Fibabanka Anonim Şirketi and Its Subsidiary
Consolidated Financial Statements
As at and for the year ended
31 December 2015
Together with the Independent Auditor's Report

Deloitte

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Independent Auditor's Report

To the Board of Directors of
Fibabanka Anonim Şirketi
İstanbul

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Fibabanka A.Ş. (the "Bank") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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.

Deloitte.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fibabanka Anonim Şirketi and its subsidiary as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT Bağımsız Denetim ve SMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Istanbul, 9 March 2016

INDEX

Fibabanka Anonim Şirketi

Consolidated Statement of Financial Position

As at 31 December 2015

(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	31 December 2015	31 December 2014
Assets			
Cash and balances with Central Bank	7	1,474,109	1,023,109
Due from banks		70,046	286,068
-Due from banks	8	*70,046*	*262,879*
-Money market placements	8	--	*23,189*
Financial assets at fair value through profit and loss		114,531	32,640
-Debt instruments	*9*	*20,559*	*19,849*
-Derivatives held for trading purpose	*9*	*93,972*	*12,791*
Financial assets available for sale	9	613,771	381,909
Loans and advances to customers	10	8,585,043	6,167,735
Property and equipment	12	192,641	32,422
Intangible assets	13	5,365	5,337
Deferred tax assets	20	3,775	3,506
Other assets	11	100,855	84,872
Total Assets		**11,160,136**	**8,017,598**
Liabilities			
Derivatives held for trading purpose	9	83,608	11,712
Deposits from banks		1,016,506	484,825
-Deposits from banks	14	*511,684*	*158,848*
-Obligations under repurchase commitments	14	*504,822*	*325,977*
Borrowings from banks	17	1,024,446	846,349
Deposits from customers	15	6,944,040	5,082,517
Securities issued	18	503,741	472,935
Subordinated loans	19	211,913	291,574
Other liabilities and provisions	16	256,110	186,127
Total Liabilities		**10,040,364**	**7,376,039**
Equity			
Share capital	21	850,038	552,523
Share premium	21	73,379	--
Items that may be reclassified subsequently to profit or loss			
-Unrealized gains / (losses) on available-for-sale investments, net of tax	23	(9,727)	(8,363)
Items that will not be reclassified subsequently to profit or loss			
-Actuarial losses on employee termination benefits		(2,436)	(2,174)
Retained earnings / (accumulated losses)	22	208,466	99,520
Equity attributable to owners of the bank		**1,119,720**	**641,506**
Non-controlling interest		52	53
Total Shareholders' Equity		**1,119,772**	**641,559**
Total Liabilities and Shareholders' Equity		**11,160,136**	**8,017,598**

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

Fibabanka Anonim Şirketi
Consolidated Statement of Profit or Loss
For the year ended 31 December 2015
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
Interest income	26	912,016	725,453
Interest expense	26	(535,404)	(404,697)
Net interest income		**376,612**	**320,756**
Fees and commission income	27	41,910	29,037
Fees and commission expenses	27	(18,114)	(10,769)
Net fee and commission income		**23,796**	**18,268**
Net trading income	28	13,830	3,336
Other operating income	29	29,845	8,371
		43,675	**11,707**
Operating income		**444,083**	**350,731**
Personnel expenses	30	(132,967)	(119,152)
Depreciation and amortisation	12,13	(16,622)	(13,653)
Impairment reversals /(losses) on loans and advances to customers	10	(69,662)	(51,252)
Other impairment losses		(4,784)	--
Other expenses	31	(83,944)	(63,083)
Profit before income tax		**136,104**	**103,591**
Income tax	20	(27,159)	(21,266)
Net Income for the period		**108,945**	**82,325**
Net Income attributable to:			
Equity holders of the Bank		108,946	82,326
Non-controlling interests		(1)	(1)
		108,945	**82,325**

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

Fibabanka Anonim Şirketi
Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2015
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	1 January-31 December 2015	1 January-31 December 2014
Profit for the year	**108,945**	**82,325**
Other comprehensive income / (expense)	--	--
Items that maybe reclassified subsequently to profit or loss		
-Unrealized gains / (losses) on available-for-sale investments, gross	*(1,705)*	*19,617*
-Tax effect of unrealized gains / (losses) on available-for-sale investments	*341*	*(3,923)*
Items that will not be reclassified subsequently to profit or loss		
-Actuarial losses on employee termination benefits	*(328)*	*(1,035)*
-Tax effect of actuarial losses on employee termination benefits	*66*	*207*
Other comprehensive income / (expense) for the year, net of tax	**(1,626)**	**14,866**
Total comprehensive income for the year	**107,319**	**97,191**
Attributable to:		
Equity Holders of the Bank	107,320	97,192
Non – controlling interest	(1)	(1)

