

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO
31 DECEMBER 2015**



**CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Directors of Türk Ekonomi Bankası A.Ş.;

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Türk Ekonomi Bankası A.Ş. ("the Bank") as at 31 December 2015 and the related unconsolidated statement of income, unconsolidated income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the 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 bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by bank's management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 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 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Engin Çubukçu, SMMM
Partner

Istanbul, 5 February 2016



TEB
BNP PARIBAS JOINT VENTURE

TÜRK EKONOMİ BANKASI
Head Office
TEB Kampüs C ve D Blok, Saray Mah.,
Sokullu Caddesi, No: 7A-7B Ümraniye 34768 İSTANBUL
Tel : (0216) 635 35 35
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Central Registration System Number: 0876004342000105
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND AUDITED REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**


**UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2015**


Address : Saray Mahallesi Sokullu Caddesi No:7/A – 7/B
Ümraniye 34768 - İstanbul
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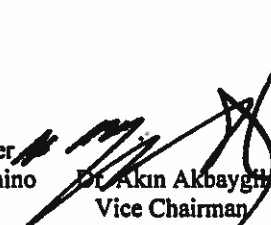
The unconsolidated financial report for the year-ended prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:


- General Information About The Bank
- Unconsolidated Financial Statements Of The Bank
- Explanations On The Accounting Policies Applied In The Related Period
- Information On Financial Structure Of The Bank
- Explanatory Disclosures And Footnotes On Unconsolidated Financial Statements
- Other Explanation
- Independent Auditor's Report

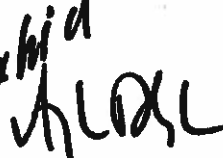
The unconsolidated financial statements and the explanatory disclosures and footnotes, unless otherwise stated, are presented in thousands of Turkish Lira, in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related statements and guidances and incompliance with the financial records of the Bank, have been independently audited and presented as attached.



Yavuz Canevi
Chairman of the
Board of
Directors


Jacques Roger
Jean Marie Rinino
Chairman
of the Audit
Committee


Dr. Akın Akbayrak
Vice Chairman
of the Audit
Committee


Ümit Leolebici
General
Manager


M. Aşkın Dolacı
Assistant General
Manager Responsible of
Financial Reporting


Gökhan Kazıcılar
Director
Responsible of
Financial Reporting

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Çiğdem Çelikle / Investor Relations Manager
Telephone Number : (0216) 635 24 63
Fax Number : (0216) 636 36 36

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**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

I. History of the Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank Belongs to

As of 31 December 2015 and 31 December 2014 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2015		31 December 2014	
	Paid in Capital	%	Paid in Capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	402,517	18.26
Other	5,754	0.26	71,116	3.23
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2015, Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1 (full TL) nominal each.

As of 14 November 2014, BNP Paribas Fortis Yatırımlar Holding A.Ş., BNP Paribas Yatırımlar Holding A.Ş., BNP Paribas, and TEB Holding A.Ş. together hold 96.005% of Türk Ekonomi Bankası (“TEB”) acting jointly as the “Controlling Shareholders” according to the Communiqué of the Capital Markets Board No II-27.2 on Squeeze-out and Sell-Out Rights (“Communiqué”). Pursuant to Provisional Article 1 of the Communiqué, sell-out and squeeze-out rights become exercisable upon the acquisition of the additional share by BNP Paribas Fortis Yatırımlar Holding A.Ş., one of the controlling shareholders, on 14 November 2014.

Pursuant to Sub-paragraph (a) of the third paragraph of Article 6 of the Communiqué, the fair value of the sell-out right was determined to be TL2,437, which is the highest of the 5 prices to be taken as a basis in the valuation report prepared by Ernst & Young. The value was calculated by

- Comparing TL2.0032, which is the arithmetic average of the weighted average market prices of the 30 days preceding the announcement of the acquisition of the additional share,
- TL2.0185, TL2.0528 and TL2.0562, the averages of the weighted average market prices of the last six months, last one year and last five years preceding the announcement of the acquisition of the additional share, respectively,

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II. Explanation on the Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank Belongs to (continued)

- To TL2,437, which is the price determined in the valuation report prepared in line with the Board’s Communiqué Serial: VIII, No: 45 On “International Valuation Standards In The Capital Markets” by Ernst Young Kurumsal Finansman Danışmanlık A.Ş. (“Ernst&Young”), an independent valuation institution which is not directly or indirectly affiliated with the bank in terms of capital equity and management and which has the capacity to give valuation services with the aim of determining a price according to the Capital Markets Board’s legislation.

The shareholders other than the Controlling Shareholders exercised their right to sell-out their shares to BNP Paribas Fortis Yatırımlar Holding A.Ş. within the three-month-period between 14 November 2014 and 16 February 2015.

Following the application by BNP Paribas Fortis Yatırımlar A.Ş. on 18 February 2015, in line with the decisions made by the Bank’s Board of Directors on 26 February 2015,

- The Bank filed an application with the CMB on 2 March 2015 for approval of the issuance document for the share issuance related to the Restricted Rights Issue to controlling shareholders, which will take place simultaneously with the annulment of the shares related to the squeeze-out process, and
- The Bank filed an application with Borsa İstanbul A.Ş. requesting termination of trading of TEB’s shares and delisting of TEB A.Ş. on the stock market.

On 13 March 2015, the CMB referred to Articles 5.14.1.3 and 5.14.2.2.1 of the International Standards on Auditing (ISA) and requested additional work. Additional work prepared by Ernst & Young and was submitted to the CMB on 6 April 2015. The results of this work were also announced on the same date on Public Disclosure Platform (“PDP”).

The Bank’s application was evaluated in the Board of Directors meeting of Borsa İstanbul dated 19 March 2015, and it was announced by Borsa İstanbul with a PDP announcement on the same date that the following had been decided:

- TEB shares will be delisted following the approval of the export document by CMB,
- Bank shares will be removed from all the current indexes due to de-listing, and
- Following the completion of the Central Registry Agency (MKK) process, starting from the first business day following the announcement made by Borsa İstanbul on PDP, bank shares will be removed from the exchange list and will be banned from being traded at the exchange.

As a result of the evaluation made regarding the Bank’s application, it was stated in the CMB bulletin dated 16 April 2015 that the application will be deemed positive, if:

- The difference between the unit share price of the Bank determined by the valuation report and announced on PDP on 16 December 2014 and unit share price determined in the valuation report prepared by Ernst&Young based on the additional work done on the said valuation report and announced on PDP on 6 April 2015, is paid by the controlling shareholder BNP Paribas Fortis Yatırımlar Holding A.Ş., to the shareholders who used their right of sale and
- There are no issues in the BRSA opinion sent to the CMB regarding the Bank's application which might negatively affect said application.

On 17 April 2015, following the publication of the CMB bulletin, Borsa İstanbul announced that TEB shares were closed for trading on the exchange, prior to the first session, and will be removed from BIST index as of 20 April 2015 pursuant to the Board of Directors meeting of Borsa İstanbul dated 19 March 2015.

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**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanation on the Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Bank Belongs to (continued)

Following the positive opinion given by BRSA on 17 June 2015, the export document approved by the CMB was received by Bank on 19 June 2015 and, after the registration procedures were completed, the shares subject to sell-out were cancelled on 23 June 2015, and on 24 June 2015 share prices were paid to share owners through the Central Registry Agency (MKK). On 24 June 2015 new shares were issued in place of the cancelled shares via private placement on behalf of our majority shareholder BNP Paribas Fortis Yatırımlar Holding A.Ş.

Following these transactions, as per the Borsa İstanbul Board of Directors decision dated 19 March 2015, TEB shares were delisted and will be permanently removed from trading. On the same date, TEB was removed from the scope of the CMB Law by the CMB.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Bank They Possess

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
PhD.Akın Akbaygil	Vice Chairman of the Board of Directors and Vice Chairman of the Audit Committee and Independent Member of the Board of Directors	PhD
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Jean Paul Sabet	Vice Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors	University
Ümit Leblebici	General Manager and the Executive Member	Master
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Alain Georges Auguste Fonteneau	Member of the Board of Directors	Master
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Musa Erden	Member of the Board of Directors	University
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee	University
Pascal Jean Fischer	Member of the Board of Directors	University
Alain Kokocinski	Independent Member of the Board of Directors	Bank Technical Institute
PhD.İsmail Yanık	Independent Member of the Board of Directors	PhD
Assistant General Managers;		
Turgut Boz	Assistant General Manager Responsible from SME Banking and Vice Chairman of General Manager	University
Gökhan Mendi	Assistant General Manager Responsible from Consumer Banking and Private Banking	Master
PhD.Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources	PhD
Melis Coşan Baban	Chief Legal Counsel and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs	Master
Osman Durmuş	Assistant General Manager Responsible from Consumer Loans and Business Loans	University
Kubilay Güler	Banking Operations & Facility Services Assistant General Manager	University
Akil Özçay	Assistant Manager Responsible from Financial Markets	Master
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans	University
Nuri Tuncalı	Assistant General Manager Responsible from SME Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
PhD.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Group Heads (*);		
Pascal Alfred J. Gilliard	Chief Risk Officer	University
Birol Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Tıraşın	Chairman of the Inspection Committee	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

Shares of the Bank owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants are negligible.

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UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Information about the Persons and Institutions That Have Qualified Shares

Name / Commercial Name	Share Amount	Share Ratio	Paid-up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is the controlling party of the Bank’s capital having both direct and indirect qualified shares. TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding are controlled by BNP Paribas S.A.

V. Summary on the Bank’s Functions and Areas of Activity

The Bank’s operating areas include, corporate, retail and private banking as well as project finance, fund management and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Yatırım Menkul Değerler A.Ş., TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2015, the Bank has 528 local branches and 4 foreign branches (31 December 2014: 546 local branches, 5 foreign branches). According to the Bank’s Board of Directors Resolution, No: 5132/147 and dated 21 October 2014, it was decided to close Türk Ekonomi Bankası A.Ş. Bahrain Branch in Bahrain which is registered to Trade Registry, No:50046-1 and as of 23 November 2015, closing process has been completed.

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods

There is no difference for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Consolidated Financial Statements of Banks in Turkey.

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between Bank and Its Subsidiaries

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Contingencies and Commitments
- III. Statement of Income
- IV. Income and Expense Items Under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014			
		Section 5 Note Ref.	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(I-1)	1,202,306	8,713,621	9,915,927	861,787	7,605,141	8,466,928
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-2)	599,312	100,685	699,997	589,691	88,618	678,309
2.1	Financial assets held for trading		599,312	100,685	699,997	589,691	88,618	678,309
2.1.1	Public sector debt securities		194,821	11,007	205,828	77,774	9,793	87,567
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Derivative financial assets held for trading		404,491	89,678	494,169	511,917	78,825	590,742
2.1.4	Other marketable securities		-	-	-	-	-	-
2.2	Financial assets classified at fair value through profit and loss		-	-	-	-	-	-
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Share certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other marketable securities		-	-	-	-	-	-
III.	BANKS	(I-3)	616,630	704,759	1,321,389	595,021	207,957	802,978
IV.	MONEY MARKET PLACEMENTS		-	-	-	550,169	-	550,169
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	550,169	-	550,169
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-4)	4,029,678	98,873	4,128,551	4,304,501	8,268	4,312,769
5.1	Share certificates		21,384	75,150	96,534	20,875	96	20,971
5.2	Public sector debt securities		4,008,294	23,723	4,032,017	4,283,626	8,172	4,291,798
5.3	Other marketable securities		-	-	-	-	-	-
VI.	LOANS AND RECEIVABLES	(I-5)	43,513,186	9,699,647	53,212,833	37,471,580	7,920,630	45,392,210
6.1	Loans and receivables		43,110,006	9,699,647	52,809,653	37,070,699	7,920,630	44,991,329
6.1.1	Loans to Risk Group of the Bank		10,477	2	10,479	88,898	3	88,901
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		43,099,529	9,699,645	52,799,174	36,981,801	7,920,627	44,902,428
6.2	Non-performing loans		1,232,527	-	1,232,527	1,120,411	-	1,120,411
6.3	Specific provisions (-)		829,347	-	829,347	719,530	-	719,530
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(I-6)	339,417	-	339,417	317,360	-	317,360
8.1	Public sector debt securities		339,417	-	339,417	317,360	-	317,360
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-7)	-	-	-	-	-	-
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-8)	115,986	-	115,986	115,986	61,254	177,240
10.1	Unconsolidated financial subsidiaries		115,986	-	115,986	115,986	61,254	177,240
10.2	Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-9)	5	-	5	5	-	5
11.1	Consolidated under equity method		-	-	-	-	-	-
11.2	Unconsolidated		5	-	5	5	-	5
11.2.1	Financial subsidiaries		-	-	-	-	-	-
11.2.2	Non-financial subsidiaries		5	-	5	5	-	5
XII.	FINANCE LEASE RECEIVABLES	(I-10)	-	-	-	-	-	-
12.1	Finance lease receivables		-	-	-	-	-	-
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-11)	58,309	-	58,309	60,800	-	60,800
13.1	Fair value hedge		-	-	-	1,681	-	1,681
13.2	Cash flow hedge		58,309	-	58,309	59,119	-	59,119
13.3	Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(I-12)	283,005	-	283,005	315,128	-	315,128
XV.	INTANGIBLE ASSETS (Net)	(I-13)	471,406	-	471,406	475,472	-	475,472
15.1	Goodwill		421,124	-	421,124	421,124	-	421,124
15.2	Other		50,282	-	50,282	54,348	-	54,348
XVI.	INVESTMENT PROPERTIES (Net)	(I-14)	-	-	-	-	-	-
XVII.	TAX ASSET		81,214	-	81,214	100,595	-	100,595
17.1	Current tax asset		1,430	-	1,430	3,849	-	3,849
17.2	Deferred tax asset	(I-15)	79,784	-	79,784	96,746	-	96,746
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-16)	71,874	-	71,874	79,466	-	79,466
18.1	Held for sale		71,874	-	71,874	79,466	-	79,466
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(I-17)	989,437	270,992	1,260,429	1,046,802	215,658	1,262,460
TOTAL ASSETS			52,371,765	19,588,577	71,960,342	46,884,363	16,107,526	62,991,889

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

	Section 5 Note Ref.	Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-1)	28,627,484	15,768,376	44,395,860	27,304,648	12,133,913	39,438,561
1.1 Deposits from Risk Group of the Bank		567,219	1,009,931	1,577,150	883,417	1,273,475	2,156,892
1.2 Other		28,060,265	14,758,445	42,818,710	26,421,231	10,860,438	37,281,669
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	466,161	53,286	519,447	312,166	118,647	430,813
III. FUNDS BORROWED	(II-3)	1,243,066	10,351,671	11,594,737	251,958	8,809,608	9,061,566
IV. MONEY MARKET BALANCES		2,384,787	-	2,384,787	1,756,987	-	1,756,987
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		2,384,787	-	2,384,787	1,756,987	-	1,756,987
V. MARKETABLE SECURITIES ISSUED (Net)	(II-3)	184,110	86,553	270,663	696,679	294,904	991,583
5.1 Bills		184,110	86,553	270,663	696,679	294,904	991,583
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		999,765	286,792	1,286,557	940,951	181,715	1,122,666
VIII. OTHER LIABILITIES	(II-4)	1,063,037	1,421	1,064,458	1,021,511	3,889	1,025,400
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(II-5)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-6)	158,539	677	159,216	313,870	-	313,870
11.1 Fair value hedge		-	-	-	11,264	-	11,264
11.2 Cash flow hedge		158,539	677	159,216	302,606	-	302,606
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	(II-7)	1,036,090	115,721	1,151,811	968,719	411	969,130
12.1 General loan loss provisions		698,089	-	698,089	609,538	-	609,538
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee benefits		199,530	5,209	204,739	208,498	-	208,498
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		138,471	110,512	248,983	150,683	411	151,094
XIII. TAX LIABILITY	(II-8)	230,946	-	230,946	192,419	-	192,419
13.1 Current tax liability		230,946	-	230,946	192,419	-	192,419
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-9)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-10)	-	1,940,036	1,940,036	-	1,785,915	1,785,915
XVI. SHAREHOLDERS' EQUITY	(II-11)	6,902,345	59,479	6,961,824	5,902,942	37	5,902,979
16.1 Paid-in capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Supplementary capital		828,515	59,479	887,994	706,532	37	706,569
16.2.1 Share premium		2,565	-	2,565	2,565	-	2,565
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(60,958)	59,523	(1,435)	(18,848)	37	(18,811)
16.2.4 Tangible assets revaluation differences		97,024	-	97,024	91,991	-	91,991
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		527	-	527	527	-	527
16.2.8 Hedging funds (Effective portion)		80,987	(44)	80,943	(60,118)	-	(60,118)
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		708,370	-	708,370	690,415	-	690,415
16.3 Profit reserves		2,977,490	-	2,977,490	2,359,963	-	2,359,963
16.3.1 Legal reserves		203,828	-	203,828	172,700	-	172,700
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		2,484,698	-	2,484,698	1,959,298	-	1,959,298
16.3.4 Other profit reserves		288,964	-	288,964	227,965	-	227,965
16.4 Profit or loss		891,950	-	891,950	632,057	-	632,057
16.4.1 Prior years' income/ (loss)		9,497	-	9,497	9,497	-	9,497
16.4.2 Current year income/ (loss)		882,453	-	882,453	622,560	-	622,560
16.5 Minority shares	(II-12)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		43,296,330	28,664,012	71,960,342	39,662,850	23,329,039	62,991,889

The accompanying notes are an integral part of these financial statements

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET
COMMITMENT AT 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Section 5 Note Ref.	Audited Current Period 31.12.2015			Audited Prior Period 31.12.2014		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		54,743,859	53,030,495	107,774,354	48,849,156	48,654,297	97,503,453
I. GUARANTEES	(III-1)	6,275,583	8,223,238	14,498,821	5,408,402	6,452,539	11,860,941
1.1 Letters of guarantee		4,805,952	5,061,178	9,867,130	4,191,978	4,092,624	8,284,602
1.1.1 Guarantees subject to State Tender Law		142,514	115,200	257,714	122,191	109,163	231,354
1.1.2 Guarantees given for foreign trade operations		302,325	829,643	1,131,968	304,025	294,680	598,705
1.1.3 Other letters of guarantee		4,361,113	4,116,335	8,477,448	3,765,762	3,688,781	7,454,543
1.2 Bank loans		-	48,830	48,830	-	62,150	62,150
1.2.1 Import letter of acceptance		-	48,830	48,830	-	62,150	62,150
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		1,419	1,405,327	1,406,746	-	1,271,645	1,271,645
1.3.1 Documentary letters of credit		1,419	147,003	148,422	-	145,575	145,575
1.3.2 Other letters of credit		-	1,258,324	1,258,324	-	1,126,070	1,126,070
1.4 Refinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		1,465,662	1,176,545	2,642,207	1,209,108	593,229	1,802,337
1.9 Other collaterals		2,550	531,358	533,908	7,316	432,891	440,207
II. COMMITMENTS	(III-1)	11,809,764	1,420,492	13,230,256	11,142,402	1,491,443	12,633,845
2.1 Irrevocable commitments		11,809,764	1,420,492	13,230,256	11,142,402	1,491,443	12,633,845
2.1.1 Forward asset purchase commitments		347,976	1,219,279	1,567,255	221,352	1,467,898	1,689,250
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		4,306,371	478	4,306,849	4,336,448	94	4,336,542
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		2,260,921	-	2,260,921	2,186,510	-	2,186,510
2.1.8 Tax and fund liabilities from export commitments		26,185	-	26,185	24,189	-	24,189
2.1.9 Commitments for credit card expenditure limits		4,580,727	-	4,580,727	4,101,473	-	4,101,473
2.1.10 Commitments for promotions related with credit cards and banking activities		4,538	-	4,538	5,178	-	5,178
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		283,046	200,735	483,781	267,252	23,451	290,703
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	36,658,512	43,386,765	80,045,277	32,298,352	40,710,315	73,008,667
3.1 Derivative financial instruments for hedging purposes		12,880,140	1,378,498	14,258,638	10,757,751	328,460	11,086,211
3.1.1 Fair value hedge		-	-	-	363,480	328,460	691,940
3.1.2 Cash flow hedge		12,880,140	1,378,498	14,258,638	10,394,271	-	10,394,271
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		23,778,372	42,008,267	65,786,639	21,540,601	40,381,855	61,922,456
3.2.1 Forward foreign currency buy/sell transactions		3,696,905	6,047,077	9,743,982	3,446,564	4,146,566	7,593,130
3.2.1.1 Forward foreign currency transactions-buy		1,331,946	3,475,605	4,807,551	1,175,714	2,516,439	3,692,153
3.2.1.2 Forward foreign currency transactions-sell		2,364,959	2,571,472	4,936,431	2,270,850	1,630,127	3,900,977
3.2.2 Swap transactions related to foreign currency and interest rates		15,050,915	27,796,905	42,847,820	12,653,451	23,967,798	36,621,249
3.2.2.1 Foreign currency swap-buy		5,268,363	13,806,210	19,074,573	4,418,890	11,793,982	16,212,872
3.2.2.2 Foreign currency swap-sell		9,382,552	9,649,731	19,032,283	7,634,561	8,274,358	15,908,919
3.2.2.3 Interest rate swaps-buy		200,000	2,170,482	2,370,482	300,000	1,949,729	2,249,729
3.2.2.4 Interest rate swaps-sell		200,000	2,170,482	2,370,482	300,000	1,949,729	2,249,729
3.2.3 Foreign currency, interest rate and securities options		5,030,552	8,164,285	13,194,837	5,440,586	12,264,066	17,704,652
3.2.3.1 Foreign currency options-buy		2,100,903	4,525,821	6,626,724	3,286,420	5,628,254	8,914,674
3.2.3.2 Foreign currency options-sell		2,929,649	3,638,464	6,568,113	2,154,166	6,633,488	8,787,654
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	2,324	2,324
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		-	-	-	-	3,425	3,425
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		149,779,878	24,008,637	173,788,515	136,906,009	19,722,997	156,629,006
IV. ITEMS HELD IN CUSTODY	(III-5)	24,038,802	1,474,752	25,513,554	27,454,007	1,538,701	28,992,708
4.1 Assets under management		-	-	-	1,666,807	-	1,666,807
4.2 Investment securities held in custody		13,189,674	391,059	13,580,733	15,906,018	337,297	16,243,315
4.3 Checks received for collection		10,084,390	830,100	10,914,490	9,454,665	928,503	10,383,168
4.4 Commercial notes received for collection		335,898	119,139	455,037	355,438	105,561	460,999
4.5 Other assets received for collection		-	134,454	134,454	-	167,340	167,340
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		428,840	-	428,840	71,079	-	71,079
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		125,324,722	22,474,956	147,799,678	109,281,579	18,143,460	127,425,039
5.1 Marketable securities		618,925	50,545	669,470	773,354	16,333	789,687
5.2 Guarantee notes		55,503,999	16,140,886	71,644,885	52,454,968	13,409,366	65,864,334
5.3 Commodity		114,135	206,019	320,154	53,640	211,098	264,738
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		61,762,008	4,088,626	65,850,634	49,440,563	3,131,992	52,572,555
5.6 Other pledged items		7,325,655	1,988,880	9,314,535	6,559,054	1,374,671	7,933,725
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		416,354	58,929	475,283	170,423	40,836	211,259
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		204,523,737	77,039,132	281,562,869	185,755,165	68,377,294	254,132,459

