TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

pwc

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Türk Ekonomi Bankası A.Ş. ("the Bank") and its subsidiaries which comprise the consolidated balance sheet as of 31 December 2015 and consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated 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 consolidated financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. and its subsidiaries as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Engin Çubukçu, SMMM
Partner

Istanbul, 19 February 2016

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TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and balances with central banks	5	10,043,059	8,626,308
Loans and receivables due from banks	5	2,479,512	2,475,867
Other money market placements	5	206	550,207
Financial assets at fair value through profit and loss	6,18	699,939	687,736
Derivatives used for hedging purposes	18	58,309	60,800
Available-for-sale financial assets	6	4,130,624	4,488,271
Loans and receivables	7	51,525,147	44,357,770
Remeasurements adjustment on interest rate risk hedged portfolios		1,913	6,077
Factoring receivables	8	1,212,252	1,336,726
Held-to-maturity investments	6	339,417	317,360
Premises and equipment	9	285,508	326,119
Intangible assets	10	52,350	56,583
Goodwill	11	420,645	420,645
Deferred tax asset	17	154,768	181,154
Other assets	12	1,367,100	1,353,250
Total assets		**72,770,749**	**65,244,873**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks	13	114,557	1,329,597
Customers' deposits	13	44,263,075	39,059,233
Other money market deposits	13	2,384,787	1,756,987
Financial liabilities at fair value through profit and loss	18	519,397	448,658
Derivatives used for hedging purposes	18	159,216	313,870
Factoring payables		15,356	7,832
Debt securities	14	270,663	991,583
Funds borrowed:			
- Subordinated debt	15	1,935,054	1,779,705
- Other funds borrowed	15	12,919,415	10,456,896
Other liabilities	16	2,389,275	2,293,576
Provisions	16	236,871	204,038
Income taxes payable	17	109,955	87,155
Total liabilities		**65,317,621**	**58,729,130**
EQUITY			
Equity attributable to equity holders of the parent		**7,445,658**	**6,508,353**
Share capital issued	19	2,204,390	2,204,390
Premium in excess of par		2,565	2,565
Adjustment to share capital	19	200,262	200,262
Unrealized (losses)/gains on available-for-sale investments, net of tax	20	(8,059)	(24,371)
Reserve for hedging funds, net of tax	20	80,943	(60,118)
Remeasurements on employee benefits		37,368	19,555
Other reserves	20	1,084,258	1,084,258
Retained earnings	20	3,843,931	3,081,812
Non-controlling interest		**7,470**	**7,390**
Total equity		**7,453,128**	**6,515,743**
Total liabilities and equity		**72,770,749**	**65,244,873**

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CONSOLIDATED STATEMENT OF INCOME

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
Interest income			
Interest on loans and receivables		5,748,495	4,742,902
Interest on securities		389,979	422,495
-Interest on available for sale		340,131	359,769
-Interest on held for trading		22,100	33,649
-Interest on held to maturity		27,748	29,077
Interest on due from banks		122,858	80,378
Interest on other money market placements		50,011	32,774
Interest income on hedging derivatives		669,188	335,930
Other interest income		1,008	-
Total interest income		**6,981,539**	**5,614,479**
Interest expense			
Interest on customer deposits		(2,620,037)	(2,205,339)
Interest on other money market deposits		(153,481)	(138,125)
Interest on debt securities		(40,637)	(50,405)
Interest on funds borrowed and deposits from other banks		(355,178)	(261,730)
Interest on hedging derivatives		(630,761)	(346,512)
Total interest expense		**(3,800,094)**	**(3,002,111)**
Net interest income		**3,181,445**	**2,612,368**
Fees and commissions and other operating income			
Fees and commissions income	26	1,502,152	1,398,588
Fees and commissions expenses	26	(489,116)	(512,274)
Net (loss) /gain on financial instruments at fair value through profit or loss	25	(612,810)	(362,459)
Net gain on investment securities		23,618	20,534
Net losses from other activities		(101,172)	(66,053)
Net banking income		**3,504,117**	**3,090,704**
Operating expenses			
Salaries and employee benefits expense	23	(1,024,499)	(975,891)
Other operating expenses	24	(722,102)	(651,421)
Depreciation and amortization expense	9,10	(126,747)	(112,114)
Taxes other than on income		(93,654)	(82,683)
Gross operating income		**1,537,115**	**1,268,595**
Provisions for impairment of loan, factoring receivables, net of recoveries	7,8	(606,209)	(400,644)
Net operating income		**930,906**	**867,951**
Gains on sale of fixed assets and investment,net		863	8,845
Profit from operating activities before income tax		**931,769**	**876,796**
Income tax – current	17	(213,119)	(241,755)
Income tax – deferred	17	19,337	63,512
Net profit for the year from continuing operations		**737,987**	**698,553**
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	3	101,737	10,674
Profit for the year		**839,724**	**709,227**
Attributable to :			
Equity holders of the Parent		838,738	708,319
Non-controlling interest		986	908
		839,724	**709,227**
Basic earnings per share (full TL)	21	0.3805	0.3213
Diluted earnings per share (full TL)	21	0.3805	0.3213

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 January - 31 December 2015	**1 January - 31 December 2014**
Profit for the year	**839,724**	**709,227**
Other comprehensive income		
Items that are or may be reclassified to profit or loss	**80,696**	**(27,012)**
Fair value gains on available-for-sale financial assets, (net of tax)	16,254	78,114
Net change in fair values	35,481	87,827
Net amount transferred to income	(19,227)	(9,713)
Cash flow hedge (Effective portion of changes in fair value), (net of tax)	141,061	(92,303)
Currency translation differences	(76,619)	(12,823)
Items that will not be reclassified to profit or loss	**17,813**	**11,172**
Remeasurement of post-employment benefits obligation, (net of tax)	17,813	11,172
Other comprehensive income/(loss) for the period, net of tax	**98,509**	**(15,840)**
Total comprehensive income for the year, net of tax	**938,233**	**693,387**
Attributable to:		
Owners of the Parent	937,305	692,463
Non-controlling interest	928	924
Total comprehensive income for the year	**938,233**	**693,387**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Attributable to Owners of the Parent												
	Notes	Share capital	Premium in excess of par	Adjustment to share capital	Other capital reserves	Unrealized gains/(losses) on available-for-sale investments, net of tax	Reserve for hedging funds	Currency translation reserve	Remeasurements on employee benefits	Legal reserves	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling Interest	Total equity
At 1 January 2014		**2,204,390**	**2,565**	**200,262**	**1,084,258**	**(102,440)**	**32,185**	**89,442**	**8,354**	**170,419**	**2,126,455**	**5,815,890**	**7,990**	**5,823,880**
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	(1,524)	(1,524)
Transfer to legal reserves		-	-	-	-	-	-	-	-	26,447	(26,447)	-	-	-
Profit for the period		-	-	-	-	-	-	-	-	-	708,319	708,319	908	709,227
Other comprehensive income for the period		-	-	-	-	78,069	(92,303)	(12,823)	11,201	-	-	(15,856)	16	(15,840)
Total Comprehensive Income		-	-	-	-	78,069	(92,303)	(12,823)	11,201	-	708,319	692,463	924	693,387
At 31 December 2014		**2,204,390**	**2,565**	**200,262**	**1,084,258**	**(24,371)**	**(60,118)**	**76,619**	**19,555**	**196,866**	**2,808,327**	**6,508,353**	**7,390**	**6,515,743**
At 1 January 2015		**2,204,390**	**2,565**	**200,262**	**1,084,258**	**(24,371)**	**(60,118)**	**76,619**	**19,555**	**196,866**	**2,808,327**	**6,508,353**	**7,390**	**6,515,743**
Dividend paid		-	-	-	-	-	-	-	-	-	-	-	(848)	(848)
Transfer to legal reserves		-	-	-	-	-	-	-	-	33,934	(33,934)	-	-	-
Profit for the period		-	-	-	-	-	-	-	-	-	838,738	838,738	986	839,724
Other comprehensive income for the period		-	-	-	-	16,312	141,061	(76,619)	17,813	-	-	98,567	(58)	98,509
Total Comprehensive Income		-	-	-	-	16,312	141,061	(76,619)	17,813	-	838,738	937,305	928	938,233
At 31 December 2015		**2,204,390**	**2,565**	**200,262**	**1,084,258**	**(8,059)**	**80,943**	**-**	**37,368**	**230,800**	**3,613,131**	**7,445,658**	**7,470**	**7,453,128**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	1 January- 31 December 2015	1 January- 31 December 2014
Cash flows from operating activities			
Interest received		6,892,633	5,520,700
Interest paid		(3,778,305)	(2,765,445)
Fees and commissions received		2,135,964	2,036,028
Trading income		(910,309)	(369,932)
Recoveries of impairment of loan, lease and factoring receivables		495,010	445,072
Fees and commissions paid		(489,116)	(512,336)
Cash payments to employees and other parties		(935,546)	(874,750)
Other operating activities		(1,066,395)	(817,384)
Income taxes paid	17	(198,242)	(172,218)
Cash flows from operating activities before changes in operating assets and liabilities		**2,145,694**	**2,489,735**
Changes in operating assets and liabilities			
Net (increase) / decrease in trading securities		(114,763)	565,077
Net (increase) in reserve deposits at central banks		(845,635)	(1,207,637)
Net decrease in loans and receivables due from banks		1,160,561	68,846
Net (increase) in loans and receivables		(7,734,792)	(7,521,861)
Net decrease / (increase) in factoring receivables		124,135	(249,111)
Net decrease / (increase) in other assets		3,896	(162,265)
Net decrease in deposits from other banks		(1,214,292)	(306,157)
Net increase in customers' deposits		5,143,285	5,104,841
Net increase in other money market deposits		627,367	693,070
Net increase / (decrease) in factoring payables		7,524	(180)
Net decrease in other liabilities		(862,911)	(672,336)
Net cash used in operating activities		**(3,705,625)**	**(3,687,713)**
Cash flows from investing activities			
Purchases of available- for- sale securities	6	(2,964,870)	(3,905,754)
Proceeds from sale and redemption of available-for-sale securities	6	3,303,411	3,985,310
Purchases of property and equipment	9	(63,308)	(82,244)
Proceeds from the sale of premises and equipment		1,352	10,571
Purchases of intangible assets	10	(29,431)	(27,977)
Proceeds from disposal of subsidiaries, net of cash disposed	3	(385,478)	-
Net cash used in investing activities		**(138,324)**	**(20,094)**
Cash flows from financing activities			
Proceeds from funds borrowed and debt securities		11,481,320	10,370,882
Repayment of funds borrowed and debt securities		(9,654,319)	(7,674,964)
Net cash provided by financing activities		**1,827,001**	**2,695,918**
Effect of net foreign exchange difference on cash and cash equivalents		313,450	9,874
Net increase in cash and cash equivalents		442,196	1,487,720
Cash and cash equivalents at the beginning of the period	5	3,439,222	1,951,502
Cash and cash equivalents at the end of the period	**5**	**3,881,418**	**3,439,222**

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

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. CORPORATE INFORMATION

General

Türk Ekonomi Bankası Anonim Şirketi ("TEB" or "The 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 merge 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.

As shareholders holding 96.005% of shares of the Bank, BNP Paribas Fortis Yatırımlar Holding A.Ş., BNP Paribas Yatırımlar Holding A.Ş., BNP Paribas, and TEB Holding A.Ş. 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 became 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. After the completion of the related procedures and the positive opinion of the BRSA on 17 June 2015, 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 on 17 April 2015 and will be permanently removed from trading. On the same date, TEB was removed from the scope of the CMB Law by the CMB. The shareholders' structure and their respective ownerships are summarized below as of 31 December 2015 together with the comparative information as of 31 December 2014:

	31 December 2015		**31 December 2014**	
Name of shareholders	**Paid in capital**	**%**	**Paid in capital**	**%**
TEB Holding A.Ş. (previously TEB Mali Yatırımlar A.Ş.)	1,212,415	55.00	1,212,415	55.00
BNP 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, the Bank's paid-in-capital consists of 2,204,390,000 shares of TL1.00 (full TL) nominal each.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. CORPORATE INFORMATION (continued)

General (continued)

The registered office address of TEB is TEB Kampüs C ve D Blok, Saray Mahallesi, Sokullu Caddesi, No: 7A-7B Ümraniye-İstanbul/Turkey.

For the purposes of the accompanying consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as the "Group".

The consolidated financial statements of the Group were authorized for issuance by the management on 19 February 2016. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

Nature of Activities of the Group

The operations of the Group consist of banking, factoring, securities brokerage and portfolio management, which are conducted mainly for local customers.

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of 31 December 2015 and 31 December 2014 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		31 December 2015	31 December 2014
The Economy Bank N.V. (Economy Bank) (*)	Netherlands	-	100.00
TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım)	Turkey	100.00	100.00
TEB Faktoring A.Ş.	Turkey	100.00	100.00
TEB Portföy Yönetimi A.Ş. (TEB Portföy)	Turkey	54.74	54.74
Stichting Effecten Dienstverlening(*),(**)	Netherlands	-	100.00
Kronenburg Vastgoed B.V. (*),(**)	Netherlands	-	100.00

The principal activities of the consolidated subsidiaries are as follows:

<u>TEB Yatırım</u> – Rendering fixed income and equity brokerage and corporate finance services in line with the rules of the Capital Markets Board of Turkey.

<u>TEB Faktoring</u> – Providing both domestic and export factoring services to industrial and commercial enterprises in Turkey.

<u>TEB Portföy</u> – Managing individual customer portfolios and mutual funds which consist of capital market instruments.