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

Fibabanka Anonim Şirketi

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Share Capital	Share premium	Retained earnings / (accumulated losses)	Items that maybe reclassified subsequently to profit or loss	Items that will not be reclassified subsequently to profit or loss	Non-controlling Interest	Total
				Unrealized losses on available for sale investments	Actuarial gains / (losses)		
Balances at 1 January 2014	**552,523**	--	**17,194**	**(24,057)**	**(1,346)**	**54**	**544,368**
Total comprehensive income for the year	--	--	**82,326**	**15,694**	**(828)**	**(1)**	**97,191**
Additions to unrealized gains / (losses) on available-for-sale investments, net of deferred tax	--	--	--	15,694	--	--	15,694
Actuarial losses on employee termination benefits, net of tax	--	--	--	--	(828)	--	(828)
Net profit for the year	--	--	82,326	--	--	(1)	82,325
Balances at 31 December 2014	**552,523**	--	**99,520**	**(8,363)**	**(2,174)**	**53**	**641,559**
Share capital increase	297,515	73,379	--	--	--	--	370,894
Total comprehensive income for the year	--	--	**108,946**	**(1,364)**	**(262)**	**(1)**	**107,319**
Additions to unrealized gains / (losses) on available-for-sale investments, net of deferred tax	--	--	--	(1,364)	--	--	(1,364)
Actuarial losses on employee termination benefits, net of deferred tax	--	--	--	--	(262)		(262)
Net profit for the year	--	--	108,946	--	--	(1)	108,945
Balances at 31 December 2015	**850,038**	**73,379**	**208,466**	**(9,727)**	**(2,436)**	**52**	**1,119,772**

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

Fibabanka Anonim Şirketi
Consolidated Statement of Cash Flows
For the year ended 31 December 2015
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	1 January-31 December 2015	1 January-31 December 2014
Net profit/(loss) for the year		**108,945**	**82,325**
Adjustments for:			
Depreciation of property and equipment	12	12,850	9,226
Amortization of intangible assets	13	3,772	4,427
Impairment losses on loans and advances	10	69,662	51,252
Unearned revenue		(3,051)	(3,228)
Expense accruals/ (reversals) net		--	--
Employment termination benefits	16	1,770	1,301
Unused vacation pay provision		(184)	575
Other provisions (net)		8,880	1,703
Bonus accrual provision		850	1,500
Unrealized gains on financial assets/liabilities		8,086	42,585
Taxation	20	27,159	21,266
Operating profit before changes in operating assets/liabilities		**238,739**	**212,932**
Changes in operating assets and liabilities:			
Net increase in balances with banks and central bank		(515,016)	(183,554)
Net decrease in financial assets at fair value through profit & loss		1,250	(225)
Net increase in loans		(2,522,565)	(1,137,752)
Net increase in other assets		(35,212)	(67,936)
Net increase in deposits		2,381,068	797,944
Net increase in other taxes & liabilities		60,382	77,219
Employment termination benefits paid	16	(669)	(607)
Taxes Paid		(14,103)	(14,663)
Bonuses paid		(5,410)	(2,500)
Net cash used in operating activities		**(411,536)**	**(319,142)**
Cash flow from investing activities:			
Purchase of available-for-sale securities		(337,951)	(236,473)
Proceeds from sale of available-for-sale securities		103,346	141,509
Purchase of premises & equipment	12	(157,982)	(8,003)
Purchase of intangible assets	13	(3,800)	(2,778)
Net cash used in investing activities		**(396,387)**	**(105,745)**
Cash flow from financing activities:			
Proceeds from borrowing funding loans (net)		254,414	477,412
Proceeds from capital increase		243,849	--
Proceeds from capital payment (subsidiary)		--	--
Net cash provided by financing activities		**498,263**	**477,412**
Net (decrease)/increase in cash & cash equivalents		**(309,660)**	**52,525**
Cash & cash equivalents at the beginning of the year	7	**481,750**	**421,813**
Foreign exchange effect on cash and cash equivalents		29,622	7,412
Cash & cash equivalents at the end of the year	7	**201,712**	**481,750**

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

1 General Information

On 21 December 2001, Share Transfer Agreement was signed with Novabank S.A. for the sale of all shares of Sitebank A.Ş. under the control of the Savings Deposit Insurance Fund ("SDIF") and the sale transaction was approved by the decision of the Banking Regulation and Supervision Agency ("BRSA") No: 596 on 16 January 2002.

In the General Assembly held on 4 March 2003, the name of Sitebank A.Ş. was amended as BankEuropa Bankası A.Ş..

In the extraordinary General Assembly held on 28 November 2006, the name of Bank Europa Bankası A.Ş. was amended as Millennium Bank A.Ş.