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. STATEMENT OF INCOME

	Section 5 Note Ref	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
I. INTEREST INCOME	(IV-1)	6,219,447	5,202,374
1.1 Interest on loans		5,718,676	4,705,697
1.2 Interest received from reserve deposits		21,805	1,775
1.3 Interest received from banks		36,479	29,380
1.4 Interest received from money market placements		49,988	32,748
1.5 Interest received from marketable securities portfolio		389,864	421,969
1.5.1 Held-for-trading financial assets		22,100	33,649
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		340,016	359,243
1.5.4 Investments held-to-maturity		27,748	29,077
1.6 Finance lease Income		-	-
1.7 Other interest income		2,635	10,805
II. INTEREST EXPENSE	(IV-2)	3,145,286	2,637,869
2.1 Interest on deposits		2,632,741	2,227,313
2.2 Interest on funds borrowed		280,823	191,193
2.3 Interest on money market borrowings		153,481	138,211
2.4 Interest on securities issued		43,072	55,521
2.5 Other interest expense		35,169	25,631
III. NET INTEREST INCOME/EXPENSE (I - II)		3,074,161	2,564,505
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,016,655	880,821
4.1 Fees and commissions received		1,397,557	1,304,719
4.1.1 Non-cash loans		127,875	115,205
4.1.2 Other	(IV-12)	1,269,682	1,189,514
4.2 Fees and commissions paid		380,902	423,898
4.2.1 Non-cash loans		2,148	1,767
4.2.2 Other	(IV-12)	378,754	422,131
V. DIVIDEND INCOME	(IV-3)	20,671	19,278
VI. NET TRADING INCOME	(IV-4)	(553,503)	(356,681)
6.1 Securities trading gains/ (losses)		2,113	8,185
6.2 Gains/ (losses) from derivative financial instruments		771,053	(821,749)
6.3 Foreign exchange gains/ (losses)		(1,326,669)	456,883
VII. OTHER OPERATING INCOME	(IV-5)	293,390	210,931
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		3,851,374	3,318,854
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-6)	923,520	565,603
X. OTHER OPERATING EXPENSES (-) (*)	(IV-7)	2,136,792	1,958,196
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		791,062	795,055
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-8)	791,062	795,055
XVI. TAX PROVISION FOR CONTINUED OPERATIONS	(IV-9)	(179,847)	(172,495)
16.1 Current income tax (charge)/benefit		(206,921)	(233,494)
16.2 Deferred tax (charge)/benefit		27,074	60,999
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV+XVI)	(IV-10)	611,215	622,560
XVIII. INCOME ON DISCONTINUED OPERATIONS		285,514	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and entities under common control (Joint vent.)		285,514	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(IV-8)	285,514	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS	(IV-9)	(14,276)	-
21.1 Current income tax (charge)/benefit		(14,276)	-
21.2 Deferred tax (charge)/benefit		-	-
XXII. NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)	(IV-10)	271,238	-
XXIII. NET PROFIT/(LOSS) (XVII±XXII)	(IV-11)	882,453	622,560
23.1 Group's profit/loss		882,453	622,560
23.2 Minority shares profit / loss (-)		-	-
Earnings per share		0.4003	0.2824

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY

	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	21,720	93,610
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	176,327	(115,379)
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	22,381	14,245
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(44,036)	1,505
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	176,392	(6,019)
XI. PROFIT/LOSS	882,453	622,560
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(22,640)	(12,880)
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	(3,548)	4
11.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	908,641	635,436
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X+XI)	1,058,845	616,541

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Section 5 Note Ref	Paid-in Capital	Effect of Inflation Acc. On Capital and Other Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extra- ordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
Audited																			
Prior Period – 01.01-31.12.2014																			
I		2,204,390	200,262	2,565	-	145,948	-	1,441,602	706,722	-	544,545	(93,699)	101,391	527	32,185	-	5,286,438	-	5,286,438
II		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III		2,204,390	200,262	2,565	-	145,948	-	1,441,602	706,722	-	544,545	(93,699)	101,391	527	32,185	-	5,286,438	-	5,286,438
Changes in period																			
IV		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V	(V-a)	-	-	-	-	-	-	-	-	-	-	74,888	-	-	-	-	74,888	-	74,888
VI	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	(92,303)	-	(92,303)	-	(92,303)
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV	(V-h)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII		-	-	-	-	-	-	9,400	11,396	-	-	-	(9,400)	-	-	-	11,396	-	11,396
XIX		-	-	-	-	-	-	-	-	622,560	-	-	-	-	-	-	622,560	-	622,560
XX		-	-	-	-	26,752	-	508,296	-	-	(535,048)	-	-	-	-	-	-	-	-
20.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2		-	-	-	-	26,752	-	508,296	-	-	(535,048)	-	-	-	-	-	-	-	-
20.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2014																			
(III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)																			
		2,204,390	200,262	2,565	-	172,700	-	1,959,298	718,118	622,560	9,497	(18,811)	91,991	527	(60,118)	-	5,902,979	-	5,902,979

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Note Ref	Paid-in Capital	Effect of Inflation Acc. On Capital and Other Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordi- nary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
Current Period 01.01-31.12.2015																			
I		2,204,390	200,262	2,565	-	172,700	-	1,959,298	718,118	-	632,057	(18,811)	91,991	527	(60,118)	-	5,902,979	-	5,902,979
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	(V-a)	-	-	-	-	-	-	-	-	-	-	17,376	-	-	-	-	17,376	-	17,376
IV.	(V-b)	-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	141,061	-	141,061	-	141,061
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	(V-c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	(V-d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	17,955	-	-	-	-	-	-	-	17,955	-	17,955
XVII.		-	-	-	-	-	-	-	-	882,453	-	-	-	-	-	-	882,453	-	882,453
XVIII.		-	-	-	-	31,128	-	525,400	60,999	-	(622,560)	-	5,033	-	-	-	-	-	-
18.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2		-	-	-	-	31,128	-	525,400	60,999	-	(622,560)	-	5,033	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 31.12.2015																			
(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII)																			
		2,204,390	200,262	2,565	-	203,828	-	2,484,698	797,072	882,453	9,497	(1,435)	97,024	527	80,943	-	6,961,824	-	6,961,824

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

VI. STATEMENT OF CASH FLOWS

	Section 5 Note Ref	Audited Current Period 01.01-31.12.2015	Audited Prior Period 01.01-31.12.2014
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		2,003,120	1,999,891
1.1.1 Interest received		6,133,439	5,010,085
1.1.2 Interest paid		(3,104,690)	(2,393,579)
1.1.3 Dividend received		19,559	8,559
1.1.4 Fees and commissions received		2,031,369	1,931,178
1.1.5 Other income		1,087,952	682,728
1.1.6 Collections from previously written off loans		495,010	445,064
1.1.7 Payments to personnel and service suppliers		(895,732)	(816,502)
1.1.8 Taxes paid		(195,482)	(162,760)
1.1.9 Others	(VI-1)	(3,568,305)	(2,704,882)
1.2 Changes in operating assets and liabilities		(1,425,437)	(815,683)
1.2.1 Net (increase) / decrease in financial assets held for trading		(117,734)	566,661
1.2.2 Net (increase) /decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) /decrease in due from banks and other financial institutions		(2,654)	1,926
1.2.4 Net increase in loans		(8,254,746)	(7,439,195)
1.2.5 Net increase in other assets	(VI-1)	(749,386)	(1,252,038)
1.2.6 Net (decrease) / increase in bank deposits		(497,873)	449,401
1.2.7 Net increase in other deposits		6,019,686	5,336,193
1.2.8 Net increase in funds borrowed		2,488,902	2,274,843
1.2.9 Net increase /decrease in matured payables		-	-
1.2.10 Net (decrease) in other liabilities	(VI-1)	(311,632)	(753,474)
I. Net cash provided from / (used in) banking operations		577,683	1,184,208
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		416,470	6,572
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries		346,768	-
2.3 Fixed asset purchases		(61,520)	(80,975)
2.4 Fixed asset sales		1,339	10,568
2.5 Cash paid for purchase of financial assets available for sale		(2,960,665)	(3,769,644)
2.6 Cash obtained from sale of financial assets available for sale		3,118,501	3,874,067
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Others	(VI-1)	(27,953)	(27,444)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from/ (used in) financing activities		(712,244)	282,633
3.1 Cash obtained from funds borrowed and securities issued		266,556	1,604,439
3.2 Cash used for repayment of funds borrowed and securities issued		(978,800)	(1,321,806)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(VI-1)	288,054	3,981
V. Net increase / (decrease) in cash and cash equivalents		569,963	1,477,394
VI. Cash and cash equivalents at beginning of the period	(VI-2)	3,310,166	1,832,772
VII. Cash and cash equivalents at end of the period	(VI-2)	3,880,129	3,310,166

The accompanying notes are an integral part of these financial statement

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31.12.2015 (*)	Audited Prior Period 31.12.2014
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	1,076,576	795,055
1.2	194,123	172,495
1.2.1	221,197	233,494
1.2.2	-	-
1.2.3	(27,074)	(60,999)
A.	882,453	622,560
1.3	-	-
1.4	-	31,128
1.5	-	-
B.	-	591,432
1.6	-	-
1.6.1	-	-
1.6.2	-	-
1.6.3	-	-
1.6.4	-	-
1.6.5	-	-
1.7	-	-
1.8	-	-
1.9	-	-
1.9.1	-	-
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	-
1.11	-	-
1.12	-	586,399
1.13	-	-
1.14	-	5,033
II. DISTRIBUTION OF RESERVE		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
III. EARNINGS PER SHARE		
3.1	0.4003	0.2824
3.2	40.30	28.24
3.3	-	-
3.4	-	-
IV. DIVIDEND PER SHARE		
4.1	-	-
4.2	-	-
4.3	-	-
4.4	-	-

(*) As of 31 December 2015 when the financial statements has been finalized, the general Assembly meeting did not performed.

(**) Other taxes and duties amount is deferred tax assets which are not used in dividends distribution.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 31 DECEMBER 2015**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (TFRS) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué.

The prior period financial statements are presented in line with the principles of TAS Board No:1 “Fundamentals of Preparing and Presenting Financial Statements” published in the Official Gazette on 16 January 2005 with No: 25702, and in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards; and other principles, methods and explanations about accounting and financial reporting issued by the BRSA. Certain reclassifications have been made to the prior year financial statements in order to comply with the current year presentation whenever required.

Additional paragraph for convenience of translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Bank, risk bearing short positions of currency, interest or price movements is performed only by the Treasury Asset-Liability Management using the limits defined by the Board of Directors. The Asset-Liability Committee manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

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II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (continued)

At period ends, foreign currency asset and liability balances are valued at the Bank’s period end counter currency buying rates and recognized as a “Foreign exchange gain or loss”.

The Bank’s hedging activities for the currency risk due to foreign currency available-for-sale equity instruments are described under the Currency Risk section; and the Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the balance sheet structure.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

Based on the TAS 27 “Turkish Accounting Standard for Consolidated and Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

Fair values of foreign currency forward and swap transactions are determined by valuating the period end Bank foreign exchange rates with the maturity value discounted to the balance sheet date with the prevailing current market rates. The resulting gain or loss is reflected to the income statement.

In the assessment of fair value of interest rate swap instruments, interest amounts to be paid or to be received due to/from the fixed rate on the derivative contract are discounted to the balance sheet date with the current applicable fixed rate in the market that is prevailing between the balance sheet date and the interest payment date, whereas interest amounts to be paid or to be received due to/from the floating rate on the derivative contract are recalculated with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date and are discounted to the balance sheet date again with the current applicable market rates that are prevailing between the balance sheet date and the interest payment date. The differences between the fixed rate interest amounts and floating rate interest amounts to be received/paid are recorded in the profit/loss accounts in the current period.

The fair value of call and put option agreements are measured at the valuation date by using the current premium values of all option agreements, and the differences between the contractual premiums received/paid and the current premiums measured at valuation date are recognized in the statement of income.

Futures transactions are valued on a daily basis by the primary market prices and related unrealized gains or losses are reflected in the income statement.

The Bank has adopted cash flow hedge accounting. The Bank documents relations between hedging instrument and hedged item on transaction date, in conjunction with strategies on objectives of the Bank's risk management and hedging transactions for hedging purposed transactions. Besides, the Bank that effectively values fair value changes of hedged items that are balanced by derivative transactions for hedging purposes documented regularly. In case that the hedging transactions do not meet the hedging accounting conditions, adjustments to fair value of hedged item, which are rediscounted within days to maturity, are reflected in Income Statement.

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IV. Explanations on Forward and Option Contracts and Derivative Instruments (continued)

While the Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/(Losses) from Derivative Financial Instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expense are recognized in the income statement for all interest bearing instruments whose cash inflows and outflows are known on an accrual basis using the effective interest method. In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

VI. Explanations on Fees and Commission Income and Expenses

Fees for various banking services and loan origination fees are recorded as income when collected and prepaid commission income on cash and non-cash loans is recorded as income by using effective interest rate in the related period.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses by using effective interest rate and are expensed on the related periods.

The dividend income is reflected to the financial statements when the profit distribution is realized by the associates and subsidiaries.

VII. Explanations on Financial Assets

Financial instruments comprise of financial assets, financial liabilities and derivative instruments. 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’s 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 Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the institution settles.

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VII. Explanations on Financial Assets (continued)

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. 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.

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

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The book value of these assets approximates their fair values.

Financial Assets at Fair Value through Profit and Loss

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.

Trading securities are initially recognized at cost. Transaction costs of the related securities are included in the initial cost. After the initial recognition, subsequent valuation of financial assets at fair value through profit and loss is performed based on the fair value. The positive difference between the cost and fair value of such securities is accounted for as interest and income accrual, and the negative difference is accounted for as “Impairment Provision on Marketable Securities”. Fair values of debt securities that are traded in an active market are determined based on quoted prices and in the absence of quoted prices, fair value of these securities are determined using the prices declared in the Official Gazette in the absence of a price formed in an active market or other valuation methods stated in TAS are applied.

Held to Maturity Investments and Financial Assets Available for Sale

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.

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

Marketable securities are initially recognized at cost including the transaction costs.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Valuation Differences” under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair value of these securities is determined using the prices declared in the Official Gazette or other valuation methods stated in TAS.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

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VII. Explanations on Financial Assets (continued)

Held to Maturity Investments and Financial Assets Available for Sale (continued)

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

The sale and purchase transactions of the held to maturity investments are recorded on a settlement date basis.

Loans and Provisions for Impairment

Loans are non-derivative financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and are not classified as trading or held for sale.

The Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for non-performing loans are determined by the Bank’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Non-performing Loans” account.

Current period provisions are booked in “Provision for Loan Losses and Other Receivables” account. If the provisions for the receivables that had been realised in earlier periods are collected in current year, reversals of specific provisions are booked in “Other Operating Income”. Income realized through the sale of non-performing loans are booked in “Other Operating Income” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Bank records general loan loss provision for loans and other receivables.

The Bank has reflected in related period financial statements the general provision difference calculated for standard and under close monitoring loans with the mentioned ratios and provided until 31 December 2015 according to change in paragraph 7, article 1 of Communiqué on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” dated 21 September 2012, numbered 28418.

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VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank 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 (or nonoccurrence) 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 journalized.

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the “Interest Income on Marketable Securities” and “Interest Expense on Money Market Borrowings” accounts in the income statement.

As of 31 December 2015, the Bank does not have any reverse repo transaction (31 December 2014: TL550,169).

As of 31 December 2015, the Bank does not have any marketable securities lending transaction (31 December 2014: None).

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XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Assets held for sale are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

As of 31 December 2015, assets held for sale and discontinued operations of the Bank are TL71,874 (31 December 2014: TL79,466). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL1,480 (31 December 2014: TL2,064) has been reserved as provision for impairment losses.

XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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XII. Explanations on Goodwill and Other Intangible Assets (continued)

Under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

Within the framework of TFRS 3 “Business Combination”, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder’s equity section. The amount of TL421,124, which is the difference between TL2,385,482 which is the fair value of transferred amount and TL1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholder’s equity section.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software used are mainly developed within the Bank by the Bank’s personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XIII. Explanations on Tangible Fixed Assets

Properties are accounted for at their restated costs until 31 December 2004; after that the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected, less reserve for impairment, if any. The straight-line method of depreciation is used for buildings and useful life is considered as 50 years.

Other tangible fixed assets are accounted for at their restated costs until 31 December 2004; afterwards the acquisition cost and any other cost incurred so as to prepare the fixed asset ready for use are reflected less reserve for impairment, if any, and depreciated on a straight-line method. Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. No amendment has been made to the depreciation method in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Motor Vehicles	10-20
Furniture, Fixtures and Office Equipment and Others	2-50

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XIII. Explanations on Tangible Fixed Assets (continued)

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.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed.

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

There is no purchase commitments related to the tangible fixed assets.

There are no anticipated changes in the accounting estimates, which could have a significant impact in the current and future periods.

The Bank employs independent appraisers in determining the current fair values of its real estates when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No: 17. In accordance with this standard, the leasing transactions, which consist of only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank’s period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, depreciation expense is recorded for the depreciable leased assets in each period. The depreciation rate is determined in accordance with TAS No: 16 "Accounting Standard for Tangible Fixed Assets" by taking the useful lives into account.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

The Bank does not have any leasing transactions as “Lessor”.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank’s best expectation of expenses in fulfilling the obligation, and discounted to present value if material. Provisions and contingent liabilities, excluding Specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (“TAS 37”) regarding “Provisions, Contingent Liabilities and Contingent Assets”

The inspection of the Competition Board that was conducted to determine whether active 12 banks in Turkey are in agreement and concerted practice in loan and credit card services sector and thus violated Article 4 of the Law on Protection of Competition (no 4054) was completed on March 8, 2013. As a result of inspection, it has been agreed by a majority to impose an administrative fine of TL10,669 to the Bank on the condition that the decision can be appealed against before Ankara Administrative Court. The penalty paid as TL8,002 on 22 July 2013 as three fourths of the main penalty as per Article 17 of the Misdemeanors Law, no 5326, was paid on 16 August 2013. The Bank filed the annulment action over the file no.2014/7E Ankara 2nd Administrative Court against the decision about the administrative fines imposed by Competition Board at Ankara Administrative Court on 19 September 2013 and the case has been dismissed and it has been lodged an appeal with the supreme court in time.

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XVI. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 “Turkish Accounting Standard on Employee Benefits”.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed annually. The carrying value of provision for employee termination benefits as of 31 December 2015 is TL97,727 (31 December 2014: TL97,662).

	31 December 2015	31 December 2014
Discount Rate (%)	10.30	8.60
Expected Inflation Rate (%)	5.00	5.00
Salary Increase Rate above Inflation Rate (%)	1.00	1.00

Communiqué on “Turkish Accounting Standard (TAS19) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January – 31 December 2015, actuarial profit amounting to TL17,707 (1 January - 31 December 2014: TL11,396) was classified as “Other Comprehensive Income” and as of 31 December 2015, a total of TL37,953 (31 December 2014: TL20,246) actuarial profit was accounted under “Other Reserves”.

Employees transferred to the Bank following the business combination defined in “General Information” of the Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Pension Fund Foundation” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are audited by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2015, the Pension Fund has 2,006 employees and 997 pensioners (31 December 2014: 2,166 employees and 959 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the “Banking Law”) published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

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XVI. Explanations on Liabilities Regarding Employee Benefits (continued)

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 08 April 2013 issued in the Official Gazette No:28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2015. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

Defined Contribution Plans

Based on the decision of the Foundation’s Extraordinary General Assembly and approval by the Board of Directors of the Bank, Güvenlik Vakfı a second foundation whose members joined the bank after the merger with Fortis Bank, transferred the retirement commitments to Individual Pension System after necessary legal procedures has been completed at 31 March 2014. From this date on, contributions by the bank to the Güvenlik Vakfı has been ended.

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XVII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20%.

The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

75% of participation shares held at least for two years and 75% of sale proceeds of real estate, to the extent that they are included in capital as required in Corporate Tax Law or they are retained in a special fund liability account for 5 years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Liability / Asset

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As of 31 December 2015 and 31 December 2014, in accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the changes in the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated 8 December 2004, the Bank calculated deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are shown in the accompanying financial statements on a net basis.

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. Deferred tax benefit has been presented on statement of profit and loss amounting to TL27,074 (30 December 2014: TL60,999). Portion of deferred tax accounted for under equity related to valuation differences which is presented in the table below has been netted and presented within relevant accounts in statement of profit and loss accounted for under equity.

	Current Period	Prior Period
Available-for-sale financial assets	(4,344)	(18,722)
Cash flow hedge	(35,265)	23,076
Actuarial profit or loss	(4,427)	(2,849)
Total	(44,036)	1,505

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

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XVIII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

Debt securities issued by the Bank are accounted at amortized cost using effective interest rate method.

The Bank has not issued convertible bonds.

XIX. Explanations on Issued Share Certificates

Following announcement of the Banking Regulation and Supervision Agency approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two bank by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Due to the merger, ceiling for the registered capital of the Bank is increased from TL1,400,000 to TL2,204,390 and the issued capital of the Bank is increased by TL1,104,390 from TL1,100,000 to TL2,204,390.

XX. Explanations on Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

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XXII. Explanations on Reporting According to Segmentation

The Bank mainly operates in retail and corporate banking segments.

