk by the Board	-	-	-	-	160.439
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables frorn banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investrnent funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
TOTAL	**1.258.887**	**1.324.983**	**2.345.838**	**2.380.581**	**3.927.128**

(*)Risk amounting to TL 1.620.267 is on demand and not showed on the table above.

i. Exposures by risk weights:

	Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1	Amount before Credit Risk Mitigation	2.278.111	-	319.537	1.531.784	3.488.772	5.051.396	73.929	114.154	-	-	3.128
2	Amount after Credit Risk Mitigation	2.278.111	-	309.646	1.519.613	3.441.114	4.663.206	72.485	111.832	-	-	3.128

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

j. Information of major sectors or type of counterparties

		Loans			
	Major Sectors / Counterparties	**Impaired Loans**	**Past Due Loans**	**Other Adjustments**	**Provisions**
1	**Agriculture**	**4.759**	**35.857**	**-**	**19.798**
1.1	Farming and Stockbreeding	4.759	35.710	-	19.732
1.2	Forestry	-	104	-	44
1.3	Fishery	-	43	-	22
2	**Manufacturing**	**44.452**	**115.165**	**-**	**70.685**
2.1	Mining and Quarrying	3.386	8.187	-	4.860
2.2	Production	40.979	105.716	-	65.089
2.3	Electricity, Gas and Water	87	1.262	-	736
3	**Construction**	**20.819**	**75.631**	**-**	**42.356**
4	**Services**	**63.384**	**168.904**	**-**	**104.258**
4.1	Wholesale and Retail Trade	39.059	94.753	-	52.841
4.2	Accommodation and Dining	1.963	3.343	-	2.645
4.3	Transportation and Telecom	7.741	41.671	-	33.180
4.4	Financial Institutions	356	732	-	382
4.5	Real Estate and Rental Services	1.155	2.967	-	2.602
4.6	Professional Services	12.385	17.616	-	8.586
4.7	Educational Services	-	35	-	32
4.8	Health and Social Services	725	7.787	-	3.990
5	**Other**	**53.591**	**45.316**	**-**	**32.146**
	Total	**187.005**	**440.873**	**-**	**269.243**

k. Information related with Value Adjustments and Change in Provisions:

		Opening Balance	**Charge of the period**	**Provision Cancelations**	**Other Adjustments**	**Closing Balance**
1	Specific Provisions	182.956	117.216	(30.929)	-	269.243
2	General Provisions	74.582	46.766	(58.490)	-	62.858

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

III. EXPLANATIONS ON MARKET RISK:

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" dated 28 June 2012 on Official Newspaper no 28337.

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 Active Passive Committee every two weeks and to upper management and Management and Early Detection of Risk Committee every three months. VaR model is tested on a backward basis to ensure reliability. In order to limit market risk, in addition to VaR and nominal position limits, there are stop loss limits on trading portfolio that are approved by the board of directors.

a. Information on Market Risk:

	31 December 2014	31 December 2013
(I) Capital Requirement against General Market Risk – Standard Method	498	4.661
(II) Capital Requirement against Specific Risk – Standard Method	999	1.451
Capital Requirement for Specific Risk Related to Securitization Positions-Standard Method	-	-
(III) Capital Requirement against Currency Risk – Standard Method	566	3.774
(IV) Capital Requirement against Commodity Risk – Standard Method	-	-
(V) Capital Requirement against Exchange Risk – Standard Method	-	-
(VI) Capital Requirement against Market Risk of Options – Standard Method	-	-
(VII) Capital Requirement against Counterparty Credit Risk-Standard Method	360	4.364
(VIII) Capital Requirement against Market Risks of Banks Applying Risk Measurement Models	-	3.275
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	2.423	17.525
(X) Amount Subject to Market Risk (12,5xVIII) or (12,5xIX)	**30.288**	**219.063**

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

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

	31 December 2014		
	Average	**Maximum**	**Minimum**
Interest Rate Risk	3.404	7.388	1.378
Common Stock Risk	-	-	-
Currency Risk	1.462	3.592	221
Commodity Risk	-	-	-
Exchange Risk	-	-	-
Option Risk	261	658	10
Counterparty Credit Risk	1.187	4.137	360
Total Amount Subject to Risk	**104.676**	**244.501**	**30.288**

c. Information on Counterparty Credit Risk:

In order to calculate the counterparty credit risk "Calculating Fair Value" (Annex 2) of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," published in 28 June 2012 is taken into consideration. In accordance with the before-mentioned method, potential credit risk value is calculated and added to the renewal costs of the agreements with positive values.

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

d. Quantitative Information on Counterparty Risk:

	31 December 2014
Interest Rate Contracts	417.338
Foreign Exchange Rate Contracts	642.828
Commodity Contracts	-
Equity Shares Related Contracts	-
Other	-
Gross Positive Fair Values	53.152
Netting Benefits	-
Net Current Exposure Amount	-
Collaterals Received	9.959
Net Derivative Position	43.193

IV. EXPLANATIONS ON OPERATIONAL RISK:

The Parent Bank calculated the operational risk using the "Basic Indicator Method". Amount subject to Operational Risk is calculated once a year in accordance with the "Regulation for Measuring and Evaluating Capital Adequacy of Banks" published in 28 June 2012 Official Gazette No.28337 using the gross income balances of last three years; 2013, 2012 and 2011 respectively. The risk amount calculated using the Capital Adequcy Standard Ratio indicated in the disclosure I of the Section Four amounts to TL 780.525.

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

	2 PT Amount	1 PT Amount	CT Amount	Total/ Positive Year	Ratio (%)	Total
Gross Income	282.153	489.070	477.615	416.280	15	62.442
Amount subject to Operational Risk (Total*12,5)						780.525

V. EXPLANATIONS ON CURRENCY RISK:

The difference between the Group'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).

Parent Bank keeps the amount at currency risk within the legal limits and monitors the foreign currency positions daily/momentarily. Even though the 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	EUR
Rate used:	**TL 2,3269**	**TL 2,8272**
31 December 2014 Bid Rate	TL 2,3269	TL 2,8272
30 December 2014 Bid Rate	TL 2,3189	TL 2,8207
29 December 2014 Bid Rate	TL 2,3235	TL 2,8339
26 December 2014 Bid Rate	TL 2,3182	TL 2,8255
25 December 2014 Bid Rate	TL 2,3177	TL 2,8368

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

USD : TL 2,2927
EUR : TL 2,8249

As of 31 December 2013;

	USD	EUR
Rate Used:	**TL 2,1304**	**TL 2,9344**

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

V. EXPLANATIONS ON CURRENCY RISK(Continued):

a. Information on currency risk of the Group:

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

	EURO	USD	Other FC	Total
31 December 2014				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	39.121	922.006	231.632	1.192.759
Banks	2.515	28.920	1.999	33.434
Financial Assets at Fair Value Through Profit and Loss [(1)]	12	5.251	-	5.263
Money Market Placements	-	-	-	-
Financial Assets Available-For-Sale	-	104.371	-	104.371
Loans [(2)]	717.191	2.345.667	919	3.063.777
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-Maturity Investments	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets [(1) (3)]	260.660	217.906	-	478.566
Total Assets	**1.019.499**	**3.624.121**	**234.550**	**4.878.170**
Liabilities				
Bank Deposits	29	187.316	-	187.345
Foreign Currency Deposits	260.811	1.245.205	19.064	1.525.080
Money Market Funds	-	82.101	-	82.101
Funds Borrowed From Other Financial Institutions	820.950	1.906.413	916	2.728.279
Marketable Securities Issued	-	586.742	-	586.742
Miscellaneous Payables	24.194	58.299	256	82.749
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-
Other Liabilities [(3)]	5.385	5.977	22	11.384
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**
31 December 2013				
Total Assets	1.318.323	2.400.692	127.659	3.846.674
Total Liabilities	1.328.027	2.882.601	20.893	4.231.521
Net Balance Sheet Position	**(9.704)**	**(481.909)**	**106.766**	**(384.847)**
Net Off balance Sheet Position	**14.222**	**480.823**	**(86.973)**	**408.072**
Financial Derivative Assets	1.535.022	2.865.661	125.069	4.525.752
Financial Derivative Liabilities	1.520.800	2.384.838	212.042	4.117.680
Non-Cash Loans [(4)]	**330.632**	**688.569**	**18.385**	**1.037.586**

(1) Accruals of derivative assets held for trading amounting to TL 10.708 (31 December 2013: TL 64.064) have been deducted from fair value through profit and loss line. Accruals of spot transaction amounting to TL 1 (31 December 2013: TL 405) have been deducted from other assets.

(2) FC indexed loans amounting to TL 1.028.110 and accruals (31 December 2013: TL 1.000.744) are shown in loans.

(3) Accruals of derivative liabilities held for trading amounting to TL 8.201 (31 December 2013: TL 1.728) and marketable securities impairment amounting to TL 7 (31 December 2013: None) have been deducted from other liabilities.