On 10 February 2010, Banco Comercial Portugues S.A. and Credit Europe Bank N.V., which is an affiliate of Fiba Group, signed a share purchase agreement to transfer 95% of Millennium Bank A.Ş.'s shares to Credit Europe Bank N.V. and the legal approval process has been completed as of 27 December 2010. Credit Europe Bank N.V. is 100% owned by Credit Europe Group N.V. which is a banking group incorporated in Netherlands and an affiliate of Fiba Holding A.Ş.

In the extraordinary General Assembly held on 25 April 2011 the name of Millennium Bank A.Ş. has been amended as Fibabanka A.Ş. ("the Bank").

As of December 2012, Fiba Holding A.Ş. became the ultimate parent of the Bank after acquiring 97.6% of the shares from Credit Europe Bank N.V. on 3 December 2012 and 2.4% of the shares from Banco Comercial Portugues S.A. on 7 December 2012. There were sales of equity shares to the management of the Bank in 2013. Total share of the management is 1.4%.

The Bank, applied to the BRSA on 14 January 2015 for permission of the subordinated loan provided from Fiba Holding A.Ş. in the amount of USD 50 million to be converted to share capital. Following the authorization of the BRSA on 4 March 2015, the Board of Directors decision was taken on 5 March 2015 regarding share capital increase of TL 128,960. TL 127,045 of the increase was provided by the subordinated loan granted by Fiba Holding A.Ş. which had been approved to be converted to capital and TL 1,815 of total capital was paid in cash by the other shareholders, capital increase was recognised in financial satements following the completion of the legal procedures on 7 May 2015.

The Bank's paid-in capital was increased by TL 168,655 in total on 23 December 2015 with equal contributions from International Finance Corporation ("IFC") and European Bank for Reconstruction and Development ("EBRD"). In addition, share issuance premium of TL 73,379 was recognised in the shareholders' equity.

As of 31 December 2015, the Bank's full paid in capital is TL 850,038.

As of 31 December 2015, the Bank has 67 domestic branches and 1,290 employees and its head office is located at the following address: Esentepe Mah. Büyükdere Cad. No: 129 Şişli / İstanbul. (31 December 2014: 67 domestic branches and 1,222 employees)

1. General Information (continued)

Explanations on Subsidiary

Fiba Portföy Yönetimi A.Ş. ("Fiba Portföy") which is a 99% owned subsidiary of the Bank, established in September 2013 in İstanbul, was consolidated by using full consolidation method in the consolidated financial statements dated 31 December 2015. Fibabanka A.Ş. and Fiba Portföy Yönetimi A.Ş. are together stated as the "Group" in this report.

Fiba Portföy's application to Capital Market Board ("CMB") about portfolio management authorization certificate was issued successfully and PYŞ. PY 56/1267 numbered 12 December 2013 dated authorization certificate was given to Fiba Portföy.

The aim of Fiba Portföy is to manage portfolios which consist of financial assets within the implementation of CMB's laws and relevant legislation rules with portfolio management contract as a representative and trade in capital markets. Besides, Fiba Portföy can manage local and foreign investment funds, investment trusts, local/foreign natural and legal people, investment firms and similar enterprises within the circle of legislation conditions as portfolio management activities. Fiba Portföy can also function on investment consulting activity, market consultancy and trading on shares of investment funds at Borsa İstanbul A.Ş. Emerging Companies Market on the condition that articles of the capital market legislation is fulfilled and necessary permission and authorization certificates are taken from Capital Markets Board. The Bank owns 99% of the equity of Fiba Portföy whose headquarters is located in Istanbul.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

2. New and Revised International Financial Reporting Standards

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

None.

b) New and revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Annual Improvements to 2010-2012 Cycle	*IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24* [1]
Annual Improvements to 2011-2013 Cycle	*IFRS 1, IFRS 3, IFRS 13, IAS 40* [1]

[1] Effective for annual periods beginning on or after 1 July 2014.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amend the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

2. New and Revised International Financial Reporting Standards (cont'd)

b) New and revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

Annual Improvements to 2011-2013 Cycle

IFRS 1: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

c) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments* [2]
IFRS 14	*Regulatory Deferral Accounts* [1]
Amendments to IFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants* [1]
IFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to IAS 27	*Equity Method in Separate Financial Statements* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Annual Improvements to 2012-2014 Cycle	*IFRS 5, IFRS 7, IAS 19, IAS 34* [1]
Amendments to IAS 1	*Disclosure Initiative* [1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exceptio* [1]
IFRS 16	*Leases* [3]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

2. New and Revised International Financial Reporting Standards (cont'd)

c) New and revised IFRSs in issue but not yet effective (cont'd)

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint Operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

2. New and Revised International Financial Reporting Standards (cont'd)

c) New and revised IFRSs in issue but not yet effective (cont'd)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognize revenue when the entity satisfies a performance obligation.