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Total
Net interest income	460,987	251,280	1,077,191	1,284,703	3,074,161
Net fees and commissions income and other operating income	260,549	172,363	569,549	307,584	1,310,045
Trading profit / loss	1,695	(87)	(75)	(555,036)	(553,503)
Dividend income	-	-	-	20,671	20,671
Impairment provision for loans and other receivables (-)	174,242	124,593	492,639	132,046	923,520
Other operating expenses (-)	405,636	42,180	517,767	1,171,209	2,136,792
Profit before taxes from continued operations	143,353	256,783	636,259	(245,333)	791,062
Tax provision from continued operations (-)	-	-	-	179,847	179,847
Profit before taxes from discontinued operations	-	-	-	285,514	285,514
Tax provision from discontinued operations (-)	-	-	-	14,276	14,276
Net profit for the period	143,353	256,783	636,259	(153,942)	882,453

Current Period	Retail	Corporate	SME	Treasury/ Head Office	Total
Segment assets	12,237,860	12,014,856	24,743,720	22,847,915	71,844,351
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	115,991	115,991
Total Assets	12,237,860	12,014,856	24,743,720	22,963,906	71,960,342
Segment liabilities	26,884,205	8,945,692	8,354,559	20,814,062	64,998,518
Shareholders' equity	-	-	-	6,961,824	6,961,824
Total Liabilities	26,884,205	8,945,692	8,354,559	27,775,886	71,960,342

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Total
Net interest income	377,536	208,975	893,452	1,084,542	2,564,505
Net fees and commissions income and other operating income	223,494	153,419	430,871	283,968	1,091,752
Trading profit / loss	269	594	(1,005)	(356,539)	(356,681)
Dividend income	-	-	-	19,278	19,278
Impairment provision for loans and other receivables (-)	145,306	31,650	283,474	105,173	565,603
Other operating expenses (-)	353,185	44,133	458,668	1,102,210	1,958,196
Profit before taxes	102,808	287,205	581,176	(176,134)	795,055
Tax provision (-)	-	-	-	172,495	172,495
Net profit for the period	102,808	287,205	581,176	(348,629)	622,560

Prior Period	Retail	Corporate	SME	Treasury/ Head Office	Total
Segment assets	11,193,768	9,764,889	20,839,272	21,016,715	62,814,644
Investments in associates, subsidiaries and jointly controlled entities	-	-	-	177,245	177,245
Total Assets	11,193,768	9,764,889	20,839,272	21,193,960	62,991,889
Segment liabilities	22,988,933	9,472,711	6,826,822	17,800,444	57,088,910
Shareholders' equity	-	-	-	5,902,979	5,902,979
Total Liabilities	22,988,933	9,472,711	6,826,822	23,703,423	62,991,889

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XXIII. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 30 March 2015 the Bank, TL622,560 that constitutes the 2014 net balance sheet profit shall be transferred to the extraordinary reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL31,128 as legal reserves, TL0.50 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL0.06 (full TL) as legal reserves and TL5,033 as tangible and intangible assets revaluation funds.

XXIV. Classification

None.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published on 6 September 2014 and Official Gazette numbered 29111 and "Communiqué on Equities of Banks" published on 5 September 2013 in the Official Gazette numbered 28756. The Bank's unconsolidated capital adequacy ratio is occurred 13.94% (31 December 2014: 13.96%) in accordance with the related Communiqué as of 31 December 2015.

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting data which is included in the calculation of credit and market risks classified as "Trading Accounts" and "Banking Accounts" according to the Regulation, is used.

Trading Accounts and the values deducted from the capital base in the shareholders' equity computation are excluded in calculation of risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

Trading Accounts Counterparty receivables related to non-cash loans is multiplied with the loan conversion rates presented in article 5 of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and risk mitigation is applied in accordance with "Communiqué on Credit Risk Mitigation Techniques", calculated by applying the risk weights presented in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In calculation of the basis of the value at credit risk for the derivative financial instruments and the receivables from counterparties indicated on the bank accounting are multiplied by the rates presented in the Appendix-2 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", is subjected to risk reduction presented in "Communiqué on Credit Risk Mitigation Techniques " and then included in the relevant exposure category presented in the article 6 of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and weighted to risk weight classification indicated as per Appendix-1 of the Regulation.

According to the Clause 7 of the " Communiqué on Measurement and Assessment of Capital Adequacy of Banks" presented in the article 5 of the regulation, "counterparty credit risk" is calculated for repurchase transactions, marketable securities and commodity market transactions.

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information related to the capital adequacy ratio:

Current Period-31 December 2015	Risk Weight									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at Credit Risk Exposure Categories										
Conditional and unconditional receivables from central governments or central banks	16,078,484	-	-	-	-	150,855	-	-	79,784	-
Conditional and unconditional receivables from regional or local Governments	-	-	341,371	-	-	58	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development Banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage Houses	-	-	2,472,095	1,271,895	-	630,672	2,128	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	24,399,396	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	21,070,155	432,691	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	9,824,854	-	-	-	-	-	-
Past due receivables	-	-	-	45,586	-	272,105	75,605	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	7,104	-	1,657	1,744,068	2,484,779	3,576	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	793,893	-	37,571	-	-	998,552	-	-	-	-
Total Value at Risk	16,872,377	-	2,851,037	11,149,439	21,070,155	26,885,986	1,821,801	2,484,779	83,360	-
Total Risk Weighted Assets	-	-	570,207	5,574,720	15,802,616	26,885,986	2,732,702	4,969,558	208,400	-

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information related to the capital adequacy ratio: (continued)

Prior Period-31 December 2014	Risk Weight									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%
Value at Credit Risk Exposure Categories										
Conditional and unconditional receivables from central governments or central banks	14,071,345	-	-	-	-	108,456	-	-	96,746	-
Conditional and unconditional receivables from regional or local Governments	-	-	346,119	-	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	-	-
Conditional and unconditional receivables from multilateral development Banks	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage Houses	-	-	1,313,765	1,060,726	-	459,380	4,621	-	-	-
Conditional and unconditional receivables from corporate	-	-	-	-	-	20,385,120	-	-	-	-
Conditional and unconditional retail Receivables	-	-	-	-	19,596,979	407,035	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	5,848,221	-	-	-	-	-	-
Past due receivables	-	-	-	20,149	-	254,414	125,331	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	7,753	-	2,127	1,526,331	2,715,622	1,705	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Other receivables	770,710	-	29,849	-	2	1,292,129	-	-	-	-
Total Value at Risk	14,842,055	-	1,689,733	6,936,849	19,596,981	22,908,663	1,656,283	2,715,622	98,451	-
Total Risk Weighted Assets	-	-	337,947	3,468,425	14,697,736	22,908,663	2,484,425	5,431,244	246,128	-

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Summary information related to the capital adequacy ratio:

	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	4,539,535	3,965,965
Capital Requirement for Market Risk (CRMR)	65,397	59,032
Capital Requirement for Operational Risk (CROR) (*)	411,557	337,591
Total Capital	8,740,676	7,614,824
Total Capital /(((CRCR+CRMR+CROR)*12.5)*100)	13.94	13.96
Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100)	10.42	10.26
Common Equity Tier 1 Capital/(((CRCR+CRMR+CROR)*12.5)*100)	10.42	10.26

(*) Operational risk has been calculated by using the Basic Indicator Approach.

Information related to the components of shareholders' equity:

	Current Period	Prior Period
	31.12.2015	31.12.2014
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	2,404,652
Share Premium	2,565	2,565
Share Cancellation Profits	-	-
Reserves	3,467,589	2,801,333
Income recognized under equity in accordance with TAS	97,024	91,991
Profit	891,950	632,057
Current Period's Profit	882,453	622,560
Prior Period's Profit	9,497	9,497
General Reserves for Possible Losses	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	527
Common Equity Tier 1 Capital Before Deductions	6,864,307	5,933,125
Deductions from Common Equity Tier 1 Capital		
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS (-)	1,435	18,811
Leasehold Improvements on Operational Leases (-)	75,489	79,750
Goodwill and intangible asset and the related deferred tax liability (-)	256,490	238,870
Net Deferred Tax Asset / Liability (-)	-	-
Excess amount expressed in the law (Article 56 4th paragraph) (-)	-	-
Bank's direct or indirect investments on its own Tier 1 Capital (-)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph (-)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights (-)	-	-
Excess amount of deferred tax assets from temporary differences (-)	-	-
Other Items Determined by BRSA (-)	-	-
The amount to be deducted from common equity tier 1 capital (-)	-	-
Total Deductions from common equity tier 1 Capital	333,414	337,431
Total Common Equity Tier 1 Capital	6,530,893	5,595,694

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information on components of shareholders’ equity: (continued)

	Current Period 31.12.2015	Prior Period 31.12.2014
Additional Tier 1 Capital		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium (issued/procured after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued/procured before 1.1.2014)	210,420	232,440
Additional Tier 1 Capital before deductions	210,420	232,440
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 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 Common Equity 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 Determined by BRSA (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	210,420	232,440
Deductions From Tier 1 Capital		
The amount related to goodwill or other intangible assets not deducted from Common Equity Tier 1 Capital (-)	210,420	232,440
The amount related to deferred tax assets not deducted from Common Equity Tier 1 Capital (-)	-	-
Tier 1 Capital	6,530,893	5,595,694
Tier 2 Capital		
Bank's borrowing instruments and related issuance premium (issued after 1.1.2014)	-	-
Bank's borrowing instruments and related issuance premium (issued before 1.1.2014)	1,526,571	1,419,147
Pledged assets of the shareholders to be used for the Bank's capital increases	-	-
General Provisions	698,089	609,538
Tier 2 Capital Before Deductions	2,224,660	2,028,685
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 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 Common Equity 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 Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	2,224,660	2,028,685

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information on components of shareholders’ equity: (continued)

	Current Period 31.12.2015	Prior Period 31.12.2014
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	8,755,553	7,624,379
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	11,651	6,347
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	3,188	3,192
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-	-
Securitization positions that is deducted -preferably- from the shareholders' equity (Article 20 paragraph 2) (-)	-	-
Other items to be defined by BRSA (-)	38	16
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-	-
TOTAL CAPITAL	8,740,676	7,614,824
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	84,269	9,226
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	79,784	96,746

Information related to the components of shareholders’ equity:

	Amount To Be Considered In Equity Calculation In Current Period	Total
Minority shares in Common Equity Tier 1 Capital	-	-
Third parties in Additional Tier 1 Capital	-	-
Third parties in Tier 2 Capital	-	-
Bank's borrowing instruments and related premium (issued before 01.01.2015) (*)	483,966	667,483

(*) Borrowing instruments that are not compliant with the article 7&8 of the Communiqué on Equities of Banks will be deducted 10% for each year starting from 1 January 2015.

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information related to the components of shareholders' equity:

Investor	IFC	BNP Paribas	BNP Paribas	EBRD	BNP Paribas	EBRD
Unique identifier (e.g. CUSIP, ISIN)	-	XS0700889081	XS0808626013	XS0780562665	XS0947781315	XS0947781828
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
Regulatory treatment						
Subject to 10% deduction as of 1/1/2015	Yes	No	No	Yes	No	Yes
Eligible at solo/ group/ group & solo	Available	Available	Available	Available	Available	Available
Instrument type	Credit	Borrowing	Borrowing	Borrowing	Borrowing	Borrowing
Amount recognised in regulatory capital (TL)						
Currency in mil, as of most recent reporting date)	210.4	542.7	315.7	136.8	394.7	136.8
Par value of instrument (TL Currency in mil)	290.2	552.5	315.7	188.6	394.7	188.6
Accounting classification	34700001	34701100	34701100	34701100	34701100	34701100
Original date of issuance	31.07.2007	04.11.2011	20.07.2012	14.05.2012	27.06.2013	28.06.2013
Perpetual or dated	Demand	Time	Time	Time	Time	Time
Original maturity date	Demand	04.11.2023	20.07.2024	14.05.2024	27.06.2023	28.06.2023
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	31.07.2017	04.11.2018	20.07.2019	14.05.2019	27.06.2018	28.06.2018
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 + 3.5%	Euribor+4.75%	Euribor+4.75%	LIBOR + 5.75%	Euribor+2.10%	LIBOR + 3.40%
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Available	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil	Nil	Nil
Convertible or non-convertible						
If convertible, conversion trigger(s)	Repayment option(*)	-	-	-	-	-
If convertible, fully or partially	Total	-	-	-	-	-
If convertible, conversion rate	(*)	-	-	-	-	-
If convertible, mandatory or optional conversion	Optional	-	-	-	-	-
If convertible, specify instrument type convertible into	Share	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	TEB	-	-	-	-	-
Write-down feature						
If write-down, write-down trigger(s)	-	-	-	-	-	-
If write-down, full or partial	-	-	-	-	-	-
If write-down, permanent or temporary	-	-	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	tier 2 debt instruments	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not (***)	Not Possess	Possess	Possess	Not Possess	Possess	Not Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed (**)	Article 7/2 (ç), (f), (i), (j)	-	-	Article 8/2 (ğ)	-	Article 8/2 (ğ)

(*) The additional Tier 1 borrowing obtained from IFC on 31 July 2007 was structured in such a manner that entitle IFC to convert the borrowing to common shares in case of not paying back on 31 July 2017, at call option date. Conversion ratio will be calculated through valid market data if right is exercised.

(**) Under article 7/2; in subsection (ç), clauses on step-up and incentive to redeem; in subsection (f) delegating to the bank about cancellation of interest and dividend payment; in subsection i and j conditions of conversion to common shares and write-down are stated. Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

(***) Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

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I. Explanations Related to Capital Adequacy Standard Ratio (continued)

Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

According to definition and evaluation not to be exposed to risk at present or in the future , The Bank has created “Internal Capital Adequacy Evaluation Process” in order to provide development and implementation of proper risk management techniques aimed at auditing and managing risks at issue , and providing sufficient capitalization to compensate risks at issue. Planning and performing the Evaluation Process responsibilities belongs to Group Risk Management (GRM) in accordance with article 56 of "Communiqué on Banks’ Internal Control and Assessment of Internal Capital Adequacy Process". GRM includes contribution of Internal Audit, Internal Control and Department of Financial Affairs to demand and process to provide optimum comprehensive approach of Evaluation process. Evaluation process that is included countable and uncountable risks is risk-oriented and prudential, and constitutes a clearly connection between risk types and required capital level. Risk types considered on Evaluation Process is defined on the Evaluation Report and Risk Managemet Regulation.

Process and Evaluation Report is submitted to Board of Directors after being approved by Risk Policies Committe and Audit Committee.

II. Explanations Related to Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank’s loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette numbered 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette numbered 28906 dated 7 February 2014; Non-required delay time Loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “Non-Performing Loan” in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as “impaired receivables” without considering refinancing or addition accrued interest and quasi-interest loading to principal.

The Bank provides specific reserves to Group III, IV and V loans in accordance with “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”

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II. Explanations Related to Credit Risk (continued)

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*,**)
Conditional and unconditional receivables from central governments or central banks	15,979,608	15,434,492
Conditional and unconditional receivables from regional or local governments	378,578	385,007
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	615
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	4,362,645	4,114,372
Conditional and unconditional corporate receivables	25,642,347	24,687,601
Conditional and unconditional retail receivables	22,154,769	22,692,134
Conditional and unconditional secured mortgage receivables	9,824,854	7,356,120
Past due receivables	403,180	468,557
Receivables defined in high risk category by BRSA	4,241,184	4,247,743
Securities collateralised by mortgages	-	-
Securitisation positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	1,830,016	1,702,036

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the average of balances prepared to the end of the month.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and proceeds related to forward transactions is realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market due to necessity.

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

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

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II. Explanations Related to Credit Risk (continued)

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2015, the receivables of the Bank from its top 100 and top 200 cash loan customers amount is TL6,084,237 and TL8,522,711 and share in total cash loans are respectively 11.52% and 16.14%.

As of 31 December 2015, the receivables of the Bank from its top 100 ve top 200 non-cash loan customers amount to TL6,354,502 and TL7,855,435 with a share 43.83% and 54.18% respectively in the total non-cash loans.

As of 31 December 2015, the share of cash and non-cash receivables of the Bank from its top 100 ve top 200 loan customers in total balance sheet and off-balance sheet assets is 5.21% and 7.32% respectively.

As of 31 December 2015, the general loan loss provision related with the credit risk taken by the Bank is TL698,089 (31 December 2014: TL609,538).

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current Period	Prior Period
Central Bank of Turkey	9,084,464	7,666,370
Due from banks	1,321,389	802,978
Other money markets	-	550,169
Trading financial assets	205,828	87,567
Derivative financial instruments held for trading	494,169	590,742
Derivative financial instruments for hedging purposes	58,309	60,800
Financial assets available-for-sale	4,128,551	4,312,769
Held-to-maturity investments	339,417	317,360
Loans	53,212,833	45,392,210
Total	68,844,960	59,780,965
Contingent liabilities	14,498,821	11,860,941
Commitments	13,230,256	12,633,845
Total	27,729,077	24,494,786
Total credit risk exposure	96,574,037	84,275,751

Credit quality per class of financial assets as of 31 December 2015 and 31 December 2014 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired, net	Total
Loans and receivables			
Commercial loans	35,303,922	1,638,853	36,942,775
Consumer loans	12,516,249	869,462	13,385,711
Credit cards	2,685,186	199,161	2,884,347
Other	-	-	-
Total	50,505,357	2,707,476	53,212,833

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II. Explanations Related to Credit Risk (continued)

Prior Period	Neither past due nor impaired	Past due or individually impaired, net	Total
Loans and receivables			
Commercial loans	29,333,974	1,366,356	30,700,330
Consumer loans	11,451,287	710,433	12,161,720
Credit cards	2,386,647	143,513	2,530,160
Other	-	-	-
Total	43,171,908	2,220,302	45,392,210

Carrying amount per class of financial assets whose terms have been renegotiated:

	Current Period	Prior Period
Loans and receivables		
Commercial loans	897,747	740,105
Consumer loans	79,201	233,525
Credit cards	44,203	2,295
Total	1,021,151	975,925

Credit Rating System

The credit risk is assessed through the internal rating system of the TEBCORE, by classifying loans from highest grade to lowest grade according to the probability of default. As of 31 December 2015, consumer loans and business loans are excluded from the internal rating system of the Bank and those loans are about 37.50% of total loan portfolio.

The risks that are subject to rating models can be allocated as follows.

Category	Description of Category	Share in the Total % 31.12.2015	Share in the Total % 31.12.2014
1st Category	The borrower has a very strong financial structure	35.82	35.54
2nd Category	The borrower has a good financial structure	28.23	27.68
3rd Category	The borrower has an intermediate level of financial structure	29.86	31.96
4th Category	The financial structure of the borrower has to be closely monitored in the medium term	6.09	4.82
Total		100.00	100.00

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II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables	Total
Current Period																	
Domestic	213,690	75,147	-	-	-	1,187,923	17,935,678	14,382,727	4,789,439	447,237	7,450,552	-	-	-	-	614,257	47,096,650
European Union (EU) Countries	-	-	-	-	-	208,136	11,605	3,573	3,637	890	6,253	-	-	-	-	-	234,094
OECD Countries (*)	-	-	-	-	-	27,468	11,246	1,616	1,652	3	2,918	-	-	-	-	-	44,903
Off-Shore Banking Regions(****)	136,626	-	-	-	-	7	195,360	21,298	53,992	1,517	117,124	-	-	-	-	13	525,937
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	9,252	45,499	758	998	8	1,273	-	-	-	-	-	57,788
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,986
Assets/Liabilities (**)	-	615	-	-	-	327,926	7,442,958	2,316,147	62,711	-	21,688	-	-	-	-	275,811	10,447,856
Total	350,316	75,762	-	-	-	1,760,712	25,642,346	16,726,119	4,912,429	449,655	7,599,808	-	-	-	-	1,006,067	58,523,214

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables	
Prior Period																	
Domestic	242,252	75,622	-	-	-	790,846	15,689,494	13,365,478	2,854,301	468,752	7,615,519	-	-	-	-	1,050,906	42,153,170
European Union (EU) Countries	-	-	-	-	-	174,765	25,024	3,623	1,708	9	6,659	-	-	-	-	-	211,788
OECD Countries (*)	-	-	-	-	-	62,336	11	2,007	460	-	1,248	-	-	-	-	-	66,062
Off-Shore Banking Regions (****)	108,069	-	-	-	-	173	179,707	30,948	26,710	2,245	76,211	-	-	-	-	326	424,389
USD, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	15,533	25,954	933	1,137	-	1,797	-	-	-	-	-	45,354
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,240
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177,240
Assets/Liabilities (**)	-	636	2	-	-	235,767	5,496,540	2,037,006	39,794	-	29,573	-	-	-	-	69,687	7,909,005
Total	350,321	76,258	2	-	-	1,279,420	21,416,730	15,439,995	2,924,110	471,006	7,731,007	-	-	-	-	1,298,159	50,987,008

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions

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II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Current Period	Exposure Categories (**)																	TL (*)	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables				
Agriculture	-	-	-	-	-	-	946,588	1,105,809	296,598	30,226	1,127	-	-	-	-	-	2,216,401	163,947	2,380,348	
Farming and Husbandry	-	-	-	-	-	-	930,981	1,091,257	292,725	30,176	1,095	-	-	-	-	-	2,182,584	163,650	2,346,234	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	15,607	14,552	3,873	50	32	-	-	-	-	-	33,817	297	34,114	
Manufacturing	-	1	-	-	-	-	10,312,341	3,478,443	489,074	85,811	11,740	-	-	-	-	608	8,100,370	6,277,648	14,378,018	
Mining and Quarrying	-	-	-	-	-	-	712,865	268,767	37,117	5,663	556	-	-	-	-	-	577,120	447,848	1,024,968	
Production	-	1	-	-	-	-	9,412,815	3,193,756	450,531	79,693	11,141	-	-	-	-	608	7,402,914	5,745,631	13,148,545	
Electricity, Gas and Water	-	-	-	-	-	-	186,661	15,920	1,426	455	43	-	-	-	-	-	120,336	84,169	204,505	
Construction	-	-	-	-	-	-	2,918,602	1,079,114	368,552	43,390	5,176	-	-	-	-	-	2,908,983	1,505,851	4,414,834	
Services	350,316	75,761	-	-	-	-	11,209,453	6,057,227	1,186,141	117,027	18,170	-	-	-	-	-	1,005,294	14,981,891	6,778,210	21,760,101
Wholesale and Retail Trade	-	10,498	-	-	-	-	5,772,694	3,380,089	519,226	57,591	11,496	-	-	-	-	594	7,646,749	2,105,439	9,752,188	
Accommodation and Dining	-	-	-	-	-	-	861,191	311,188	198,029	7,530	991	-	-	-	-	-	667,322	711,607	1,378,929	
Transportation and Telecom.	-	-	-	-	-	-	1,731,824	1,166,236	167,562	28,995	2,222	-	-	-	-	5	2,309,656	787,188	3,096,844	
Financial Institutions	350,316	-	-	-	-	-	566,094	40,520	4,102	316	760	-	-	-	-	-	1,004,676	2,289,965	1,437,531	3,727,496
Real Estate and Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	1	-	-	-	-	1,583,189	776,926	233,774	15,226	1,626	-	-	-	-	-	1,053,855	1,556,887	2,610,742	
Professional Services	-	500	-	-	-	-	580,586	255,059	40,449	5,973	732	-	-	-	-	19	711,597	171,721	883,318	
Educational Services	-	1	-	-	-	-	13,722	44,115	9,942	482	118	-	-	-	-	-	64,929	3,451	68,380	
Health and Social Services	-	64,761	-	-	-	-	100,153	63,094	13,057	914	225	-	-	-	-	-	237,818	4,386	242,204	
Other	-	-	-	-	-	-	255,362	5,025,526	2,572,064	173,201	7,563,595	-	-	-	-	165	15,291,186	298,727	15,589,913	
Total	350,316	75,762	-	-	-	-	1,760,712	25,642,346	16,726,119	4,912,429	449,655	7,599,808	-	-	-	1,006,067	43,498,831	15,024,383	58,523,214	