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

(5) TL 462.577 are shown in other asset line (31 December 2013: TL 372.577)

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

V. EXPLANATIONS ON CURRENCY RISK(Continued):

Information on currency risk of the Bank:

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) as of 31 December 2014 and 2013.

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

	31 December 2014		31 December 2013	
	Income statement	Equity	Income statement	Equity
Usd	1.602	1.602	(109)	109
Eur	(186)	(186)	452	452
Other	32	32	1.991	1.991
Total, net	**1.448**	**1.448**	**2.322**	**2.552**

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) as of 31 December 2014 and 2013.

	31 December 2014		31 December 2013	
	Income statement	Equity	Income statement	Equity
Usd	(1.602)	(1.602)	109	(109)
Eur	186	186	(452)	(452)
Other	(32)	(32)	(1.991)	(1.991)
Total, net	**(1.448)**	**(1.448)**	**(2.322)**	**(2.552)**

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

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 year.

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:

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 [(1) (3)]	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 [(2)]	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**

(1) 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.

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

(3) Leasing receivables are classified to other assets.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

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

31 December 2013	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	-	-	-	-	-	1.244.321	**1.244.321**
Banks	293.173	-	-	-	-	24.213	**317.386**
Financial Assets at Fair Value Through Profit and Loss	38.432	46.852	80.995	41.700	1.092	17.921	**226.992**
Money Market Placements	2.488	-	-	-	-	-	**2.488**
Financial Assets Available-for-Sale	5.171	121.486	223.962	-	-	162	**350.781**
Loans	3.089.436	459.551	1.398.195	1.108.346	287.371	98.095	**6.440.994**
Held-to-Maturity Investments	321.893	820.218	365.031	-	-	-	**1.507.142**
Other Assets (1)	37.095	36.792	158.836	285.574	-	381.491	**899.788**
Total Assets	**3.787.688**	**1.484.899**	**2.227.019**	**1.435.620**	**288.463**	**1.766.203**	**10.989.892**
Liabilities							
Bank Deposits	38.931	178.194	-	-	-	16.058	**233.183**
Other Deposits	3.375.152	807.364	163.578	11.825	-	389.523	**4.747.442**
Money Market Funds	1.690.200	-	-	-	-	-	**1.690.200**
Miscellaneous Payables	-	-	-	-	-	365.531	**365.531**
Marketable Securities Issued	-	246.828	-	42.251	-	-	**289.079**
Funds Borrowed From Other Financial Institutions	328.904	511.774	1.375.016	147.015	315.544	-	**2.678.253**
Other Liabilities and Shareholders' Equity (2)	24.172	28.198	52.595	-	-	881.239	**986.204**
Total Liabilities	**5.457.359**	**1.772.358**	**1.591.189**	**201.091**	**315.544**	**1.652.351**	**10.989.892**
Balance Sheet Long Position	**-**	**-**	**635.830**	**1.234.529**	**-**	**113.852**	**1.984.211**
Balance Sheet Short Position	**(1.669.671)**	**(287.459)**	**-**	**-**	**(27.081)**	**-**	**(1.984.211)**
Off-balance Sheet Long Position	58.071	33.823	81.738	4.926	-	-	**178.558**
Off-balance Sheet Short Position	-	-	-	-	-	-	**-**
Total Position	**(1.611.600)**	**(253.636)**	**717.568**	**1.239.455**	**(27.081)**	**113.852**	**178.559**

(1) 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.

(2) Taxes payable, charges, duties and premiums, provisions and shareholders' equity are classified as non-interest bearing liabilities.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

b. Average interest rates for monetary financial instruments:

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

31 December 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	0,50	0,15	-	11,03
Financial Assets at Fair Value Through Profit and Loss	5,24	3,61	-	6,55
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	4,13	-	8,81
Loans	4,54	4,95	-	14,37
Held-to-maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	1,82	-	-
Other Deposits	2,04	2,37	-	10,40
Money Market Funds	-	0,79	-	7,45
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3,13	-	9,48
Funds Borrowed From Other Financial Institutions	2,59	2,87	-	6,97

31 December 2013	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	0,35	0,21	-	7,72
Financial Assets at Fair Value Through Profit and Loss	3,76	5,20	-	7,43
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	4,39	-	7,65
Loans	4,96	5,28	-	12,87
Held-to-maturity Investments	-	-	-	8,34
Liabilities				
Bank Deposits	0,40	1,51	-	-
Other Deposits	2,99	2,95	-	9,22
Money Market Funds	-	0,64	-	6,20
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	14,07
Funds Borrowed From Other Financial Institutions	2,85	3,21	-	5,54

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c. 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 in.

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.

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. 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)%**

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

c. Interest rate risk arising from banking accounts(Continued):

31 December 2013	**Applied Shock (+/- x basis point)**	**Earnings/ Losses**	**Gains/ Equity-Losses/ Equity**
Currency			
1. TL	(+) 500bp	(114.322)	(10,10)%
2. TL	(-) 400bp	115.667	10,22%
3. USD	(+) 200bp	(1.041)	(0,09)%
4. USD	(-) 200bp	1.026	0,09%
5. EUR	(+) 200bp	2.472	0,22%
6. EUR	(-) 200bp	4.079	0,36%
Total (For Negative Shocks)		**120.772**	**10,67%**
Total (For Positive Shocks)		**(112.891)**	**(9,97)%**

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.

VII. 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 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, settlement and custody bank and inter-bank market.

The Bank's main source of funding is customer deposits. As of 31 December 2014 there are additional available funding sources like the Bank's USD 189.500 and EUR 114.000 syndication borrowings. These resources are mainly utilized in commercial loans to customers. Risk ratings of the borrowers are used for credit maturities.

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.

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued):

31 December 2014	First Maturity Period		Second Maturity Period		Stock Values
	FC	FC + TL	FC	FC + TL	FC + TL
Average (%)	291,35	167,89	182,94	124,12	17,65
Maximum (%)	547,9	285,13	274,58	161,49	20,82
Minimum (%)	120,87	121,76	112,96	107,03	15,16

31 December 2013	First Maturity Period		Second Maturity Period		Stock Values
	FC	FC + TL	FC	FC + TL	FC + TL
Average (%)	138,29	142,13	121,05	118,44	16,37
Maximum (%)	251,82	212,46	159,39	127,44	13,27
Minimum (%)	105,17	122,50	96,25	107,91	19,97

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 (1),(2)	Total
31 December 2014								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	223.918	1.134.326	-	-	-	-	-	1.358.244
Due From Banks	11.079	94.136	-	-	-	-	-	105.215
Financial Assets at Fair Value Through Profit and Loss	1.547	27.005	10.805	30.716	3.065	1.059	-	74.197
Money Market Placements	-	6.774	-	-	-	-	-	6.774
Financial Assets Available-for-Sale	-	103	-	401.160	66.188	428.494	163	896.108
Loans	-	1.070.118	947.841	3.466.115	1.838.391	405.445	171.630	7.899.540
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (1) (3)	408	103.464	58.046	187.216	356.186	42.341	259.928	1.007.589
Total Assets	**236.952**	**2.435.926**	**1.016.692**	**4.085.207**	**2.263.830**	**877.339**	**431.721**	**11.347.667**
Liabilities								
Bank Deposits	601	-	189.076	-	-	-	-	189.677
Other Deposits	423.602	3.560.213	1.400.834	76.828	1.417	-	-	5.462.894
Funds Borrowed From Other Financial Institutions	-	142.609	248.242	1.694.705	450.018	329.825	-	2.865.399
Money Market Funds	-	445.487	-	-	-	-	-	445.487
Marketable Securities Issued	-	42.203	145.193	93.959	586.743	-	-	868.098
Miscellaneous Payables	-	9.070	-	-	-	-	222.128	231.198
Other Liabilities (2)	1.717	164.012	15.711	4.806	-	-	1.098.668	1.284.914
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)**	**-**
31 December 2013								
Total Assets	1.287.101	1.683.140	1.045.339	3.266.101	2.593.095	744.319	370.797	10.989.892
Total Liabilities	405.581	5.438.350	1.553.023	1.771.540	399.471	315.544	1.106.383	10.989.892
Liquidity Gap	**881.520**	**(3.755.211)**	**(507.684)**	**1.494.561**	**2.193.624**	**428.775**	**(735.586)**	**-**

(1) 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.

(2) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

(3) Leasing receivables are classified to other assets.