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

2. New and Revised International Financial Reporting Standards (cont'd)

c) New and revised IFRSs in issue but not yet effective (cont'd)

Amendments to IAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

IFRS 16 *Leases*

This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

3 Significant Accounting Policies

(a) Statement of Compliance

The Bank and its subsidiary maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the Accounting Practice Regulations as promulgated by BRSA; the Turkish Commercial Code; and the Turkish Tax Legislation (collectively, Turkish GAAP).

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The accompanying financial statements are authorized for issue by the directors on 9 March 2015.

(b) Basis of Preparation

The accompanying financial statements are presented in thousands of TL, which is the Bank's functional currency.

The financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial instruments, instruments at fair value through profit or loss and available-for-sale financial assets.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

(c) Basis of Consolidation

According to full consolidation method, the subsidiary's 100% of assets, liabilities, revenues, expenditures and off-balance sheet liabilities were combined with the Parent Bank's assets, liabilities, revenues, expenditures and off-balance sheet liabilities. Book value of the investment in the Group's subsidiary and the portion of the cost of subsidiary's capital belonging to the Group are eliminated. All intragroup balances and income and expenses relating to transactions between the Bank and its subsidiary are eliminated in full on consolidation. Minority shares in the net income of consolidated subsidiary determined the net income of the Group and were demonstrated as a separate item in the income statement. Minority shares were presented under equity in the consolidated financial statement.

(d) Use of Estimates and Judgments

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

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

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

3 Significant Accounting Policies (Continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the effect on the amounts recognised in the financial statements are described in notes 3.f to 3.t.

(e) Reclassification of Comparative Information

If the presentation or classification of the financial statements is changed in the current year, in order to maintain consistency, financial statements of prior years are also reclassified in line with the related changes.

(f) Foreign Currency Translation

For the purpose of the accompanying financial statements, the consolidated results and consolidated financial position of the Group is expressed in Turkish Lira, which is the functional currency of the Bank, and the presentation currency for the accompanying consolidated financial statements.

Transactions in currencies other than the Banks's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts, swaps and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

As at 31 December 2015 and 31 December 2014 foreign currency assets and liabilities of the Group are mainly in US Dollar, Euro and CHF. Foreign currency translation rates used by the Group as of respective year-ends are as follows:

	EUR / TL	USD / TL	CHF / TL
31 December 2015	3.1776	2.9076	2.9278
31 December 2014	2.8207	2.3189	2.3397

3 Significant Accounting Policies (continued)

(g) 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:

Premises	50 years
Vehicles	5 years
Furniture, fixtures and office equipment and others	4-50 years
Leasehold improvements	Lease period

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. There is no impairment recorded related to premises and equipment.

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.

(h) 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 10 years. There are no intangible assets with indefinite useful lives.

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.

3 Significant Accounting Policies (continued)

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Financial Instruments

(j.1) 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 income.

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 does not have any financial asset classified as held to maturity.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Except for loans and advances designated as hedged item in qualifying hedging relationships and carried at fair value, 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.

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

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 equity 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 equity 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. As of 31 December 2015, total amount of financial assets available for sale is TL 613,771 (31 December 2014: TL 381,909), of which TL 538,075 comprises of private bank and corporate bonds denominated in foreign currencies with maturity more than 1 year (31 December 2014: TL 363,839).

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost

In determining whether an impairment loss should be recorded in the income statement, the Bank 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:

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets Carried at Amortized Cost (continued)

- Significant financial difficulty of the issuer or the obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- 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:

▪ adverse changes in the payment status of borrowers; or
▪ 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 asset's carrying amount and the estimated recoverable amount, 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 of 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 of 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. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets Carried at Amortized Cost (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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.

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 because 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 asset's carrying amount and the present value of its recoverable amount.

Assets Carried at Fair Value

Available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. 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 equity to the income statement. Impairment losses recognized in the income statement on equity instruments classified as available for sale are not reversed through 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.

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Derecognition of Financial Assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(j.2) Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in 'other gains/losses' line in the statement of comprehensive income.

Other Financial Liabilities

Other financial liabilities, including borrowings and deposits, are initially measured at fair value, net of transaction costs.

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. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.3) Off- Balance Sheet Commitments and Contingencies

The Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, pre-financing loans, etc. The Group's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

(j.4) Derivative Financial Instruments

Derivatives Held for Trading

The Group's derivative transactions mainly consist of interest rate swaps, foreign currency swaps, foreign currency options and foreign currency forward contracts. The Group does not have any embedded derivatives separated from the host contract.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", forward foreign currency purchase/sale contracts, swaps and options are classified as "hedging purpose" and "trading purpose" transactions. Derivative contracts of the Group are all classified as trading purpose derivativies. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts. The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivatives held for trading purpose". Gains and losses arising from a change in the fair value are recognized in the income statement.

3 Significant Accounting Policies (continued)

(j) Financial Instruments (continued)

(j.5) 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.