(*) The Bank sold 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. for a consideration of EUR107,769 thousand (Note 3).

(**) Both entities are possessed by The Economy Bank N.V.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention, except for those assets and liabilities measured at fair value.

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared in accordance with IFRS and presented in Turkish Lira ("TL"). For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made to the statutory financial statements, which mainly comprise the effects of deferred taxation and reserve for impairment of loans and receivables.

Due to the disposal of 100% shares of The Economy Bank N.V. as of 11 December 2015, certain reclassifications have been made to the "Discontinued operations" line in the prior year statement of income in accordance with IFRS 5 requirements.

2.2 Summary of Significant Accounting Policies, Judgments and Estimates

Judgments and Estimates

The preparation of the financial statements in accordance with IFRS, including International Accounting Standards (IAS) requires management to make estimates and assumptions that are reflected in the measurement of income and expenses in the statement of income and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. Managers do exercise judgment and make use of information available at the date of the preparation of the financial statements in making these estimates. The actual future results of operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates. This may have a material effect on the consolidated financial statements.

The judgments and estimates that may have a significant effect on amounts recognized in the consolidated financial statements are discussed in the relevant sections below.

Functional and Presentation Currency

Functional and Presentation Currency for the Bank and Its Subsidiaries Which Operate in Turkey:

Functional currency of the Bank and its subsidiaries, which operate in Turkey, is Turkish Lira ("TL"). Until 31 December 2004, the date at which the Group considers that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 ("Financial Reporting in Hyperinflationary Economies") were no longer applicable, the financial statements of these companies were restated for the changes in the general purchasing power of TL based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

Functional Currencies of Foreign Subsidiaries:

The Economy Bank operating in Netherlands adopted the Euro ("EUR") as its functional currency.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Foreign Currency Translation

The consolidated financial statements are presented in TL, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognized in the income statement.

Foreign currency translation rates used by the Group as of respective year-ends are as follows:

	EUR / TL	**USD / TL**
31 December 2013	2.93	2.13
31 December 2014	2.81	2.32
31 December 2015	3.16	2.90

The assets and liabilities of foreign subsidiaries (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency of the Group (TL) at the exchange rate ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at average exchange rates for the year end. For consolidation purposes, exchange differences arising from the translation of the net investment in foreign entities are included in other comprehensive income as currency translation differences until the disposal of the net investment.

On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the income statement as a component of the gain or loss on disposal.

Basis of Consolidation and Goodwill

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, as at 31 December of each year.

Subsidiaries are entities over which the Group controls because the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are subject to consolidation. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are fully consolidated from the date of acquisition, referring to the date on which control is transferred to the Group and are deconsolidated from the date on which control is transferred out of the Group.

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

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

The Economy Bank N.V. was sold on 11 December 2015 and consolidated in the income statement until 31 December 2015. Financial information relating to the discontinued operation is presented under "Profit/(loss) after tax for the year from discontinued operations" in financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Basis of Consolidation and Goodwill (continued)

The acquisition method of accounting is used for acquired businesses. The acquisition method of accounting includes allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. 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. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquiree (if any), the excess is recognized immediately in the income statement as a bargain purchase gain. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units. There is no negative bargain purchase gain recognized by the Group.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and land improvements	50 years
Vehicles	5-10 years
Furniture, fixtures and office equipment and others	2-5 years
Land	Not depreciated
Leasehold improvements	Lease period (max 10 years)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset’s fair value less costs to sell and value in use. Impairment losses are recognized in the income statement.

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Intangible Assets

Intangible assets acquired are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The Group amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3 to 5 years. There are no intangible assets with indefinite useful lives, other than goodwill.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition.

The Group recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. 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 i.e. for assets carried at cost or amortized cost; change in value is not recognized.

Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. 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 in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in profit/loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances such as selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost. If the entire class of held-to-maturity investments is tainted, the carrying value would increase by TL4,679 (31 December 2014: TL24,311 increase) before tax effect, by adjusting to fair value due to change in the classification and hence, the valuation methodology, with a corresponding entry in the net unrealized gains on available-for-sale investments under equity. There has been no tainting in the held-to-maturity portfolio during the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Financial Assets (continued)

Held-to-maturity investments (continued)

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to-maturity securities is reported as interest income.

When financial assets are transferred to held-to-maturity category from available-for-sale portfolio, as a result of a change in intention, the fair value carrying amount of the related financial assets becomes the new amortized cost. Any previous gain or losses on those assets that have been recognized in equity are amortized over the remaining life of the held-to-maturity investments using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of other comprehensive income until the investment is derecognized, or until the investment is determined to be impaired, at the time the cumulative gain or loss previously reported in other comprehensive income is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not an indicator of the fair value of the instrument, fair value is determined by reference to the current market value of substantially the same instrument, by recent arm's length transactions, by discounted cash flow analysis or through other valuation techniques commonly used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Financial Assets (continued)

Repurchase and Resale Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they belong to. Securities sold subject to repurchase agreements ('repos') are referred to as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method.

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ('reverse repos') are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

Netting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in the balance sheet only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Group's continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Impairment of Financial Assets

a) Assets carried at amortized cost

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of loans and individual loans. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
(c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(d) becoming probable that the borrower will enter bankruptcy or other financial reorganization;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    (i) adverse changes in the payment status of borrowers; or
    (ii) national or local economic conditions that correlate with defaults on the assets in the group.

All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured based on the difference between the carrying amount and the estimated recoverable amount of the asset, determined by the net present value of the expected future cash flows discounted at the loan's original effective interest rate. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realized from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the income statement.

The Group first assesses whether objective evidence for impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off are included in income.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The total carrying value of such loans and factoring receivables as of 31 December 2015 is TL52,737,399 (31 December 2014: TL45,694,496) net of impairment allowance of TL1,294,611 (31 December 2014: TL1,251,072).

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Impairment of Financial Assets (continued)

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value since its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of the recoverable amount of the asset. There is no impairment recorded related to assets carried at cost.

c) Available-for-sale financial assets

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from other comprehensive income to the income statement. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Interest - Bearing Deposits and Borrowings

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

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 IAS No: 19 "International 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. All actuarial gains and losses are recognized in the other comprehensive income.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank 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 TL102,153 (31 December 2014: TL101,658).

	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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Employee Benefits (continued)

Defined Benefit Plans (continued)

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 reviewed 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.

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 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.

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

The Bank pays contributions to Social Security Funds and to “Security Fund” whose members joined to the Bank as a consequence of merger.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, 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. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Leases

(a) The Group as Lessee

Finance leases

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch premises, which are cancellable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Factoring Receivables

Factoring receivables are recognized at original factored receivable amount less advances extended against factoring receivables, interest and factoring commissions charged, and are carried at amortized cost, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties in the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized ratably over the period service is provided.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

The Group is subject to income taxes in various jurisdictions. Where there are matters causing the final tax outcome to be different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As of 31 December 2015, the Group carries TL109,955 of income taxes payable (31 December 2014: TL87,155), TL154,768 of deferred tax asset (31 December 2014: TL181,154) and has no deferred tax liability (31 December 2014: nil).

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Income Tax (continued)

Deferred tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Derivative Financial Instruments and Hedge Accounting

Derivatives Held for Trading

The Group enters into transactions with derivative instruments including forwards, swaps, options and futures in the foreign exchange and capital markets. Fair values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the contractual forward rates discounted to the balance sheet date with the current market rates. The resulting gain or loss is reflected in 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.

All derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. As of 31 December 2015, the carrying amount of derivative financial assets held for trading is TL494,117 (31 December 2014: TL597,302) and the carrying amount of derivative financial liabilities held for trading is TL519,397 (31 December 2014: TL448,658).

Derivatives and Hedge Accounting

The Bank applies fair value and cash flow hedge accounting for the hedge of interest rate risk.

The fair value changes of the hedged portfolios are included under "remeasurement adjustment on interest-rate risk hedged portfolios" in the balance sheet and "net gain/loss on financial instruments at fair value through profit or loss" in the income statement. Additionally, the difference between the fair value and the carrying value of the hedged portfolio at the inception of hedge accounting is amortized based on the respective maturities and included in "net gain/loss on financial instruments at fair value through profit or loss" in the income statement together with the fair value changes of the hedged portfolio and hedging instruments. The actual interest income and expense on the derivatives used for hedging purposes are recorded as interest income and expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of Significant Accounting Policies, Judgments and Estimates (continued)

Derivatives and Hedge Accounting (continued)

At the inception of the hedge, the Bank prepares formal documentation of the hedging relationship identifying the hedged item, the hedging instrument, the hedging strategy, the type of risk covered and the methods used to assess the effectiveness of the hedging relationship. On inception and on a quarterly basis the effectiveness of the hedging relationship is assessed consistently with the original documentation. The details of the hedge accounting are explained in Note 18.

Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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 or can be estimated 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.

Fees and Commission Income and Expenses

Fees for various banking services 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 using the effective interest rate and are expensed on the related periods.

Dividend Income

Dividend income from is reflected in the financial statements when the group’s right to receive payments is established.

2.3 New and Revised International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2015

i) Amendment to IAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

ii) Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

- IFRS 2, ‘Share-based payment’
- IFRS 3, ‘Business Combinations’
- IFRS 8, ‘Operating segments’
- IFRS 13, ‘Fair value measurement’
- IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and Revised International Financial Reporting Standards (continued)

a) Standards, amendments and interpretations applicable as at 31 December 2015 (continued)

- Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
- IAS 39, Financial instruments – Recognition and measurement'

iii) Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:

- IFRS 1, 'First time adoption'
- IFRS 3, 'Business combinations'
- IFRS 13, 'Fair value measurement' and
- IAS 40, 'Investment property'.

b) Standards, amendments and interpretations effective after 1 January 2016:

(i) Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

(ii) Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

(iii) Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

(iv) IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

(v) Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and Revised International Financial Reporting Standards (continued)

b) Standards, amendments and interpretations effective after 1 January 2016 (continued):

(vi) Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information.

(vii) Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

(viii) Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

(ix) IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

(x) IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

(xi) IAS 12 'Income Taxes' effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

(xii) IFRS 16 'leases' effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. New standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same.

The new standards, amendments and interpretations which will be effective after 1 January 2016 are not expected to have a material impact on the Group's consolidated financial statements except adoption of IFRS 9. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Statement of Cash Flows

The cash and cash equivalents balance comprises cash and balances with central banks (excluding restricted reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, as well as acquisitions and disposals of premises and equipment.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders and cash flows related to subordinated debt.

3. DISCONTINUED OPERATION

The Bank sold 100% of its shares in The Economy Bank N.V. to BNP Paribas Fortis S.A./N.V. for a consideration of EUR107,769 thousand. The consideration was collected after completion of procedures on 11 December 2015. The Economy Bank N.V. financials were included in the consolidated financials until 31 December 2015. The gain on sale amounting to TL125,458 including TL 119,775 of recycling of currency translation reserve, which consists on addition of TL43,156 in current year, and is presented under "Profit/(loss) after tax for the year from discontinued operations" in financial statements.

The result of The Economy Bank N.V. for the years ended 31 December 2015 and 31 December 2014 are presented below:

	1 January - 31 December 2015	1 January - 31 December 2014
Net interest income	40,050	51,455
Net fee and commission income	16,803	10,736
Net gain/loss on financial instruments at fair value through profit or loss	(23,349)	(15,840)
Net income from other activities	(125)	(1,759)
Net banking income	33,379	44,592
Operating expenses	(38,577)	(21,555)
Gross operating income	(5,198)	23,037
(Provisions for) / recoveries from impairment of loan, lease and factoring receivables	38	(5,869)
Profit from operating activities before income tax	(5,160)	17,168
Income tax	(955)	(4,615)
Net profit for the year	(6,115)	12,553
Effect of intercompany transactions	(3,330)	(1,879)
Gain on sale of discontinued operations	125,458	-
Tax charge of gain on sale of discontinued operations	(14,276)	-
Net profit for the year from the discontinued operation	101,737	10,674

Net cash flows on disposal of The Economy Bank N.V.:

Consideration received in cash	346,768
Less: Cash and cash equivalents balances	(732,246)
Net cash outflow on disposal	**(385,478)**

Cash and cash equivalents at the beginning of the year	820,144
Cash flows from operating activities before changes in operating assets and liabilities	(18,975)
Net cash used in operating activities	(245,087)
Net cash provided by investing activities	175,035
Net cash provided by financing activities	1,129
Cash and cash equivalents at the end of the year	732,246

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

4. SEGMENT INFORMATION

Business segments

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

Year ended 31 December 2015

	Retail Banking	Corporate Banking	SME Banking	Treasury/Head Office	Eliminations	Group
Net banking income	819,722	462,697	1,723,381	498,356	(39)	3,504,117
Operating expenses	(607,414)	(108,535)	(614,467)	(639,955)	3,369	(1,967,002)
Provisions for impairment of loan, factoring receivables, net of recoveries	(149,789)	(62,852)	(394,074)	506	-	(606,209)
Operating income	**62,519**	**291,310**	**714,840**	**(141,093)**	**3,330**	**930,906**
Non-operating items	-	-	-	863	-	863
Pre-tax income from operating activities	**62,519**	**291,310**	**714,840**	**(140,230)**	**3,330**	**931,769**
Income from discontinued operations	(8,515)	45,802	-	83,011	(3,330)	116,968
Pre-tax income from operating activities of discontinued operations	**(8,515)**	**45,802**	**-**	**83,011**	**(3,330)**	**116,968**
Assets and Liabilities						
Segment assets	12,246,664	13,198,363	24,493,358	20,688,626	(136,633)	70,490,378
Unallocated assets	-	-	-	2,280,446	(75)	2,280,371
Total assets	**12,246,664**	**13,198,363**	**24,493,358**	**22,969,072**	**(136,708)**	**72,770,749**
Segment liabilities	26,925,671	10,115,656	8,354,559	17,203,960	(18,326)	62,581,520
Unallocated liabilities	-	-	-	2,736,743	(642)	2,736,101
Total liabilities	**26,925,671**	**10,115,656**	**8,354,559**	**19,940,703**	**(18,968)**	**65,317,621**
Other segment information						
Capital expenditures						
Tangible fixed assets	-	-	-	62,867	-	62,867
Intangible fixed assets	-	-	-	29,431	-	29,431
Depreciation	-	-	-	94,286	-	94,286
Amortization	-	-	-	33,514	-	33,514