(*) Foreign Currency oriented credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Prior Period	Exposure Categories (**)																TL (*)	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other receivables			
Agriculture	-	-	-	-	-	1,070,930	1,048,089	219,959	27,094	1,953	-	-	-	-	-	-	2,178,137	189,888	2,368,025
Farming and Husbandry	-	-	-	-	-	1,048,706	1,035,227	216,788	27,025	1,612	-	-	-	-	-	-	2,147,437	181,921	2,329,358
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	22,224	12,862	3,171	69	341	-	-	-	-	-	-	30,700	7,967	38,667
Manufacturing	-	1	-	-	-	12,187,799	4,957,685	472,910	137,744	70,506	-	-	-	-	-	-	11,489,331	6,337,314	17,826,645
Mining and Quarrying	-	-	-	-	-	443,856	289,702	28,197	9,077	4,395	-	-	-	-	-	-	543,846	231,381	775,227
Production	-	1	-	-	-	11,608,085	4,641,952	441,108	128,568	65,411	-	-	-	-	-	-	10,846,385	6,038,740	16,885,125
Electricity, Gas and Water	-	-	-	-	-	135,858	26,031	3,605	99	700	-	-	-	-	-	-	99,100	67,193	166,293
Construction	-	-	-	-	-	2,539,689	938,834	193,648	36,419	13,486	-	-	-	-	-	-	2,408,850	1,313,226	3,722,076
Services	350,321	76,257	2	-	-	1,279,420	5,058,379	3,283,411	466,391	119,826	-	-	-	-	-	977,806	9,225,280	2,569,828	11,795,108
Wholesale and Retail Trade	-	10,510	-	-	-	1,961,209	1,175,922	136,897	35,637	9,595	-	-	-	-	-	838	2,747,693	582,915	3,330,608
Accommodation and Dining	-	-	-	-	-	556,566	225,254	87,488	4,302	15,304	-	-	-	-	-	-	533,113	355,801	888,914
Transportation and Telecom.	-	-	-	-	-	1,089,504	719,171	68,246	47,428	10,781	-	-	-	-	-	5	1,459,260	475,875	1,935,135
Financial Institutions	350,321	-	-	-	-	139,038	39,715	7,245	444	10,519	-	-	-	-	-	976,589	2,452,958	350,333	2,803,291
Real Estate and Rental Services	-	2,906	-	-	-	758,792	606,889	110,127	19,474	3,986	-	-	-	-	-	-	826,744	675,430	1,502,174
Professional Services	-	1,937	2	-	-	268,667	330,567	33,303	9,148	109,377	-	-	-	-	-	19	678,943	74,077	753,020
Educational Services	-	1	-	-	-	33,946	52,741	8,809	408	9,544	-	-	-	-	-	180	91,938	13,691	105,629
Health and Social Services	-	60,903	-	-	-	250,657	133,152	14,276	2,985	14,189	-	-	-	-	-	175	434,631	41,706	476,337
Other	-	-	-	-	-	559,933	5,211,976	1,571,202	149,923	7,461,767	-	-	-	-	-	320,353	14,450,993	824,161	15,275,154
Total	350,321	76,258	2	-	-	1,279,420	21,416,730	15,439,995	2,924,110	471,006	7,731,007	-	-	-	-	1,298,159	39,752,591	11,234,417	50,987,008

(*) Foreign Currency oriented credits are shown in TP column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term To Maturity				
	Up to 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Exposure classifications					
Conditional and unconditional exposures to central governments or central banks	136,626	-	-	-	14,228
Conditional and unconditional exposures to regional governments or local authorities	102	119	732	3,035	71,158
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	779,386	81,230	67,995	68,398	151,140
Conditional and unconditional exposures to corporates	5,720,245	1,128,342	1,472,793	3,305,521	6,567,740
Conditional and unconditional retail exposures	5,842,187	1,102,634	835,884	1,528,681	5,094,783
Conditional and unconditional exposures secured by real estate property	724,526	85,415	112,591	236,030	3,690,822
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	76,929	7,501,192
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	86,575	-	-	-	15,654
Total	13,289,647	2,397,740	2,489,995	5,218,594	23,106,717

Prior Period	Term To Maturity				
	Up to 1 Month	1-3 Month	3-6 Month	6-12 Month	Over 1 year
Exposure classifications					
Conditional and unconditional exposures to central governments or central banks	126,656	-	-	-	387
Conditional and unconditional exposures to regional governments or local authorities	47	252	591	669	74,062
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	493,954	106,911	70,949	121,921	76,834
Conditional and unconditional exposures to corporates	5,151,061	1,056,480	1,151,736	2,873,019	5,684,481
Conditional and unconditional retail exposures	5,009,067	922,867	694,118	1,313,515	5,458,896
Conditional and unconditional exposures secured by real estate property	430,679	44,912	61,265	127,019	2,220,311
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	85,483	7,615,951
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other receivables	37,389	-	-	-	-
Total	11,248,853	2,131,422	1,978,659	4,521,626	21,130,922

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II. Explanations Related to Credit Risk (continued)

Information about the risk exposure categories:

As explained on the 6. Article of the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", receivables from central governments or central banks are calculated according to the OECD’s published country risks.

Receivables from unrated nonresident banks and brokerage houses may receive a risk weight lower than that applied to claims on its sovereign of incorporation. Unrated bank with a days to maturity less than 3 months subject to a floor of 20%, days to maturity more than 3 months subject to a floor of 50%. Receivables from corporate is subject to a floor of 100% or a higher country risk applied to sovereign of incorporation.

Credit quality step and risk weight matching table is shown below which is based on the OECD’s published country risk classifications;

OECD Credit Quality Level	Receivables from Central Governments or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
		DTM less than 3 months	DTM higher than 3 months	
0	0%	20%	50%	100%
1	0%	20%	50%	100%
2	20%	20%	50%	100%
3	50%	50%	50%	100%
4	100%	100%	100%	100%
5	100%	100%	100%	100%
6	100%	100%	100%	100%
7	150%	150%	150%	150%

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before											
Credit Risk Mitigation	16,542,863	-	2,888,189	11,083,234	21,714,608	28,180,359	1,839,789	2,484,779	83,360	-	557,276
Exposures after											
Credit Risk Mitigation	16,872,377	-	2,851,037	11,149,439	21,070,155	26,885,986	1,821,801	2,484,779	83,360	-	557,276

Prior Period

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
Exposures before											
Credit Risk Mitigation	14,750,893	-	1,704,429	6,942,269	20,037,713	23,962,526	1,671,202	2,715,622	98,451	-	560,615
Exposures after											
Credit Risk Mitigation	14,842,055	-	1,689,733	6,936,849	19,596,981	22,908,663	1,656,283	2,715,622	98,451	-	560,615

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II. Explanations Related to Credit Risk (continued)

Informations in terms of major sectors and type of counterparties:

Current Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	63,650	118,218	581	37,199
Farming and Stockbreeding	54,831	110,074	541	32,392
Forestry	8,370	5,591	27	4,407
Fishery	449	2,553	13	400
Manufacturing	379,610	499,995	2,455	282,956
Mining and Quarrying	16,258	24,158	119	10,652
Production	362,642	475,768	2,336	271,932
Electricity, Gas and Water	710	69	-	372
Construction	118,695	110,997	545	78,586
Services	293,091	425,427	2,089	204,827
Wholesale and Retail Trade	118,736	135,909	667	83,865
Accommodation and Dining	15,795	43,542	214	8,867
Transportation and Telecom.	100,537	119,396	586	73,984
Financial Institutions	965	2,105	10	676
Real Estate and Rental Services	35,085	89,413	439	21,916
Professional Services	15,454	24,801	122	10,753
Educational Services	1,279	2,416	12	885
Health and Social Services	5,240	7,845	39	3,881
Other	377,481	1,149,659	5,646	225,779
Total	1,232,527	2,304,296	11,316	829,347

Prior Period Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	59,304	184,683	1,947	37,178
Farming and Stockbreeding	58,944	178,991	1,887	36,868
Forestry	-	4,912	52	-
Fishery	360	780	8	310
Manufacturing	332,135	497,667	5,247	224,756
Mining and Quarrying	23,526	24,544	259	16,594
Production	308,325	470,806	4,964	207,999
Electricity, Gas and Water	284	2,317	24	163
Construction	70,669	106,228	1,120	42,585
Services	233,176	387,906	4,090	141,923
Wholesale and Retail Trade	81,914	124,056	1,308	55,257
Accommodation and Dining	9,632	44,256	467	5,954
Transportation and Telecom.	89,051	93,867	990	53,342
Financial Institutions	960	2,581	27	592
Real Estate and Rental Services	25,904	62,907	663	10,663
Professional Services	16,915	33,447	353	10,132
Educational Services	948	4,839	51	599
Health and Social Services	7,852	21,953	231	5,384
Other	425,127	642,937	6,781	273,088
Total	1,120,411	1,819,421	19,185	719,530

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II. Explanations Related to Credit Risk (continued)

Information about Value Adjustment and Change in Provisions

	31.12.2014 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments (*)	31.12.2015 Balance
Specific Provisions	719,530	802,489	(171,439)	(521,233)	-	829,347
General Provisions	609,538	98,373	(9,822)	-	-	698,089

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

	31.12.2013 Balance	Provision for Period	Provision Reversals	Write off from Asset	Other Adjustments (*)	31.12.2014 Balance
Specific Provisions	528,076	511,908	(145,977)	(174,477)	-	719,530
General Provisions	537,702	80,131	(8,295)	-	-	609,538

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

III. Explanations Related to Market Risk

The Bank’s risk management operations, applied in accordance with Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” and “Regulations about Bank’s Internal Systems” are conducted by The Board of Directors.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

a) i) Information Related to Market Risk:

	Amount
(I) Capital Requirement against General Market Risk - Standard Method	14,602
(II) Capital Requirement against Specific Risks - Standard Method	900
Capital requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	10,799
(IV) Capital Requirement against Commodity Risks - Standard Method	-
(V) Capital Requirement against Exchange Risks - Standard Method	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	918
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	38,178
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	65,397
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	817,463

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III. Explanations Related to Market Risk (continued)

ii) Average market risk table calculated at month ends during the period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	22,196	28,621	15,502	20,310	24,856	16,612
Common Stock Risk	-	-	-	-	-	-
Currency Risk	8,781	21,291	2,202	7,284	13,219	4,265
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	1,157	1,472	800	851	1,131	525
Counterparty Credit Risk	48,551	63,359	38,178	35,101	56,384	27,985
Total Value Subject to Risk (*)	1,008,571	1,281,963	817,463	794,310	1,088,155	658,613

(*) “Total Value Subject to Risk” is calculated as the total amount of capital requirements for the market risk multiplied by 12.5.

b) Information on Counterparty Credit Risk:

Limit requests of clients demanding derivative transaction are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement and that change according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market fluctuations, all tables are audited without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and The Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties. In principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data, and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

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III. Explanations Related to Market Risk (continued)

Quantitative Information on Counterparty Risk:

	Purchase/Sell Accounts	Banking Accounts	Total
Agreements Based on Interest Rate	6,961	11,794	18,755
Agreement Based on Foreign Exchange Currency	329,177	121,029	450,206
Agreement Based on Commodity	-	-	-
Agreement Based on Shares	-	-	-
Other	-	-	-
Gross Positive Fair Values	407,276	145,019	552,295
Benefits of Netting	-	-	-
Current Net Risk Amount	-	-	-
Reserved Guarantee	-	-	-
Net Position of Derivatives	743,413	277,842	1,021,255

- c) Capital Requirement is not calculated with a measurement model permitted by Banking Regulation and Supervision Agency.

IV. Explanations Related to Operational Risk

- a) Operational risk has been calculated using the Basic Indicator Approach. Market risk measurements are performed monthly.

- b) In case of application of the Standard Method:

	31.12.2012	31.12.2013	31.12.2014	Total/Positive Year	Rate (%)	Total
Gross Income	2,373,162	2,700,938	3,157,045	2,743,715	15	411,557
Amount subject to Operational Risk (Total*12.5)						5,144,466

	31.12.2011	31.12.2012	31.12.2013	Total/Positive Year	Rate (%)	Total
Gross Income	1,677,723	2,373,162	2,700,938	2,250,607	15	337,591
Amount subject to Operational Risk (Total*12.5)						4,219,889

- c) The Bank does not use the standard method.
- d) The Bank does not use any alternative approach in standard method.

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V. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate changes in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible value changes in the foreign currency transactions in the Bank’s positions are also monitored.

As an element of the Bank’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank’s Asset-Liability Committee on a weekly basis.

As of 31 December 2015, the Bank's balance sheet short position is TL6,279,338 (31 December 2014: TL4,538,896 short position), off-balance sheet long position is TL6,836,398 (31 December 2014: TL3,767,370 long position) and as a result net foreign currency net long position is TL557,060 (31 December 2014: net TL771,526 short position).

The announced current foreign exchange buying rates of the Bank at 31 December 2015 and the previous five working days in full TL are as follows:

	24.12.2015	25.12.2015	28.12.2015	29.12.2015	30.12.2015	31.12.2015
USD	2.9098	2.9079	2.9043	2.9019	2.9132	2.9021
JPY	0.0242	0.0240	0.0241	0.0241	0.0242	0.0241
EURO	3.1874	3.1783	3.1872	3.1744	3.1821	3.1572

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2015 are as follows:

	Monthly Average Foreign Exchange Rate
USD	2.9122
JPY	0.0239
EURO	3.1746

Foreign currency sensitivity:

The Bank is mainly exposed to EUR and USD currency risks.

The following table details the Bank’s sensitivity to a 10% change in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of short position and a decrease in the case of long position where the TL strengthens against USD and EUR.

Change in currency rate in %	Effect on profit or loss		Effect on equity (*)	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
USD 10 increase	3,722	11,166	(52)	2
USD 10 decrease	(3,722)	(11,166)	52	(2)
EURO 10 increase	2,679	(995)	6,005	1
EURO 10 decrease	(2,679)	995	(6,005)	(1)

(*) The effect on equity does not include the effect of changes in foreign exchange rate on the income statement.

The Bank’s sensitivity to foreign currency rates have not changed significantly during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

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V. Explanations Related to Currency Risk (continued)

Information on the foreign currency risk of the Bank:

The table below shows the Bank’s distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Bank also monitors the delta-adjusted position of the option transactions. As of 31 December 2015, the Bank has net USD long position TL15,872 and net EURO long position TL39,394.

Current Period	EUR	USD	OTHER	TOTAL
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,038,069	5,509,886	1,165,666	8,713,621
Banks	133,223	378,280	193,256	704,759
Financial Assets at Fair Value through Profit and Loss (****)	13,344	9,147	-	22,491
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	75,331	16,093	7,449	98,873
Loans (**)	6,325,306	4,895,712	1,248,177	12,469,195
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	230,521	39,890	581	270,992
Total Assets	8,815,794	10,849,008	2,615,129	22,279,931
Liabilities				
Bank Deposits	166	94	6,773	7,033
Foreign Currency Deposits (*)	4,582,048	10,142,563	1,036,732	15,761,343
Money Market Borrowings	-	-	-	-
Funds Provided From Other Financial Institutions	5,927,817	4,463,073	1,900,817	12,291,707
Marketable Securities Issued	-	86,553	-	86,553
Miscellaneous Payables	163,927	79,604	43,261	286,792
Derivative Financial Liabilities for Hedging Purposes	-	677	-	677
Other Liabilities (***)	12,684	112,354	126	125,164
Total Liabilities	10,686,642	14,884,918	2,987,709	28,559,269
Net Balance Sheet Position	(1,870,848)	(4,035,910)	(372,580)	(6,279,338)
Net Off-Balance Sheet Position	2,394,962	4,012,959	428,477	6,836,398
Financial Derivative Assets (****)	7,653,037	17,223,728	844,456	25,721,221
Financial Derivative Liabilities (****)	5,258,075	13,210,769	415,979	18,884,823
Non-Cash Loans (*****)	3,345,601	4,663,116	214,521	8,223,238
Prior Period				
Total Assets	6,304,376	10,495,716	1,882,041	18,682,133
Total Liabilities	9,515,341	11,517,868	2,187,820	23,221,029
Net Balance Sheet Position	(3,210,965)	(1,022,152)	(305,779)	(4,538,896)
Net Off-Balance Sheet Position	3,007,255	554,715	205,400	3,767,370
Financial Derivative Assets (****)	7,723,873	13,958,277	1,009,202	22,691,352
Financial Derivative Liabilities (****)	4,716,618	13,403,562	803,802	18,923,982
Non-Cash Loans (*****)	2,598,729	3,713,397	140,413	6,452,539

(*) Precious metal accounts amounting to TL445,509 (31 December 2014: TL477,622) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL2,769,548 (31 December 2014: TL2,641,281) are included in the loan portfolio.

(***) TL45,264 (31 December 2014: TL107,973) expense accruals from derivative financial instruments are deducted from other liabilities.

(****) Forward asset and marketable securities purchase-sale commitments of TL654,815 (31 December 2014: TL472,776) are added to derivative financial assets and TL564,464 (31 December 2014: TL432,243) has been added to derivative financial liabilities.

(*****) TL78,194 (31 December 2014: TL66,674) income accruals from derivative financial instruments is deducted from Financial Assets at Fair Value through Profit and Loss.

(*****) There are no effects on the net off-balance sheet position.

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VI. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank’s position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank.

The Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Bank when necessary.

Since the Bank does not allow maturity mismatches or imposes limits on mismatch, no significant interest rate risk exposure is expected.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,254,065	-	-	-	-	1,661,862	9,915,927
Banks	944,526	-	-	-	-	376,863	1,321,389
Financial Assets at Fair Value Through Profit and Loss	1,883	19,679	91,395	150,949	23,029	413,062	699,997
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	413,640	780,034	1,789,707	977,744	70,892	96,534	4,128,551
Loans (*)	15,758,127	3,051,500	8,798,330	18,635,638	6,555,149	414,089	53,212,833
Held-To-Maturity Investments	33,980	93,973	211,464	-	-	-	339,417
Other Assets	-	-	39,748	18,560	-	2,283,920	2,342,228
Total Assets	25,406,221	3,945,186	10,930,644	19,782,891	6,649,070	5,246,330	71,960,342
Liabilities							
Bank Deposits	107,735	5,744	-	-	-	1,078	114,557
Other Deposits	27,972,208	8,752,578	565,888	10,215	14	6,980,400	44,281,303
Money Market Borrowings	2,384,787	-	-	-	-	-	2,384,787
Sundry Creditors	-	-	-	-	-	1,286,557	1,286,557
Marketable Securities Issued	193,517	77,146	-	-	-	-	270,663
Funds Provided From Other Financial Institutions	2,550,498	2,888,895	7,614,066	47,717	433,597	-	13,534,773
Other Liabilities	6,917	46,392	43,537	69,180	3,029	9,918,647	10,087,702
Total Liabilities	33,215,662	11,770,755	8,223,491	127,112	436,640	18,186,682	71,960,342
Balance Sheet Long Position	-	-	2,707,153	19,655,779	6,212,430	-	28,575,362
Balance Sheet Short Position	(7,809,441)	(7,825,569)	-	-	-	(12,940,352)	(28,575,362)
Off-Balance Sheet Long Position	6,910,210	-	-	-	-	-	6,910,210
Off-Balance Sheet Short Position	-	(137,238)	(4,204,032)	(2,464,456)	-	-	(6,805,726)
Total Position	(899,231)	(7,962,807)	(1,496,879)	17,191,323	6,212,430	(12,940,352)	104,484

(*) Rotary loans amounting to TL8,779,628 are included in “Up to 1 Month” while mark to market differences from terminated hedged loans amounting to TL282, TL846 and TL785 are included in “Up to 1 Month”, “1-3 Months” and “3-12 Months” respectively.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL283,005, intangible assets amounting to TL471,406, subsidiaries amounting to TL115,986 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL71,874 while other liabilities line includes the shareholders’ equity of TL6,961,824

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VI. Explanations Related to Interest Rate Risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	532,270	-	-	-	7,934,658	8,466,928
Banks	590,581	8,540	8,317	-	-	195,540	802,978
Financial Assets at Fair Value Through Profit and Loss	42,633	22,095	56,666	63,066	65,471	428,378	678,309
Money Market Placements	550,169	-	-	-	-	-	550,169
Available-For-Sale Financial Assets	580,530	1,006,119	1,731,083	957,176	16,890	20,971	4,312,769
Loans (*)	13,219,948	2,826,095	7,313,662	16,548,223	5,049,464	434,818	45,392,210
Held-To-Maturity Investments	31,583	87,344	198,433	-	-	-	317,360
Other Assets	-	-	10,370	50,383	48	2,410,365	2,471,166
Total Assets	15,015,444	4,482,463	9,318,531	17,618,848	5,131,873	11,424,730	62,991,889
Liabilities							
Bank Deposits	617,459	580,665	2,122	-	-	40,299	1,240,545
Other Deposits	27,701,781	4,769,977	186,681	82,902	206	5,456,469	38,198,016
Money Market Borrowings	1,756,987	-	-	-	-	-	1,756,987
Sundry Creditors	-	-	-	-	-	1,122,666	1,122,666
Marketable Securities Issued	165,887	262,196	563,500	-	-	-	991,583
Funds Provided From Other Financial Institutions	2,504,430	4,835,946	3,283,830	110,604	112,671	-	10,847,481
Other Liabilities	6,776	1,770	41,477	326,838	9,294	8,448,456	8,834,611
Total Liabilities	32,753,320	10,450,554	4,077,610	520,344	122,171	15,067,890	62,991,889
Balance Sheet Long Position	-	-	5,240,921	17,098,504	5,009,702	-	27,349,127
Balance Sheet Short Position	(17,737,876)	(5,968,091)	-	-	-	(3,643,160)	(27,349,127)
Off-Balance Sheet Long Position	5,328,783	1,100,000	-	-	-	-	6,428,783
Off-Balance Sheet Short Position	-	-	(1,267,485)	(5,035,764)	(26,250)	-	(6,329,499)
Total Position	(12,409,093)	(4,868,091)	3,973,436	12,062,740	4,983,452	(3,643,160)	99,284

(*) Rotary loans amounting to TL7,098,120 are included in “Up to 1 Month” while mark to market differences from hedged loans amounting to TL6,077 are included in “1-5 Years”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL315,128, intangible assets amounting to TL475,472, subsidiaries amounting to TL177,240 and entities under common control (joint vent.) amounting to TL5, assets held for sale amounting to TL79,466 while other liabilities line includes the shareholders’ equity of TL5,902,979.