(k) Fair Value Considerations

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparisons with similar financial instruments that do have active markets. As there are wide ranges of valuation techniques, it may be inappropriate to compare the Group's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would not differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable.

Derivatives: Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency swap transactions are determined by comparing forward rates with contractual forward rates discounted to the balance sheet date with the current market rates. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used.

3 Significant Accounting Policies (continued)

(k) Fair Value Considerations (continued)

Loans and Receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

The Group management believes that the risk factors embedded in the initial interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

(l) Non-current Assets Held for Sale

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

3 Significant Accounting Policies (continued)

(m) Employee Benefits

Employee Termination Benefits

In accordance with existing social legislation in Turkey, the Group is required to pay lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

These payments are qualified as recognized retirement benefit plan according to revised IAS 19 Employee Benefits. Severance payment liability recognized in the balance sheet is calculated according to net present value of expected amount in the future arising from all employees' retirements and presented in the financial statements. All actuarial gains and losses are recognized immediately through other comprehensive income.

As of 31 December 2015, the Group's severance payment provision is calculated by an actuarial firm and the actuarial loss of TL 2,436 (net of deferred taxes) is accounted for under Equity. (31 December 2014: Actuarial loss of TL 2,174.)

The principal actuarial assumptions used at 31 December 2015 and 31 December 2014 are as follows;

	31 December 2015	31 December 2014
	%	%
Discount rate	10.8	8.2
Inflation rate	7.8	6.0

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2015 was TL 3,828.37 (full basis) (31 December 2014: TL 3,438.22 (full basis)).

Other Contributions

The Group pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

(n) 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.

3 Significant Accounting Policies (continued)

(o) Leases

The Bank as Lessee

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 and head office 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.

(p) 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.

Net trading income comprises gains minus losses related to financial assets and liabilities held for trading and includes all realised and unrealised fair value changes and foreign exchange differences.

3 Significant Accounting Policies (continued)

(r) Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

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 directly in equity is recognized 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.

(s) Subsequent Events

Post-balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

(t) Segment Reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

4 Segment Reporting

Segment information is presented in respect of the Group's business segments. The Group comprises the Retail, Commercial Banking and Treasury as main business segments; Fiba Portföy, the Bank's consolidated subsidiary, is operating in the area of portfolio management.

Major financial statement items according to business segments:

	Corporate & Commercial Banking	Retail Banking	Treasury & Head Office	Total
1January - 31 December 2015				
Operating income	232,108	178,367	33,608	444,083
Profit before tax	152,368	(12,332)	(3,932)	136,104
Tax charge				(27,159)
Net profit				**108,945**
31 December 2015				
Segment assets	5,670,173	2,875,840	2,614,123	11,160,136
Unallocated assets				--
Total assets				**11,160,136**
Segment liabilities	2,083,502	4,865,298	3,091,564	10,040,364
Unallocated liabilities				--
Equity				1,119,772
Total liabilities and equity				**11,160,136**

	Corporate & Commercial Banking	Retail Banking	Treasury & Head Office	Total
1January - 31 December 2014				
Operating income	183,613	156,529	10,589	350,731
Profit before tax	104,241	6,408	(7,058)	103,591
Tax charge				(21,266)
Net profit				**82,325**
31 December 2014				
Segment assets	4,098,298	2,018,668	1,900,632	8,017,598
Unallocated assets				--
Total assets				**8,017,598**
Segment liabilities	1,323,725	3,763,662	2,288,652	7,376,039
Unallocated liabilities				--
Equity				641,559
Total liabilities and equity				**8,017,598**

5 Financial Risk Management

(a) Introduction and Overview

The Group has exposure to the following risks due to its operations:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk Committee of the Bank is responsible for developing and monitoring the Group's risk management policies in their specified areas. All board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its directives, procedures and regular trainings aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

The Bank Audit Committee is responsible to monitor the efficiency and adequacy of the Group's Internal Control Systems framework on behalf of the Board of Directors. The Bank Audit Committee is assisted in these functions by Risk Management, Internal Control, Legislation & Compliance and Internal Audit departments.

(b) Credit Risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty fails to meet its contractual obligations to a financial instrument, among the Bank's corporate, retail or bank loan portfolio. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure such as individual risk, counterparty risk, group risk as well as country & sector risks.

The Group's counterparty credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Group only deals with counterparties which have good credit worthiness.

The Group has defined rating models, and validation standards in order to estimate, identify measure, monitor, dispose, reduce and manage the credit risk. These standards have been developed to determine the quality of credit customers in line with the Group's credit policy. Credit risk reports and concentration & risk limits concerning the Bank's loan portfolio are reviewed periodically by the Risk Management Department.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Collateral policy

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The breakdown of cash loans and advances to customers by type of collateral is as follows:

	31 December 2015		
Cash Loans	**Performing**	**Non-Performing (*)**	**Total**
Secured loans	8,489,615	47,329	8,536,944
Secured by cash collateral	62,438	--	62,438
Secured by mortgages	2,847,497	45,979	2,893,476
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	5,579,680	1,350	5,581,030
Unsecured loans	45,438	99,901	145,339
Total Cash Loans	**8,535,053**	**147,230**	**8,682,283**

(*) The loan balance excludes allowance for loan losses.