Year ended 31 December 2014

	Retail Banking	Corporate Banking	SME Banking	Treasury/Head Office	Eliminations	Group
Net banking income	752,624	417,401	1,440,870	479,825	(16)	3,090,704
Operating expenses	(590,635)	(109,038)	(552,282)	(572,049)	1,895	(1,822,109)
Provisions for impairment of loan, factoring receivables, net of recoveries	(140,934)	(30,790)	(228,924)	4	-	(400,644)
Operating income	**21,055**	**277,573**	**659,664**	**(92,220)**	**1,879**	**867,951**
Non-operating items	-	-	-	8,845	-	8,845
Pre-tax income from operating activities	**21,055**	**277,573**	**659,664**	**(83,375)**	**1,879**	**876,796**
Income from discontinued operations	(14,423)	58,426	-	(26,835)	(1,879)	15,289
Pre-tax income from operating activities of discontinued operations	**(14,423)**	**58,426**	**-**	**(26,835)**	**(1,879)**	**15,289**
Assets and Liabilities						
Segment assets	11,335,554	12,557,264	20,839,272	18,406,677	(231,645)	62,907,122
Unallocated assets	-	-	-	2,340,123	(2,372)	2,337,751
Total assets	**11,335,554**	**12,557,264**	**20,839,272**	**20,746,800**	**(234,017)**	**65,244,873**
Segment liabilities	23,050,692	11,876,649	6,826,822	14,446,557	(56,359)	56,144,361
Unallocated liabilities	-	-	-	2,585,713	(944)	2,584,769
Total liabilities	**23,050,692**	**11,876,649**	**6,826,822**	**17,032,270**	**(57,303)**	**58,729,130**
Other segment information						
Capital expenditures						
Tangible fixed assets	-	-	-	82,244	-	82,244
Intangible fixed assets	-	-	-	27,977	-	27,977
Depreciation	-	-	-	85,921	-	85,921
Amortization	-	-	-	27,049	-	27,049

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

4. SEGMENT INFORMATION (Continued)

Geographical information

The Group's geographical information are based on the location of Group's assets. The Group's activities are conducted predominantly in Turkey and Turkey is the home country of the Bank, which is also the main operating company. The areas of operation include all the primary business segments.

Total assets and total liabilities are based on the country in which the branch or subsidiary is located. Segment revenue from external customers included in operating income is based on the geographical location of customers or counterparties. The Group conducts majority of its business activities with local customers in Turkey.

Year ended 31 December 2015	**Turkey**	**Netherlands**	**Total**
Other segment information			
Segment assets	70,490,378	-	70,490,378
Unallocated assets	2,280,371	-	2,280,371
Total assets	**72,770,749**	-	**72,770,749**
Capital expenditures			
Tangible fixed assets	62,867	-	62,867
Intangible fixed assets	29,431	-	29,431

Year ended 31 December 2014	**Turkey**	**Netherlands**	**Total**
Other segment information			
Segment assets	61,507,014	1,400,108	62,907,122
Unallocated assets	2,323,749	14,002	2,337,751
Total assets	**63,830,763**	**1,414,110**	**65,244,873**
Capital expenditures			
Tangible fixed assets	82,180	64	82,244
Intangible fixed assets	27,907	70	27,977

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

5. CASH, BALANCES WITH CENTRAL BANKS, LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

	31 December 2015	31 December 2014
Cash on hand	831,464	800,559
Balances with central banks	1,854,585	1,263,930
Reserve deposits with central banks (restricted)	7,357,010	6,561,819
Cash and balances with central banks	**10,043,059**	**8,626,308**
Loans and receivables due from banks	**2,479,512**	**2,475,867**
Funds lent under reverse repurchase agreements	206	550,207
Other money market placements	**206**	**550,207**
Less: Loans due from banks	(1,269,191)	(1,630,097)
Less: Time deposits with original maturities of more than three months	-	(6,117)
Less: Reserve deposits (restricted)	(7,357,010)	(6,561,819)
Less: Interest accruals	(15,158)	(15,127)
Cash and cash equivalents in the statements of cash flows	**3,881,418**	**3,439,222**

According to the regulations of the Central Bank of Turkish Republic (the Central Bank), banks are obliged to deposit a portion of certain liability accounts as specified in the related decree.

As of 31 December 2015, the Turkish lira required reserve ratios are determined to be within the range of 5%-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%-25% (31 December 2014: 6%-13% for all foreign currency liabilities).

The effective interest rates on deposits and placements are as follows:

	31 December 2015		31 December 2014	
	Effective interest rate		Effective interest rate	
	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency
Balances with central banks	-	-	-	-
Reserve deposits	1.81%	-	1.51%	-
Loans and receivables due from banks	6.20%-18.50%	0.03%-0.74%	3.75%-12.58%	0.18%-3.82%
Funds lent under reverse repurchase agreements	8.50%-10.50%	-	8.50%-10.15%	-
Interbank placements	-	-	-	-

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND INVESTMENT SECURITIES

Financial assets at fair value through profit and loss:

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Financial assets at fair value through profit and loss						
Debt instruments	**205,822**			**90,434**		
Turkish government bonds and treasury bills	194,823	8.59%-11.61%	-	80,641	4.00%-13.46%	-
Eurobonds issued by the Turkish government	10,999	-	0.08%-5.85%	9,793	-	0.43%-5.08%
Derivatives held for trading	**494,117**	-	-	**597,302**	-	-
Total financial assets at fair value through profit and loss	**699,939**			**687,736**		

Investment Securities:

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Available- for-sale securities at fair value						
Debt instruments						
Turkish government bonds	4,019,702	7.80%-11.61%	-	4,354,574	7.72%-13.46%	-
Eurobonds issued by the Turkish government	14,228	-	2.44%-4.99%	112,566	-	0.19%-5.36%
Equity instruments – unlisted	**84,269**	-	-	**9,226**	-	-
Total available- for-sale securities at fair value	**4,118,199**			**4,476,366**		
Available-for-sale securities at cost						
Equity instruments – unlisted	12,425	-	-	11,905	-	-
Total available- for- sale securities	**4,130,624**			**4,488,271**		
Held-to-maturity securities at amortized cost						
Debt instruments						
Turkish government bonds	339,417	10.59%-11.59%	-	317,360	11.96%-12.96%	-
Total held-to-maturity securities	**339,417**			**317,360**		
Total investment securities	**4,470,041**			**4,805,631**		

Unlisted equity securities classified as available-for-sale securities represent the Group’s equity holdings in the companies, shares of which are not publicly traded. If a reliable estimate of their fair values could not be made, they are reflected at cost less reserve for impairment, if any.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND INVESTMENT SECURITIES (continued)

Loaned Securities:

Carrying value of debt instruments given as collateral under repurchase agreements, which are included in the related portfolio are:

	31 December 2015	31 December 2014
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	2,395,729	1,761,323
Held-to-maturity securities	-	-
Carrying value of securities given as collateral under repos	**2,395,729**	**1,761,323**
Related liability	**2,384,787**	**1,756,987**

As of 31 December 2015, government securities with carrying values of TL715,974 (31 December 2014: TL663,499) are pledged to the Central Bank and the Istanbul Takas ve Saklama Bankası Anonim Şirketi (Istanbul Clearing, Settlement and Custody Bank Incorporation) and Vadeli İşlem Opsiyon Borsası (Borsa Istanbul Futures and Options Market) for regulatory requirements and as a guarantee for stock exchange, money market operations and derivatives.

TL1,947,986 (31 December 2014: TL2,231,863) of debt securities included in the trading, investment and loaned securities portfolios have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

Gains and losses from investment securities arise from derecognition of available-for-sale securities.

The movement in investment securities (including those classified as loaned securities) is summarized as follows:

	31 December 2015			31 December 2014		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
At 1 January	4,488,271	317,360	4,805,631	4,408,885	292,956	4,701,841
Exchange differences	27,130	-	27,130	(2,975)	-	(2,975)
Additions	2,964,870	-	2,964,870	3,905,754	-	3,905,754
Disposals (sale and redemption)	(3,303,411)	-	(3,303,411)	(3,985,310)	(298)	(3,985,608)
Changes in amortized cost and fair value	(32,113)	22,057	(10,056)	161,917	24,702	186,619
Sale of subsidiary	(14,123)	-	(14,123)	-	-	-
Total	**4,130,624**	**339,417**	**4,470,041**	**4,488,271**	**317,360**	**4,805,631**

The Group has not reclassified any financial asset as one measured at amortized cost rather than at fair value during the year.

Government debt securities had been accounted as financial assets available for sale, have been classified as held to maturity investments with their market value on year 2013, and accumulated valuation difference for reclassified available for sale securities are followed under shareholders' equity. This accumulated valuation difference is subjected to amortization according to the days to maturity and being transferred to profit/loss accounts in the related periods. As of 31 December 2015, total accumulated valuation difference of these securities followed under shareholders' equity is negative TL25,574 (31 December 2014: negative TL31,146).

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

7. LOANS AND RECEIVABLES

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Commercial	35,530,279	7.59%-32.00%	1.35%-6.25%	29,732,750	6.25%-30.00%	1.05%-8.50%
Consumer	13,120,086	8.40%-16.20%	0.50%-6.00%	12,054,286	7.68%-20.88%	0.47%-6.00%
Credit cards	2,832,875	9.94%-11.75%	-	2,472,404	7.42%-10.48%	-
Other	86,269	13.00%-29.65%	-	121,766	8.00%-30.19%	-
Total performing loans	**51,569,509**			**44,381,206**		
Loans in arrears	1,232,527			1,206,534		
Less: Allowance for individually impaired loans	(821,114)			(904,382)		
Less: Allowance for collectively impaired loans	(455,775)			(325,588)		
Total	**51,525,147**			**44,357,770**		

Loans and receivables amounting to TL9,196,682 (31 December 2014: TL7,889,232) have floating interest rates and the rest have fixed interest rates.

The portfolio reserve for impairment is provided based on past experience, management's assessment of current economic condition, the quality and inherent risk in the credit portfolio of the Group.

31 December 2015	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	33,979,422	12,514,336	2,685,186	86,269	49,265,213
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 gross	**35,894,869**	**13,842,062**	**2,978,836**	**86,269**	**52,802,036**
Less: allowance for individually impaired loans	(270,455)	(448,996)	(101,663)	-	(821,114)
Less: allowance for collectively impaired loans	(353,869)	(71,986)	(29,920)	-	(455,775)
Total allowance for impairment	**(624,324)**	**(520,982)**	**(131,583)**	**-**	**(1,276,889)**
Total net	**35,270,545**	**13,321,080**	**2,847,253**	**86,269**	**51,525,147**

31 December 2014	Commercial	Consumer	Credit Cards	Other	Total
Neither past due nor impaired	28,604,958	11,445,295	2,386,647	121,766	42,558,666
Past due not impaired	1,127,792	608,991	85,757	-	1,822,540
Individually impaired	756,261	263,494	186,779	-	1,206,534
Total gross	**30,489,011**	**12,317,780**	**2,659,183**	**121,766**	**45,587,740**
Less: allowance for individually impaired loans	(575,966)	(184,664)	(143,752)	-	(904,382)
Less: allowance for collectively impaired loans	(225,084)	(68,095)	(32,409)	-	(325,588)
Total allowance for impairment	**(801,050)**	**(252,759)**	**(176,161)**	**-**	**(1,229,970)**
Total net	**29,687,961**	**12,065,021**	**2,483,022**	**121,766**	**44,357,770**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

7. LOANS AND RECEIVABLES (continued)

A reconciliation of the allowance for individual and collective impairment losses on loans and receivables by classes is as follows;

	Commercial	Consumer	Credit Cards	Total
At 1 January 2015	**801,050**	**252,759**	**176,161**	**1,229,970**
Charge for the year	247,022	456,630	95,594	799,246
Recoveries	(111,968)	(64,987)	(33,216)	(210,171)
Sale of non-performing loans (*)	(223,543)	(123,420)	(106,956)	(453,919)
Exchange difference	(17,308)	-	-	(17,308)
Sale of subsidiary	(70,929)	-	-	(70,929)
At 31 December 2015	**624,324**	**520,982**	**131,583**	**1,276,889**

	Commercial	Consumer	Credit Cards	Total
At 1 January 2014	**655,890**	**164,929**	**148,800**	**969,619**
Charge for the year	298,053	165,468	95,904	559,425
Recoveries	(67,350)	(54,288)	(28,684)	(150,322)
Sale of non-performing loans (**)	(91,626)	(23,350)	(39,859)	(154,835)
Exchange difference	6,083	-	-	6,083
At 31 December 2014	**801,050**	**252,759**	**176,161**	**1,229,970**

(*) Impaired receivables portfolio amounting to TL250,007 for which TL 244,019 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 TL206,486 provision and TL41,823 for which TL 39,527 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 impaired receivables have been written off from the accounts.