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Financial liabilities according to their remaining maturities:

31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Liabilities						
Bank deposits	601	-	188.344	-	-	188.945
Other deposits	1.068.227	4.184.951	230.612	31.484	-	5.515.274
Funds Borrowed From Other Financial Institutions	31.689	172.827	1.879.686	477.849	397.022	2.959.073
Money market funds	320.145	43.314	82.088	-	-	445.547
Marketable Securities Issued	-	-	298.959	-	581.725	880.684
Total	**1.420.662**	**4.401.092**	**2.679.689**	**509.333**	**978.747**	**9.989.523**

31 December 2013	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Liabilities						
Bank deposits	54.990	178.595	-	-	-	233.585
Other deposits	3.571.592	1.034.613	173.518	28.191	-	4.807.914
Funds Borrowed From Other Financial Institutions	102.406	344.577	1.502.226	395.397	433.042	2.777.648
Money market funds	1.683.387	-	-	-	-	1.683.387
Marketable Securities Issued	-	-	254.219	50.000	-	304.219
Total	**5.412.375**	**1.557.785**	**1.929.963**	**473.588**	**433.042**	**9.806.753**

Contractual maturity analysis of the Group's derivative instruments:

Current Period	Up to 1 month	1-3 month	3-12 month	1-5 Year	More than 5 year	Total
Net Paid						
Forward foreign currency transactions-sell	156.981	83.702	20.942	-	-	261.625
Foreign currency swap sell	759.427	194.530	39.906	484.779	-	1.478.642
Interest rate swaps-sell	-	-	-	-	-	-
Total	**916.408**	**278.232**	**60.848**	**484.779**	**-**	**1.740.267**

Prior Period	Upto 1 month	1-3 month	3-12 month	1-5 Year	More than 5 year	Total
Net Paid						
Forward foreign currency transactions-sell	1.192.742	391.375	325.860	-	-	1.909.977
Foreign currency swap sell	663.796	377837	343.960	27.029	-	1.412.622
Interest rate swaps-sell	-	-	50.000	-	-	50.000
Total	**1.856.538**	**769.212**	**719.820**	**27.029**	**-**	**3.372.599**

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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.

If the guarantees maturity is less than the receivables maturity, generated maturity inconsistency the volatility adjusted value of the collateral value is taken into account.

Collaterals in terms of Risk Categories:

<u>**31 December 2014**</u>

	Risk Group	Amount	Financial Guarantees (1)	Other Material Guarantees	Guarantees and Loan Derivatives
1	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	2.158.320	-	-	-
2	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	1.476	-	-	-
3	Contingent and Non-Contingent Receivables from Banks and Intermediaries	408.103	9.896	-	-
4	Contingent and Non-Contingent Corporate Receivables	4.794.956	322.330	-	-
5	Contingent and Non-Contingent Retail Receivables	3.504.106	55.709	-	-
6	Contingent and Non-Contingent Receivables Secured by Residential Property	1.300.595	11.138	-	-
7	Non-Performing Receivables	171.800	1.182	-	-
8	Receivables identified as high risk by the Board	160.439	3.766	-	-
9	Other Receivables	357.892	-	-	-
	Total	**12.857.687**	**404.021**	**-**	**-**

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

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Collaterals in terms of Risk Categories (Continued):

31 December 2013

	Risk Group	Amount	Financial Guarantees	Other Material Guarantees	Guarantees and Loan Derivatives
1	Contingent and Non-Contingent Receivables from Central Governments or Central Banks	2.887.403	-	-	-
2	Contingent and Non-Contingent Receivables from Regional Government or Domestic Government	1.662	-	-	-
3	Contingent and Non-Contingent Receivables from Banks and Intermediaries	774.837	-	-	-
4	Contingent and Non-Contingent Corporate Receivables	4.428.997	290.079	-	-
5	Contingent and Non-Contingent Retail Receivables	2.687.135	41.117	-	-
6	Contingent and Non-Contingent Receivables Secured by Residential Property	980.092	5.283	-	-
7	Non-Performing Receivables	102.807	1.835	-	-
8	Receivables identified as high risk by the Board	145.805	3.511	-	-
9	Other Receivables	347.702	-	-	-
	Total	**12.356.440**	**341.825**	**-**	**-**

VIII. 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 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 analyses are performed to evaluate the effects of unexpected market conditions and emergency plans are prepared. The Bank develops "Internal Capital Adequacy Evaluation Process" (ISEDES) and evaluates Internal Capital Adequacy while preparing the budget.

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VIII. 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.

IX. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Financial Assets and Liabilities at their fair values:

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

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

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the group.

	Carrying Value		Fair Value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Financial Assets	**8.907.637**	**9.141.086**	**9.361.735**	**8.658.242**
Money Market Placements	6.774	2.488	6.774	2.488
Banks	105.215	317.385	105.215	301.690
Financial Assets Available-for-Sale	896.108	350.781	896.108	350.620
Held-to-maturity Investments	-	1.507.142	-	1.482.057
Loans	8.550.949	6.963.290	9.005.047	6.521.387
Financial Liabilities	**10.019.521**	**9.988.019**	**10.181.451**	**9.885.861**
Bank Deposits	189.677	233.175	189.677	233.183
Other Deposits	5.462.894	4.747.451	5.438.266	4.675.685
Funds Borrowed From Other Financial Institutions	2.865.399	2.678.253	3.047.552	2.665.075
Marketable Securities Issued	868.098	298.079	910.614	200.000
Funds Provided Under Repurchase Agreements	402.255	1.666.197	364.144	1.753.506
Miscellaneous Payables	231.198	365.531	231.198	358.412

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b. Fair value hierarchy:

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

Aforesaid fair value hierarchy is determined as follows

a) Quoted market prices (non-adjusted) (1st level);
b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
c) Data not based on observable data regarding assets or liabilities (3rd level)

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

31 December 2014	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	1.755	36.373	-	38.128
Government Debt Securities	1.755	-	-	1.755
Share Certificates	-	96	-	96
Trading Derivative Financial Assets	-	36.277	-	36.277
Available for Sale Assets	895.945	2	-	895.947
Government Debt Securities	895.945	-	-	895.945
Other Marketable Securities	-	2	-	2
Hedged Loans	-	156.614	-	156.614
Total Assets	**897.700**	**192.989**	**-**	**1.090.689**
Trading Derivative Financial Liabilities	-	12.429	-	12.429
Hedging Derivative Financial Liabilities	-	8.578	-	8.578
Total Liabilities	**-**	**21.007**	**-**	**21.007**

31 December 2013	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	6.325	-	-	6.325
Government Debt Securities	6.325	-	-	6.325
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	150.716	-	150.716
Available for Sale Assets	350.619	-	-	350.619
Government Debt Securities	350.619	-	-	350.619
Other Marketable Securities	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Total Assets	**356.944**	**150.716**	**-**	**507.660**
Trading Derivative Financial Liabilities	-	105.375	-	105.375
Total Liabilities	**-**	**105.375**	**-**	**105.375**

Non-listed share certificates classified as available for sale financial assets are accounted at cost value after the deduction of, if any, impairment provisions since their fair values are not measured reliably.

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

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X. EXPLANATION ON HEDGE ACCOUNTING:

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

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

	31 December 2014		
	Principal [1]	Asset	Liability
Derivative financial instruments			
İnterest swap transactions	220.000	-	8.578
Total	**220.000**	**-**	**8.578**

(1) 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 82.968 with maturity 3 years and TL 88.809 with maturity 5 years funding by using interest rate swaps. The both nominal value of interest rate swaps is TL 55.000 with maturity 3 years and 5 years respectively.

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

31 December 2014					
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	9.406	-	8.578

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.

XI. EXPALANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTION BASED ON TRUST

The 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.

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XII. EXPLANATIONS ON OPERATING SEGMENTS:

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

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

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

d) 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.

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

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

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

g) According to the table provided, share of each Bank's operating segment in the Balance sheet is as follows: corporate/retail banking 74%, investment banking 22% and other 4%.

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INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

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

31 December 2014	Corporate / Retail Banking	Investment Banking	Other	Total Operations of The Group
Net interest income [1]	500.073	(12.269)	430	488.234
Net fees and commissions income and other operating income [1]	122.265	12.516	(1.482)	133.299
Trading profit/loss [1]	1.945	(30.155)	730	(27.480)
Dividend income [1]	-	66	131	197
Impairment provision for loans and other receivables (-)[1]	(123.607)	(13.848)	-	(137.455)
Other operating expenses (-)[1]	(275.041)	(17.264)	(1.242)	(293.547)
Profit before taxes	**225.635**	**(60.954)**	**(1.433)**	**163.248**
Tax provision	(262)	426	(26.589)	(26.425)
Minority interest	-	-	232	232
Net profit for the period	**225.373**	**(60.528)**	**(28.022)**	**136.823**
Segment assets	8.620.377	2.461.868	265.422	11.347.667
Investments in associates and subsidiaries	(167.416)	21.093	146.323	-
Total Assets	**8.452.961**	**2.482.961**	**411.745**	**11.347.667**
Segment liabilities	6.284.936	2.483.878	1.605.953	10.374.767
Shareholders' equity	(39.151)	25.112	986.939	972.900
Total Liabilities	**6.245.785**	**2.508.990**	**2.592.892**	**11.347.667**