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VI. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EURO	USD	YEN	TL
	%	%	%	%
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	0.49	-	1.81
Banks	-	0.13	-	10.86
Financial Assets at Fair Value Through Profit and Loss	1.84	4.69	-	10.56
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	2.44	4.97	-	10.60
Loans	3.26	3.66	2.57	14.08
Held-To-Maturity Investments	-	-	-	11.22
Liabilities				
Bank Deposits	0.10	-	-	4.32
Other Deposits	1.28	1.86	1.30	11.73
Money Market Borrowings	-	-	-	7.62
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	1.50	-	10.68
Funds Provided From Other Financial Institutions	1.28	1.90	1.00	10.90
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	1.51
Banks	0.20	0.09	-	10.93
Financial Assets at Fair Value Through Profit and Loss	1.58	4.03	-	8.41
Money Market Placements	-	-	-	11.24
Available-For-Sale Financial Assets	2.43	3.59	-	9.44
Loans	3.44	3.74	2.94	12.87
Held-To-Maturity Investments	-	-	-	12.58
Liabilities				
Bank Deposits	0.30	-	-	4.67
Other Deposits	1.20	1.99	1.75	9.91
Money Market Borrowings	-	-	-	8.32
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	1.16	-	9.10
Funds Provided From Other Financial Institutions	1.17	1.77	2.23	8.09

Interest rate risk on banking accounts:

- a) Nature of interest rate risk caused by the banking accounts, significant assumptions on the deposit movement excepting early repayment of the loans and time deposits and measurement frequency of the interest rate risk:

Interest rate risk resulting from the banking accounts whose imposed interest risk that is traced by the bank, as well as been assessing by the related committee in different angle. There is a limit to risk amount defined by the Board of Directors. According to view of market expectation of the bank in terms of currency, is taken care in order to supply balancing between assets and liabilities.

Early repayment rate of loans is determined upon auditing to feedback of previous mortgage rate movements. Repricing days of demand deposit at bank account is settled on basing of demand deposit movements in view of branches and accounts. Accepted assumptions in parallel of result are reflected to issue products in calculation of interest rate sensitivity.

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VI. Explanations Related to Interest Rate Risk (continued)

Interest rate risk on banking accounts: (continued)

- b) Economic value differences resulted from interest rate instabilities calculated according to “Regulation on measurement and evaluation of interest rate risk resulting from the banking accounts as per standard shock method”:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity- (Losses)/Equity
TL	(400)	1,024,759	11.72%
TL	500	(1,093,467)	(12.51)%
EURO	(200)	223,439	2.56%
EURO	200	(193,087)	(2.21)%
USD	(200)	57,422	0.66%
USD	200	(49,006)	(0.56)%
Total (of negative shocks)	(800)	1,305,620	14.94%
Total (of positive shocks)	900	(1,335,560)	(15.28)%

Equity share position risk in banking accounts

Equity securities which are not publicly traded are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determined properly.

VII. Explanations on Liquidity Risk

- a) Information on liquidity risk management, such as the bank's risk capacity, responsibilities and the structure of liquidity risk management, Bank's internal reporting of the liquidity risk and communication of liquidity risk strategy, policy, and practises to the Board of Directors and business lines:

The Asset-Liability Management and Treasury Group is responsible for monitoring the bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group uses authorised products to provide sufficient liquidity based on liquidity position:

Responsibilities for liquidity management are described in the *Liquidity Risk Policy* which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for developing/setting middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks, and at a Liquidity Risk Committee meeting which is held monthly.

- b) Informations on the centralisation degree of liquidity management and funding strategy and on operations between the bank and its partnerships:

The Assets-Liabilities Committee and the Treasury Group manage the bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity, and we provide them borrowing facilities within market conditions and legal limits.

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VII. Explanations Related to Liquidity Risk (continued)

- c) Informations about the Bank's funding strategy including policies on diversification of its sources and tenor of funding:

While the bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, Bank uses instruments such as long-term syndicated loans, securities issued in TL, and foreign currency to diversify funding resources.

- d) Informations on liquidity management based on currency which consists of a minimum of 5% of the Bank's total liabilities:

Excluding TL, USD, and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the general manager, assistant general manager in charge of Financial Control Group, Group Risk Chief Officer, and the assistant general manager in charge of the Assets-Liabilities Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

- e) Informations on liquidity risk mitigation techniques:

The bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimise risk.

Within this framework, the bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimised with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimise these risks in the long term.

- f) Explanations on the usage of the stress test:

The aim of the liquidity stress test is to analyse how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analysed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Bank and in the whole banking system, in cases of stress event are analysed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

- g) General informations on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to by determining:

- Whether the liquidity problem is specific to the bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Assets-Liabilities Management and Treasury Group, the Assets-Liabilities Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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VII. Explanations Related to Liquidity Risk (continued)

Liquidity Coverage Ratio

Current Period	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			10,033,321	6,624,151
Cash Outflows				
Real person and retail deposits	27,197,790	11,105,350	2,235,163	1,010,002
Stable deposits	9,692,320	2,010,660	484,616	100,533
Less stable deposits	17,505,470	9,094,690	1,750,547	909,469
Unsecured debts other than real person and retail deposits	21,173,520	7,879,881	10,149,146	4,243,584
Operational deposits	2,903,336	1,699,544	725,834	424,886
Non-operational deposits	16,813,883	6,157,689	7,967,010	3,796,050
Other unsecured debts	1,456,302	22,648	1,456,302	22,648
Secured debts			-	-
Other cash outflows	12,163,669	7,005,313	12,163,669	7,005,313
Derivative liabilities and collateral completion liabilities	12,163,669	7,005,313	12,163,669	7,005,313
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	-	-	-	-
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	26,219,063	8,230,920	1,933,007	713,029
Total Cash Outflows			26,480,985	12,971,928
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	5,636,365	2,568,989	3,576,362	1,948,929
Other cash inflows	11,686,474	9,269,157	11,686,474	9,269,157
Total Cash Inflows	17,322,839	11,838,146	15,262,836	11,218,086
			Values to which the upper limit is applied	
Total High Quality Liquid Assets Inventory			10,033,321	6,624,151
Total Net Cash Outflows			11,218,149	3,242,982
Liquidity Coverage Ratio (%)			89.44	204.26

(*) Simple arithmetic average of the last 3 months data calculated by using monthly simple arithmetic averages.

In accordance with the new regulation effective from 28 September 2015, all of the corporate deposits are included in the “Liquidity Coverage Ratio” calculation. Only the corporate deposits with a maturity up to 30 days or less were considered on previous calculations. Related changes effected the ratio negatively, but if the prior calculation methodology has been applied average rates in the last 3 months would be reported as 106.29% and 208.98% with an increase of 16.85% and 4.72% respectively for total and foreign currency.

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VII. Explanations Related to Liquidity Risk (continued)

Liquidity Coverage Ratio (continued)

Prior Period	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			11,233,433	6,134,369
Cash Outflows				
Real person and retail deposits	25,421,640	9,444,200	2,238,344	886,700
Stable deposits	6,076,400	1,154,400	303,820	57,720
Less stable deposits	19,345,240	8,289,800	1,934,524	828,980
Unsecured debts other than real person and retail deposits	14,538,406	5,848,091	8,246,939	3,565,833
Operational deposits	2,189,288	1,191,232	547,322	297,808
Non-operational deposits	10,291,615	4,566,722	5,642,114	3,177,888
Other unsecured debts	2,057,503	90,137	2,057,503	90,137
Secured debts	-	-	-	-
Other cash outflows	14,943,408	8,897,698	14,943,408	8,897,698
Derivative liabilities and warranty completion liabilities	14,943,408	8,897,698	14,943,408	8,897,698
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	-	-	-	-
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	22,746,045	6,558,178	1,689,411	611,391
Total Cash Outflows			27,118,102	13,961,622
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4,405,949	1,252,810	2,707,280	858,980
Other cash inflows	14,965,032	12,819,334	14,965,032	12,819,334
Total Cash Inflows	19,370,981	14,072,144	17,672,312	13,678,314
			Values to which the upper limit is applied	
Total High Quality Liquid Assets Inventory			11,233,433	6,134,369
Total Net Cash Outflows			9,445,790	3,490,406
Liquidity Coverage Ratio (%)			118.93	175.75

(*) Simple arithmetic average of the last 3 months data calculated by using monthly simple arithmetic averages.

Information on liquidity coverage ratio:

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

High quality liquid assets in order of their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

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VII. Explanations Related to Liquidity Risk (continued)

Liquidity Coverage Ratio (continued)

Liquidity management of consolidated subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a consolidated basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section 2 of communiqué.

Consolidated Liquidity Coverage Ratio for the last three months are presented below:

	Current Period	
	TL+FC	FC
Lowest	85.69%	184.35%
Week	06.11.2015	23.10.2015
Highest	92.32%	220.05%
Week	09.10.2015	27.11.2015

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,661,862	8,254,065	-	-	-	-	-	9,915,927
Banks	376,863	944,526	-	-	-	-	-	1,321,389
Financial Assets at Fair Value Through Profit and Loss	-	78,162	83,157	242,297	252,450	43,931	-	699,997
Money Market Placements Available-For-Sale Financial Assets	96,534	82,900	181,434	1,278,002	1,957,868	531,813	-	4,128,551
Loans (**)	-	15,737,335	2,918,770	8,756,184	18,830,796	6,566,568	403,180	53,212,833
Held-To-Maturity Investments	-	-	-	-	211,464	127,953	-	339,417
Other Assets	-	-	-	39,748	18,560	-	2,283,920	2,342,228
Total Assets	2,135,259	25,096,988	3,183,361	10,316,231	21,271,138	7,270,265	2,687,100	71,960,342
Liabilities								
Bank Deposits	1,078	107,735	5,744	-	-	-	-	114,557
Other Deposits	6,980,400	27,972,208	8,752,578	565,888	10,215	14	-	44,281,303
Funds Provided From Other Financial Institutions	-	2,228,099	2,647,613	6,327,604	575,616	1,755,841	-	13,534,773
Money Market Borrowings	-	2,384,787	-	-	-	-	-	2,384,787
Marketable Securities Issued	-	193,517	77,146	-	-	-	-	270,663
Sundry Creditors	-	1,286,557	-	-	-	-	-	1,286,557
Other Liabilities	-	1,439,274	197,956	203,374	129,357	4,106	8,113,635	10,087,702
Total Liabilities	6,981,478	35,612,177	11,681,037	7,096,866	715,188	1,759,961	8,113,635	71,960,342
Liquidity Gap	(4,846,219)	(10,515,189)	(8,497,676)	3,219,365	20,555,950	5,510,304	(5,426,535)	-
Net Off-Balance Sheet Position	-	(64,126)	(65,648)	76,034	57,294	3,941	-	7,495
Financial Derivative Assets	-	10,299,756	8,555,646	13,722,793	6,845,046	603,145	-	40,026,386
Financial Derivative Liabilities	-	10,363,882	8,621,294	13,646,759	6,787,752	599,204	-	40,018,891
Non-Cash Loans	4,663,871	769,946	1,278,432	4,287,456	3,499,116	-	-	14,498,821
Prior Period								
Total Assets	2,210,828	21,100,959	3,336,103	8,737,388	18,514,897	6,280,468	2,811,246	62,991,889
Total Liabilities	5,496,768	34,346,912	9,532,981	4,300,421	887,165	1,555,533	6,872,109	62,991,889
Liquidity Gap	(3,285,940)	(13,245,953)	(6,196,878)	4,436,967	17,627,732	4,724,935	(4,060,863)	-
Net Off-Balance Sheet Position	-	7,128	49,988	110,169	17,352	170	-	184,807
Financial Derivative Assets	-	10,876,033	6,206,801	10,234,070	8,988,855	290,978	-	36,596,737
Financial Derivative Liabilities	-	10,868,905	6,156,813	10,123,901	8,971,503	290,808	-	36,411,930
Non-Cash Loans	4,292,032	516,721	1,058,567	3,547,412	2,446,209	-	-	11,860,941

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and non-performing loans, are classified as under undistributed.

(**) Rotary loans amounting to TL8,779,628 (31 December 2014: TL7,098,120) are included in “up to 1 month” while mark to market differences from terminated hedged loans amounting to TL282, TL846 and TL785 are included in “up to 1 month”, “1-3 month” and “3-12 month” respectively (31 December 2014: TL6,077 are included in “1-5 Years”).

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VII. Explanations Related to Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Adjustments	Total
31 December 2015								
Money Market Borrowings	-	2,387,614	-	-	-	-	(2,827)	2,384,787
Deposit	6,980,400	28,052,930	8,866,609	581,856	10,721	16	(211,229)	44,281,303
Bank Deposit	1,078	107,788	5,765	-	-	-	(74)	114,557
Funds Borrowed From Other Financial Institutions	-	2,298,624	2,673,080	6,632,198	895,314	2,018,428	(982,871)	13,534,773
Total	6,981,478	32,846,956	11,545,454	7,214,054	906,035	2,018,444	(1,197,001)	60,315,420
31 December 2014								
Money Market Borrowings	-	1,758,172	-	-	-	-	(1,185)	1,756,987
Deposit	5,456,469	27,779,832	4,818,246	190,530	87,647	425	(135,133)	38,198,016
Bank Deposit	40,299	617,654	580,992	2,202	-	-	(602)	1,240,545
Funds Borrowed From Other Financial Institutions	-	1,852,160	3,852,189	3,298,751	701,379	1,797,708	(654,706)	10,847,481
Total	5,496,768	32,007,818	9,251,427	3,491,483	789,026	1,798,133	(791,626)	52,043,029

Analysis of contractual expiry by maturity of the Bank’s derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
31 December 2015						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	87,433	2,329,741	972,135	1,419,073	-	4,808,382
Held for trading transactions						
Foreign exchange forward contracts-sell	996,674	1,314,266	1,735,437	867,762	22,292	4,936,431
Currency swaps-sell	7,590,856	4,399,819	4,486,456	2,322,577	369,507	19,169,215
Interest rate swaps-sell	3,266	6,583	22,581	12,910	1,801	47,141
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	1,693,752	1,832,303	2,975,503	66,555	-	6,568,113
Total	10,371,981	9,882,712	10,192,112	4,688,877	393,600	35,529,282
31 December 2014						
Derivative financial instruments for hedging purposes						
Fair value hedge	-	14,542	452,124	225,274	-	691,940
Cash flow hedge	23,264	99,107	365,013	543,056	68	1,030,508
Held for trading transactions						
Foreign exchange forward contracts-sell	936,087	930,247	1,238,720	761,673	34,250	3,900,977
Currency swaps-sell	7,303,718	2,873,581	3,504,691	2,240,117	117,201	16,039,308
Interest rate swaps-sell	1,226	7,676	17,068	26,423	669	53,062
Foreign currency futures-sell	-	-	-	-	-	-
Foreign currency options-sell	2,602,410	1,993,020	4,179,510	12,714	-	8,787,654
Total	10,866,705	5,918,173	9,757,126	3,809,257	152,188	30,503,449

Cash disposal of derivative financial instruments is shown above table.

Securitization positions:

The Bank does not apply securitization as of 31 December 2015 (31 December 2014: None).

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VII. Explanations Related to Liquidity Risk (continued)

Credit Risk Mitigation Techniques:

- a) Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and bank’s net-off usage level:

Bank does not perform net-off of balance sheet and off-balance sheet items in credit risk mitigation.

- b) Applications regarding valuation and management of collaterals:

Monetary collaterals are valued at fair value as of reporting date and are included in the risk mitigation process. Mortgages’ legal validity is sustained by mortgage’s timely and fair approval. Changes considerably important in market conditions are monitored.

- c) Types of collaterals received:

In terms of credit risk mitigation bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

- d) Main Guarantor and credit derivatives’ counter party and their credit valuableness:

Guarantor entity’s credit risk value is to be considered in credit risk mitigation process in cases where bank credit customers obtained guarantee from other entities.

- e) Information on Credit mitigation in market or credit risk concentration:

Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk mitigation risk.

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VII. Explanations Related to Liquidity Risk (continued)

Credit Risk Mitigation Techniques (continued):

f) Collaterals in terms of Risk Categories:

Current Period

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	350,315	-	-	-
Conditional and unconditional receivables from regional or local governments	68,332	37,336	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables and brokerage Houses	1,764,231	86,072	-	-
Conditional and unconditional corporate receivables	24,399,396	1,224,233	-	-
Conditional and unconditional retail receivables	16,235,307	466,671	-	-
Conditional and unconditional secured mortgage Receivables	4,912,427	-	-	-
Past due receivables	408,306	382	-	-
Receivables in high risk category defined by BRSA	7,599,809	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	1,006,066	-	-	-
Total	56,744,189	1,814,694	-	-

Prior Period

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	350,321	-	-	-
Conditional and unconditional receivables from regional or local governments	69,224	35,494	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	2	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,259,428	93,937	-	-
Conditional and unconditional corporate receivables	20,385,119	1,127,897	-	-
Conditional and unconditional retail receivables	15,104,769	461,735	-	-
Conditional and unconditional secured mortgage Receivables	2,924,110	-	-	-
Past due receivables	452,485	364	-	-
Receivables in high risk category defined by BRSA	7,731,007	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	1,298,103	58	-	-
Total	49,574,568	1,719,485	-	-

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VII. Explanations Related to Liquidity Risk (continued)

Risk management objectives and policies:

a) Strategies and practices on risk management:

The objective of the Risk Management system is to provide that the risks derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Bank and all of its subsidiaries have been gathered under the Risk Management Group. Group Risk Management reports to the Boards of Directors of TEB through the Audit Committee within the Bank and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers to provide compliance with risk policies containing the criteria required for each unit and to provide that TEB Group risk culture is adopted by all employees.

b) Structure and organization of Risk management system:

Risk Management activities consist of; risk measurement, risk monitoring, risk control and reporting. Risk Management activities are performed by Group Risk Management and its staff.

Head of Group Risk Management reports to the Board of Directors via Audit Committee.

c) Risk reporting and measurement systems’ scope and qualification:

In order to ensure that the results of risk measurement and monitoring are regularly and timely reported to the Board of Directors and to the Senior Management, realization of the following shall be monitored:

- The risks of the Bank are reported in a detailed and reliable manner to the Board of Directors, to the Audit Committee, to the Senior Management, to the auditors, to the banking authorities, to the rating organizations and finally to the public; and more generally, to keep relations with legal authorities, supervisory and rating organizations in matters related to risk management.
- The quantifiable risks are kept within prescribed limits; excesses are identified, stress tests and scenario analyses are performed to evaluate the effect of unexpected market conditions on basic activities and the results are reported to the Board of Directors or to the Senior Management timely and regularly.
- Data on positions and prices is monitored, risk balances are monitored, excesses are identified and monitored, various scenario analyses are performed, value at risk amounts are determined and reported, coordination with other activity fields and units is ensured,
- Daily reports from risk measurement models used by the Bank are generated, these reports are analyzed, it’s ensured that quantifiable risks comply with prescribed limits and the conformity with the limits is monitored,
- Limits defined for each risk on unit/organization basis are aggregated and monitored on a consolidated basis.

The Group Risk Management follows the consequences of the results of risk measurement and monitoring and submits them to the Board of Directors either directly or through the Audit Committee.

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VII. Explanations Related to Liquidity Risk (continued)

Risk management objectives and policies: (continued)

i) Credit Risk

Bank has internal rating models for corporate and SME segments. Application and behavioral score cards are used for entity and individual segments.

ii) Market Risk

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are monitored in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currencies and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted balance sheet figures.

According to economic value approach, changes in market interest rates may affect Bank’s assets, liabilities and off balance sheet items values. Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculating by discounting expected cash flow.

Economic value of the bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents Bank’s value’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testing prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; motive behind which is to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VaR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

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VII. Explanations Related to Liquidity Risk (continued)

Risk management objectives and policies: (continued)

ii) Market Risk (continued)

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All limit and risk positions are represented to Audit Committee and to The Board of Directors.

d) Procedures on risk management and risk mitigation policies with regular control of their effectiveness:

The Bank maintains legal validation of collaterals used for credit risk mitigation and complies with operational standards which are required for capital adequacy regulation. Market values of collaterals are regularly updated. All physical collaterals are insured. Collateral deficiency in amount or quality is determined by monitoring system and actions are taken by related groups.

Information on the leverage ratio

a) Information on issues that cause differences between current period and previous period leverage ratios:

In 2015, there is an increase in cash and non-cash loan portfolio, due from banks and reserve deposit accounts. There is no significant change in leverage ratio since core capital got stronger. The increase in the asset size has been offset by retaining the profit for the period within the bank.

b) Leverage ratio:

	Prior Period(*)	Current Period(*)
Assets On the Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	62,031,126	72,484,892
(Assets deducted from core capital)	(533,472)	(532,649)
Total risk amount for assets on the balance sheet	61,497,654	71,952,243
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	484,000	610,392
Potential credit risk amount of derivative financial instruments and loan derivatives	440,165	486,252
Total risk amount of derivative financial instruments and loan derivatives	924,165	1,096,644
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	-
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	26,283,513	28,608,064
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	26,283,513	28,608,064
Capital and Total Risk		
Core capital	5,564,119	6,351,525
Total risk amount	88,705,332	101,656,951
Leverage Ratio		
Leverage ratio	6.27%	6.25%

(*) The quarterly average of the amounts in the table is calculated.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	59,002,190	51,375,486	59,141,805	51,465,416
Money Market Placements	-	550,169	-	550,169
Banks	1,321,389	802,978	1,321,389	802,978
Available-For-Sale Financial Assets	4,128,551	4,312,769	4,128,551	4,312,769
Held-To-Maturity Investments	339,417	317,360	344,096	341,671
Loans	53,212,833	45,392,210	53,347,769	45,457,829
Financial Liabilities	61,872,640	54,157,278	62,094,407	54,143,022
Bank Deposit	114,557	1,240,545	114,557	1,240,626
Other Deposit	44,281,303	38,198,016	44,503,070	38,202,689
Funds Borrowed From Other Financial Institutions (*)	15,919,560	12,604,468	15,919,560	12,604,468
Marketable Securities Issued	270,663	991,583	270,663	972,573
Sundry Creditors	1,286,557	1,122,666	1,286,557	1,122,666

(*) Funds provided under repo transactions and interbank money market takings are included in funds borrowed from other financial institutions.