(**) Impaired receivables portfolio amounting to TL174,635 for which TL173,488 provision had been allocated is sold to TURKASSET Varlık Yönetim A.Ş. to TL19,800 After completion of the necessary procedures and collection of the sale price on 26 August 2015, such impaired receivables have been written off from the accounts.

Movements in the reserve for impairment on loans and receivables:

	31 December 2015	31 December 2014
Reserve at beginning of year	1,229,970	969,619
Provision for impairment	799,246	556,795
Recoveries	(210,171)	(147,692)
Provision net of recoveries	589,075	409,103
Sale of non-performing loans	(453,919)	(154,835)
Exchange differences	(17,308)	6,083
Sale of subsidiary	(70,929)	-
Reserve at the end of the year	**1,276,889**	**1,229,970**

The fair value of collaterals, capped with the respective outstanding loan balance, that the Group holds relating to loans individually 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 impaired:

31 December 2015	Commercial	Consumer	Credit cards	Total
Mortgage	83,854	140,817	686	225,357
Vehicle	12,870	65,006	898	78,774
Cash	134	137	41	312
Other	6,069	8,254	1	14,324
Total	**102,927**	**214,214**	**1,626**	**318,767**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

7. LOANS AND RECEIVABLES (continued)

The fair value of collaterals, capped with the respective outstanding loan balance relating to loans individually impaired: (continued)

31 December 2014	Commercial	Consumer	Credit cards	Total
Mortgage	62,306	113,998	442	176,746
Vehicle	13,434	41,791	818	56,043
Cash	103	87	11	201
Other	2,195	1,538	151	3,884
Total	**78,038**	**157,414**	**1,422**	**236,874**

Collateral and credit enhancements obtained by taking possession:

31 December 2015	Commercial	Consumer	Total
Residential, commercial or industrial property	69,482	5,247	74,729
Other	39	-	39
Total	**69,521**	**5,247**	**74,768**

31 December 2014	Commercial	Consumer	Total
Residential, commercial or industrial property	75,808	6,988	82,796
Other	391	-	391
Total	**76,199**	**6,988**	**83,187**

The Group employs independent appraisers in determining the current fair values of its real estates. Provision for impairment loss amounting to TL1,480 is booked for real estates held for resale as per the appraisals performed as of 31 December 2015 (31 December 2014: TL2,064).

Aging analysis of past due but not impaired loans per class of financial instruments:

31 December 2015	Less than 30 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	938,291	374,515	238,051	1,550,857
Consumer	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	Less than 30 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	715,205	231,125	181,462	1,127,792
Consumer	275,799	239,728	93,464	608,991
Credit cards	83,641	107	2,009	85,757
Total	**1,074,645**	**470,960**	**276,935**	**1,822,540**

Of the total aggregate amount of gross past due but not yet impaired loans and receivables, the fair value of collaterals, capped with the respective outstanding total past due and not past due loan balances of the customer, that the Group held as at 31 December 2015 was TL1,906,005 (31 December 2014: TL861,640).

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

31 December 2015	Commercial	Consumer	Credit cards	Total
Mortgage	288,695	247,065	262	536,022
Vehicle	54,374	28,380	77	82,831
Cash	6,025	4,054	33	10,112
Other	1,179,169	95,206	2,665	1,277,040
Total	**1,528,263**	**374,705**	**3,037**	**1,906,005**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

7. LOANS AND RECEIVABLES (continued)

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

31 December 2014	Commercial	Consumer	Credit cards	Total
Mortgage	426,552	179,065	5,729	611,346
Vehicle	89,259	25,839	2,764	117,862
Cash	12,696	1,270	301	14,267
Other	115,513	282	2,370	118,165
Total	**644,020**	**206,456**	**11,164**	**861,640**

8. FACTORING RECEIVABLES

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Neither past due nor impaired	1,173,420	4.99%-28.99%	0.31%-6.82%	1,314,236	5.57%-30%	1.06%-7.49%
Past due not impaired	23,866	-	-	13,024	-	-
Individually impaired	32,688	-	-	30,568	-	-
Total gross	**1,229,974**			**1,357,828**		
Less: allowance for individually impaired loans	(16,713)			(19,789)		
Less: allowance for collectively impaired loans	(1,009)			(1,313)		
Total allowance for impairment	**(17,722)**			**(21,102)**		
Total net	**1,212,252**			**1,336,726**		

As of 31 December 2015, all of the factoring receivables have fixed interest rates (31 December 2014: All of factoring receivables have fixed interest rates).

Movements in the reserve for impairment:

	31 December 2015	31 December 2014
Reserve at beginning of year	21,102	18,111
Provision for impairment	13,161	5,527
Recoveries	(1,530)	(2,536)
Provision net of recoveries	11,631	2,991
Sale of non-performing loans (*)	(15,011)	-
Reserve at end of the year	**17,722**	**21,102**

(*) Impaired receivables portfolio of TEB Faktoring amounting to TL15,111 and for which TL15,011 provision had been allocated is sold to TURKASSET Varlık A.Ş. for TL100 on 22 October 2015. After completion of the necessary procedures and collection of the sale price, such impaired receivables have been written off from the accounts.

There are no collaterals that TEB Faktoring holds relating to factoring receivables individually determined to be impaired at 31 December 2015 (31 December 2014: TL200).

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

9. PREMISES AND EQUIPMENT

	Land and Buildings	Motor Vehicles	Furniture, Office, Equipment, Leasehold Improvements	Total
At 1 January 2014				
Cost	119,319	1,155	867,503	987,977
Accumulated depreciation	(37,589)	(734)	(616,697)	(655,020)
Net book amount	**81,730**	**421**	**250,806**	**332,957**
Year ended 31 December 2014				
Opening net book amount	81,730	421	250,806	332,957
Exchange adjustment	(381)	3	(7)	(385)
Additions	-	95	82,149	82,244
Disposals	(1,561)	-	(1,215)	(2,776)
Depreciation charge for the year, net	(3,840)	(119)	(81,962)	(85,921)
Closing net book amount	**75,948**	**400**	**249,771**	**326,119**
At 31 December 2014				
Cost	116,556	1,216	902,075	1,019,847
Accumulated depreciation	(40,608)	(816)	(652,304)	(693,728)
Net book amount	**75,948**	**400**	**249,771**	**326,119**
Year ended 31 December 2015				
Opening net book amount	75,948	400	249,771	326,119
Exchange adjustment	1,246	-	13	1,259
Additions	-	114	62,753	62,867
Disposals		(226)	(354)	(580)
Depreciation charge for the year, net	(3,094)	(115)	(91,077)	(94,286)
Sale of subsidiary	(9,838)	-	(33)	(9,871)
Closing net book amount	**64,262**	**173**	**221,073**	**285,508**
At 31 December 2015				
Cost	105,131	530	881,115	986,776
Accumulated depreciation	(40,869)	(357)	(660,042)	(701,268)
Net carrying amount	**64,262**	**173**	**221,073**	**285,508**

As of 31 December 2015 the cost of fully depreciated items equals TL436,739 (31 December 2014: TL456,741).

10. INTANGIBLE ASSETS

	31 December 2015	31 December 2014
At 1 January		
Cost	205,180	177,345
Accumulated depreciation	(148,597)	(121,645)
Net book amount	**56,583**	**55,700**
Year ended 31 December 2015		
Opening net book amount	56,583	55,700
Exchange adjustment	76	(45)
Additions	29,431	27,977
Disposals	-	-
Depreciation charge for the year, net	(33,514)	(27,049)
Sale of subsidiary	(226)	-
Closing net book amount	**52,350**	**56,583**

The cost of fully amortized items amounted to TL124,482 as of 31 December 2015 (31 December 2014: TL109,620).

11. GOODWILL

As of 31 December 2015 the Group has TL420,645 (31 December 2014: TL420,645) goodwill.

The Group tests any goodwill impairment on an annual basis. Recoverable amount of the cash generating unit is calculated with Dividend Discount Model by calculating the present value of the distributable dividends and terminal value. The calculations use business plans approved by Bank Management covering a three year period. Beyond the three-year period the estimated growth rates in 2016-2018 are extrapolated. And as discount rate, the cost of equity for 2015 in Turkish Banking sector amounting to 14% is used. Since recoverable amount is higher than the adjusted net asset value, it is concluded that there isn't any impairment on the goodwill (31 December 2014: nil).

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

12. OTHER ASSETS

	31 December 2015	31 December 2014
Cheque clearing accounts	377,353	334,690
Receivables from banks for credit card transactions	320,139	461,881
Collaterals for derivatives	261,049	202,974
Prepaid expenses	145,239	95,001
Assets held for resale, net of impairment (Note 7)	74,768	83,187
Other transitory accounts	55,264	105,720
Others	133,288	69,797
Total	**1,367,100**	**1,353,250**

13. DEPOSITS

Deposits from other banks

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Demand	1,078	-	-	40,299	-	-
Time	113,479	2.90%-8.50%	0.10%	1,289,298	2.00%-11.15%	0.05%-0.50%
Total	**114,557**			**1,329,597**		

Customers' deposits

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign currency		Turkish Lira	Foreign currency
Saving						
Demand	2,196,291	-	-	2,022,600	5.75%	0.25%-0.50%
Time	22,866,405	3.00%-14.45%	1.00%-2.55%	20,541,450	8.75%-8.75%	0.40%-1.95%
	25,062,696			**22,564,050**		
Commercial and other						
Demand	4,783,033	-	-	3,910,032	6.50%	0.56%-0.75%
Time	14,417,346	3.00%-14.25%	0.50%-3.00%	12,585,151	3.00%-12.10%	0.20%-6.50%
	19,200,379			**16,495,183**		
Total	**44,263,075**			**39,059,233**		

Included in customer accounts were deposits of TL1,925,628 (31 December 2014: TL1,276,381) held as collateral for cash and non-cash loans given.

Other money market deposits

	31 December 2015			31 December 2014		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Obligations under repurchase agreements:						
-Due to banks	2,384,787	7.50%-10.29%	-	1,756,987	8.25%-10.05%	-
	2,384,787			**1,756,987**		**-**

As of 31 December 2015 and 31 December 2014 all deposits and money market deposits have fixed interest rate.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

14. DEBT SECURITIES

	31 December 2015		31 December 2014	
	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency
Bank Bonds	184,110	86,553	696,679	294,904
Bank 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 USD24,600,000 with a maturity of 7 January 2016 has been completed on 30 June 2015 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 USD5,000,000 with a maturity of 14 January 2016 has been completed on 14 July 2015 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 "TRQTEBK11611" 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 "TRQTEBK21610" since 23 November 2015.

15. FUNDS BORROWED

	31 December 2015		
		Effective interest rate	
	Amount	Turkish Lira	Foreign currency
Short-term			
Fixed interest	12,058,486	6.59%-15.00%	0.70%-2.42%
Floating interest	424,956	6.34%-6.84%	0.33%-1.97%
Medium/long-term			
Fixed interest	201,900	-	1.70%-4.52%
Floating interest	234,073	-	0.52%-2.99%
Floating interest subordinated loan	1,935,054	-	2.06%-6.35%
Total	**14,854,469**		

	31 December 2014		
		Effective interest rate	
	Amount	Turkish Lira	Foreign currency
Short-term			
Fixed interest	9,046,450	5.38%-10.70%	0.21%-3.08%
Floating interest	1,078,294	6.34%-7.79%	0.58%-2.58%
Floating interest subordinated loan	118,143	-	3.51%
Medium/long-term			
Fixed interest	257,693	10.55%	1.70%-4.52%
Floating interest	74,459	-	1.08%-2.34%
Floating interest subordinated loan	1,661,562	-	2.27%-6.08%
Total	**12,236,601**		

Repayment plan of medium and long-term borrowings is as follows:

	31 December 2015		31 December 2014	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2016	-	-	53,889	8,540
2017	43,148	366,474	33,970	300,824
2018	47,717	2,142	56,715	-
2019	-	789	-	812
2020	-	159,504	-	-
2021	-	-	-	-
Thereafter	111,035	1,640,218	113,119	1,425,845
Total	**201,900**	**2,169,127**	**257,693**	**1,736,021**

15. FUNDS BORROWED (continued)

The Bank has obtained a primary subordinated loan by issuing a bond amounting to USD 100 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, if the notes are not redeemed until 1 August 2017, they 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 month 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 the write-down or conversion of the debt instrument 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 semi-annually interest rate of the issuance is determined as USD Libor + 5.75%. The due date of the debt instrument is determined as 14 May 2024 and for the first seven years there is no option to repay before its due date. 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 (BRSA).

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 due 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 the write-down or conversion of the debt instrument 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 the write-down or conversion of the debt instrument 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 fundings.