	31 December 2014		
Cash Loans	**Performing**	**Non-Performing (*)**	**Total**
Secured loans	6,006,139	59,875	6,066,014
Secured by cash collateral	1,850	--	1,850
Secured by mortgages	1,880,232	58,313	1,938,545
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	4,124,057	1,562	4,125,619
Unsecured loans	100,383	68,850	169,233
Total Cash Loans	**6,106,522**	**128,725**	**6,235,247**

(*) The loan balance excludes allowance for loan losses.

The breakdown of non-cash loans by type of collateral is as follows:

Non-Cash Loans	**31 December 2015**	**31 December 2014**
Secured loans	1,029,308	1,028,154
Secured by cash collateral	--	23,864
Secured by mortgages	70,513	42,875
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	958,795	961,415
Unsecured loans	16,323	19,527
Total Non-Cash Loans	**1,045,631**	**1,047,681**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Collateral policy (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below (*):

	31 December 2015	31 December 2014
Car	298,790	260,352
Cash and bank deposits	62,438	1,850
Mortgage	4,737,562	2,899,956
Other	2,828,754	3,097,658
Total	**7,927,544**	**6,259,816**

(*) The fair value of the collateral is not capped with the respective outstanding loan balance.

Sectoral concentration of loans and advances to customers

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of performing loans and advances to customers is shown below:

	31 December 2015	31 December 2014
Consumer	478,128	341,849
Manufacturing	1,905,877	1,734,694
Service	3,859,912	2,323,607
Construction	1,390,166	938,151
Agriculture and stockbreeding	306,202	153,490
Other	594,768	614,731
Total performing loans and advances to customers	**8,535,053**	**6,106,522**

Maximum exposure to credit risk

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
Balances with the Central Bank (including reserve deposits)(*)	1,430,560	974,888
Deposits with and loans due from banks and other financial institutions	70,046	286,068
Financial assets at fair value through profit and loss	114,531	32,640
Financial assets available for sale	613,771	381,909
Loans and receivables	8,585,043	6,167,735
Total	**10,813,951**	**7,843,240**
Contingent liabilities	1,045,632	1,047,681
Commitments	309,285	240,643
Total	**1,354,917**	**1,288,324**
Total credit risk exposure	**12,168,868**	**9,131,564**

(*)Balances with the Central Bank (including reserve deposits) excludes cash in TL /foreign currency amount.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Credit quality of loans and receivables as of 31 December 2015 and 2014 are as follows;

31 December 2015	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
Loans and receivables				
Commercial	7,801,761	216,236	122,630	8,140,627
Consumer	433,575	37,739	22,562	493,876
Credit cards	43,493	2,249	2,038	47,780
Total	**8,278,829**	**256,224**	**147,230**	**8,682,283**

31 December 2014	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
Loans and receivables				
Commercial	5,647,259	117,683	111,444	5,876,386
Consumer	292,455	43,132	17,008	352,595
Credit cards	5,993	--	273	6,266
Total	**5,945,707**	**160,815**	**128,725**	**6,235,247**

Carrying amount per class of loans and receivables assets whose terms have been renegotiated:

	31 December 2015	31 December 2014
Loans and receivables		
Commercial	182,396	46,541
Consumer	8,638	1,395
Total	**191,033**	**47,936**

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

31 December 2015	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	66,650	85,345	64,241	216,236
Consumer	6,331	18,177	13,231	37,739
Credit cards	701	967	581	2,249
Total	**73,682**	**104,489**	**78,053**	**256,224**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

31 December 2014	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	32,254	42,453	42,976	117,683
Consumer	6,684	23,949	12,499	43,132
Total	**38,938**	**66,402**	**55,475**	**160,815**

(c) Liquidity Risk

Liquidity risk reflects the potential inability both to finance assets over appropriate times to maturity and at suitable rates and to liquidate portfolio positions at the proper time and at reasonable prices.

The Group maintains liquidity facilities with the Central Bank of Turkey and other banks that are available immediately when needed. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Liquidity risk is continuously assessed by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy.

The table below shows the undiscounted cash flows on the Group's non-derivative financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the above table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability.