The table above shows the book value and the fair value of the financial assets and liabilities which are not disclosed at their fair value in the financial statements of the Bank.

Current period investment securities are comprised of interest-bearing assets held-to-maturity and interest-bearing assets available-for-sale. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The estimated fair value of deposits and funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with inputs other than quoted prices included within Level 1, that are observable either directly or indirectly in the market.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non-observable inputs.

31 December 2015	Level 1	Level 2	Level 3	Total
Financial Assets	4,228,207	571,342	75,043	4,874,592
Financial assets at fair value through profit and loss	205,828	494,169	-	699,997
<i>Public sector debt securities</i>	205,828	-	-	205,828
<i>Derivative financial assets held for trading</i>	-	494,169	-	494,169
Derivative financial assets for hedging purposes	-	58,309	-	58,309
Available-for-sale financial assets	4,022,379	18,864	75,043	4,116,286
<i>Public sector debt securities</i>	4,022,379	9,638	-	4,032,017
<i>Other available-for-sale financial assets (*)</i>	-	9,226	75,043	84,269
Financial Liabilities	-	678,663	-	678,663
Derivative financial liabilities held for trading	-	519,447	-	519,447
Derivative financial liabilities for hedging purposes	-	159,216	-	159,216
31 December 2014	Level 1	Level 2	Level 3	Total
Financial Assets	4,371,580	668,553	-	5,040,133
Financial assets at fair value through profit and loss	87,567	590,742	-	678,309
<i>Public sector debt securities</i>	87,567	-	-	87,567
<i>Derivative financial assets held for trading</i>	-	590,742	-	590,742
Derivative financial assets for hedging purposes	-	60,800	-	60,800
Available-for-sale financial assets	4,284,013	17,011	-	4,301,024
<i>Public sector debt securities</i>	4,284,013	7,785	-	4,291,798
<i>Other available-for-sale financial assets (*)</i>	-	9,226	-	9,226
Financial Liabilities	-	744,683	-	744,683
Derivative financial liabilities held for trading	-	430,813	-	430,813
Derivative financial liabilities for hedging purposes	-	313,870	-	313,870

(*) All unquoted share certificates of TL12,265 which are recorded at fair value and at cost since its fair value cannot be reliably estimated are not included. (31 December 2014: TL11,745).

There is no transition between the levels in the current year.

IX. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

1. a) Information on Cash and Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	371,907	399,615	329,517	437,126
Balances with the Central Bank of Turkey	830,399	8,254,065	532,270	7,134,100
Other	-	59,941	-	33,915
Total	1,202,306	8,713,621	861,787	7,605,141

b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	830,399	-	532,270	-
Unrestricted time deposit	-	935,820	-	661,489
Restricted time deposit	-	7,318,245	-	6,472,611
Total	830,399	8,254,065	532,270	7,134,100

Foreign currency unrestricted deposit amounting to TL935,820 (31 December 2014: TL661,489), foreign currency restricted deposit amounting to TL7,318,245 (31 December 2014: TL6,472,611) and unrestricted deposit balance amounting to TL830,399 (31 December 2014: TL532,270) comprises of reserve deposits. As of 31 December 2015, the Turkish Lira required reserve ratios are determined to be within the range of 5% and 11.50% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2014: 5%-11.50% for all Turkish Lira liabilities), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 5% and 25% (31 December 2014: 6%-13% for all foreign currency liabilities).

2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2014: None).

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None.

Net book value of unrestricted financial assets at fair value through profit and loss is TL205,828 (31 December 2014: TL87,567).

a.3) Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	107,066	13,265	49,320	5,454
Swap Transactions	238,210	63,008	388,657	48,531
Futures Transactions	-	-	-	-
Options	59,215	13,405	73,940	24,840
Other	-	-	-	-
Total	404,491	89,678	511,917	78,825

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I. Explanations and Disclosures Related to the Assets (continued)

3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	582,335	281,633	544,271	33,226
Foreign	34,295	423,126	50,750	174,731
Branches and head office abroad	-	-	-	-
Total	616,630	704,759	595,021	207,957

b) Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	282,719	95,863	-	-
USA and Canada	23,878	21,020	-	-
OECD Countries(*)	8,638	4,193	-	-
Off-Shore Banking Regions	127,136	100,457	-	-
Other	15,050	3,948	-	-
Total	457,421	225,481	-	-

(*) EU countries, OECD countries except USA and Canada

4. Information on financial assets available-for-sale:

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	403,320	-	387,369	-
Other	-	-	-	-
Total	403,320	-	387,369	-

a.2) Financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	2,395,729	-	1,761,323	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	2,395,729	-	1,761,323	-

Net book value of unrestricted financial assets available-for-sale is TL1,329,502 (31 December 2014: TL2,164,077).

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I. Explanations and Disclosures Related to the Assets (continued)

4. Information on financial assets available-for-sale: (continued)

b) Information on financial assets available for sale portfolio:

	Current Period	Prior Period
Debt securities	4,032,017	4,291,798
Quoted on a stock exchange	4,032,017	4,291,798
Not quoted	-	-
Share certificates	96,534	20,971
Quoted on a stock exchange	-	-
Not quoted	96,534	20,971
Impairment provision (-)	-	-
Total	4,128,551	4,312,769

All unquoted available for sale equities are recorded at fair value except for the Bank’s investment of TL12,265 is recorded at cost since its fair value cannot be reliably estimated (31 December 2014: TL11,745).

5. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	1,255	300,347	64,387	175,997
Corporate shareholders	1,255	300,347	63,843	175,997
Real person shareholders	-	-	544	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	65,773	-	60,593	-
Total	67,028	300,347	124,980	175,997

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring (*)		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms		Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
Cash Loans						
Non-specialized loans	50,505,357	360,314	-	2,304,296	660,837	-
Working capital loans	-	-	-	-	-	-
Export loans	4,741,079	11,382	-	37,885	6,982	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	875,218	-	-	-	-	-
Consumer loans (**)	12,516,249	56,573	-	605,750	22,628	-
Credit cards	2,685,186	17,246	-	147,689	26,957	-
Other	29,687,625	275,113	-	1,512,972	604,270	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	50,505,357	360,314	-	2,304,296	660,837	-

(*) The total principle amount of the loans under close monitoring in accordance with the requirements of the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”.

(**) TL1,913 of income accrual resulting from the fair value difference of the hedged item loans is included in the loan balance.

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

- b) Information on the first and second group loans and other receivables including restructured or rescheduled loans: (continued)

No. of extensions	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up (*)
1 or 2 times	355,395	659,056
3,4 or 5 times	2,894	884
Over 5 times	2,025	897
Total	360,314	660,837

Extension Periods	Performing Loans and Other Receivables (*)	Loans and Other Receivables under Follow-up (*)
0-6 months	301,345	563,775
6-12 months	20,283	32,711
1-2 years	13,433	30,481
2-5 years	21,174	27,396
5 years and over	4,079	6,474
Total	360,314	660,837

(*) Amounts indicated in tables above was calculated based on criteria stated in "Specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables" published on the Official Gazette no. 27947 dated 28 May 2011 5th paragraph of the provisional Article 4a.

- c) Loans and other receivables according to their maturity structure:

Cash Loans	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	21,829,535	136,694	804,785	164,845
Non-specialized loans	21,829,535	136,694	804,785	164,845
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	28,675,822	223,620	1,499,511	495,992
Non-specialized loans	28,675,822	223,620	1,499,511	495,992
Non-specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	50,505,357	360,314	2,304,296	660,837

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	197,783	12,405,515	12,603,298
Housing Loans	5,060	7,778,827	7,783,887
Vehicle Loans	5,186	445,329	450,515
General Purpose Loans	187,537	4,181,359	4,368,896
Other	-	-	-
Consumer Loans –Indexed to FC	-	28,542	28,542
Housing Loans	-	27,266	27,266
Vehicle Loans	-	-	-
General Purpose Loans	-	1,276	1,276
Other	-	-	-
Consumer Loans-FC (**)	-	29,952	29,952
Housing Loans	-	8,386	8,386
Vehicle Loans	-	7,690	7,690
General Purpose Loans	-	13,876	13,876
Other	-	-	-
Individual Credit Cards-TL	1,848,888	-	1,848,888
With Installments	614,727	-	614,727
Without Installments	1,234,161	-	1,234,161
Individual Credit Cards-FC	7,984	-	7,984
With Installments	1,127	-	1,127
Without Installments	6,857	-	6,857
Personnel Loans-TL	5,004	31,855	36,859
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	5,004	31,855	36,859
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	23,634	-	23,634
With Installments	8,571	-	8,571
Without Installments	15,063	-	15,063
Personnel Credit Cards-FC	340	-	340
With Installments	60	-	60
Without Installments	280	-	280
Overdraft Accounts-TL(Real Persons) (*)	422,367	-	422,367
Overdraft Accounts-FC(Real Persons)	981	-	981
Total	2,506,981	12,495,864	15,002,845

(*) Overdraft Accounts include personnel loans amounting to TL4,940.

(**) Loans granted via branches abroad.

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5. Information on loans: (continued)

e) Information on commercial loans with installments and corporate credit cards:

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TL	586,202	8,402,979	8,989,181
Business Loans	1,441	351,968	353,409
Vehicle Loans	33,236	1,019,155	1,052,391
General Purpose Loans	551,525	7,031,856	7,583,381
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	23,115	605,748	628,863
Business Loans	-	23,844	23,844
Vehicle Loans	3,581	173,106	176,687
General Purpose Loans	19,534	408,798	428,332
Other	-	-	-
Commercial loans with installment facility –FC	14	-	14
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	14	-	14
Other	-	-	-
Corporate Credit Cards-TL	949,937	-	949,937
With Installments	258,678	-	258,678
Without Installments	691,259	-	691,259
Corporate Credit Cards-FC	2,092	-	2,092
With Installments	-	-	-
Without Installments	2,092	-	2,092
Overdraft Accounts-TL(Legal Entities)	1,326,467	-	1,326,467
Overdraft Accounts-FC(Legal Entities)	72	-	72
Total	2,887,899	9,008,727	11,896,626

f) Allocation of loans by customers:

	Current Period	Prior Period
Public sector	492,540	533,265
Private sector	52,317,113	44,458,064
Total	52,809,653	44,991,329

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	52,199,611	44,545,131
Foreign loans	610,042	446,198
Total	52,809,653	44,991,329

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	-	10,603
Indirect loans granted to subsidiaries and associates	-	-
Total	-	10,603

i) Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	24,038	30,950
Loans and receivables with doubtful collectability	88,327	117,053
Uncollectible loans and receivables	716,982	571,527
Total	829,347	719,530

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5. Information on loans: (continued)

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	17,210	11,015	9,271
Prior period			
(Gross amount before specific provisions)			
Non-performing loans and receivables which are restructured	-	-	-
Non-performing loans and receivables which are rescheduled	18,258	10,121	3,140

j.2) The movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	182,224	268,489	669,698
Additions (+)	1,092,554	29,860	18,059
Transfers from other categories of non-performing loans (+)	-	992,799	947,100
Transfers to other categories of non-performing loans (-)(**)	1,001,375	947,476	137
Collections (-)	134,367	151,138	209,505
Write-offs (-) (*)	127	24	524,107
Corporate and commercial loans	-	-	153,587
Retail loans	125	22	239,530
Credit cards	2	2	130,990
Other	-	-	-
Current period end balance	138,909	192,510	901,108
Specific provision (-)	24,038	88,327	716,982
Net Balances on Balance Sheet	114,871	104,183	184,126

(*) Past due receivables portfolio amounting to TL250,007 for which TL249,854 provision and TL14,225 for which TL14,225 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. respectively for TL29,800 at 26 March 2015 and TL2,850 at 23 June 2015. Also, amounting to TL215,335 for which TL215,331 provision and TL41,823 for which TL41,823 provision had been allocated is sold to Final Varlık Yönetim A.Ş. respectively for TL27,310 at 27 October 2015 and TL7,511 at 29 December 2015. After completion of the necessary procedures and collection of the sale price, such past due receivables have been written off from the accounts.

(**) In compliance with the related Communiqué, retail loans amounting to TL9,089 are classified from non-performing loans to performing loans.

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5. Information on loans: (continued)

j.3) Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
31 December 2015			
Period End Balance	245	572	25,012
Specific Provision (-)	29	85	18,297
Net Balance	216	487	6,715
31 December 2014			
Prior Period End Balance	497	1,974	13,036
Specific Provision (-)	49	328	11,644
Net Balance	448	1,646	1,392

The foreign currency loans in the table above are stated in TL in the financial statements of the bank.

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	138,909	192,510	901,108
Specific Provision (-)	24,038	88,327	716,982
Loans to Real Persons and Legal Entities (Net)	114,871	104,183	184,126
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	182,224	268,489	669,698
Specific Provision (-)	30,950	117,053	571,527
Loans to Real Persons and Legal Entities (Net)	151,274	151,436	98,171
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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5. Information on loans: (continued)

k) Main principles of liquidating non-performing loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated 1 November 2006; loans and other receivables for which the collection is believed to be impossible are classified as nonperforming loans by complying with the requirements of the Tax Procedural Law in accordance with the decision of the upper management of the Bank.

l) Explanations on write-off policy:

Unrecoverable non-performing loans can be written off with the decision of the Board of Directors.

m) Other explanations and disclosures:

Current Period	Commercial	Consumer	Credit Cards	Total
Neither past due nor impaired	35,303,922	12,516,249	2,685,186	50,505,357
Past due not impaired	1,550,857	605,750	147,689	2,304,296
Individually impaired	364,590	721,976	145,961	1,232,527
Total	37,219,369	13,843,975	2,978,836	54,042,180
Specific Provision	276,594	458,264	94,489	829,347
Total	276,594	458,264	94,489	829,347
Net credit balance on balance sheet	36,942,775	13,385,711	2,884,347	53,212,833

Prior Period	Commercial	Consumer	Credit Cards	Total
Neither past due nor impaired	29,333,974	11,451,287	2,386,647	43,171,908
Past due not impaired	1,124,673	608,991	85,757	1,819,421
Individually impaired	670,138	263,494	186,779	1,120,411
Total	31,128,785	12,323,772	2,659,183	46,111,740
Specific Provision	428,455	162,052	129,023	719,530
Total	428,455	162,052	129,023	719,530
Net credit balance on balance sheet	30,700,330	12,161,720	2,530,160	45,392,210

Based on classification, movement of allowance for loan losses and other receivables is presented as follows;

	Commercial	Consumer	Credit Cards	Total
1 January 2015	428,455	162,052	129,023	719,530
Change for the period	163,508	512,115	126,866	802,489
Recoveries	(75,725)	(64,987)	(30,727)	(171,439)
Amounts written-off (*)	(239,644)	(150,916)	(130,673)	(521,233)
31 December 2015 Balance	276,594	458,264	94,489	829,347

	Commercial	Consumer	Credit Cards	Total
1 January 2014	325,993	99,643	102,440	528,076
Change for the period	265,092	144,957	101,859	511,908
Recoveries	(65,612)	(54,288)	(26,077)	(145,977)
Amounts written-off (**)	(97,018)	(28,260)	(49,199)	(174,477)
31 December 2014 Balance	428,455	162,052	129,023	719,530

(*) Past due receivables portfolio amounting to TL250,007 for which TL249,854 provision and TL14,225 for which TL14,225 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. respectively for TL29,800 at 26 March 2015 and TL2,850 at 23 June 2015. Also; Past due receivables portfolio amounting to TL215,335 for which TL215,331 provision and TL41,823 for which TL41,823 provision had been allocated is sold to Final Varlık Yönetim A.Ş respectively for TL27,310 at 27 October 2015 and TL7,511 at 29 December 2015. After completion of the necessary procedures and collection of the sale price, such past due receivables have been written off from the accounts.

(**) Amounting to TL174,635 past due receivable portfolio for which TL174,477 provision had been allocated, was sold to TURKASSET Varlık Yönetimi A.Ş. for TL19,800, and after all the sales procedures were completed at 26 August 2014 with the completion of the necessary procedures, and the related past due receivable have been written off from the accounts.

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5. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank holds relating to loans individually determined to be impaired at 31 December 2015 is TL318,767 (31 December 2014: TL236,874).

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually determined to be impaired:

	Current Period	Prior Period
Mortgage	225,357	176,746
Vehicle	78,774	56,043
Cash	312	201
Other	14,324	3,884
Total	318,767	236,874

As of 31 December 2015 and 31 December 2014, detail of commodities and properties held for sale related to loan receivables of the Bank is as follows:

31 December 2015	Commercial	Consumer	Total
Residential, commercial or industrial property	66,588	5,247	71,835
Other	39	-	39
Total	66,627	5,247	71,874

31 December 2014	Commercial	Consumer	Total
Residential, commercial or industrial property	72,087	6,988	79,075
Other	391	-	391
Total	72,478	6,988	79,466

Aging analysis of past due but not impaired loans per classes of financial statements is as follows:

31 December 2015	1-30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	938,291	374,515	238,051	1,550,857
Consumer Loans	206,593	272,130	127,027	605,750
Credit Cards	86,142	42,471	19,076	147,689
Total	1,231,026	689,116	384,154	2,304,296

31 December 2014	1-30 Days	31-60 Days	61-90 Days	Total
Loans and Receivables				
Commercial Loans	712,086	231,125	181,462	1,124,673
Consumer Loans	275,799	239,728	93,464	608,991
Credit Cards	83,641	107	2,009	85,757
Total	1,071,526	470,960	276,935	1,819,421

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding total loan balance of the customer, that the Bank held as at 31 December 2015 is TL1,906,005 (31 December 2014: TL860,261).

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans: (continued)

The fair value of collaterals, capped with the respective outstanding loan balance relating to those that are past due but not impaired:

	Current Period	Prior Period
Mortgage	536,022	609,967
Vehicle	82,831	117,862
Cash	10,112	14,267
Other	1,277,040	118,165
Total	1,906,005	860,261

6. Information on held-to-maturity investments:

a) a.1) Held-to-maturity investments subject to repurchase agreements: None (31 December 2014: None).

a.2) Information on held-to-maturity investments given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bond, Treasury bill and similar securities	312,654	-	271,749	-
Other	-	-	-	-
Total	312,654	-	271,749	-

Unrestricted financial assets held-to maturity amounting to TL26,763 (31 December 2014:TL45,611).

a.3) Information on held to maturity debt securities:

	Current Period	Prior Period
Government bonds	339,417	317,360
Treasury bills	-	-
Other public sector debt securities	-	-
Total	339,417	317,360

a.4) Information on held to maturity investments:

	Current Period	Prior Period
Debt securities	339,417	317,360
Quoted on a stock exchange	339,417	317,360
Unquoted	-	-
Impairment provision (-)	-	-
Total	339,417	317,360

b) Movement of investments held-to-maturity:

	Current Period	Prior Period
Beginning balance	317,360	292,956
Foreign currency differences on monetary assets	-	-
Purchases during the year (*)	22,057	24,404
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing Balance	339,417	317,360

(*) Accruals are included in purchases during the year.

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I. Explanations and Disclosures Related to the Assets (continued)

7. Information on associates (Net):

- a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2014: None).
- a.2) Information on the unconsolidated associates: None (31 December 2014: None).
- a.3) Explanations of consolidated associates: None (31 December 2014: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2014: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2014: None).

8. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

	TEB Factoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in capital	30,000	28,794	6,860
Legal reserves	10,985	12,719	5,943
Extraordinary reserves	12,439	-	-
Marketable securities valuation differences	-	-	(144)
Other reserves	(79)	27,992	(120)
Profit/loss	19,339	23,610	3,908
Prior periods profit/loss	11,038	8,966	1,786
Current period net profit/loss	8,301	14,644	2,122
Leasehold Improvements on Operational Leases (-)	120	-	65
Intangible Assets (-)	1,066	787	215
Total Core Capital	71,498	92,328	16,167
Supplementary Capital	-	-	-
Capital	71,498	92,328	16,167
Net Usable Equity	71,498	92,328	16,167

There is no assessment of subsidiaries’ internal capital adequacy.

Paid-in capital amount is capital amount registered on Turkish Trade Registration as TL Currency defined on the main agreement.

Legal reserves is the reserves which is allocated from annual profit, published in Official Gazette on 14 February 2011 numbered 6102, defined in the first paragraph and second paragraph’s 3rd item of the Article 519 and Article 520 in accordance with Establishment Laws.

Extraordinary reserves is the reserves that was allocated from after tax profit in compliance with the decisions made on the Annual General Assembly.

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8. Information on subsidiaries (Net): (continued)

b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirement: None (31 December 2014: None).

c) Information on the unconsolidated subsidiaries: None (31 December 2014: None).

d) Information on consolidated subsidiaries:

d.1) Information on the consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Other shareholders' share percentage (%)
TEB Faktoring A.Ş.	İstanbul/Turkey	100.00	-
TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62	3.38
TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	25.60	29.14

Information on the consolidated subsidiaries with the order as presented in the table above:

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
				Securities Portfolio			
1,240,129	72,684	1,363	108,352	-	8,301	15,831	-
134,651	93,115	2,919	15,394	17	14,644	7,966	-
18,896	16,447	289	1,685	98	2,122	2,006	-

(*) These figures are shown per BRSA financial statements as of 31 December 2014.

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	177,240	167,861
Movements during the period	(61,254)	9,379
Purchases	-	-
Bonus shares obtained	-	9,379
Share in current year income	-	-
Sales (*)	(61,254)	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	115,986	177,240
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) The Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand. The sales revenue is collected after completion of procedures on 11 December 2015. Sales revenue arising from these transactions amounting to TL285,514 and is presented under "Income from discontinued operations" in financial statements.