31 December 2013	Corporate / Retail Banking	Investment Banking	Other	Total Operations of The Group
Net interest income [1]	370.718	47.421	809	418.948
Net fees and commissions income and other operating income [1]	124.472	8.402	-	132.874
Trading profit/loss [1]	-	(6.563)	-	(6.563)
Dividend income [1]	-	309	-	309
Impairment provision for loans and other receivables (-)[1]	(165.095)	(24.568)	-	(189.663)
Other operating expenses (-)[1]	(245.165)	(19.071)	-	(264.236)
Profit before taxes	**84.930**	**5.930**	**809**	**91.669**
Tax provision	-	(1.062)	(19.376)	(20.438)
Minority interest	-	-	18	18
Net profit for the period	**84.930**	**4.868**	**(18.549)**	**71.249**
Segment assets	6.415.854	4.279.710	301.273	10.996.837
Investments in associates and subsidiaries				
Total Assets	**6.415.854**	**4.279.710**	**301.273**	**10.996.837**
Segment liabilities	4.997.486	4.225.989	1.166.909	10.390.384
Shareholders' equity	-	-	606.453	606.453
Total Liabilities	**4.997.486**	**4.225.989**	**1.773.362**	**10.996.837**

[1] There are classification differences with the income statement since the Bank used business unit reporting.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

a. Information on Cash and Balances with the Central Bank of Republic of Turkey ("CBRT"):

1. Information on cash and the account of the CBRT:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
Cash/Foreign currency	38.989	58.552	31.024	56.637
CBRT	126.496	1.134.207	304.298	852.362
Other	-	-	-	-
Total	**165.485**	**1.192.759**	**335.322**	**908.999**

2. Information on the account of the CBRT :

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
Demand Unrestricted Amount (1)	126.496	123.395	303.410	101.402
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	-	888	-
Reserve Requirement	-	1.010.812	-	750.960
Total	**126.496**	**1.134.207**	**304.298**	**852.362**

(1) 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.

3. Information on reserve requirements:

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

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and / or Euro and standard gold. As of 31 December 2014, 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 2013: 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 liabilities within the range of 6% - 13% (31 December 2013: 6%-13% for all foreign currency liabilities).

CBRT started to pay interest for the Turkish Lira reserve since 5 November 2014.

b. Information About Financial Assets at Fair Value Through Profit Or Loss:

1. The Group have financial assets at fair value through profit and loss subject to TL 138 repo transactions (31 December 2013: TL 1.508) and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (31 December 2013: None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Positive differences related to trading derivative financial assets:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Forward Transactions	4.631	209	377	44.593
Swap Transactions	16.012	11.950	8.926	19.328
Futures Transactions	-	-	-	
Options	18	3.457	626	76.866
Other	-	-	-	-
Total	**20.661**	**15.616**	**9.929**	**140.787**

c. Information on banks:

1. Information on banks:

	31 December 2014		31 December 2013	
	TP	YP	TP	YP
Banks				
Domestic	71.781	3.553	236.987	31.468
Foreign	-	29.881	-	48.931
Headquarters and Branches Abroad	-	-	-	-
Total	**71.781**	**33.434**	**236.987**	**80.399**

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
EU Countries	5.237	14.146	-	-
USA and Canada	23.867	32.926	-	-
OECD Countries (*)	717	1.823	-	-
Off-Shore Banking Regions	-	-	-	-
Other	60	36	-	-
Total	**29.881**	**48.931**	**-**	**-**

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

d. Information on available-for-sale financial assets:

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

As of 31 December 2014, there are TL 25.203 available-for-sale financial assets given as collateral/blocked (31 December 2013: TL 53.098) and those subject to repurchase agreements amounts to TL 367.143 (31 December 2013: TL 270.000).

2. Information on available-for-sale financial assets:

	31 December 2014	31 December 2013
Debt Securities	903.824	385.748
Quoted on Stock Exchange	903.824	385.748
Not Quoted	-	-
Share Certificates	161	1
Quoted on Stock Exchange	1	1
Not Quoted	160	-
Impairment Provision (-)	7.877	34.968
Total	**896.108**	**350.781**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

e. Explanations on loans:

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

	31 December 2014		31 December 2013	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	**28.424**	**74.604**	**64**	**60.722**
Corporate Shareholders	28.279	74.206	-	60.722
Real Person Shareholders	145	398	64	-
Indirect Loans Granted To Shareholders	**57.545**	**70.868**	**2.000**	**61.483**
Loans Granted To Employees	**4.221**	**-**	**3.737**	**-**
Total	**90.190**	**145.472**	**5.801**	**122.205**

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	**7.476.271**	**64.839**	**-**	**173.215**	**13.585**	**-**
Corporate Loans	482.113	-	-	9.117	-	-
Export Loans	632.518	-	-	2.897	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	195.336	-	-	276	-	-
Consumer Loans	297.256	331	-	46.298	153	-
Credit Cards	79.317	-	-	1.751	-	-
Other	5.789.731	64.508	-	112.876	13.432	-
Specialized Loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**7.476.271**	**64.839**	**-**	**173.215**	**13.585**	**-**

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	64.839	13.585
3, 4 or 5 times	-	-
Over 5 times	-	-

Time Extended Via the Amendment on Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 – 6 Month	86	1
6 Month – 12 Month	1.025	88
1 – 2 Years	13.173	847
2 – 5 Years	49.012	12.649
5 Years and Over	1.543	-

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Loans according to their maturity structure:

	Standard 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	**4.684.593**	**64.839**	**66.211**	**13.585**
Non-specialised Loans	4.684.593	64.839	66.211	13.585
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	**2.791.678**	**-**	**107.209**	**-**
Non-specialised Loans	2.791.678	-	107.209	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**7.476.271**	**64.839**	**173.420**	**13.585**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (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	**4.038**	**327.362**	**331.400**
Real estate loans	5	155.141	155.146
Automotive loans	-	7.606	7.606
Consumer loans	4.033	164.615	168.648
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	**12.122**	**7**	**12.129**
With installments	3.792	7	3.799
Without installments	8.330	-	8.330
Individual Credit Cards- FC	**6**	**-**	**6**
With installments	-	-	-
Without installments	6	-	6
Personnel Loans-TL	**-**	**4.040**	**4.040**
Real estate loans	-	-	-
Automotive loans	-	5	5
Consumer loans	-	4.035	4.035
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	**2.505**	**3**	**2.508**
With installments	1.073	3	1.076
Without installments	1.432	-	1.432
Personnel Credit Cards-FC	**5**	**-**	**5**
With installments	-	-	-
Without installments	5	-	5
Credit Deposit Account-TL (Real Person) (1)	**8.597**	**-**	**8.597**
Credit Deposit Account-FC (Real Person)	-	-	-
Total	**27.273**	**331.412**	**358.685**

(1) TL 179 of the credit deposit account belongs to the loans used by personnel (31 December 2013: TL 94).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial Loans With Installments-TL	**101.881**	**924.754**	**1.026.635**
Real estate loans	162	3.503	**3.665**
Automotive loans	884	66.442	**67.326**
Consumer loans	100.835	854.809	**955.644**
Other	-	-	**-**
Commercial Loans With Installment-FC Indexed	**5.733**	**111.410**	**117.143**
Real estate loans	-	23	**23**
Automotive loans	162	3.503	**3.665**
Consumer loans	5.571	107.884	**113.455**
Other	-	-	**-**
Commercial Loans With Installment-FC	**335**	**285.651**	**285.986**
Real estate loans	-	-	**-**
Automotive loans	-	-	**-**
Consumer loans	335	29.994	**30.329**
Other	-	255.657	**255.657**
Corporate Credit Cards-TL	**66.421**	**8**	**66.429**
With installment	34.445	8	**34.453**
Without installment	31.976	-	**31.976**
Corporate Credit Cards-FC	**-**	**-**	**-**
With installment	-	-	**-**
Without installment	-	-	**-**
Overdraft Accounts – TL(corporate)	**210.725**	**-**	**210.725**
Overdraft Accounts – FC (corporate)	-	-	**-**
Total	**385.095**	**1.321.823**	**1.706.918**

6. Loans according to types of borrowers:

	31 December 2014	31 December 2013
Public	-	-
Private	7.727.910	6.342.899
Total	**7.727.910**	**6.342.899**

7. Distribution of domestic and foreign loans: Related loans are classified according to the location of the customers.

	31 December 2014	31 December 2013
Domestic Loans	7.671.833	6.299.513
Foreign Loans	56.077	43.386
Total	**7.727.910**	**6.342.899**

8. Loans given to investments in associates and subsidiaries:

   As of 31 December 2014 there are no loans granted to associates and subsidiaries (31 December 2013: None).