31 December 2015	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits from banks	1,016,506	1,016,791	16,649	1,000,142	-	--	--	--
Deposits from customers	6,944,040	7,022,379	414,628	3,396,560	2,656,120	554,868	203	--
Borrowings from banks	1,024,446	1,048,431	--	27,626	59,305	729,965	231,534	--
Securities issued	503,741	517,570	--	--	169,200	348,370	--	--
Subordinated loans	211,913	327,615	--	--	3,192	11,676	59,296	253,451
Total	**9,700,646**	**9,932,786**	**431,277**	**4,424,328**	**2,887,817**	**1,644,879**	**291,033**	**253,451**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(c) Liquidity Risk (continued)

31 December 2014	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits from banks	484,825	484,940	2,845	482,095	-	--	--	--
Deposits from customers	5,082,517	5,123,284	304,231	2,789,229	1,658,513	360,225	11,086	--
Borrowings from banks	846,349	855,628	--	71,837	86,929	495,585	201,277	--
Securities issued	472,935	488,338	--	46,887	166,424	275,027	--	--
Subordinated loans	291,574	473,435	--	--	2,753	18,887	86,664	365,131
Total	**7,178,200**	**7,425,625**	**307,076**	**3,390,048**	**1,914,619**	**1,149,724**	**299,027**	**365,131**

Maturity analysis of balance sheet items is as follows:

As at 31 December 2015	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Unallocated	Total
Assets:							
Cash and balances with the Central bank	161,668	1,312,441	--	--	--	--	1,474,109
Due from banks	65,745	4,301	--	--	--	--	70,046
Financial assets at fair value through profit and loss	--	9,986	4,149	22,506	77,890	--	114,531
Financial assets available-for-sale	--	8,929	--	40,565	551,115	13,162	613,771
Loans and advances to customers	--	1,086,282	961,247	3,818,390	2,669,134	49,990	8,585,043
Other assets	--	--	--	--	--	302,636	302,636
Total assets	**227,413**	**2,421,939**	**965,396**	**3,881,461**	**3,298,139**	**365,788**	**11,160,136**
Liabilities:							
Deposits from banks	16,649	999,857	--	--	--	--	1,016,506
Deposits from customers	414,628	3,380,740	2,621,152	527,341	179	--	6,944,040
Financial liabilities at fair value through profit and loss	--	5,021	3,591	22,404	52,592	--	83,608
Borrowing from banks	--	28,629	43,107	710,386	242,324	--	1,024,446
Securities issued	--	--	166,475	337,266	--	--	503,741
Subordinated loans	--	--	2,589	392	208,932	--	211,913
Other liabilities and equity	--	20,789	15,157	--	--	1,339,936	1,375,882
Total liabilities	**431,277**	**4,435,036**	**2,852,071**	**1,597,789**	**504,027**	**1,339,936**	**11,160,136**
Net liquidity surplus/(gap)	**(203,864)**	**(2,013,097)**	**(1,886,675)**	**2,283,672**	**2,794,112**	**(974,148)**	**--**
As at 31 December 2014							
Total assets	208,161	1,726,747	736,607	2,870,425	2,288,308	187,350	8,017,598
Total liabilities	307,076	3,405,272	1,898,954	1,117,139	489,922	799,235	8,017,598
Net liquidity surplus/(gap)	**(98,915)**	**(1,678,525)**	**(1,162,347)**	**1,753,286**	**1,798,386**	**(611,885)**	**--**

5 Financial Risk Management (continued)

(d) Market Risk

In order to provide hedge against the market risk within the context of the risk management objectives, the Group sets its activities related with market risk management in accordance with "Regulations on Banks' Internal Control and Risk Management Systems and ICAAP" published in the Official Gazette no. 29057 dated 11 July 2014 and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29111 dated 6 September 2014.

Being exposed to market risk, Bank's Board of Directors has defined risk management strategies and policies about risk managements in line with application and recommendation of group and have led to follow-up strategies periodically. The limits of risks are identified and these limits are revised periodically. Board of Directors ensures that risk management group and executive managers should identify, measure, control and manage the Group's risk.

Market risk arising from trading transactions is limited through the risk appetite policy approved by Board of Directors as "low" and measured by taking into consideration BRSA's standard methodology. Additionally Financial Control Department reports the market value of daily purchases and sales and realized profit. The risk management and asset liability committee continuously monitor compliance of trading transactions with the risk appetite policy. Measurements can be done with online connection of the treasury front office in real time. Market risk occurred between mismatches of asset-liability maturity is also monitored through GAP report.

Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Risk measurement methods such as cash flow projection, GAP analysis are also applied.

Capital to be kept for general market risk and specific risk are calculated by using a standard method in accordance with "Measurement and Assessment of Bank Capital Adequacy Regulation" and reported monthly.

In the calculation of the value at credit risk for the derivative financial instruments, the receivables from counterparties are multiplied by the rates stated in the Article 21 and Appendix-2 of "the Regulation on Measurement and Assessment of Capital Adequacy of Banks", reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category and weighted for a second time. The risk amount related to the Group's derivative financial instruments are calculated using the "Fair Value Method".