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I. Explanations and Disclosures Related to the Assets (continued)

8. Information on subsidiaries (Net): (continued)

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

		Current Period	Prior Period
Banks	/The Economy Bank N.V. (*)	-	61,254
Factoring Companies	/TEB Faktoring A.Ş.	43,416	43,416
Other Financial Subsidiaries	/TEB Yatırım Men. Değ. A.Ş. TEB Portföy Yönetimi A.Ş.	70,512	70,512
		2,058	2,058
Total		115,986	177,240

(*) The Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand that the sales revenue has collected after procedures are completed on 11 December 2015. Sales revenue arising from these transactions amounting to TL285,514 is presented under "Income from discontinued operations" in financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2014: None).

9. Explanations on entities under common control (joint ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	18,710	14,180	1,331	72,116	(64,620)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank's financial statements

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

10. Information on finance lease receivables (Net): None (31 December 2014: None).

11. Information on derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	1,681	-
Cash flow hedge	58,309	-	59,119	-
Hedge of net investment in foreign operations	-	-	-	-
Total	58,309	-	60,800	-

In case of termination of fair value hedge, all manner of adjustment on financial instrument's book value determined by using effective interest rate is amortized as loss or profit up to maturity date. According to the related terminated fair value hedge accounting as of 31 December 2015, accumulated valuation difference traced on balance sheet is negatively amounted to TL1,913.

According to cash flow hedges terminated by the Bank, accumulated valuation differences negatively amounted TL2,766 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

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I. Explanations and Disclosures Related to the Assets (continued)

12. Information on tangible assets:

	31 December 2014	Additions	Disposals	Other	31 December 2015
Cost:					
Land and buildings	105,132	-	-	-	105,132
Leased tangible assets	35,404	-	(50)	-	35,354
Other	852,375	61,520	(79,558)	-	834,337
Total Cost	992,911	61,520	(79,608)	-	974,823
	31 December 2014	Period Charge	Disposals	Other	31 December 2015
Accumulated Depreciation:					
Land and buildings	37,985	2,939	(58)	-	40,866
Leased tangible assets	35,386	6	(50)	-	35,342
Other	604,412	90,132	(78,934)	-	615,610
Total Accumulated Depreciation	677,783	93,077	(79,042)	-	691,818
Net Book Value	315,128				283,005

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

13. Information on intangible assets:

	31 December 2014	Additions	Disposals	Other	31 December 2015
Cost:					
Other intangible assets	191,703	27,953	-	-	219,656
Total Cost	191,703	27,953	-	-	219,656
	31 December 2014	Period Charge	Disposals	Other	31 December 2015
Accumulated Depreciation:					
Other intangible assets	137,355	32,019	-	-	169,374
Total Accumulated Depreciation	137,355	32,019	-	-	169,374
Net Book Value	54,348				50,282

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.

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13. Information on intangible asset (continued)

- e) Amount of purchase commitments for intangible fixed assets: None
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: Not applicable for the unconsolidated financial statements.
- i) Information on goodwill:

Following announcement of the BRSA approval dated 10 February 2011 at the Official Gazette dated 12 February 2011 and numbered 27844, merger of two banks by means of transfer of all rights, receivables, liabilities and obligations to the Bank by dissolution of Fortis Bank A.Ş. has been effectuated with the relevant registration dated 14 February 2011 to İstanbul Trade Registry. Registered shares to be issued were distributed to the shareholders of Fortis Bank A.Ş., which was dissolved due to the merger, in exchange of their current shares. Fortis Bank A.Ş. shareholders received 1.0518 registered Türk Ekonomi Bankası A.Ş. shares for each Fortis Bank A.Ş. share having a nominal value of TL1. The related transaction has been accounted for in accordance with the requirements of TFRS 3 “Business Combination”, since the merging banks were not under common control of the same parties before and after the merger. In this merger transaction, Fortis Bank A.Ş. was determined as the acquiree, and with the merger, the fair value of the equity shares exchanged as of 14 February 2011 was considered as the fair value of consideration transferred, and the difference between this value and the fair value of identifiable net asset value of Fortis Bank A.Ş. is accounted as goodwill.

- j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

	Current Period	Prior Period
Beginning Balance	421,124	421,124
Foreign Exchange differences	-	-
Acquired	-	-
Ending balance	421,124	421,124

- 14. Information on investment properties:** None (31 December 2014: None).

15. Explanations on deferred tax assets :

- a) As of 31 December 2015, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL79,784 (31 December 2014: TL96,746). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

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I. Explanations and Disclosures Related to the Assets (continued)

15 Explanations on deferred tax asset (continued)

d) Movement of deferred tax:

	Current Period	Prior Period
At January 1	96,746	34,242
Deferred Tax / Benefit (Charge)	27,074	60,999
Deferred Tax Accounted for Under Equity	(44,036)	1,505
Other	-	-
Deferred Tax Asset	79,784	96,746

16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Beginning of Period Cost	83,187	86,505
Beginning of Period Accumulated Depreciation (-)	3,721	3,288
Net Book Value	79,466	83,217
Opening Balance	79,466	83,217
Acquired	58,547	64,855
Disposed(-)	62,786	64,167
Impairment (-)	1,499	2,087
Depreciation Value (-)	1,854	2,352
Period End Cost	74,768	83,187
Period End Accumulated Depreciation (-)	2,894	3,721
Closing Net Book Value	71,874	79,466

17. Information on other asset

Other Assets item of the balance sheet amounting to TL1,260,429 (31 December 2014: TL1,262,460) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

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II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	1,205,384	-	3,944,382	9,670,953	674,131	21,286	23,176	-	15,539,312
Foreign currency deposits	3,158,188	-	3,271,698	8,374,541	310,398	83,735	117,274	-	15,315,834
Residents in Turkey	3,010,834	-	2,648,848	8,028,524	294,698	39,921	113,090	-	14,135,915
Residents abroad	147,354	-	622,850	346,017	15,700	43,814	4,184	-	1,179,919
Public sector deposits	212,261	-	44,947	57,421	-	26,416	-	-	341,045
Commercial deposits	2,193,850	-	1,180,220	3,863,724	823,014	1,676	2,558	-	8,065,042
Other institutions deposits	53,655	-	67,438	1,514,855	1,861,861	1,076,581	171	-	4,574,561
Precious metals deposits	157,062	-	42,899	188,852	10,688	46,008	-	-	445,509
Interbank deposits	1,078	-	105,838	7,641	-	-	-	-	114,557
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	51	-	-	-	-	-	-	-	51
Foreign Banks	1,027	-	105,838	7,641	-	-	-	-	114,506
Special finance houses	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	6,981,478	-	8,657,422	23,677,987	3,680,092	1,255,702	143,179	-	44,395,860

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving deposits	927,211	-	3,744,377	9,897,136	396,187	26,609	28,648	-	15,020,168
Foreign currency deposits	2,076,471	-	2,060,498	6,430,643	131,059	146,074	134,677	-	10,979,422
Residents in Turkey	1,952,014	-	1,816,523	6,174,947	115,867	114,917	127,987	-	10,302,255
Residents abroad	124,457	-	243,975	255,696	15,192	31,157	6,690	-	677,167
Public sector deposits	247,153	-	37,999	13,682	7,954	-	-	-	306,788
Commercial deposits	1,941,361	-	1,533,739	4,288,796	223,054	7,279	4,107	-	7,998,336
Other institutions deposits	41,975	-	79,699	2,973,062	319,811	1,088	45	-	3,415,680
Precious metals deposits	222,298	-	70,470	152,932	24,197	7,725	-	-	477,622
Interbank deposits	40,299	-	553,383	638,234	-	6,507	2,122	-	1,240,545
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	33	-	-	-	-	6,507	2,122	-	8,662
Foreign Banks	38,233	-	553,383	638,234	-	-	-	-	1,229,850
Special finance houses	2,033	-	-	-	-	-	-	-	2,033
Other	-	-	-	-	-	-	-	-	-
Total	5,496,768	-	8,080,165	24,394,485	1,102,262	195,282	169,599	-	39,438,561

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*)		Exceeding the limit of Insurance(*)	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	7,556,838	6,971,655	7,463,940	7,594,770
Foreign currency saving deposits	1,767,595	1,345,618	6,487,853	4,300,796
Other deposits in the form of saving deposits	95,688	184,386	313,477	250,282
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	9,420,121	8,501,659	14,265,270	12,145,848

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

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II. Explanations and Disclosures Related to the Liabilities (continued)

b) Information on saving deposits under the guarantee of saving deposit insurance (continued)

ii) Deposits of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Deposits and accounts in branches abroad	305,763	212,102
Deposits of ultimate shareholders and their close families	1,055,183	1,108,411
Deposits of chairman and members of the Board of Directors and their close Families	34,583	25,856
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking Activities	-	-

2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	56,535	12,817	83,449	13,927
Swap Transactions	355,875	23,597	172,865	90,975
Futures Transactions	-	-	-	-
Options	53,751	16,872	55,852	13,745
Other	-	-	-	-
Total	466,161	53,286	312,166	118,647

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	171,262	157,925	176,406	161,717
From Foreign Banks, Institutions and Funds	1,071,804	10,193,746	75,552	8,647,891
Total	1,243,066	10,351,671	251,958	8,809,608

As of 31 December 2015, the Bank has borrowings from its related parties amounting to TL5,391,148(31 December 2014: TL4,785,011).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1,180,832	7,677,800	-	8,458,362
Medium and long-term	62,234	2,673,871	251,958	351,246
Total	1,243,066	10,351,671	251,958	8,809,608

c) Additional explanation related to the concentrations of the Bank’s major liabilities:

The Bank diversifies its funding sources through customer deposit and borrowings from abroad. As of 31 December 2015 foreign borrowings of the Bank includes syndication loan obtained which is amounting to EUR15,000,000 with maturity date of 24 August 2016 and amounting to USD175,000,000 and EUR370,000,000 with maturity date of 29 August 2016 referring to agreement dated 19 August 2015.

Bank makes analysis of its customers that provide the maximum amount of funds within the branches and throughout the Bank, in consideration of profitability. Bank takes short and long term preventive measures to spread its customers on a wider spectrum on the basis of customer concentration in the branches.

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II. Explanations and Disclosures Related to the Liabilities (continued)

3. Information on funds borrowed and debt securities issued (continued)

d) Information on funds provided from repurchase agreement transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	2,384,787	-	1,756,987	-
Financial institutions and organizations	2,384,787	-	1,756,987	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	2,384,787	-	1,756,987	-

e) Information on debt securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank bonds	184,110	86,553	696,679	294,904
Treasury bills	-	-	-	-
Total	184,110	86,553	696,679	294,904

The Bank, within the scope of EURO Medium Term Note Programme (“EMTN”), the issuance of debt instrument outside of Turkey amounting to USD 24,600,000 with a maturity of 30 June 2016 has been completed on 7 January 2016 with the ISIN code “XS1253857376”.

The Bank, within the scope of EURO Medium Term Note Programme (“EMTN”), the issuance of debt instrument outside of Turkey amounting to USD 5,000,000 with a maturity of 14 July 2015 has been completed on 14 January 2016 with the ISIN code “XS1260048852”.

Bond issued by the Bank on 5,6,7 October 2015 with a nominal value of TL107,538, maturity of 89 days, with due date of 6 January 2016, with an interest rate of 10.6650% and with an annual compound rate of 11.1029% has started to be publicly traded in Borsa İstanbul outright purchases and sales market with the ISIN code “TRQTBEK11611” since 12 October 2015.

Bond issued by the Bank on 16-17-18 November 2015 with a nominal value of TL78,226, maturity of 89 days, with due date of 17 February 2016, with an interest rate of 10.6974% and with an annual compound rate of 11.1381% has started to be publicly traded in Borsa İstanbul outright purchases and sales market with the ISIN code “TRQTBEK21610” since 23 November 2015.

4. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total: None (31 December 2014: None).

5. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the bank:

In the financial lease agreements, installments are based on useful life, usage periods and principles of the Tax Procedural Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

c) Explanation on finance lease payables: None (31 December 2014: None).

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II. Explanations and Disclosures Related to the Liabilities (continued)

5. Explanations on financial lease obligations (Net): (continued)

d) Explanations regarding operational leases:

For the period ended 31 December 2015, operational lease expenses amounting to TL201,508 (31 December 2014: TL184,207) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

6. Negative differences table of derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	11,264	-
Cash flow hedge	158,539	677	302,606	-
Hedge of net investment in foreign operations	-	-	-	-
Total	158,539	677	313,870	-

In case of termination of fair value hedge, all manner of adjustment on financial instrument’s book value determined by using effective interest rate is amortized as loss or profit up to maturity date. According to the related terminated fair value hedge accounting as of 31 December 2015, accumulated valuation difference traced on balance sheet is negatively amounted to TL1,913.

According to cash flow hedges terminated by the Bank, accumulated valuation differences negatively amounted TL2,766 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
Provisions for First Group Loans and Receivables	562,743	498,253
Additional Provision for Loans and Receivables with Extended Maturities	8,005	16,595
Provisions for Second Group Loans and Receivables	85,364	74,080
Additional Provision for Loans and Receivables with Extended Maturities	3,311	2,590
Provisions for Non-Cash Loans	41,807	34,653
Other	8,175	2,552
Total	698,089	609,538

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses on the foreign currency indexed loans amounting to TL18,682 (31 December 2014: TL15,704) is offset from the loans on the balance sheet.

c) The specific provisions provided for unindemnified non cash loans amount to TL37,680 (31 December 2014: TL42,821).

d) Liabilities on unused vacation, bonus and employee termination benefits:

As of 31 December 2015: TL17,761 (31 December 2014: TL21,906) unused vacation provision, TL97,727 (31 December 2014: TL97,662) employee termination benefit provision and TL89,251(31 December 2014: TL88,930) bonus for the employee are presented under “Reserve for Employee Benefit” in financial statements.

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II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on provisions: (continued)

d) Liabilities on unused vacation, bonus and employee termination benefits: (continued)

d.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	97,662	85,927
Service cost	13,060	14,181
Interest cost	8,306	9,246
Settlement cost	3,287	2,739
Actuarial loss/gain	(14,332)	(6,252)
Benefits paid	(10,256)	(8,179)
Total	97,727	97,662

(i) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XVI “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on IAS 19 principles. The Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2015 and 31 December 2014. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Based on the determined assumptions;

Transferrable Retirement and Health Liabilities:	31 December 2015	31 December 2014
Net Present Value of Transferrable Retirement Liabilities	(1,146,530)	(1,024,427)
Net Present Value of Transferrable Retirement and Health Contributions	505,725	528,309
General Administration Expenses	(11,465)	(10,243)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(652,270)	(506,361)
Fair Value of Plan Assets (2)	1,537,369	1,387,693
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	885,099	881,332
Non-Transferable Benefits (4)	(240,435)	(206,832)
Asset Surplus over Total Benefits ((3)-(4))	644,664	674,500

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II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on provisions: (continued)

d) Liabilities on unused vacation, bonus and employee termination benefits: (continued)

d.1) Movement of employee termination benefits: (continued)

(i) Retirement Benefits: (continued)

Distribution of total assets of the Retirement Fund as of 31 December 2015 and 31 December 2014 is presented below:

	31 December 2015	31 December 2014
Bank placements	1,424,127	1,299,485
Tangible assets	79,720	71,266
Government Bonds and Treasury Bill, Fund and Accrual Interest		
Income	-	15,220
Other	33,522	1,722
Total	1,537,369	1,387,693

Actuarial assumptions used in valuation of liabilities except for transferrable liabilities based on IAS 19 are as follows:

	31 December 2015	31 December 2014
Discount Rate	10.30%	8.80%
Expected Inflation Rate	5.00%	5.00%

As of 31 December 2015, medical inflation is expected more than 20% (31 December 2014: 20%). General wage increases and Social Security Institution (the “SSI”) increase of ceiling rate is expected in parallel to inflation rate. In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2013: CSO 2001) Female/Male mortality table is use.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2014: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provision for potential loan risk	112,421	37,174
Provision for legal cases	41,339	37,355
Provision for unindemnified non-cash loans	37,680	42,821
Provision for promotions of credit cards and banking services	11,284	12,625
Other	46,259	21,119
Total	248,983	151,094

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II. Explanations and Disclosures Related to the Liabilities (continued)

8. Explanations on taxes payable:

a) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	108,653	83,863
Taxation on Securities	42,538	35,744
Property Tax	2,208	2,202
Banking Insurance Transaction Tax (BITT)	43,930	35,654
Foreign Exchange Transaction Tax	35	13
Value Added Tax Payable	3,733	5,100
Other (*)	16,304	17,409
Total	217,401	179,985

(*) Others include income taxes deducted from wages amounting to TL13,885 (31 December 2014: TL13,392) and stamp taxes payable amounting to TL1,388 (31 December 2014: TL1,306).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	5,705	5,209
Social Security Premiums-Employer	6,538	6,030
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	500	463
Unemployment Insurance-Employer	802	732
Other	-	-
Total	13,545	12,434

c) Explanations on deferred tax liabilities, if any: None (31 December 2014: None).

9. Information on liabilities regarding assets held for sale and discontinued operations: None (31 December 2014: None).

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II. Explanations and Disclosures Related to the Liabilities (continued)

10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank has obtained a primary subordinated loan by issuing a bond amounting to USD100 million as of 31 July 2007. The investor of the bond is IFC. The maturity of the borrowing is indefinite with semi-annually interest payment. The interest rate is defined as LIBOR+3.5% until 31 July 2017. In case the borrowed amount is not repaid at that date, the interest rate will be revised as LIBOR + 5.25%. Notes are issued as perpetual, notes that are not redeemed until 1 August 2017 will be converted to common share at an agreed price.

The Bank has obtained secondary subordinated loans by issuing a bond amounting to EUR75 million as of 4 November 2011 and a bond amounting to EUR100 million as of 21 December 2011. The bond issue on 21 December 2011 amounting to EUR100 million is added up with the first issue of EUR75 million and together will be followed as EUR175 million. Since the coupon rate of the issue amounting to EUR100 million is semi-annual Euribor + 5.25% and two issues stated above will be merged and the merged issue will carry the coupon rate of the first issue (Euribor + 4.75% on an annual basis), the price of EUR100 million issue has been determined as 96.026% (the price determined as the 12-year interest difference between two issues discounted by new issues semi-annual coupon rate of Euribor + 5.25%). As interest payment periods of the new issue will be same with the first one, 47-day interest accrual amounting to EUR852,527.78 related to the period between 4 November 2011 and 21 December 2011 was paid to the Bank by the investor purchasing the second issue. On 21 December 2011, total net amount of EUR96,878,527.78 is transferred to the bank accounts. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

The Bank, during its Board of Directors’ meeting dated 8 May 2012 has resolved to issue a debt instrument as Secondary Subordinated debt instrument with a value of USD65 million on 14 May 2012. The semiannually interest rate of the issuance is determined as USD Libor + 5.75%. The maturity date of the debt instrument is determined as 14 May 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR100 million on 20 July 2012. The interest rate of the issuance has been determined as semi-annually EURIBOR + 4.75%. The maturity date of the debt instrument is 20 July 2024 and there is no option to repay within the first seven years. The debt instrument can be amortized on 20 July 2019 with the resolution of the BoD and upon the approval of the BRSA. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of EUR125 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 2.1%. There is no option to repay within the first five years. The debt instrument can be amortized on 27 June 2018 with the resolution of the BoD and upon the approval of the BRSA. Debt instruments issued by BNP Paribas, have been amended in 2015 to comply with article 8/2 which includes clauses such as write-down or conversion to common shares. After the approval of the BRSA, debt instruments have complied with the regulation without changing their issue dates.

The Bank has resolved to issue a Secondary Subordinated Debt in the amount of USD65 million on 25 June 2013. The interest rate of the issuance has been determined as semi-annually EURIBOR + 3.40%. There is no option to repay within the first five years. The debt instrument can be amortized on 28 June 2018 with the resolution of the BoD and upon the approval of the BRSA.

The above mentioned six subordinated loans are utilized in-line with the “loan capital” definition of BRSA and will positively affect the capital adequacy ratio of the Bank as well as utilizing long term funding.

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II. Explanations and Disclosures Related to the Liabilities (continued)

10. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any (continued):

a) Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1,266,082	-	1,128,132
From Other Foreign Institutions	-	673,954	-	657,783
Total	-	1,940,036	-	1,785,915

11. Information on Shareholders’ Equity:

a) Presentation of Paid-in Capital:

	Current Period	Prior Period
Common stock	2,204,390	2,204,390
Preferred stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases and their sources; other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank’s equity due to the uncertainty of these indicators:

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the bank is followed up and estimated by the Bank’s Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None.

h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(60,958)	59,523	(18,848)	37
Foreign Exchange Difference	-	-	-	-
Total	(60,958)	59,523	(18,848)	37

12. Information on minority shares: None (31 December 2014:None)

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card expenditure limits	4,580,727	4,101,473
Loan granting commitments	4,306,849	4,336,542
Payment commitment for checks	2,260,921	2,186,510
Forward asset purchase commitments	1,567,255	1,689,250
Tax and fund liabilities from export commitments	26,185	24,189
Commitments for promotions related with credit cards and banking activities	4,538	5,178
Forward deposit purchase commitments	-	-
Other irrevocable commitments	483,781	290,703
Total	13,230,256	12,633,845

b) Possible losses and commitments related to off-balance sheet items:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period	Prior Period
Letters of Credit	1,406,746	1,271,645
Bank Acceptances	48,830	62,150
Other Commitments	2,642,207	1,802,337
Other Contingencies	533,908	440,207
Total	4,631,691	3,576,339

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Guarantee Letters	6,356,356	5,659,329
Advance Guarantee Letters	1,135,218	1,098,182
Temporary Guarantee Letters	767,473	481,798
Guarantee Letters Given for Customs	338,178	340,349
Other Guarantee Letters	1,269,905	704,944
Total	9,867,130	8,284,602

c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	495,181	512,651
With maturity of 1 year or less than 1 year	56,260	24,310
With maturity of more than 1 year	438,921	488,341
Other non-cash loans	14,003,640	11,348,290
Total	14,498,821	11,860,941

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments
(continued)**

I. Information on off-balance sheet liabilities: (continued)

c.2) Information on sectoral risk breakdown of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	43,419	0.69	26,421	0.32	85,575	1.58	33,110	0.51
Farming and raising livestock	31,754	0.51	25,506	0.31	57,315	1.06	32,392	0.50
Forestry, Wood and Paper	4,657	0.07	915	0.01	21,836	0.40	718	0.01
Fishery	7,008	0.11	-	-	6,424	0.12	-	-
Manufacturing	2,169,528	34.57	4,255,439	51.75	2,380,447	44.01	3,596,261	55.73
Mining and Quarry	168,332	2.68	374,984	4.56	140,719	2.60	308,516	4.78
Production	1,934,948	30.83	3,775,204	45.91	2,178,218	40.27	3,219,118	49.89
Electricity, Gas and Water	66,248	1.06	105,251	1.28	61,510	1.14	68,627	1.06
Construction	1,378,245	21.96	1,208,602	14.70	1,183,909	21.89	1,287,903	19.96
Services	2,684,391	42.78	1,969,185	23.94	1,659,868	30.70	776,909	12.04
Wholesale and Retail Trade	1,163,448	18.54	382,521	4.65	695,905	12.87	107,900	1.67
Hotel, Tourism, Food and Beverage Services	57,600	0.92	43,515	0.53	46,956	0.87	48,973	0.76
Transportation and Communication	572,586	9.12	361,783	4.40	285,443	5.28	337,210	5.23
Financial Institutions	247,836	3.95	213,289	2.59	217,826	4.03	73,757	1.14
Real Estate and Renting	281,633	4.49	680,199	8.27	163,889	3.03	67,608	1.05
Self-employment Services	170,097	2.71	168,566	2.05	111,835	2.07	69,656	1.08
Education Services	7,367	0.12	30	-	6,185	0.11	1,405	0.02
Health and Social Services	183,824	2.93	119,282	1.45	131,829	2.44	70,400	1.09
Other	-	-	763,591	9.29	98,603	1.82	758,356	11.76
Total	6,275,583	100.00	8,223,238	100.00	5,408,402	100.00	6,452,539	100.00

c.3) Information on Ist and IInd Group non-cash loans:

Non-cash loans	I st Group		IInd Group	
	TL	FC	TL	FC
Letters of guarantee	4,734,519	5,037,293	71,433	23,885
Bank acceptances	-	48,830	-	-
Letters of credit	1,419	1,405,327	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,466,163	1,707,903	2,049	-
Total	6,202,101	8,199,353	73,482	23,885

The Bank provided a reserve of TL63,229 (31 December 2014: TL74,447) for non-cash loans not indemnified net amounting to TL37,680 (31 December 2014: TL42,821).