9. Specific provisions provided against loans:

	31 December 2014	31 December 2013
Loans and Other Receivables with Limited Collectability	5.663	-
Loans and Other Receivables with Doubtful Collectability	45.005	-
Uncollectible Loans and Other Receivables	218.575	182.956
Total	**269.243**	**182.956**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2014	-	-	-
(Gross amounts before the Specific Provision)	-	-	-
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	-
31 December 2013	-	-	-
(Gross amounts before the Specific Provision)	-	-	-
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	-

10.(ii). Information on the movement of total non-performing loans:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2013	**4.008**	**3.442**	**273.601**
Addition (+)	135.462	32.220	67.401
Transfers from Other Categories of Non-performing Loans (+)	3.364	96.496	13.105
Transfers to Other Categories of Non-performing Loans (-)	95.741	12.749	5.287
Collections (-)	4.685	5.906	63.858
Write-offs (-)			
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
31 December 2014	**42.408**	**113.503**	**284.962**
Specific Provision (-)	5.663	45.005	218.575
Net Balance on Balance Sheet	**36.745**	**68.498**	**66.387**

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

As at the balance sheet date there are no non-performing loans denominated in foreign currencies (31 December 2013: None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10.(iv). Information on non-performing loans based on types of borrowers:

	III. Group Loans and other receivables with limited collectability	**IV. Group** Loans and other receivables with doubtful collectability	**V. Group** Uncollectible loans and other receivables
31 December 2014 (Net)	**36.745**	**68.498**	**66.387**
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)	-	-	-
31 December 2013 (Net)	-	-	**98.095**
Loans to Real Persons and Legal Entities (Gross)	-	-	281.051
Specific Provision Amount (-)	-	-	182.956
Loans to Real Persons and Legal Entities (Net)	-	-	98.095
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.

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

	Corporate/ Commercial Loans	**SME**	**Consumer Loans**	**Total**
1 January 2014	**107.484**	**70.996**	**4.476**	**182.956**
Made during the period	51.273	70.372	6.168	127.813
Cancelled during the period (-)	9.032	30.892	1.602	41.526
Collections	-	-	-	-
31 December 2014	**149.725**	**110.476**	**9.042**	**269.243**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Corporate/ Commercial Loans	SME	Consumer Loans	Total
1 January 2013	**92.845**	**42.332**	**1.543**	**136.720**
Made during the period	53.373	90.446	3.984	147.803
Cancelled during the period (-)	15.640	2.569	328	18.537
Collections	23.094	59.213	723	83.030
31 December 2013	**107.484**	**70.996**	**4.476**	**182.956**

f. Information on held-to-maturity investments:

1. Information on held to maturity debt securities:

	31 December 2014	31 December 2013
Government bonds	-	1.507.142
Treasury bills	-	-
Other public sector debt securities	-	-
Total	**-**	**1.507.142**

2. Information on held to maturity investments:

	31 December 2014	31 December 2013
Debt securities	-	1.514.257
Quoted on a stock exchange	-	1.514.257
Not Quoted	-	-
Impairment provision (-)	-	(7.115)
Total	**-**	**1.507.142**

3. Movement of investments held-to-maturity:

	31 December 2014	31 December 2013
Beginning balance	**1.507.142**	**1.045.707**
Foreign currency differences on monetary assets	-	-
Purchases during the year	220.830	733.573
Disposals through sales and redemptions(*)	(1.727.972)	(265.023)
Impairment provision (-)	-	(7.115)
Closing balance	**-**	**1.507.142**

(*)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 31 December 2014 there is no held-to-maturity investments given as collateral (31 December 2013: TL 21.186) and there is no held-to-maturity investments subject to repo transactions (31 December 2013: TL 1.477.870).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

g. Information on investments in associates (Net):

None. (31 December 2013: None).

h. Information on subsidiaries (Net):

1. Information on shareholders' equity of the significant subsidiaries (net)

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	**24.630**	**31.695**	**76.016**
Paid-in Capital	13.309	27.216	14.383
Share Premium	-	99	-
Reserves	14.220	3.704	5.909
Current Period's Profit and Prior Period's Profit	(2.417)	676	56.346
Current Period's Losses and Prior Period's Losses	-	-	-
Leasehold Improvements on Operational Leases (-)	270	-	-
Intangible Assets (-)	212	-	622
Supplementary Capital	-	-	-
Deductions From Capital	-	-	-
Total Shareholders Equity	**24.630**	**31.695**	**76.016**

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.

2. Information on consolidated subsidiaries:

There is not any consolidated subsidiaries (31 December 2013: None).

3. Information on consolidated subsidiaries

No	Unvanı	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Bank's Risk Group Share (%)
1	Alternatif Yatırım A.Ş.	İstanbul/Türkiye	99,99	99,99
2	Alternatif Yatırım Ortaklığı A.Ş. (1)	İstanbul/Türkiye	4,04	74,76
3	Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	100,00	100,00
4	Alternatif Portöy Yönetimi A.Ş.	İstanbul/Türkiye	-	100,00

(1) 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 70,72% of Group B shares (31 December 2013: 61,46%). The Bank's total indirect share is 74,76%, 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:

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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	90.583	25.112	1.113	11.005	5.704	(846)	(1.571)	-
2	26.843	26.663	11	2.202	1.476	672	4	-
3	709.147	76.638	2.495	54.992	-	8.156	48.190	-
4	436	419	3	58	-	(388)	(193)	-

The above mentioned subsidiaries' financial data are taken from the financial statements prepared for the BRSA as of 31 December 2014.

4. The movement of the subsidiaries:

	31 December 2014	31 December 2013
Balance at the beginning of the period	**146.049**	**25.410**
Movements during the period	**274**	**120.639**
Purchases	-	120.629
Transfers	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales	-	-
Revaluation (decrease) / increase	-	-
Provision for impairment	274	10
Balance at the end of the period	**146.323**	**146.049**
Capital commitments	**-**	**-**
Share percentage at the end of the period (%)	**-**	**-**

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

Subsidiaries	31 December 2014	31 December 2013
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	120.629	120.629
Finance Companies	-	-
Other Financial Subsidiaries	25.694	25.420

6. Valuation of investments in consolidated subsidiaries:

	31 December 2014	31 December 2013
Cost Value Method	144.844	144.808
Fair Value Method	1.479	1.241
Equity Method	-	-
Total	**146.323**	**146.049**

7. Subsidiaries quoted on stock exchange:

	31 December 2014	31 December 2013
Quoted on domestic stock exchanges	1.479	1.241
Quoted on foreign stock exchanges	-	-

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i. Information on joint ventures:

There are no joint ventures (31 December 2013: None).

j. Information on lease receivables (net):

The lease receivables of the Group is TL 651.409 (31 December 2013: TL 522.296).

k. Information on hedging derivative financial assets:

There are no differences related with hedging derivative financial assets (31 December 2013: None).

l. Information on property and equipment (Net):

31 December 2014	Real Estates (1)	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**

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

31 December 2013	Real Estates	Motor Vehicles	Other Tangible Assets	Total
31 December 2012				
Cost	-	89	82.760	82.849
Accumulated depreciation (-)	-	81	61.603	61.684
Net book value	**-**	**8**	**21.157**	**21.165**
31 December 2013				
Net book value at beginning of the period	828	8	21.157	21.165
Additions	1.048	-	17.348	18.396
Disposals (-), (net)	403	-	40	443
Impairment	-	-	-	-
Depreciation (-)	7	6	7.666	7.666
Revaluation Increase	-	-	-	-
Cost at Period End	**1.479**	**28**	**94.187**	**95.694**
Accumulated Depreciation at Period End (-)	**13**	**26**	**63.388**	**63.427**
Closing Net Book Value at Period End	**1.466**	**2**	**30.799**	**32.267**

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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 (-)	-	-
İmpairment 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 (-)	-	-
İmpairment provision (-)	-	-
Reversal of impairment provision (-)	-	-
Book value occuring other changes	-	-
Gross value at the end of the period	-	-
Accumulated depreciation (-)	-	-
İmpairment 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 95,8% 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%.

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. Carrying value accumulated depreciation and gross value at the beginning and end of the period:

	31 December 2014	31 December 2013
Gross Carrying Value	66.623	61.837
Accumulated Depreciation (-)	41.712	38.304
Net Book Value	**24.911**	**23.533**

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

	31 December 2014	31 December 2013
Beginning of the Period	**23.533**	**20.927**
Internally Generated Amounts	209	215
Additions due to Mergers, Transfers and Acquisitions	4.362	5.643
Disposals	-	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	3.193	3.252
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**24.911**	**23.533**

n. Information on investment property

There is no investment property (31 December 2013: None).

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

There is no assets held for sale and discontinued operations (31 December 2013: None).

p. Information on other assets:

1. The distribution of other assets:

Other assets	31 December 2014	31 December 2013
Receivables from clearing	71.311	63.079
Assets held for sale	69.243	80.881
Colleterals given for derivative transactions	22.117	47.761
Prepaid expenses	28.366	13.191
Other	34.742	43.781
Total	**225.779**	**248.693**

Assets held for sale	31 December 2014	31 December 2013
Beginning of the Period	80.881	57.330
Disposal (-)	29.360	34.625
Additions	19.130	61.102
Depreciation for the period	(1.684)	(2.412)
Impairment provision	276	(514)
End of the period	**69.243**	**80.881**

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 2013: None).