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 with the agreement dated 19 August 2015, and 24 August 2016 maturity amounting to EUR15,000,000 and 29 August 2016 maturity USD175,000,000, and EUR370,000,000.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

16. OTHER LIABILITIES AND PROVISIONS

	31 December 2015	31 December 2014
Other liabilities		
Cheque clearing account	723,466	651,485
Payables to credit card member firms	521,665	517,334
Payables to banks for credit cards transactions	345,943	301,860
Deferred insurance commission income	205,150	208,970
Collaterals for derivatives	105,064	148,406
Taxes and compulsory surcharges other than on income	125,425	111,741
Bonus premium accrual	93,430	94,651
Other transitory accounts	77,877	81,073
Trade and other payables	41,878	64,266
Payables for promotions of credit cards and banking services	11,284	12,625
Blocked bank cheques	17,881	8,087
Payment orders	3,925	482
Others	116,287	92,596
	2,389,275	**2,293,576**
Provisions		
Employee termination benefits	102,153	101,658
Provision for legal cases	42,028	37,704
Reserve for impairment of non-cash loans (specific and portfolio)	41,055	32,970
Unused vacation pay liability	19,381	23,588
Provisions for possible outcomes of certain tax disputes	1,211	735
Other provisions	31,043	7,383
	236,871	**204,038**
Total	**2,626,146**	**2,497,614**

Employee Termination Benefits

In accordance with existing social legislation, TEB and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL3,828.37 (full TL) and TL3,438.22 (full TL) at 31 December 2015 and 2014, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of 31 December 2015 and 2014, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	31 December 2015	31 December 2014
Discount rate	10.30%	8.60%
Expected rate of inflation	5.00%	5.00%
Salary increase rate above inflation rate	1.00%	1.00%

Movements in the present value of the employee termination benefit obligations in the current year were as follows:

	1 January- 31 December 2015	1 January- 31 December 2014
Opening defined benefit obligation	101,658	89,348
Current service cost	13,524	14,599
Interest cost	8,618	9,570
Actuarial (gains)/losses	(14,467)	(5,971)
Settlement cost	3,361	2,900
Benefits paid	(10,541)	(8,788)
Closing defined benefit obligation, recognized in the balance sheet	**102,153**	**101,658**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

16. OTHER LIABILITIES AND PROVISIONS (continued)

Employee Termination Benefits (continued)

Amounts recognized in profit and loss in respect of employee termination benefit plan are as follows:

	31 December 2015	31 December 2014
Current service cost	13,524	14,599
Interest cost	8,618	9,570
Settlement loss	3,361	2,900
Total	**25,503**	**27,069**

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 Note 2.3 Summary of Significant Accounting Policies, Judgments and Estimates – Employee Benefits section 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. Based on the actuarial reports prepared as of 31 December 2015 and 31 December 2014, the Retirement Fund has a surplus. 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

Change in the present value of the defined-benefit obligation:

	31 December 2015	31 December 2014
DBO at start of period	**713,193**	**618,369**
Service cost	26,775	27,213
Interest expense on the DBO	17,738	24,411
Benefits paid from the Fund	(9,634)	(6,615)
Actuarial (gain)/loss – change in transfer value to SGK	126,172	87,370
Actuarial (gain)/loss – financial assumptions	(63,270)	(63,932)
Actuarial (gain)/loss – demographic assumptions	-	21,656
Actuarial (gain)/loss – experience	81,731	4,721
DBO at end of period	**892,705**	**713,193**

Change in the fair value of plan assets:

	31 December 2015	31 December 2014
Fair value of plan assets at start of period	**1,387,693**	**1,264,472**
Interest income on plan assets	77,094	81,776
Return on plan assets excluding amounts included in interest income	63,553	29,086
Employer contributions	19,736	19,923
Employee contributions	-	-
Fund benefits	(9,634)	(6,615)
Expenses	(1,073)	(949)
Fair value of plan assets at end of period	**1,537,369**	**1,387,693**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

16. OTHER LIABILITIES AND PROVISIONS (continued)

Employee Termination Benefits (continued)

Amounts recognized in the Balance Sheet

	31 December 2015	31 December 2014
Present value of obligations	892,705	713,193
Fair value of plan assets	(1,537,369)	(1,387,693)
Adjustment for impact of asset ceiling	644,664	674,500
Net Liability/(Asset) in Balance Sheet	**-**	**-**

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	
	Quoted	Not Quoted	Quoted	Not Quoted
Bank placements	-	1,424,127	-	1,299,485
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	-	-	71,266	-
Tangible assets	-	79,720	-	15,220
Other	-	33,522	-	1,722
Total	**-**	**1,537,369**	**71,266**	**1,316,427**

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% of inflation rate (31 December 2014: 20%). In order to represent the expected mortality rates before and after the retirement, CSO 2001 (31 December 2014: CSO 2001) Female/Male mortality table is used.

17. INCOME TAXES

Corporate Tax

The Group is subject to corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on each company's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The corporate tax rate was 20% in 2015 and 2014 in Turkey.

Effective tax rate of the consolidated foreign subsidiaries established in the Netherlands is 25% in 2015 and 2014.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2015 (2014: 20%).

Losses are allowed to be carried for maximum 5 years to be deducted from the taxable profits of the following years. However, losses incurred cannot be deducted from the profits incurred in the prior years retrospectively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st and 25th of the fourth month following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within the following five years.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

17. INCOME TAXES (continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on dividends distributed, if any, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from 24 April 2003. This rate was changed to 15% with the Decree of the Council of Ministers of the Republic (Decree No. 2006/10731) commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

As of 31 December 2015 and 2014 advance income taxes are netted off with the current income tax liability as stated below:

	31 December 2015	31 December 2014
Income tax liability	308,197	259,373
Advance income taxes	(198,242)	(172,218)
Total	**109,955**	**87,155**

Major components of income tax expense for the year ended 31 December 2015 and 2014 are:

	31 December 2015	31 December 2014
Consolidated income statement		
Current income tax (charge)/benefit – from continuing operations	(213,119)	(241,755)
Relating to origination and reversal of temporary differences – from continuing operations	19,337	63,512
Current income tax (charge)/benefit – from discontinuing operations	(13,459)	(5,212)
Relating to origination and reversal of temporary differences – from discontinuing operations	(1,773)	597
Income tax (charge)/benefit reported in consolidated income statement	**(209,014)**	**(182,858)**

Reconciliation between tax expense and the product of accounting profit multiplied by the statutory income tax rate of the Bank for the year ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Profit before income tax	**1,048,738**	**892,085**
At Turkish statutory income tax rate of 20%	(209,748)	(178,417)
Income not subject to tax	205	241
Other, net (including effects of disallowables, permanent differences and different tax rates applied in different jurisdictions)	529	(4,682)
Income tax	**(209,014)**	**(182,858)**

Deferred income tax

Deferred income tax at 31 December 2015 and 2014 relates to the following:

	Consolidated Balance Sheet		Change in Deferred Income Tax	
	2015	**2014**	**2015**	**2014**
Deferred income tax liabilities				
Difference between tax and reporting bases of premises and equipment and intangible assets	8,386	9,688	(1,302)	814
Effect of valuation of derivatives and hedge accounting	6,791	40,578	(33,787)	(13,398)
Gross deferred income tax liabilities	**15,177**	**50,266**	**(35,089)**	**(12,584)**
Deferred income tax assets				
Impairment provisions on loans and receivables	92,190	86,849	5,341	8,562
Deferred fee and commission income	56,745	63,605	(6,860)	1,442
Employee termination benefits and vacation pay liability	24,307	25,049	(742)	1,834
Bonus premium accrual	18,686	18,930	(244)	4,495
Valuation differences of trading and investment securities	(42,413)	15,287	(57,700)	25,456
Others	20,430	21,700	(1,270)	10,164
Gross deferred income tax assets	**169,945**	**231,420**	**(61,475)**	**51,953**
Deferred income tax asset, net	**154,768**	**181,154**	**(26,386)**	**64,537**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

17. INCOME TAXES (continued)

Movement of net deferred tax asset can be presented as follows:

	31 December 2015	31 December 2014
Balance at January 1	**181,154**	**116,617**
Deferred income tax credit /(charge) recognized in income statement, net	19,337	64,109
Deferred income tax (charge)/ credit recognized in other comprehensive income	(43,699)	494
- Available for sale	(3,980)	(19,789)
- Cash flow hedge	(35,265)	23,076
- Actuarial gains and losses	(4,454)	(2,793)
Foreign exchange effect	144	800
Effect of sale of subsidiary	(2,168)	-
Other	-	(866)
Balance at 31 December	**154,768**	**181,154**

Reflected as:

	31 December 2015	31 December 2014
Deferred tax asset	154,768	181,154
Deferred tax liability	-	-

18. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are neither indicative of the market risk nor credit risk.

	31 December 2015			31 December 2014		
Derivatives held-for-trading	**Fair value assets**	**Fair value liabilities**	**Notional amount in Turkish Lira equivalent**	**Fair value assets**	**Fair value liabilities**	**Notional amount in Turkish Lira equivalent**
Forward contracts	120,331	69,352	9,743,982	57,262	98,492	7,918,769
Currency swap contracts	220,059	369,583	37,434,806	391,342	206,518	30,990,424
Cross currency swap contracts	61,625	1,817	672,196	22,850	48,534	2,074,919
Interest rate swap contracts	19,482	8,022	4,740,964	27,034	25,481	4,864,376
Call & put option contracts	72,620	70,623	13,191,207	98,814	69,633	17,710,511
Other	-	-	3,630	-	-	3,425
Total	**494,117**	**519,397**	**65,786,785**	**597,302**	**448,658**	**63,562,424**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

18. DERIVATIVES (continued)

Derivatives settled on a gross basis

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Derivatives held for trading:					
Foreign exchange derivatives:					
- Inflow	2,703,318	3,152,264	5,013,148	1,211,301	15,404
- Outflow	10,281,285	7,546,388	9,197,396	3,256,893	391,799
Interest rate derivatives:					
- Inflow	1,134	12,237	22,906	21,513	1,974
- Outflow	3,266	6,583	22,581	12,910	1,801
Derivatives held for hedging:					
Foreign exchange derivatives:					
- Inflow	58,072	122,113	4,154,483	289,494	-
- Outflow	87,433	2,329,741	972,135	1,419,073	-
Total inflow	**2,762,524**	**3,286,614**	**9,190,537**	**1,522,308**	**17,378**
Total outflow	**10,371,984**	**9,882,712**	**10,192,112**	**4,688,876**	**393,600**

Fair value hedge

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: 1,913). The Bank accounts TL50,301 income (31 December 2014: TL8,726 expense) for derivative instruments used for hedging purposes and TL4,164 expense (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 (31December 2015: None) which is accounted as TL120 (31 December 2015: None) in the financial statements net-off tax. 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.

	31 December 2015			31 December 2014		
Derivatives used for fair value hedging purposes	**Fair value assets**	**Fair value liabilities**	**Notional amount in Turkish Lira equivalent**	**Fair value assets**	**Fair value liabilities**	**Notional amount in Turkish Lira equivalent**
Swap contracts	-	-	-	1,681	11,264	691,940
	-	**-**	**-**	**1,681**	**11,264**	**691,940**

Cash flow hedge

The Bank has applied cash flow accounting by matching its swap portfolio (Total notional amount TL14,258,638) with 1-90 days of maturity deposit portfolio and selected borrowing portfolio. Effective portion of TL101,180 (31 December 2014: TL75,147 debit) 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) is accounted for under income statement. Accumulated valuation differences amounting to TL2,766 of the terminated cash flow hedges is recorded under equity and these differences are transferred into income statement by considering maturity date of hedged items.

	31 December 2015			31 December 2014		
Derivatives used for cash flow hedging purposes	**Fair value assets**	**Fair value liabilities**	**Notional amount in Turkish Lira equivalent**	**Fair value assets**	**Fair value liabilities**	**Notional amount in Turkish Lira equivalent**
Swap contracts	19,354	2,082	1,560,678	-	-	-
Interest rate swap contracts	38,955	157,134	12,697,960	59,119	302,606	10,394,271
	58,309	**159,216**	**14,258,638**	**59,119**	**302,606**	**10,394,271**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

19. SHARE CAPITAL

	31 December 2015	31 December 2014
Total number of shares, TL 1.00 (full TL) par value	2,204,390 Thousand	2,204,390 Thousand

As of 31 December 2015 and 31 December 2014, the composition of shareholders and their respective ownerships are summarized below:

	31 December 2015		31 December 2014	
	Amount	**%**	**Amount**	**%**
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNP 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
Inflation restatement effect	200,262		200,262	
Total	**2,404,652**		**2,404,652**	

20. LEGAL RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED

Movement of Legal Reserves and Retained Earnings

	31 December 2015				31 December 2014			
	Legal Reserves	**Other Capital Reserves**	**Retained Earnings**	**Total**	**Legal Reserves**	**Other Capital Reserves**	**Retained Earnings**	**Total**
At 1 January	**196,866**	**1,084,258**	**2,808,327**	**4,089,451**	**170,419**	**1,084,258**	**2,126,455**	**3,381,132**
Transfer from retained earnings	33,934	-	(33,934)	-	26,447	-	(26,447)	-
Dividends paid	-	-		-	-	-	-	-
Net profit for the year (*)	-	-	838,738	838,738	-	-	708,319	708,319
At 31 December	**230,800**	**1,084,258**	**3,613,131**	**4,928,189**	**196,866**	**1,084,258**	**2,808,327**	**4,089,451**

(*) Net profit for the year regarding the period 31 December 2015 and 31 December 2014 does not include income attributable to non-controlling interests.

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the entity's share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% of all cash dividend distributions.

Dividends Paid and Proposed

Final dividends are not accounted for until they are ratified at the Annual General Meeting.

Movements of Unrealized Gains/ Losses on Available-for-Sale Investments, Net of Tax

	31 December 2015	31 December 2014
At 1 January	**(24,371)**	**(102,440)**
Net unrealized gains on AFS	44,415	109,953
Realized (gains) / losses on AFS recycled to income statement on disposal	(24,109)	(12,106)
Tax effect of net gains on AFS	(3,994)	(19,778)
Total	**(8,059)**	**(24,371)**

Movements of Cash Flow Hedge Fund, Net of Tax

	31 December 2015	31 December 2014
At 1 January	**(60,118)**	**32,185**
(Losses) / gains on cash flow hedges	176,326	(115,379)
Tax effect of gains on cash flow hedges	(35,265)	23,076
Total	**80,943**	**(60,118)**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

21. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from profit reserves such as retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares, which are shown in the table below.