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments
(Continued)**

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	61,045,675	57,417,249	-	-
Forward transactions	9,743,982	7,593,130	-	-
Swap transactions	38,106,856	32,121,791	-	-
Futures transactions	-	-	-	-
Option transactions	13,194,837	17,702,328	-	-
Interest related derivative transactions (II):	4,740,964	4,501,782	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	4,740,964	4,499,458	-	-
Interest option transactions	-	2,324	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	-	3,425	-	-
A. Total trading derivative transactions (I+II+III+IV)	65,786,639	61,922,456	-	-
Types of hedging transactions				
Fair value hedges	-	-	-	691,940
Cash flow hedges	-	-	14,258,638	10,394,271
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	14,258,638	11,086,211
Total Derivative Transactions (A+B)	65,786,639	61,922,456	14,258,638	11,086,211

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank’s financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i) Derivative instruments for fair value hedging purposes:

As of 31 December 2014, The Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2014, nominal value of derivative instruments used for hedging purposes is TL691,940 (31 December 2015: None) and their net fair value is negative TL9,583 (31 December 2015: None) and fair value of the hedged loans is TL6,077 (31 December 2015: TL1,913). The Bank accounts TL50,301 (31 December 2014: TL8,726 income) for derivative instruments used for hedging purposes and TL4,164 (31 December 2014: TL2,673 income) from hedged item loans in the financial statements. Regarding the available-for-sale securities as of 31 December 2014, the amount related to the effective portion is TL150 (31 December 2015: None) which is accounted as TL120 (31 December 2015: None) in the financial statements net-off tax.

	Current Period			Prior Period		
	Fair Value			Fair Value		
	Nominal	Asset	Liability	Nominal	Asset	Liability
Cross Currency Swaps	-	-	-	691,940	1,681	11,264
Interest Rate Swaps	-	-	-	-	-	-
	-	-	-	691,940	1,681	11,264

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL14,258,638 and 1-90 days of maturity deposit portfolio together with selected borrowing portfolio. Effective portion of TL101,180 (31 December 2014: TL75,147 credit) credit accounted for under equity is presented after deducting its deferred tax effect of TL20,236 (31 December 2014: TL15,029 credit) debit in the financial statements. In 2015, the ineffective portion of TL877 expense (31 December 2014: TL459 expense) is accounted for under income statement.

	Current Period			Prior Period		
	Fair Value			Fair Value		
	Nominal	Asset	Liability	Nominal	Asset	Liability
Cross Currency Swaps	1,560,678	19,354	2,082	-	-	-
Interest Rate Swaps	12,697,960	38,955	157,133	10,394,271	59,119	302,606
	14,258,638	58,309	159,215	10,394,271	59,119	302,606

3. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets:

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2015, there are no contingent assets that need to be explained (31 December 2014: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:

Following a resolution in favor of the Bank in 2003 for the case related to deduct accumulated losses from the corporate tax base for 2002 and for subsequent periods in accordance with Corporate Tax Law article 14/7; the Ministry of Finance appealed against the decision, however, the case was again concluded in favor of the Bank by Tax Supreme Court. In this context, the Bank acquired the right to deduct accumulated losses amounting to TL364,501 thousand from the corporate tax base. Related accumulated losses have been deducted from tax base by the Bank between the years 2003 and 2006.

On the other hand, the Tax Office has not taken into consideration the deduction amount of TL144,824 which is included in the 2003/4 temporary tax declaration based on the resolution of the Tax Supreme Court, and recalculated a temporary corporate tax liability of TL15,510 and levied a fine of TL16,131 to the Bank based on the declaration as of 20 April 2004. In that respect, the Bank has filed a counter case against the Tax Office, and 1st Tax Office decided in favor of the Bank with resolution no: K:2006/974 based on its decision related with 2002/I period explained above .

The Tax Office filed an appeal against the ruling; however, the 4th Administration of Council of State resolution no: K:2007/4747 ruled that the defendant's claim on the Management's double loss deduction should be initially reviewed and a new ruling should be made accordingly. Therefore the tax office's resolution is overruled by the Council of State.

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments
(continued)**

4. Explanations on contingent liabilities and assets: (continued)

b) Accounting and presentation of contingent assets and liabilities in the financial statements: (continued)

Although the 1st Tax Office of İstanbul had reviewed the related issues upon the Council of State’s overruling and conducted the litigation in favor of the Bank upon its resolution no: K:2010/2377, TL48,557 of loss amount is considered as undeductible in the basis of the resolution. Therefore, the Bank has filed an appeal on 4 October 2010 for the overruling of the related resolution basis and the outcome of the appeal is still in process. As the Bank management foresees no significant risk in relation to the related lawsuits, no provision is provided in the financial statements. The Bank has increased the tax base by TL2,863 in regards to the related lawsuit in accordance with the requirements of the Communiqué No:6111 “Restructuring of Specific Receivables and Social Insurance and General Health Insurance Law and Amendments to Some Other Laws and Requirements”.

In the decision concluded within the scope of file number 2010/9089 of the 4th Chamber of the Council of State, K.2013/5291, communicated on 31 July 2013, accepted the appeal request with justifications and stated, “it has concluded that the balance sheet loss will be deducted as an expense from the revenue when determining the corporate profit but will not be carried forward for more than five years, thus there is nothing contrary to law in the Tax Court’s decision; the TL48,557,000.00 commercial balance sheet loss was reached by deducting TL203,049,000,000.00 in BRSA adjustments in the same year from the TL154,492,000.00 commercial profit; and since BRSA adjustments are also considered in the same sheet in total profits and additions, taking a commercial balance sheet loss for the same year into consideration in the total of other rebates and exemptions does not result in any duplication”. It has also been decided that the İstanbul 1st Tax Court’s judgement number E.2010/661, K.2010/2377 will be reversed and the loss will not be subject to a duplicate rebate. The defendant authority’s request for a revision of the decision was rejected. Upon the 4th Chamber of the Council of State’s decision to reject the request for a revision of the decision, the examination of file number 2015/1202 E. continues on site at the İstanbul 1st Tax Court.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

6. The information on the Bank’s rating by the international rating introductions (*):

The results of the ratings performed by Moody’s Investor Services and Fitch Ratings are shown below:

Moody’s Investor Services: March 2015

View	Negative
Revised Loan Valuation	Baa3
Foreign Currency Deposits	Baa3/P-3

Fitch Ratings: May 2015

Foreign Currency Commitments	
Long term	BBB
Short term	F3
View	Stable
Turkish Lira Commitments	
Long term	BBB+
Short term	F2
View	Stable
National	AAA (tur)
View	Stable
Individual Rating	bbb-
Support Points	2

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

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IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	2,850,325	141,075	2,626,081	127,720
Medium and long term loans	2,493,823	196,017	1,746,284	171,479
Interest on non-performing loans	37,436	-	34,133	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	5,381,584	337,092	4,406,498	299,199

(*) Includes fees and commissions obtained from cash loans amounting to TL131,385 (31 December 2014: TL110,602).

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	30,756	202	24,485	182
Foreign banks	3,766	1,755	3,890	823
Branches and head office abroad	-	-	-	-
Total	34,522	1,957	28,375	1,005

c) Information on interest received from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets held for Trading	21,492	608	32,586	1,063
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	339,496	520	359,176	67
Investments Held-to-Maturity	27,748	-	29,077	-
Total	388,736	1,128	420,839	1,130

d) Interest received from Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	136	102

2. a) Information on interest on funds borrowed (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	10,983	3,563	12,001	4,949
Foreign banks	68,807	182,574	16,517	143,861
Branches and head office abroad	-	-	-	-
Other financial institutions	-	14,896	-	13,865
Total	79,790	201,033	28,518	162,675

(*) Includes fees and commission expenses of cash loans amounting to TL7,599 (31 December 2014: TL5,617).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

b) Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,326	1,335

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	41,321	1,751	54,865	656
Total	41,321	1,751	54,865	656

d) Distribution of interest expenses on deposits based on maturity of deposits:

Current Period Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank deposits	-	9,147	23	-	69	82	-	9,321
Saving deposits	-	412,578	838,755	38,833	1,928	2,661	-	1,294,755
Public sector deposits	-	3,986	8,048	648	349	-	-	13,031
Commercial deposits	-	111,447	482,506	52,654	182	311	-	647,100
Other deposits	-	2,708	241,595	94,069	91,668	8	-	430,048
7 days call accounts	-	-	-	-	-	-	-	-
Total	-	539,866	1,570,927	186,204	94,196	3,062	-	2,394,255
FC								
Foreign currency deposits	-	37,168	184,210	4,690	1,688	3,884	-	231,640
Bank deposits	-	414	1,576	-	-	-	-	1,990
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	658	3,302	441	455	-	-	4,856
Total	-	38,240	189,088	5,131	2,143	3,884	-	238,486
Grand Total	-	578,106	1,760,015	191,335	96,339	6,946	-	2,632,741

Prior Period Account Name	Demand Deposit	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank deposits	-	17,502	60	43	918	140	-	18,663
Saving deposits	-	307,926	802,569	43,608	2,529	2,454	-	1,159,086
Public sector deposits	1	140	1,928	3,277	-	-	-	5,346
Commercial deposits	-	102,200	372,797	29,519	725	1,239	-	506,480
Other deposits	-	13,321	196,939	100,202	566	119	-	311,147
7 days call accounts	-	-	-	-	-	-	-	-
Total	1	441,089	1,374,293	176,649	4,738	3,952	-	2,000,722
FC								
Foreign currency deposits	-	32,353	173,043	6,688	3,127	5,287	-	220,498
Bank deposits	-	503	1,390	-	-	-	-	1,893
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	1,051	2,696	154	299	-	-	4,200
Total	-	33,907	177,129	6,842	3,426	5,287	-	226,591
Grand Total	1	474,996	1,551,422	183,491	8,164	9,239	-	2,227,313

3. Information on dividend income:

	Current Period	Prior Period
Trading Securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	1,112	1,339
Other	19,559	17,939
Toplam	20,671	19,278

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

4. Information on net trading income:

	Current Period	Prior Period
Income	18,979,333	13,164,890
Gains on capital market operations	51,277	45,275
Gains on derivative financial instruments (*)	6,310,203	3,418,651
Foreign exchange gains (**)	12,617,853	9,700,964
Losses (-)	19,532,836	13,521,571
Losses on capital market operations	49,164	37,090
Losses on derivative financial instruments (*)	5,539,150	4,240,400
Foreign exchange losses (**)	13,944,522	9,244,081

(*) As of 31 December 2015, foreign exchange net profit on hedging transactions is TL40,719 (31 December 2014: TL55,932 loss).

(**) Foreign exchange gains on derivative financial transactions are TL199,345 (31 December 2014: TL83,998).

5. Information on other operating income:

Other operating income of the bank consists of reversals of specific provisions which are booked in earlier periods amount to TL136,832 (31 December 2014: TL87,718) and amount to TL67,383 (31 December 2014: TL19,720) from selling past due receivables portfolio and all the transaction cost collected from the clients and disposal of assets.

6. Provision expenses of banks for loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	762,491	461,393
III. Group Loans and Receivables	157,548	115,967
IV. Group Loans and Receivables	226,374	143,354
V. Group Loans and Receivables	378,569	202,072
General provision expenses	88,551	71,836
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investments held to maturity	-	-
Other	72,478	32,374
Total	923,520	565,603

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IV. Explanations and Disclosures Related to the Statement of Income (Continued)

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	895,732	824,647
Reserve for employee termination benefits	14,397	26,908
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	93,077	84,915
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	32,019	25,905
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	1,499	2,087
Depreciation expenses of assets to be disposed	1,854	2,352
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	770,003	680,973
Operating lease expenses	201,508	184,207
Maintenance expenses	22,055	22,052
Advertisement expenses	78,696	72,203
Other expenses	467,744	402,511
Loss on sales of assets	1,646	4,031
Other (*)	326,565	306,378
Total	2,136,792	1,958,196

(*) Included in other TL58,352 (31 December 2014: TL54,654) is premiums paid to the Saving Deposit Insurance Fund, TL92,178 (31 December 2014: TL81,389) is other taxes and duties paid.

8. Information of the profit/loss on continued and discontinued operations:

a) Profit before tax consists of net interest income amounting to TL3,074,161 (31 December 2014: TL2,564,505) and net fee and commission income amounting to TL1,016,655 (31 December 2014: TL880,821) while operational expenses are TL2,136,792 (31 December 2014: 1,958,196 TL).

b) Information of the profit/(loss) on discontinued operations:

The Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand that the sales revenue has collected after procedures are completed on 11 December 2015. These transactions amounting to TL285,514 is shown under "Income from discontinued operations" in financial statements.

9. Information on tax provision for continued and discontinued operations:

a) As of 31 December 2015, the current tax charge from continued operations is TL206,921 (31 December 2014: TL233,494). Deferred tax benefit is TL27,074 (31 December 2014: TL60,999) and current tax charge amounting to TL14,276. There is no deferred tax benefit/charge from discontinued operations.

b) Deferred tax benefit on temporary differences resulted from continued operations is TL27,074 (31 December 2014: TL60,999).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

9. Information on tax provision for continued and discontinued operations (continued)

c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	1,076,576	795,055
Additions	111,528	96,629
Nonallowable expenses	23,736	25,392
General loan loss provision	87,792	71,237
Deductions	(195,255)	(28,951)
Dividend income	(20,584)	(19,166)
Other(*)	(174,671)	(9,785)
Taxable Profit/ (Loss)	992,849	862,733
Corporate tax rate	20%	20%
Tax calculated	198,570	172,547
Effect of tax account adjustment in the prior period	(4,447)	(52)
Tax expense	194,123	172,495

(*) It consists of tax exception amounting to TL214,136 arising from sale of a subsidiary.

10. Information on net profit/loss from continued and discontinued operations:

As of 31 December 2015, the Bank’s net profit from continued operations is TL611,215 (31 December 2014: TL622,560) and net profit from discontinued operations is TL271,238 (31 December 2014: None).

11. The explanations on net income / loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2014: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2014: None).
- c) Profit or loss attributable to minority shares: None (31 December 2014: None).

12. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

	Current Period	Prior Period
<u>Other fees and commissions received</u>		
Card fee and commissions	623,544	670,941
Insurance commissions	131,070	88,241
Intelligence fee and commissions	86,816	71,429
Settlement expense provision, eft, swift, agency commissions	32,915	35,323
Transfer commissions	28,831	28,186
Fund management fees	19,815	18,930
Commissions and fees earned from correspondent banks	3,146	4,511
Other	343,545	271,953
Total	1,269,682	1,189,514
<u>Other fees and commissions paid</u>		
Credit cards commissions and fees	279,123	340,021
Settlement expense provision, eft, swift, agency commissions	23,841	21,574
Commissions and fees paid to correspondent banks	11,428	8,846
Other	64,362	51,690
Total	378,754	422,131

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V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

- a) Shareholders' equity decreased TL21,720 after resulting from revaluation of financial assets available for sale (31 December 2014: TL93,610 decreased) and change effect to deferred tax is TL4,344 (31 December 2014: TL18,722).

Gain or loss arising from measurement of financial assets available-for-sale included in shareholders' equity in the current period, excluding those related to hedging amounting TL44,362 income (31 December 2014: TL106,490).

The amount recycled from equity to net income/loss account if the loss or gain related with measurement at fair value is recorded to equity for the financial assets available-for-sale (excluding the assets related to hedging): TL22,640 income (31 December 2014: TL12,880).

- b) Increase in cash flow risk hedging items:

The Bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in 2015 increased by TL176,327 (31 December 2014: TL115,379 decreased) and the effect of this change to deferred tax is TL35,265 (31 December 2014: TL23,076).

- c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date:

Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.

- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements are authorized for issue

- g) Amounts transferred to legal reserves:

Amount transferred to legal reserves is TL31,128 in 2015 (31 December 2014: TL26,752).

- h) Information on shares issued:

The Bank has not recorded any shares issued in “Share Premium” account in the current period.

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VI. Explanations and Disclosures Related to Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL3,568,305 (31 December 2014: TL2,704,882) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL311,632 (31 December 2014: TL753,474) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and interbank money market borrowings. “Net increase/decrease in other assets” with a total amount of TL749,386 (31 December 2014: TL1,252,038) consists of changes in sundry debtors, blocked reserved deposits and other assets.

“Other items” amounting to TL27,953 (31 December 2014: TL27,444) in “Net cash provided from investing activities” consists of cash paid for purchases of intangible assets.

Effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange effect resulting from the translation of cash and cash equivalents in foreign currency by using the foreign exchange rates at the beginning and at the end of the period, and it is TL288,054 for the year 2015. (31 December 2014: TL3,981).

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	1,994,317	1,546,637
Cash in TL/Foreign Currency	766,643	673,702
Central Bank – Unrestricted amount	1,193,759	852,969
Other	33,915	19,966
Cash equivalents	1,315,849	286,135
Banks	765,849	286,135
Money market placements	550,000	-
Total cash and cash equivalents	3,310,166	1,832,772
End of the period	Current Period	Prior Period
Cash	2,597,682	1,994,317
Cash in TL/Foreign Currency	771,522	766,643
Central Bank – Unrestricted amount	1,766,219	1,193,759
Other	59,941	33,915
Cash equivalents	1,282,447	1,315,849
Banks	1,282,447	765,849
Money market placements	-	550,000
Total cash and cash equivalents	3,880,129	3,310,166

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VII. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

The Bank has sold the entire 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. amounting to EUR107,769 thousand and the sales revenue has been collected after completion of procedures on 11 December 2015.

Balance sheet and income/expense items of previous periods are presented as of 31 December 2014.

a) Current Period:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	10,603	8,029	73,403	175,997	14,491	97,560
Balance at end of period	-	1,113	20,568	300,347	31,734	62,332
Interest and commission income	136	162	5,275	232	1,401	155

Direct and indirect shareholders of the Bank balance above includes TL19,313 and other entities included in the risk group balance above includes TL22,510 placement in “Banks”.

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	97	7,967	18,780	275,933	14,113	100,511
Balance at end of period	10,603	8,029	73,403	175,997	14,491	97,560
Interest and commission income	102	340	1,506	106	2,056	272

Direct and indirect shareholders of the Bank balance above includes TL9,016 and other entities included in the risk group balance above includes TL580 placement in “Banks”.

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VII. Explanations on the Risk Group of the Bank (continued)

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (continued)

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current period	Prior period	Current Period	Prior Period
Deposits						
Balance at beginning of period	21,928	55,298	964,366	1,147,926	1,170,598	667,448
Balance at end of period	18,228	21,928	1,274,893	964,366	284,029	1,170,598
Interest on deposits	1,326	1,335	33,855	37,386	18,082	20,685

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of period	-	-	9,765,298	12,032,688	255,599	767
End of period	-	-	10,144,450	9,765,298	408,011	255,599
Total income/loss	-	-	76,184	(153,259)	4,152	(60)
Hedging transactions purposes						
Beginning of period	-	-	642,633	480,718	-	-
End of period	-	-	1,022,920	642,633	-	-
Total income/loss	-	-	(6,615)	11,628	-	-

d) As of 31 December 2015, the total amount of remuneration and benefits provided for the senior management of the Bank is TL26,717 (31 December 2014: TL26,082).

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VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches:

	Numbers	Employees		Total Assets	Capital
Domestic branches	528	9,862			
Rep-offices abroad	-	-	Country		
Branches abroad	4	65	Cyprus	627,041	20,000
Off-shore branches	-	-			

2. Explanations on Branch and Agency Openings or Closings of the Bank:

In the year 2015, Bank opened 9 branches, closed 28 branches. According to the Bank’s Board of Directors Resolution, No: 5132/147 and dated 21 October 2014, it was decided to close Türk Ekonomi Bankası A.Ş Bahrain Branch in Bahrain which is registered to Trade Registry, No:50046-1 and closing process has been completed on 23 November 2015.

IX. Explanations on significant events and matters arising subsequent to balance sheet date:

- As of 7 January 2016, bond issued by the Bank on 30 June 2015 with a nominal value of USD24,600,000, maturity of 191 days with the ISIN code “XS1253857376” has expired and it has been disposed.
- As of 14 January 2016, bond issued by the Bank on 14 July 2015 with a nominal value of USD5,000,000, maturity of 184 days with the ISIN code “XS1260048852” has expired and it has been disposed.
- As of 6 January 2016, bond issued by the Bank on 8 October 2015 with a nominal value of TL107,538, maturity of 89 days with the ISIN code “TRQTEBK11611” has expired and it has been disposed.

SECTION SIX

OTHER EXPLANATIONS

I. Explanations on Other Activities of Bank

None.

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SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The unconsolidated financial statements of the Bank were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 5 February 2016 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.

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