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits:

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

1.(i). 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 Banks	189	-	-	-	-	-	-	-	189
Other	-	-	-	-	-	-	-	-	-
Total	**424.212**	**-**	**620.927**	**4.150.152**	**257.039**	**159.670**	**40.571**	**-**	**5.652.571**

1 (ii). 31 December 2013:

	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	**50.658**	**-**	**52.484**	**1.472.102**	**6.652**	**26.109**	**89.211**	**-**	**1.697.216**
Foreign Currency Deposits	**160.664**	**-**	**162.864**	**946.554**	**7.320**	**46.817**	**30.173**	**-**	**1.354.392**
Residents in Turkey	152.148	-	162.861	930.821	7.320	41.522	29.645	-	1.324.317
Residents Abroad	8.515	-	3	15.733	-	5.295	528	-	30.074
Public Sector Deposits	**20.701**	**-**	**-**	**6.832**	**-**	**-**	**-**	**-**	**27.533**
Commercial Deposits	**143.804**	**-**	**410.529**	**872.982**	**22.177**	**25.793**	**82.519**	**-**	**1.557.804**
Other Institutions Deposits	**2.109**	**-**	**9.173**	**72.614**	**-**	**9.645**	**1.079**	**-**	**94.620**
Precious Metal Deposits	**11.583**	**-**	**39**	**758**	**704**	**1.971**	**822**	**-**	**15.877**
Bank Deposits	**16.058**	**-**	**38.931**	**71.422**	**106.772**	**-**	**-**	**-**	**233.183**
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	15.669	-	38.931	-	-	-	-	-	54.600
Foreign Banks	389	-	-	71.422	106.772	-	-	-	178.583
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**405.577**	**-**	**674.020**	**3.443.264**	**143.625**	**110.335**	**203.804**	**-**	**4.980.626**

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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:

	Under the guarantee of deposit İnsurance		Exceeding limit of the deposit insurance	
Saving Deposits	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Saving Deposits	660.143	565.638	1.401.731	1.131.578
Foreign Currency Savings Deposit	88.973	91.925	453.802	544.580
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:

	31 December 2014	31 December 2013
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	81.015	60.190
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 "TCK" Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-

b. Information on trading derivative financial liabilities:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
Forward Transactions	981	4.779	17.836	817
Swap Transactions	1.425	3.422	22.005	1.734
Futures Transactions	-	-	-	-
Options	-	1.822	15	62.968
Other	-	-	-	-
Total	**2.406**	**10.023**	**39.856**	**65.519**

c. Information on borrowings

1. Information on borrowing:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	116.538	593.586	138.308	428.655
From Foreign Banks, Institutions and Funds	20.582	1.804.867	48.262	1.750.689
Total	**137.120**	**2.398.453**	**186.570**	**2.179.344**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Information on maturity structure of borrowings:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
Short-term	122.779	1.958.102	178.702	852.501
Medium and Long-term	14.341	440.351	7.868	1.326.843
Total	**137.120**	**2.398.453**	**186.570**	**2.179.344**

d. Information on other foreign liabilities:

As of 31 December 2014 other foreign liabilities do not exceed 10% of the total balance sheet.

e. Information on financial lease agreements:

None (31 December 2013:None).

f. Information on hedging derivative financial liabilities:

	31 December 2014		31 December 2013	
	TP	**YP**	**TP**	**YP**
Fair value hedge risk(1)	8.578	-	-	-
Cash flow risk protection	-	-	-	-
Hedge of net investments in foreign operations	-	-	-	-
Total	**8.578**	**-**	**-**	**-**

(1) Explained in section four Note X .

g. Information on provisions:

1. Information on general provisions:

	31 December 2014	31 December 2013
Provisions for First Group Loans and Receivables	46.180	39.117
Additional Provision for Loans and Receivables with Extended Maturities	6.380	-
Provisions for Second Group Loans and Receivables	3.651	2.342
Additional Provision for Loans and Receivables with Extended Maturities	-	17.349
Provisions for Non-Cash Loans	5.953	12.563
Other	694	3.211
Total	**62.858**	**74.582**

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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.

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

	31 December 2014	31 December 2013
Discount rate (%)	3,77	3,49
Ratio used for probability of pension (%)	85,8	87,66

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. As the maximum liability is revised semi-annually, the maximum amount of TL 3.438,22 effective from 1 July 2014 has been taken into consideration in calculating the reserve for employment termination benefits (1 July 2013: TL 3.254,44).

Movement of employment termination benefits liability in the balance sheet:

	31 December 2014	31 December 2013
Prior period ending balance	**4.891**	**4.878**
Changes during the period	2.989	1.382
Paid during the period (-)	3.011	1.369
Balance at the end of the period	**4.869**	**4.891**

In addition, the Group has accounted for unused vacation rights provision amounting to TL 3.753 as of 31 December 2014 (31 December 2013: TL 4.467).

3. Other provisions:

	31 December 2014	31 December 2013
Other provisions		
Non-cash loan special provision	15.787	14.208
Premium provision	13.280	11.686
Settlement date accounting for diminution in value	8	4
Other [(1)]	3.123	12.013
Total	**32.198**	**37.911**

(1) TL 3.063 include other provisions for litigation (31 December 2013: TL 3.177).

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

As of 31 December 2014, the provision related to the foreign currency differences on foreign indexed loans amounts to TL 5.428 (31 December 2013: TL 160).

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h. Information on taxes payable:

Information on current tax liability :

As of 31 December 2014, current tax liability amounting to TL 30.938 which is amounted TL 21.742 is netted of prepaid expenses and group has TL 9.196 tax liability as of 31 December 2014 (31 December 2013: TL 1.092).

(i) Information on taxes payable:

	31 December 2014	31 December 2013
Corporate Tax Payable	9.196	1.092
Taxation of Marketable Securities	6.801	4.486
Property Tax	252	245
Banking Insurance Transaction Tax (BITT)	7.534	5.849
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1.618	587
Other	2.926	2.843
Total	**28.327**	**15.102**

(ii) Information on premium payables:

	31 December 2014	31 December 2013
Social Security Premiums - Employee	966	1.010
Social Security Premiums - Employer	1.377	1.421
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	71
Unemployment Insurance - Employer	138	140
Other	62	51
Total	**2.611**	**2.693**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

i. Explanations about deferred tax provision

As of 31 December 2014, the Bank has calculated deferred tax asset of TL 24.242 (31 December 2013: TL 31.445) in the financial statements.

As of 31 December 2014 and 31 December 2013, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Carried Financial Loss	2.572	12.767	514	2.553
Securities portfolio valuation difference	-	254	-	51
Year End Manager Bonus Provision	200	11.600	40	2.320
Reserve for Employee Rights	9.626	9.314	1.925	1.863
Derivative financial instruments valuation difference	-	-	-	-
Provision for Legal Cases	3.062	3.177	612	635
Other	154.122	125.111	26.091	25.023
Deferred Tax Assets	**169.582**	**162.223**	**29.182**	**32.445**
Derivative financial instruments valuation difference	(21.739)	(15.315)	(4.348)	(3.063)
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	(6.758)	(5.135)	(1.352)	(1.027)
Marketable Securities Valuation Difference	3.794	(57.798)	760	(11.560)
Deferred Tax Liabilities	**(24.703)**	**(78.248)**	**(4.940)**	**(15.650)**
Deferred Tax Assets / (Liabilities) (Net)	**144.879**	**83.975**	**24.242**	**16.795**

j. Information on subordinated loans:

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

Issuing Institution	Amount	Opening Date	Vade	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

TL equivalent of the subordinated loan is TL 329.826 (31 December 2013: TL 312.339).

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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:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	69.953	-	64.038
Other Foreign	-	259.873	-	248.301
Total	**-**	**329.826**	**-**	**312.339**

k. Information on shareholders' equity:

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

	31 December 2014	31 December 2013
Common Stock (1)	620.000	420.000
Preferred Stock	-	-

(1) 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 Bank applies registered share capital system. As of 31 December 2014 the registered share capital ceiling amount is TL 1.000.000. The Bank's paid-in-capital consists of 620.000.000 shares and each share amounts to TL 1.

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

The Bank's capital has increased from TL 420.000 to TL 620.000 by TL 200.000 by cash and its share capital in the financial statements is TL 620.000 as of 31 December 2014.

4. Information on the share capital increases during the period and their sources:

None.

5. Information on capital increases from capital reserves during the current period:

None.

6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank'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 Bank within several risk limits and legal limits.

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

None.