	Opening	Cash	Increase Related to Merger	Transfers from Retained Earnings	Transfers From Revaluation Surplus	Reinvestment of Dividend Payments	Total	Closing
Before 1995	-	150	-	3,000	250	-	3,400	3,400
1996	3,400	-	-	-	330	1,270	1,600	5,000
1997	5,000	-	-	1,022	596	4,382	6,000	11,000
1998	11,000	5,512	-	529	682	7,277	14,000	25,000
1999	25,000	-	-	600	2,062	16,338	19,000	44,000
2000	44,000	40,182	-	-	-	26,068	66,250	110,250
2001	110,250	-	-	-	-	-	-	110,250
2002	110,250	-	-	-	-	-	-	110,250
2003	110,250	-	-	5,350	-	-	5,350	115,600
2004	115,600	-	-	-	-	-	-	115,600
2005	115,600	-	-	-	-	-	-	115,600
2006	57,800	18,700	-	-	-	-	18,700	76,500
2007	76,500	210,000	-	216,750	251,750	-	678,500	755,000
2008	755,000	345,000	-	-	-	-	345,000	1,100,000
2009	1,100,000	-	-	-	-	-	-	1,100,000
2010	1,100,000	-	-	-	-	-	-	1,100,000
2011	1,100,000	-	1,050,000	54,390	-	-	1,104,390	2,204,390
2012	2,204,390	-	-	-	-	-	-	2,204,390
2013	2,204,390	-	-	-	-	-	-	2,204,390
2014	2,204,390	-	-	-	-	-	-	2,204,390
2015	2,204,390	-	-	-	-	-	-	2,204,390

The following reflects the income (in full TL) and share data (in thousand) used in the basic earnings per share computations:

	31 December 2015	31 December 2014
Net profit from continuing operations attributable to ordinary shareholders	737,001	697,645
Weighted average number of ordinary shares for basic earnings per share	2,204,390	2,204,390
From continuing operations attributable to ordinary shareholders for basic earnings per share	0.3343	0.3165
From continuing operations attributable to ordinary shareholders for diluted earnings per share	0.3343	0.3165
Net profit from discontinuing operations attributable to ordinary shareholders	101,737	10,674
Weighted average number of ordinary shares for basic earnings per share	2,204,390	2,204,390
From discontinuing operations attributable to ordinary shareholders for basic earnings per share	0.0462	0.0048
From discontinuing operations attributable to ordinary shareholders for diluted earnings per share	0.0462	0.0048

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

22. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by the Çolakoğlu family and BNP Paribas Group each of which directly or indirectly own 50% of the shares of the Bank. For the purpose of these consolidated financial statements, associates, shareholders, Çolakoğlu Group companies, and BNP Paribas Group entities including Fortis Bank Group are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the normal course of its business, the Group conducted various business transactions with related parties on normal commercial terms and conditions. These transactions primarily include loans, deposits and borrowing transactions. The significant outstanding balances and transactions with related parties at period-ends and relating expense and income for the period are as follows:

31 December 2015:

Related party (*)	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial instruments assets	Other liabilities	Derivative financial instruments liabilities	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other operating expense
Direct shareholders	-	-	-	5,009	-	-	-	-	-	3,826	1,604	735	20,464
Indirect shareholders	1,255	300,347	6,322,179	1,269,884	19,313	114,473	-	54,050	11,167,370	1,449	18,989	-	-
Others	9,224	62,332	-	284,029	22,510	1,434	2,930	1,107	408,011	1,401	273,540	13,591	19,274

31 December 2014:

Related party (*)	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial assets	Other liabilities	Derivative financial liabilities	Notional amount of derivative transactions	Interest income	Interest Expense	Other operating income	Other operating expense
Direct shareholders	62,073	-	-	6,107	-	-	-	-	-	304	482	527	20,708
Indirect shareholders	2,314	175,997	5,560,693	1,028,164	9,016	89,750	3,594	81,035	10,401,851	1,209	135,175	1,264	364
Others	13,911	97,560	-	1,190,285	580	257	518	4,071	255,600	2,049	49,820	13,476	19,284

(*) "Direct shareholders" of the Group corresponds to TEB Holding A.Ş., BNP Yatırımlar Holding A.Ş. and BNP Paribas Fortis Yatırımlar Holding A.Ş.. "Indirect shareholders" of the Group corresponds to BNP Paribas SA, Çolakoğlu family members, Denak Depoculuk ve Nakliyecilik A.Ş., Çolakoğlu Metalurji A.Ş., Galata Yatırım Holding A.Ş.. "Others" corresponds to all other Çolakoğlu Group companies and BNP Paribas Group companies.

No provisions have been recognized in respect of loans given to related parties (31 December 2014: Nil).

Compensation of Key Management Personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately TL39,295 as of 31 December 2015 (31 December 2014: TL39,386) comprising mainly salaries and other short-term benefits.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

23. SALARIES AND EMPLOYEE BENEFITS EXPENSE

	31 December 2015	31 December 2014
Wages and salaries	717,239	668,337
Cost of defined contribution plan (employers' share of social security premiums)	127,945	116,927
Bonuses	65,636	74,070
Provision for employee termination benefits	25,503	27,069
Other fringe benefits	88,176	89,488
Total	**1,024,499**	**975,891**

24. OTHER OPERATING EXPENSES

	31 December 2015	31 December 2014
Maintenance and various administrative expenses	363,112	320,102
Rent expenses	205,504	186,626
Advertisement expenses	79,466	73,367
Communication expenses	74,020	71,326
Total	**722,102**	**651,421**

25. NET GAIN/LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015	31 December 2014
Remeasurement of foreign currency position	(1,322,473)	457,100
Derivatives – held for trading fair value	665,032	(847,921)
Derivatives – held for trading - interest	(30,245)	40,969
Derivatives – hedging instruments - fair value	99,421	(4,217)
Remeasurement of interest-rate risk hedged portfolios	(4,164)	2,673
Net gain/(loss) on securities held for trading	(20,231)	(12,164)
Change in fair value of AFS securities hedged by fair value hedge	(150)	1,101
Total	**(612,810)**	**(362,459)**

Gains less losses on trading securities arise primarily from fixed income securities.

26. FEES AND COMMISSIONS INCOME AND EXPENSES

	31 December 2015	31 December 2014
Fees and commissions income		
Banking	1,286,586	1,238,031
Insurance	131,070	88,241
Brokerage	52,367	40,441
Fund management	32,129	31,875
Total	**1,502,152**	**1,398,588**
Fees and commissions expenses		
Banking	438,006	469,137
Other	51,110	43,137
Total	**489,116**	**512,274**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

27. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	31 December 2015	31 December 2014
Letters of guarantee issued	9,867,130	8,286,394
Letters of credit	1,406,746	1,508,547
Acceptance credits	48,830	62,150
Other guarantees	3,176,115	2,242,544
Total non-cash loans	**14,498,821**	**12,099,635**
Other commitments	8,754,499	8,643,240
Credit card limit commitments	4,580,727	4,101,473
Total	**27,834,047**	**24,844,348**

The Group has TL197,382 (31 December 2014: TL166,854) letters of guarantee obtained from other banks.

Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying consolidated financial statements.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2015 the total nominal value and number of certificates in circulation and the stock are TL9,864,449 and 986,439,765 thousand (31 December 2014: TL1,666,917 and 166,682,310) and the total fair value is TL1,532,293 (31 December 2014: TL8,290,103).

The Group has TL32,129 (31 December 2014: TL31,875) fund management commission income.

The Group also manages thirty three investment funds, which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

Letters of Guarantee Given to Borsa Istanbul (BIST) and Istanbul Gold Market (IGM)

As of 31 December 2015, in line with the requirements of IGM, letters of guarantee amounting to TL1,190 (31 December 2014: TL953) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of 31 December 2015, according to the general requirements of the BIST, letters of guarantee amounting to TL42,776 (31 December 2014: TL34,396) had been obtained from various local banks and were provided to BIST for bond and stock market transactions.

Litigation

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice. The Group has provided TL42,028 (31 December 2014: TL37,704) provision for legal cases.

Other

The branch premises that are leased under operational leases periods vary between 1 and 10 years and lease agreements are cancellable subject to a period of notice which does not exceed 6 months. There are no restrictions placed upon the lessee by entering into these leases.

28. FINANCIAL RISK MANAGEMENT

Organization of the Risk Management Function

The Group's activities involve some degree of risk or combination of risks. Therefore, procedures and operations throughout the Group are designed towards contributing to effective addressing of matters reflecting the disciplined and prudent risk management culture of the Group. The Group Risk Management supervises the risk management process of the Group.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board and the Audit Committee.

The mission of the Group Risk Management is to inform Board of Directors, General Management and the Audit Committee of the status of risks to which the Group is exposed and to ensure together with executive management that risks taken by the Group align with its policies and are compatible with its profitability and credit-rating objectives. It compiles regulatory statements and financial reporting regarding risk management and measurement.

The Board of Directors determines general credit policies, specific policies and power delegations and sets limits related to fundamental risks being carried by the Group. They have the ultimate responsibility of ensuring that senior management establishes and maintains an adequate and effective system of internal control.

The responsibility of the Audit Committee is to coordinate all the risk management activities within the bank and supervise the parties involved in Internal Control. In doing so, the Committee ensures establishment of an efficient and effective risk management.

Credit Risk

The Board of Directors determines general credit policies, specific policies and power delegations and sets limits related to fundamental risks being carried by the Bank and operating companies.

A system of delegated lending limits is established with ultimate authority being vested in the Board through the Credit Committees of the Bank and operating companies. Along with the Credit Committee, Financial Institutions and Country Risk Committee work as a sub-committee on a Group basis.

Credit limits are determined taking into account the borrowers' financial structure, some qualitative criteria and the quality of the guarantees.

The Group uses its own internal rating system, which takes into account various financial and non-financial indicators for the evaluation of Corporate and SME clients.

Counterparty limits are daily monitored on a consolidated basis. In accordance with the Group's credit policy, the ratings of the borrowers, credit limits and collateralization process are collectively considered and credit risks are closely monitored. The credit risks and limits relate to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the accepted risk level in relation to equity are monitored on a daily basis.

The credibility of the debtors of the Group is assessed periodically in accordance with the prevailing regulations on lending.

In order to control the concentration risk, sector specific limits are imposed and monitored. The large exposure policies set by the Board determine the maximum exposure to customer groups in an approach which is generally more conservative than the limits set by the regulatory authorities.

The Group Risk Management reports to the Board of Directors and the Audit Committee on a regular basis presenting risk concentrations, specific segments of the portfolio, large exposures, and impairment allowances as well as default and recovery rates.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Each operating company is required to implement credit policies, procedures and guidelines in line with the Group standards and is responsible for the quality and performance of its credit portfolio and controlling all credit risks.

After a loan facility is offered, the Credit Monitoring Department monitors the customer's repayment capability and the sufficiency and adequacy of the collateral. In this way, any problematic loan is identified at an early stage.

Both collective and specific provisions are made with methodologies which are compliant with both IFRS standards and BNP Paribas methodologies.

Netting is a technique used by the Group to mitigate counterparty risks mainly on derivative transactions. The transactions concerned are executed according to the terms of bilateral or multilateral master agreements that comply with the general provisions of international master agreements such as International Swaps and Derivatives Association (ISDA).

An industry sector analysis of the Group's financial assets, non-cash loans and commitments are as follows;

	31 December 2015	31 December 2014
Private individuals	18,487,455	20,590,256
Ores & Materials	14,051,008	13,168,896
Banks	12,243,739	11,509,925
Wholesaler	5,317,664	3,196,565
Government	4,675,863	4,896,065
Food	4,499,108	5,203,976
Transportation	4,208,196	2,560,016
Construction & public works	4,017,100	3,437,510
Energy	3,330,692	1,645,530
Equipment materials	2,051,991	2,049,342
Chemical	1,317,659	1,495,113
Technology	1,215,768	1,285,472
Finance	909,729	801,850
Automotive	812,921	828,636
Healthcare & Pharmacy	35,250	72,429
Property	13,791	38,472
Hotels, Tourism, Leisure	1,971	163
Others	21,670,156	15,523,945
Total	**98,860,061**	**88,304,161**

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

Gross maximum exposure	31 December 2015	31 December 2014
Cash and balances with Central Banks (excluding cash on hand)	9,211,595	7,825,749
Loans and receivables due from banks	2,479,512	2,475,867
Other money market placements	206	550,207
Financial assets at fair value through profit and loss	699,939	687,736
Derivative used for hedging purposes	58,309	60,800
Available -for-sale financial assets	4,130,624	4,488,271
Held-to-maturity investments	339,417	317,360
Loans and receivables and factoring receivables	52,737,399	45,694,496
Remeasurement adjustment on interest-rate risk hedged portfolios	1,913	6,077
Other assets	1,367,100	1,353,250
Total	**71,026,014**	**63,459,813**
Contingent liabilities	14,498,821	12,099,635
Commitments	13,335,226	12,744,713
Total	**27,834,047**	**24,844,348**
Total credit risk exposure	**98,860,061**	**88,304,161**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Credit quality per class of financial assets as of 31 December 2015 and 2014 are as follows;