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8. Information of the previous year profit distribution:

With the Ordinary General Assembly Meeting decision hold on 24 March 2014, TL 4.638 of 2013 profit is transfered to legal reserves and remaining TL 71.637 is transfered to extraordinary reserves.

l. Information on marketable securities valuation reserve:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(6.420)	266	(40.558)	(266)
Foreign Currency Difference	-	-	-	-
Total	**(6.420)**	**266**	**(40.558)**	**(266)**

m. Information on minority interests:

	31 December 2014	31 December 2013
Balance at the Beginning of the Period	**10.753**	**15.831**
Current year income	232	(18)
Dividends paid	-	(5.053)
Purchase from minority interests	-	-
Other	(1.771)	(7)
Balance at the End of the Period	**9.214**	**10.753**

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III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

According to direct debiting system, there is TL 237.190 irrevocable loan commitments as of 31 December 2014. (31 December 2013: TL 241.311)

2. 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:

	31 December 2014	31 December 2013
Guarantees and Colleterals	-	-
Bank Acceptance Loans	43.905	56.516
Letter of credits	362.242	304.664
Total	**406.147**	**361.180**

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

	31 December 2014	31 December 2013
Temporary letter of guarantees	77.099	125.392
Definite letter of guarantees	1.546.741	1.623.479
Advance letter of guarantee	85.710	102.019
Letter of guarantees given to customs	145.692	141.261
Total	**1.855.242**	**1.992.151**

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

	31 December 2014	31 December 2013
Non-cash loans given against cash loans	274.297	386.489
With original maturity of 1 year or less than 1year	274.297	386.489
With original maturity of more than 1 year	-	-
Other non-cash loans	1.999.868	1.966.842
Total	**2.274.165**	**2.353.331**

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

	31 December 2014				31 December 2013			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**19.277**	**1,50**	**15.032**	**1,52**	**17.583**	**1,34**	**23.630**	**2,28**
Farming and Livestock	18.172	1,41	15.032	1,52	16.326	1,24	23.630	2,28
Forestry	677	0,05	-	-	811	0,06	-	-
Fishing	428	0,03	-	-	446	0,03	-	-
Manufacturing	**285.668**	**22,18**	**497.937**	**50,48**	**316.844**	**24,08**	**604.846**	**58,29**
Mining	12.312	0,96	28.734	2,91	13.916	1,06	20.396	1,97
Production	243.922	18,94	430.291	43,62	264.939	20,14	531.181	51,19
Electric, Gas, Water	29.434	2,29	38.912	3,94	37.989	2,89	53.269	5,13
Construction	**337.845**	**26,24**	**215.713**	**21,87**	**387.404**	**29,44**	**158.783**	**15,30**
Services	**601.297**	**46,69**	**206.895**	**20,97**	**528.676**	**40,18**	**221.161**	**21,31**
Wholesale and Retail Trade	276.947	21,51	111.977	11,35	240.427	18,27	104.886	10,11
Hotel and Food Services	13.555	1,05	3.229	0,33	17.761	1,35	1.702	0,16
Transportation and Telecommunication	70.394	5,47	25.646	2,60	86.618	6,58	24.700	2,38
Financial Institutions	113.995	8,85	6.175	0,63	100.252	7,62	6.407	0,62
Real Estate and Leasing Ser.	2.241	0,17	338	0,03	1.583	0,12	396	0,04
Professional Services	116.663	9,06	59.073	5,99	73.926	5,62	82.391	7,94
Education Services	506	0,04	-	-	645	0,05	14	-
Health and Social Services	6.996	0,54	457	0,05	7.464	0,57	665	0,06
Other	**43.637**	**3,39**	**50.864**	5,16	**65.239**	**4,96**	**29.165**	**2,81**
Total	**1.287.724**	**100,00**	**986.441**	**100,00**	**1.315.746**	**100,00**	**1.037.585**	**100,00**

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

31 December 2014	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans				
Letters of Guarantee (1)	1.279.464	566.897	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	**1.279.464**	**985.156**	**8.260**	**1.285**

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

31 December 2013	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans				
Letters of Guarantee[1]	1.265.937	659.997	16.848	14.941
Bank Acceptances	-	56.516	-	-
Letters of Credit	428	304.031	-	205
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-
Total	**1.266.365**	**1.020.544**	**16.848**	**15.146**

(1) The amount of non-cash loans of customers which were classified as non-performing is TL 47.594 (31 December 2013: TL 34.428).

b. Information on derivative financial instruments:

	31 December 2014	31 December 2013
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**4.059.955**	**14.142.697**
Currency forward transactions	522.604	3.840.146
Currency swap transactions	2.980.019	2.936.941
Futures transactions	-	
Options	557.332	7.357.156
Interest related derivative transactions (II)	-	8.454
Forward rate agreements	-	-
Interest rate swaps	-	-
Interest rate options	-	-
Interest rate futures	-	-
Other Trading Derivative Instruments	-	-
A. Total trading derivative transactions (I+II)	**4.059.955**	**14.142.697**
Types of hedging transactions	**220.000**	-
Fair value hedges	220.000	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	220.000	-
Total derivative transactions (A+B)	**4.279.955**	**14.142.697**

c. Investment Funds:

As of 31 December 2014, the Group is the founder of 5 investment funds (31 December 2013: 5) with a total fund value of TL 66.515 (31 December 2013: TL 66.068). The shares of the investment funds established in accordance with the Capital Markets Board legislation are kept dematerialized by Central Registry Agency Inc..

d. Information on contingent liabilities:

Outstanding legal cases against the group have been considered as contingent liabilities and TL 3.063 (31 December 2013: TL 3.177) provision against these legal cases has been accounted for in the financial statements under "Other Provisions" account.

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

The Parent Bank's real and legal persons on behalf of storage or deposit activities are not material.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2014		31 December 2013	
)	**TL**	**FC**	**TL**	**FC**
Short-term Loans	610.937	38.808	420.965	39.010
Medium/Long-term Loans	181.461	40.931	117.798	26.186
Interest on Loans Under Follow-up	4.074	1	5.279	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total [1]	**796.472**	**79.740**	**544.042**	**65.196**

e
s fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
From the CBRT	-	-	-	-
From Domestic Banks	1.477	684	1.619	184
From Foreign Banks	45	40	3	47
Headquarters and Branches Abroad	-	-	-	-
Total	**1.522**	**724**	**1.622**	**231**

3. Information on interest income on marketable securities:

	31 December 2014		31 December 2013	
	TL	**FC**	**TL**	**FC**
From Trading Financial Assets	11.015	13	21.796	-
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	41.521	2.058	57.611	1.957
From Held-to-Maturity Investments	119.421	-	96.053	-
Total	**171.957**	**2.071**	**175.460**	**1.957**

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

None (31 December 2013:None).

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b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Banks	11.769	57.706	6.119	40.300
The CBRT	-	-	-	-
Domestic Banks	11.716	18.668	6.119	6.984
Foreign Banks	53	39.038	-	33.316
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	9.022	-	6.633
Total [1]	**11.769**	**66.728**	**6.119**	**46.933**

[1] Includes fee and commission expense related with cash loans.

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

None (31 December 2013:None).

3. Information on interest expense to marketable securities issued :

4

	Current Period		Prior Period	
	TL	FC	TL	FC
Information on interest expense to marketable securities issued	26.886	-	21.017	-
Total	**26.886**	**-**	**21.017**	**-**

I
nformation on interest rate and maturity structure of deposits:

		Time Deposit						
	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accum. Deposit	Total
Turkish Currency								
Bank Deposits	-	259	-	-	-	-	-	**259**
Savings Deposits	-	6.267	187.712	2.320	1.493	2.481	-	**200.273**
Public Deposits	-	21	840	-	-	-	-	**861**
Commercial Deposits	-	29.176	115.772	3.556	2.155	2.255	-	**152.914**
Other Deposits	-	470	13.057	594	206	12	-	**14.339**
Deposit with 7 days notification	-	-	-	-	-	-	-	**-**
Precious Metal	-	-	51	4	-	-	-	**55**
Total	**-**	**36.193**	**317.432**	**6.474**	**3.854**	**4.748**	**-**	**368.701**
Foreign Currency								
Foreign Currency Account	-	1.681	23.115	265	777	911	-	**26.749**
Bank Deposits	-	4.210	-	-	-	-	-	**4.210**
Deposit with 7 days notification	-	-	-	-	-	-	-	**-**
Precious Metal Deposits	-	-	-	-	-	-	-	**-**
Total	**-**	**5.891**	**23.115**	**265**	**777**	**911**	**-**	**30.959**
Grand Total	**-**	**42.084**	**340.547**	**6.739**	**4.631**	**5.659**	**-**	**399.660**

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c. Information on dividend income:

	31 December 2014	31 December 2013
Trading securities	197	309
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	-	-
Associates and subsidiaries	-	-
Total	**197**	**309**

d. Information on trading loss/income (Net):

	31 December 2014	31 December 2013
Income	**6.592.080**	**3.999.546**
Income from Capital Market Transactions	30.333	71.284
Derivative Financial Transactions	327.437	450.137
Foreign Exchange Gains	6.234.310	3.478.125
Loss (-)	**6.619.560**	**4.006.109**
Loss from Capital Market Transactions	29.791	105.280
Derivative Financial Transactions	326.718	330.995
Foreign Exchange Loss	6.263.051	3.569.834
Net Income/(Loss)	**(27.480)**	**(6.563)**

e. Information on loss / income from derivative financial operations

	31 December 2014	31 December 2013
Effect of the change in foreign exchange on income / loss	5.490	110.357
Effect of the change in interest rate on income / loss	(4.771)	8.785
Total	**719**	**119.142**

f, Explanations about other operating income:

	31 December 2014	31 December 2013
Reversal of Specific Loan Provisions	53.193	64.441
Gain on sale of property, plant and equipment & tangible assets	14.480	10.361
Provision for the expenses recovered from customers	2.335	3.461
Provision for communication costs received from customers	3.220	3.413
Other	9.140	6.748
Total	**82.368**	**88.424**