31 December 2015	Neither past due nor impaired	Past due not impaired or individually impaired, net	Allowance for collective impairment	Total
Other money market placements	206	-	-	206
Loans and receivables due from banks	2,479,512	-	-	2,479,512
Financial assets designated at fair value through profit or loss	699,939	-	-	699,939
Derivative financial instruments held for hedging	58,309	-	-	58,309
Loans and receivables	49,265,213	2,715,709	(455,775)	51,525,147
Commercial	33,979,422	1,644,992	(353,869)	35,270,545
Consumer	12,514,336	878,730	(71,986)	13,321,080
Credit Cards	2,685,186	191,987	(29,920)	2,847,253
Other	86,269	-	-	86,269
Factoring receivables	1,173,420	39,841	(1,009)	1,212,252
Remeasurement adjustment on interest rate risk hedged portfolio	1,913	-	-	1,913
Investment securities	4,373,347	-	-	4,373,347
Available-for-sale (*)	4,033,930	-	-	4,033,930
Held-to-maturity	339,417	-	-	339,417
Total	**58,051,859**	**2,755,550**	**(456,784)**	**60,350,625**

31 December 2014	Neither past due nor impaired	Past due not impaired or individually impaired, net	Allowance for collective impairment	Total
Other money market placements	550,207	-	-	550,207
Loans and receivables due from banks	2,475,867	-	-	2,475,867
Financial assets designated at fair value through profit or loss	687,736	-	-	687,736
Derivative financial instruments held for hedging	60,800	-	-	60,800
Loans and receivables	42,558,666	2,124,692	(325,588)	44,357,770
Commercial	28,604,958	1,308,087	(225,084)	29,687,961
Consumer	11,445,295	687,821	(68,095)	12,065,021
Credit Cards	2,386,647	128,784	(32,409)	2,483,022
Other	121,766	-	-	121,766
Factoring receivables	1,314,205	23,834	(1,313)	1,336,726
Remeasurement adjustment on interest rate risk hedged portfolio	6,077	-	-	6,077
Investment securities	4,718,135	-	-	4,718,135
Available-for-sale (*)	4,400,775	-	-	4,400,775
Held-to-maturity	317,360	-	-	317,360
Total	**52,371,693**	**2,148,526**	**(326,901)**	**54,193,318**

(*) TL96,694 (31 December 2014: TL87,496) equity securities not included.

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

	31 December 2015	31 December 2014
Loans and receivables		
Commercial	897,747	740,105
Consumer	79,201	233,525
Credit Cards	44,203	2,295
Total	**1,021,151**	**975,925**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Credit Rating System

The credit risk is assessed through the internal rating system of the Group, 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 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**

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements when due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. Liquidity risk occurs when there is insufficient amount of cash inflow to fulfill the cash outflow completely on time.

The Group's policy is to establish a strong liquidity profile of assets that provides comfort in meeting all kinds of liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The management of liquidity and funding is primarily carried out by the operating companies in accordance with the Group liquidity standards and the limits set by the relevant Board of Directors. It is the general policy of the Group that each operating entity should be self-sufficient with regard to funding requirements for its own operations.

The Group's liquidity management process includes projections of cash flows, monitoring balance sheet ratios against internal and regulatory requirements, maintaining diverse range of funding sources, managing the concentration risk, managing maturity mismatches and maintaining contingency plans with regard to liquidity and funding.

Asset and Liability Management Committee (ALCO) defines ALM policies and monitor the results weekly. Asset Liability Management and Treasury (ALM/T) Group has the responsibility for managing funding on money markets and financial markets from short to medium and long term financing and also provides funds to core business lines at TEB and to reinvest surplus cash. While conducting asset and liability management, the Group aims to generate a positive margin between the financing cost and product income and an optimum maturity risk.

The main source of funding to cover the liquidity requirements is customer deposits and in addition to this source, issuing bonds, borrowings from several credit institutions and banks and professional markets utilizing a range of products, maturities, currencies and counterparties to avoid undue reliance on any particular funding source. Generally the Group does not prefer the liquidity generated from interbank money markets to become the main form of funding and accordingly the Group is generally a net lender in interbank money markets.

The Group Risk Management monitors compliance with policies, limits and indicators in relation to liquidity.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important among these is to maintain limits on the ratio of the Bank's net liquid assets to customer liabilities, set to reflect market conditions. Consolidated Liquidity Coverage Ratio for the last three months are presented below:

	Current Period	
	TL+FC	**FC**
October 2015	91.60	211.19
November 2015	87.55	213.50
December 2015	81.85	234.11

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Unallocated (*)	Total
As at 31 December 2015						
Assets:						
Cash and balances with central banks	10,043,059	-	-	-	-	10,043,059
Loans and receivables due from banks	1,987,134	180,475	162,657	149,246	-	2,479,512
Other money market placements	206	-	-	-	-	206
Financial assets at fair value through profit and loss	78,058	83,203	242,297	296,381	-	699,939
Derivatives used for hedging purposes	-	-	39,748	18,561	-	58,309
Available-for-sale financial assets	83,014	183,233	1,278,002	2,489,681	96,694	4,130,624
Loans and receivables	14,844,381	2,727,994	8,517,269	25,024,090	411,413	51,525,147
Remeasurement adjustment on interest rate risk hedged portfolios	-	846	1,067	-	-	1,913
Factoring receivables	514,064	512,098	170,552	572	14,966	1,212,252
Held-to-maturity investments	-	-	-	339,417	-	339,417
Premises and equipment	-	-	-	-	285,508	285,508
Intangible assets	-	-	-	-	52,350	52,350
Goodwill	-	-	-	-	420,645	420,645
Deferred tax asset	-	-	-	-	154,768	154,768
Other assets	4,115	507	863	26	1,361,589	1,367,100
Total assets	**27,554,031**	**3,688,356**	**10,412,455**	**28,317,974**	**2,797,933**	**72,770,749**
Liabilities:						
Deposits from other banks	108,813	5,744	-	-	-	114,557
Customers' deposits	34,934,379	8,752,579	565,888	10,229	-	44,263,075
Other money market deposits	2,384,787	-	-	-	-	2,384,787
Factoring payables	15,356	-	-	-	-	15,356
Financial liabilities at fair value through profit and loss	136,903	153,092	159,853	69,549	-	519,397
Derivatives used for hedging purposes	6,917	44,865	43,521	63,913	-	159,216
Debt securities	193,517	77,146	-	-	-	270,663
Funds borrowed	2,951,775	3,078,662	6,454,408	2,369,624	-	14,854,469
Other liabilities	1,303,136	88	4,226	-	1,081,825	2,389,275
Provisions	384	-	229	-	236,258	236,871
Income taxes payable	-	122	109,833	-	-	109,955
Total liabilities	**42,035,967**	**12,112,298**	**7,337,958**	**2,513,315**	**1,318,083**	**65,317,621**
Net liquidity gap	**(14,481,936)**	**(8,423,942)**	**3,074,497**	**25,804,659**	**1,479,850**	**7,453,128**
Non-cash loans (**)	**5,433,817**	**1,278,432**	**4,287,456**	**3,499,116**	**-**	**14,498,821**
As at 31 December 2014						
Total assets	24,570,207	3,945,159	9,127,466	24,939,566	2,662,475	65,244,873
Total liabilities	40,611,508	9,818,839	4,505,946	2,524,944	1,267,893	58,729,130
Net liquidity gap	**(16,041,301)**	**(5,873,680)**	**4,621,520**	**22,414,622**	**1,394,582**	**6,515,743**
Non-cash loans (**)	**5,016,520**	**1,089,193**	**3,547,423**	**2,446,499**	**-**	**12,099,635**

(*) 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.

(**) The majority of the financing and guarantee commitments given, which amounted to TL4,663,871 (31 December 2014: TL4,337,787) can be drawn at sight.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining undiscounted contractual maturities;

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Adjustments	Total
As of 31 December 2015								
Customers' deposits	6,979,324	28,035,778	8,866,609	581,856	10,721	16	(211,229)	44,263,075
Deposits from other banks	1,078	107,788	5,765	-	-	-	(74)	114,557
Funds borrowed	-	3,017,319	3,104,129	6,759,002	938,462	2,018,428	(982,871)	14,854,469
Other money market deposits	-	2,387,614	-	-	-	-	(2,827)	2,384,787
Debt securities	-	197,003	79,180	-	-	-	(5,520)	270,663
Factoring payable	-	15,356	-	-	-	-	-	15,356
Total	**6,980,402**	**33,760,858**	**12,055,683**	**7,340,858**	**949,183**	**2,018,444**	**(1,202,521)**	**61,902,907**
As of 31 December 2014								
Customers' deposits	5,932,632	27,912,117	4,929,278	285,773	138,130	928	(139,625)	39,059,233
Deposits from other banks	40,299	683,459	604,257	2,202	-	-	(620)	1,329,597
Funds borrowed	-	2,849,136	3,999,797	3,509,075	735,781	1,797,708	(654,896)	12,236,601
Other money market deposits	-	1,758,172	-	-	-	-	(1,185)	1,756,987
Debt securities	-	166,386	271,503	585,728	-	-	(32,034)	991,583
Factoring payable	-	7,832	-	-	-	-	-	7,832
Total	**5,972,931**	**33,377,102**	**9,804,835**	**4,382,778**	**873,911**	**1,798,636**	**(828,360)**	**55,381,833**

Analysis of contractual expiry by maturity of the Group's some class of derivative financial instruments;

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As of 31 December 2015						
Hedging Portfolio						
Fair value hedge	-	-	-	-	-	-
Cash flow hedge	87,433	2,329,741	972,135	1,419,073	-	4,808,382
Trading Portfolio						
Forward contracts	996,674	1,314,266	1,735,437	867,762	22,292	4,936,431
Currency swaps	7,591,172	4,399,786	4,486,456	2,322,577	369,507	19,169,498
Interest rate swaps	3,266	6,583	22,581	12,910	1,801	47,141
Foreign currency options-sell	1,693,752	1,832,303	2,975,503	66,555	-	6,568,113
Total	**10,372,297**	**9,882,679**	**10,192,112**	**4,688,877**	**393,600**	**35,529,565**
As of 31 December 2014						
Hedging Portfolio						
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
Trading Portfolio						
Forward contracts	1,017,883	1,010,757	1,238,720	761,673	34,250	4,063,283
Currency swaps	7,736,262	2,913,414	3,504,691	2,240,117	117,201	16,511,685
Interest rate swaps	1,226	7,676	156,261	75,159	669	240,991
Foreign currency options-sell	2,604,407	1,993,953	4,179,510	12,714	-	8,790,584
Total	**11,383,042**	**6,039,449**	**9,896,319**	**3,857,993**	**152,188**	**31,328,991**

Market Risk

Market risks arise from changes in interest rates, foreign exchange rates and prices of equities, all of which are exposed to general and specific market movements. The objective of the Group's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining the conservative risk profile of the Group.

All trading positions are marked to market on a daily basis in compliance with regulatory requirements determined by Banking Regulation and Supervision Agency (BRSA), Capital Markets Board and other authorities. Only securities held to maturity are valued at amortized cost using internal rate of return.

The Board of Directors evaluates the probable risks and accordingly determines limits. Those limits are revised periodically in line with the strategies of the Group. The Board of Directors ensures that the Group Risk Management has taken necessary precautions to identify, evaluate, control and manage risks faced.

The Group Risk Management calculates and follows the several market risk limits set by the Board of Directors. Some of those are VaR, PV01, Interest Rate Delta and Vega limits. Finally, nominal stop loss and position limits for each product have been set.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

The Group evaluates the exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibilities of the potential losses that the Group is subject to due to the exchange rate fluctuations in the market.

The Board of Directors sets limits for the positions, which are followed up on a daily basis. Additionally, any possible changes in positions are closely monitored.

Generally, Group companies are not allowed to take foreign exchange risks except for the trading positions of the banks. As a result of the Group's risk management strategies, foreign currency mismatches of assets and liabilities beyond limits are economically hedged against exchange rate risk by using derivative instruments.

The concentrations of assets, liabilities and off balance sheet items in various currencies are:

	Turkish Lira	Euro	US Dollars	Other	Total
As at 31 December 2015					
Assets:					
Cash and balances with central banks	1,236,601	2,069,913	5,542,082	1,194,463	10,043,059
Loans and receivables due from banks	1,456,644	193,246	663,495	166,127	2,479,512
Other money market placements	206	-	-	-	206
Financial assets at fair value through profit and loss	677,500	13,390	9,049	-	699,939
Derivatives used for hedging purposes	58,309	-	-	-	58,309
Available-for-sale financial assets	4,031,751	75,331	16,093	7,449	4,130,624
Loans and receivables	39,565,129	6,233,565	4,478,276	1,248,177	51,525,147
Remeasurement adjustment on interest rate risk hedged portfolios	1,913	-	-	-	1,913
Factoring receivables	514,964	572,834	96,877	27,577	1,212,252
Held-to-maturity investments	339,417	-	-	-	339,417
Premises and equipment	285,508	-	-	-	285,508
Intangible assets	52,350	-	-	-	52,350
Goodwill	420,645	-	-	-	420,645
Deferred tax asset	154,768	-	-	-	154,768
Other assets	1,094,773	231,475	40,090	762	1,367,100
Total assets	**49,890,478**	**9,389,754**	**10,845,962**	**2,644,555**	**72,770,749**
Liabilities:					
Deposits from other banks	107,523	166	94	6,774	114,557
Customers' deposits	28,507,891	4,578,499	10,139,954	1,036,731	44,263,075
Other money market deposits	2,384,787	-	-	-	2,384,787
Financial liabilities at fair value through profit and loss	511,376	6,404	1,617	-	519,397
Derivatives used for hedging purposes	158,539	-	677	-	159,216
Factoring payables	5,189	4,592	4,654	921	15,356
Debt securities	184,110	-	86,553	-	270,663
Funds borrowed	1,683,207	6,545,750	4,655,092	1,970,420	14,854,469
Other liabilities	2,245,740	111,774	29,780	1,981	2,389,275
Provisions	236,372	364	129	6	236,871
Income taxes payable	109,955	-	-	-	109,955
Total liabilities	**36,134,689**	**11,247,549**	**14,918,550**	**3,016,833**	**65,317,621**
Net balance sheet position	**13,755,789**	**(1,857,795)**	**(4,072,588)**	**(372,278)**	**7,453,128**
Off-balance sheet position					
Net notional amount of derivatives	(6,611,239)	2,394,962	4,012,959	428,477	225,159
Non-cash loans (*)	6,275,583	3,345,601	4,663,116	214,521	14,498,821
Net position	**7,144,550**	**537,167**	**(59,629)**	**56,199**	**7,678,287**
At 31 December 2014					
Total assets	45,020,203	7,082,432	11,247,774	1,894,464	65,244,873
Total liabilities	33,934,858	10,445,997	12,145,654	2,202,621	58,729,130
Net balance sheet position	**11,085,345**	**(3,363,565)**	**(897,880)**	**(308,157)**	**6,515,743**
Off-balance sheet position					
Net notional amount of derivatives	(3,823,689)	3,394,046	430,800	208,043	209,200
Non-cash loans (*)	5,409,460	2,613,474	3,936,175	140,526	12,099,635
Net position	**7,261,656**	**30,481**	**(467,080)**	**(100,114)**	**6,724,943**

(*) There is no effect on the net off-balance sheet position.

The table above shows the Group'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 Risk Group also monitors the delta-adjusted position of the option transactions. As of 31 December 2015, the Bank has net TL15,872 USD long position and net TL39,394 EUR long position.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk (continued)

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table indicates in detail the Group's sensitivity to a 10% increase and decrease 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.

	Change in currency rate in %	Increase /(Decrease) Effect on profit or loss		Increase /(Decrease) Effect on equity excluding PL	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
USD	10 increase	14,786	11,406	(52)	6
USD	10 decrease	(14,786)	(11,406)	52	(6)
EUR	10 increase	(523)	65,428	6,005	103
EUR	10 decrease	523	(65,428)	(6,005)	(103)

The Group's sensitivity to foreign currency rates has 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.

Cash Flow and Fair Value Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of a change in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of a change in market interest rates. The Group evaluates the exposure for the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows. Interest rate risk shows the probability of loss related to the changes in interest rates depending on the position.

Each operating entity is responsible for monitoring and controlling the interest rate risk in line with the Group interest rate risk standards and the limits set by the relevant Board of Directors. The ALCO is responsible of managing interest rate risk at the Bank.

The first principle of the Group regarding interest rate risk is to protect itself from interest rate volatility. All types of sensitivity analysis are calculated by the Group Risk Management and reported to the Board of Directors, ALCO and the Audit Committee.

Maturities of outstanding assets are based on the contractual characteristics of the transactions.

i) The Bank only economic value differences resulted from interest rate instabilities calculated according to "Regulation on measurement and evaluation of interest rate risk resulted 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)%**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Cash Flow and Fair Value Interest Rate Risk (continued)

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total
As at 31 December 2015						
Assets :						
Cash and balances with central banks	8,381,196	-	-	-	1,661,863	10,043,059
Loans and receivables due from banks	1,989,706	165,911	162,620	149,246	12,029	2,479,512
Other money market placements	206	-	-	-	-	206
Financial assets at fair value through profit and loss	1,779	19,725	91,395	173,978	413,062	699,939
Derivatives used for hedging purposes	-	-	39,748	18,561	-	58,309
Available-for-sale financial assets	413,754	781,833	1,789,707	1,048,636	96,694	4,130,624
Loans and receivables	14,876,078	2,860,723	8,559,415	24,817,518	411,413	51,525,147
Remeasurement adjustment on interest rate risk hedged portfolios	-	-	-	1,913	-	1,913
Factoring receivables	514,064	512,098	170,552	572	14,966	1,212,252
Held-to-maturity investments	33,980	93,973	211,464	-	-	339,417
Premises and equipment	-	-	-	-	285,508	285,508
Intangible assets	-	-	-	-	52,350	52,350
Goodwill	-	-	-	-	420,645	420,645
Deferred tax asset	-	-	-	-	154,768	154,768
Other assets	2,586	-	-	-	1,364,514	1,367,100
Total Assets	**26,213,349**	**4,434,263**	**11,024,901**	**26,210,424**	**4,887,812**	**72,770,749**
Liabilities:						
Deposits from other banks	107,735	5,744	-	-	1,078	114,557
Customers' deposits	27,955,055	8,752,579	565,888	10,229	6,979,324	44,263,075
Other money market deposits	2,384,787	-	-	-	-	2,384,787
Financial liabilities at fair value through profit and loss	-	1,527	16	8,296	509,558	519,397
Derivatives used for hedging purposes	6,917	44,865	43,521	63,913	-	159,216
Factoring payables	-	-	-	-	15,356	15,356
Debt securities	193,517	77,146	-	-	-	270,663
Funds borrowed	3,273,876	3,319,944	7,736,663	523,986	-	14,854,469
Other liabilities	-	-	-	-	2,389,275	2,389,275
Provisions	-	-	-	-	236,871	236,871
Income taxes payable	-	-	-	-	109,955	109,955
Total liabilities	**33,921,887**	**12,201,805**	**8,346,088**	**606,424**	**10,241,417**	**65,317,621**
Balance sheet interest sensitivity gap	**(7,708,538)**	**(7,767,542)**	**2,678,813**	**25,604,000**	**(5,353,605)**	**7,453,128**
As at 31 December 2014						
Total assets	17,081,244	4,510,926	9,512,499	23,170,170	10,970,034	65,244,873
Total liabilities	34,434,346	10,732,946	4,382,965	730,974	8,447,899	58,729,130
Net interest sensitivity gap	**(17,353,102)**	**(6,222,020)**	**5,129,534**	**22,439,196**	**2,522,135**	**6,515,743**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Capital Adequacy

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with Banking Regulation and Supervision Agency ("BRSA")'s "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 Group's consolidated capital adequacy ratio is 13.71% (31 December 2014: 13.79%) in accordance with the related Communiqué as of 31 December 2015.
The Bank have complied with the capital requirements throughout the year and the previous year.

	Consolidated		Parent Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Capital Requirement for Credit Risk (CRCR)	4,635,129	4,155,469	4,539,535	3,965,965
Capital Requirement for Market Risk (CRMR)	65,557	78,051	65,397	59,032
Capital Requirement for Operational Risk (CROR)	432,477	357,590	411,557	337,591
Common Equity Tier 1 Capital	6,585,280	5,883,126	6,530,893	5,595,694
Tier 1 Capital	6,585,317	5,883,167	6,530,893	5,595,694
Tier 2 Capital	2,225,718	2,040,496	2,224,660	2,028,685
Deductions from Capital	14,877	9,555	14,877	9,555
Total Capital	8,796,158	7,914,108	8,740,676	7,614,824
Total Capital /((CRCR+CRMR+CROR)*12.5)*100	13.71	13.79	13.94	13.96
Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	10.26	10.25	10.42	10.26
Common Equity Tier 1 Capital/((CRCR+CRMR+CROR)*12.5)*100	10.26	10.25	10.42	10.26

Operational Risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate and/or failed internal process and systems, arising from negligence or fraud of the staff members or stemming from external events.

Operational risk, which is inherent in all business activities, is associated with human error, system failure and inadequate controls and procedures. Operational risk includes errors and omissions in business activities, internal and external fraud and natural disasters.

The Group's first objective is to achieve all qualitative standards of Basel Committee, by implying policy and procedures, ensuring the strict observance of internal code of conduct and also developing strong internal control culture.

Compliance with legal rules, information security, fraud prevention, contingency planning, business continuity and disaster recovery, and also incident management are the main subjects of the operational risk mitigation controls.

The Compliance Function in Group Companies

The definition of compliance is adherence to statutory and regulatory provisions, professional and ethical standards, guidelines issued by the Board of Directors and Audit Committee and internal rules and procedures.

The Compliance Function is responsible for the coordination of permanent control among the Group in respect of the risk of non-compliance and operational risk. It shares this responsibility with other Functions like Risk Management, Legal, Operations, and Finance for their areas of competence. Its missions and responsibilities and delegations of powers it grants are specified in a responsibilities charter.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

28. FINANCIAL RISK MANAGEMENT (continued)

Offsetting financial assets and financial liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting.

"Amounts set off on the balance sheet" have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when, and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The "Financial instruments" are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

"Cash collateral" include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

31 December 2015				**Related amounts not offset in the statement of financial position**		**Net amount**
	Gross amounts of financial assets/liabilities	**Gross amounts set off on the balance sheet**	**Net amounts presented in the balance sheet**	**Financial instruments**	**Cash collateral**	
Derivatives assets	552,426	-	552,426	91,607	105,064	355,755
Reverse repurchase agreements	206	-	206	206	-	-
Derivatives liabilities	678,613	-	678,613	91,607	261,049	325,957
Repurchase agreements	2,384,787	-	2,384,787	2,395,729	-	(10,942)

31 December 2014				**Related amounts not offset in the statement of financial position**		**Net amount**
	Gross amounts of financial assets/liabilities	**Gross amounts set off on the balance sheet**	**Net amounts presented in the balance sheet**	**Financial instruments**	**Cash collateral**	
Derivatives assets	658,102	-	658,102	212,732	148,406	296,964
Reverse repurchase agreements	550,207	-	550,207	550,207	-	-
Derivatives liabilities	762,528	-	762,528	212,732	202,974	346,822
Repurchase agreements	1,756,987	-	1,756,987	1,761,323	-	(4,336)

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial assets				
Loans and receivables due from banks	2,479,512	2,475,867	2,479,512	2,475,867
Other money market placements	206	550,207	206	550,207
Loans and receivables	51,525,147	44,357,770	51,390,211	44,422,499
Investment securities held-to-maturity	339,417	317,360	334,738	341,671
Factoring receivables	1,212,252	1,336,726	1,212,252	1,336,726
Financial liabilities				
Deposits from other banks and funds borrowed	14,969,026	13,566,198	14,969,026	13,566,280
Customers' deposits	44,263,075	39,059,233	44,041,308	39,064,041
Other money market deposits	2,384,787	1,756,987	2,384,787	1,756,987

Loans and Receivables

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Investment Securities Held-to-Maturity

Fair value for investments held-to-maturity is based on market prices or broker/dealer price quotations.

Deposits and Borrowings

The estimated fair value of deposits from other banks and customer deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits and funds borrowed without quoted market price is based on discounted cash flows using interest rates for new deposits and debts with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at amortized cost, including balances with Central banks, loans and receivables due from banks, other money market placements, factoring receivables and payables are considered to approximate their respective carrying values due to their short-term nature.

Fair Value of Financial Instruments

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 generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other variables used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length; and

• Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value.

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

31 December 2015	**Level 1**	**Level 2**	**Level 3 (*)**	**Total**
Financial assets at fair value through profit and loss	205,822	494,117	-	699,939
Debt instruments	205,822	-	-	205,822
Derivatives held-for-trading	-	494,117	-	494,117
Derivatives used for hedging purposes	-	58,309	-	58,309
Available-for-sale financial assets	4,024,292	18,864	75,043	4,118,199
Debt instruments	4,024,292	9,638	-	4,033,930
Available-for-sale equity securities (**)	-	9,226	75,043	84,269
Remeasurement adjustment on interest rate risk hedged portfolios	-	1,913	-	1,913
Total	**4,230,114**	**573,203**	**75,043**	**4,878,360**
Financial liabilities at fair value through profit and loss				
Derivatives held-for-trading	-	519,397	-	519,397
Derivatives used for hedging purposes	-	159,216	-	159,216
Total	**-**	**678,613**	**-**	**678,613**

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss	90,434	597,302	-	687,736
Debt instruments	90,434	-	-	90,434
Derivatives held-for-trading	-	597,302	-	597,302
Derivatives used for hedging purposes	-	60,800	-	60,800
Available-for-sale financial assets	4,459,355	17,011	-	4,476,366
Debt instruments	4,392,990	7,785	-	4,400,775
Available-for-sale equity securities (**)	66,365	9,226	-	75,591
Remeasurement adjustment on interest rate risk hedged portfolios	-	6,077	-	6,077
Total	**4,549,789**	**681,190**	**-**	**5,230,979**
Financial liabilities at fair value through profit and loss				
Derivatives held-for-trading	-	448,658	-	448,658
Derivatives used for hedging purposes	-	313,870	-	313,870
Total	**-**	**762,528**	**-**	**762,528**

(*) These amounts consist of the fair value of the equity instruments determined by using the probable sale price of these instruments.
(**) TL12,425 (31 December 2014: TL11,905) carried at cost is not included in the table.

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

30. SUBSEQUENT EVENTS

i. 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.

ii. 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.

iii. 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.

iv. As of 17 February 2016, bond issued by the Bank on 16-17-18 November 2015 with a nominal value of TL78,226, maturity of 89 days with the ISIN code “TRQTEBK21610" has expired and it has been disposed.

v. Bond issued by the Bank on 15, 16, 17 February 2016 with a nominal value of TL109,150, maturity of 173 days, with due date of 10 August 2016, with an interest rate of 11.00994% and with an annual compound rate of 11.32936% has started to be publicly traded in Borsa İstanbul outright purchases and sales market with the ISIN code “TRQTEBK81614” since 18 February 2016.