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g. Provision expenses related to loans and other receivables:

	31 December 2014	31 December 2013
Specific Provisions for Loans and Other Receivables	117.216	143.460
III. Group Loans and Receivables	6.658	-
IV. Group Loans and Receivables	28.613	-
V. Group Loans and Receivables	81.945	143.460
Doubtful Fees Commissions and Other Receivables	-	2.214
General Provision Expenses	-	8.884
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	13.848	25.739
Financial Assets at Fair Value Through Profit or Loss	13.518	22.545
Available-for-sale Financial Assets	330	3.194
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	3.128
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	3.128
Other	6.391	8.653
Total	**137.455**	**192.078**

h. Information related to other operating expenses:

	31 December 2014	31 December 2013
Personnel Expenses	166.026	146.074
Reserve For Employee Termination Benefits	291	515
Unused Vacation	72	1.376
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	8.800	7.704
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	3.193	2.532
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	1.684	2.097
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	87.201	77.003
Operational Lease Expenses	29.245	25.097
Maintenance Expenses	1.355	1.217
Advertising Expenses	1.418	5.223
Other Expense	55.183	45.466
Loss on Sales of Assets	4.997	1.307
Other (1)	21.283	23.195
Total	**293.547**	**261.803**

(1) Other operating charges is TL 6.664 (31 December 2013: TL 10.660) except premium of TMSF and tax.

i. Explanations on profit and loss from continuing operations before tax:

Profit and loss before tax consists of net interest income amounting to TL 488.234 (31 December 2013: TL 418.948), net fee and commission income amounting to TL 50.931 (31 December 2013: TL 44.450) and total other operating income amounting to TL 82.368 (31 December 2013: TL 88.424).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

j. Provision for taxes on income from continuing operations:

As of 31 December 2014, the Group has current tax expense amounting to TL 32.163 (31 December 2013: TL 1.297) and deferred tax expense amounting to TL 5.738 (31 December 2013: TL 19.141 deferred tax income).

k. Information on net income/loss for the period:

1) Interest income from ordinary banking transactions is TL 1.115.986 (31 December 2013: TL 803.692), interest expense is TL 627.752 (31 December 2013: TL 384.744).

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

l. Main parts which occurred minimum 20% of other items in income statement exceed 10% of the total:

Given Fees and Commissions Paid -Other	31 December 2014	31 December 2013
CBRT interbank money market	4.115	2.048
Debit card fees and commissions	1.735	1.158
Pos transaction commissions paid	781	598
Fees and commissions on foreign currency transactions	742	-
Commisions granted to Correspondent Banks	560	686
Commissions for effective and future transactions	359	210
Transfer commissions	27	7
B.K.M commissions	-	173
Other	2.936	2.048
Total	**11.255**	**6.928**

Received Fees and Commissions-Other	31 December 2014	31 December 2013
Investment transactions brokerage commissions	11.649	8.802
Credit card pos commissions	6.363	1.646
Account management fee commission	4.635	4.991
Insurance commissions	4.053	2.990
Expertise commissions	3.638	2.769
Transfer commissions	2.593	2.662
Other	2.643	793
Total	**35.574**	**24.653**

m. Profit or loss attributable to minority shares:

	31 December 2014	31 December 2013
Profit attributable to minority shares	232	(18)

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V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a. Information on profit distribution:

None.

b. Information on available for sale financial assets:

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

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

None.

d. Information on share issue premium:

Explained in details in note XIX of Section Three.

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

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

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

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

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

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

	31 December 2014	31 December 2013
Cash	**87.661**	**56.979**
Cash Equivalents	**525.573**	**413.867**
CBRT	405.700	340.253
Banks and other financial institutions	117.385	71.599
Money Markets	2.488	2.015
Total Cash and Cash Equivalents	**613.234**	**470.846**

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

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

	31 December 2014	31 December 2013
Cash	**97.541**	**87.661**
Cash Equivalents	**361.740**	**525.573**
CBRT	249.772	405.700
Deposits in Banks and other financial institutions	105.194	117.385
Money Markets	6.774	2.488
Total Cash and Cash Equivalents	**459.281**	**613.234**

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

None.

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

Increase in "Other Account" amounting to TL 429.987 (31 December 2013: TL 65.193 increase) which is classified under "Operating profit before changes in operating assets and liabilities" basically includes Fee and Commissions, Other Operating Expenses excluding Personnel Expenses, Foreign Exchange Gains/Losses as well as Provision and Depreciation that do not create cash in/outflow.

Increase in "Net increase/decrease in other liabilities amounting to TL 1.189.816 (31 December 2013: TL 1.065.260) which is classified under "Operating profit before changes in operating assets and liabilities" includes changes in Miscellaneous Payables, Other Liabilities, Taxes Payable, Charges, Duties and Premiums.

The effects of the change in foreign exchange rates on cash and cash equivalents is calculated approximately TL 78.724 as of 31 December 2014 (31 December 2013: TL 147.906)

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP

a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. 31 December 2014:

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 [(1) (2)]	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-cash**
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	64	60.722	2.124	61.483
Balance at the End of the Period	-	-	28.424	74.604	57.545	70.868
Interest and Commission Income Received	**-**	**-**	**99**	**1.269**	**199**	**1.010**

(1) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.
(2) The information in table above includes banks, loans and marketable securities.

2. 31 December 2013:

31 December 2013	**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 [(1) (2)]	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-cash**
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	283	48.544	46.989	47.443
Balance at the End of the Period	-	-	64	60.722	2.124	61.483
Interest and Commission Income Received	**-**	**-**	**26**	**882**	**1.070**	**1.714**

(1) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.
(2) The information in table above includes banks, loans and marketable securities.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Information on deposits of the Group's risk group:

Group's Risk Group[1] [2]	**Associates , subsidiaries and joint ventures**		**Direct and indirect shareholders of the Bank**		**Other real and legal persons that have been included in the risk group**	
Deposit	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Beginning of the Period	-	-	437.426	311.570	204.248	118.617
End of the Period	22.114	-	921.622	437.426	291.313	204.248
Interest Expense on Deposits	**4.905**	**-**	**49.955**	**12.170**	**18.756**	**5.812**

(1) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.
(2) The information in table above includes borrowings as well as deposits.

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

Group's Risk Group[1]	**Associates , subsidiaries and joint ventures**		**Direct and indirect shareholders of the Bank**		**Other real and legal persons that have been included in the risk group**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Transactions for trading purposes [2]						
Beginning of the Period [3]	-	-	-	-	-	-
End of the Period [3]	-	-	5.411	-	-	226
Total Profit / Loss	**1.262**	**-**	**(3.091)**	**(315)**	**384**	**1.128**
Transactions for hedging purposes	-	-	-	-	-	-
Beginning of the Period[3]	-	-	-	-	-	-
End of the Period[3]	-	-	-	-	-	-
Total Profit / Loss	**-**	**-**	**-**	**-**	**-**	**-**

(1) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.
(2) The Bank's derivative instruments are classified as "Financial Assets at Fair Value Through Profit or Loss" according to TAS 39.
(3) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

b. With respect to the Group'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 (%)
Borrowings	1.257.565	22,25%
Non-cash loans	145.472	6,40%
Loans	85.969	1,09%

   These transactions are priced according to the Bank's pricing policy and they are in line with the market prices.

3. Equity accounting transactions:

   None.

4. 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:

   The Bank makes financial loan agreements with Alternatif Finansal Kiralama A.Ş. and they don't have any financial loan payable from that agreement as of 31 December 2014 (31 December 2013: None.). On the other hand, the bank's branches give service to Alternatif Yatırım Menkul Değerler as agency. Alternatif Finansal Kiralama A.Ş. and Alternatif Yatırım Menkul Değerler A.Ş. have cost sharing agreements.

   The bank allocate cash and non-cash loans to risk group of the Bank in limit of Bank Law and that amount is 2,27% of total cash and non-cash amount (31 December 2013: 1,43%).

   As of 31 December 2014 the Group have rent agreement risk group. The Bank have paid the rent expense amounted to TL 3.945 to Anadolu Endüstri Holding and it have been recognized in the loss and profit accounts in the year ended 31 December 2014. There is not agreements for purchase and sale of real estate and other assets, operations, research and development, the information obtained as a result of the transfer and management contracts cost of the sevices 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 15.492 as of 31 December 2014 (31 December 2013: TL 8.855).

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. EXPLANATIONS RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

a. Information on domestic, foreign branches and foreign representatives:

	Number	Number of Employees	Country of Incorporation	Total Asset	Statutory share capital
Domestic Branch	73	1.231			
Foreign Representative	-	-	-		
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

The Parent Bank does not open any new branches in 2014.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. 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 09 July 2014 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	F3
Support Note	2
National Note	AAA
Financial Capacity Note	bb

Fitch Ratings, explained the Bank's long position as "Stable".

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2014 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International, a Swiss cooperative) and the auditor's report dated 6 February 2015 has been presented with the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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