(i) Interest Rate Risk

"Interest rate risk" is the probability of loss due to changes in interest rates depending on the Group's position regarding the interest bearing financial instruments. Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and unexpected changes in the shape and slope of yield curves. Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities.

Within the scope of Asset and Liability Management Policy, Group's assets and liabilities are re-priced according to the remaining maturities and determined interest rate shocks' effect on the net economic value is calculated.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(i) Interest Rate Risk

With the interest rate risk reports and stress tests on the interest rate risk of the Group, willing to relocate risk levels are tested due to the sensitivity of the risk levels in the presence of crisis scenarios and keeping them under control is provided.

Interest rate gap analysis

The following tables indicate the periods in which financial assets and liabilities are repriced as at 31 December 2015 and 31 December 2014;

2015:	Less than three months	Between three and twelve months	Over one year	Non-interest bearing	Total
Financial assets					
Cash and balances with the Central Bank	1,430,560	--	--	43,549	1,474,109
Due from banks	4,301	--	--	65,745	70,046
Financial assets at FVTPL	14,133	22,506	77,892	--	114,531
Financial assets available for sale	8,929	40,565	561,580	2,697	613,771
Loans and advances to customers (*)	4,293,089	1,465,164	2,776,800	--	8,535,053
Financial liabilities					
Derivatives held for trading	8,612	22,404	52,592	--	83,608
Deposits from banks	999,857	--	--	16,649	1,016,506
Deposits from customers	6,001,892	527,341	179	414,628	6,944,040
Borrowings from banks	98,486	921,098	4,862	--	1,024,446
Securities issued	201,035	302,706	--	--	503,741
Subordinated loans	211,913	--	--	--	211,913

(*) The loan balance excludes non-performing loans (net)

2014:	Less than three months	Between three and twelve months	Over one year	Non-interest bearing	Total
Financial assets					
Cash and balances with the Central Bank	56,509	--	--	966,600	1,023,109
Due from banks	278,721	--	--	7,347	286,068
Financial assets at FVTPL	21,489	5,799	5,352	--	32,640
Financial assets available for sale	5,154	19,737	357,018	--	381,909
Loans and advances to customers (*)	2,915,202	1,082,212	2,109,108	--	6,106,522
Financial liabilities					
Derivatives held for trading	4,510	5,483	1,719	--	11,712
Deposits from banks	481,980	--	--	2,845	484,825
Deposits from customers	4,423,195	345,893	9,198	304,231	5,082,517
Borrowings from banks	420,707	425,642	--	--	846,349
Securities issued	209,689	263,245	--	--	472,935
Subordinated loans	174,897	--	116,677	--	291,574

(*) The loan balance excludes non-performing loans (net)

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(i) Interest Rate Risk

The following table indicates the interest rates by major currencies for the major balance sheet components as at 31 December 2015 and 31 December 2014:

31 December 2015	EUR %	USD %	Other Currencies %	TL %
Cash and balances with the Central Bank	0.49	0.49	--	3.81
Financial assets at FVTPL	3.72	5.16	--	16.12
Financial assets available for sale	3.35	4.07	--	8.90
Due from banks	--	--	--	11.25
Loans and advances to customers	6.38	6.01	5.88	15.66
Deposits from banks	0.24	0.59	1.15	10.92
Borrowing from banks	1.78	1.63	--	6.61
Repurchase agreements	0.47	1.07	--	7.50
Deposits from customers	1.63	2.51	1.86	12.88
Securities issued	--	--	--	11.58
Subordinated loans	6.55	7.19	--	--
31 December 2014				
Cash and balances with the Central Bank	--	--	--	1.48
Financial assets at FVTPL	4.28	5.07	--	14.53
Financial assets available for sale	3.39	4.17	--	5.59
Due from banks	--	0.51	--	11.11
Loans and advances to customers	6.51	5.80	5.88	14.17
Deposits from banks	0.60	0.63	--	7.50
Borrowing from banks	2.02	1.65	--	7.23
Repurchase agreements	0.53	0.69	--	8.25
Deposits from customers	2.41	2.67	4.10	10.46
Securities issued	--	--	--	9.86
Subordinated loans	6.81	7.55	--	--

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

(d) Market Risk (continued)

The Bank analyses and reports to the Bank's senior management the interest rate sensitivity of equity on a monthly basis by applying positive and negative shocks to the interest sensitive on balance sheet and off-balance sheet positions which are distributed into groups based on their cashflows.

	2015			2014
	Shock Applied (+ / - x bps)	**Gains/ Losses**	**Gains / Equity - Losses / Equity**	**Gains / Equity - Losses / Equity**
TRY	500	(104,022)	-8.23%	-7.83%
TRY	-400	96,533	7.64%	7.06%
USD Dollar	200	(44,356)	-3.51%	-2.44%
USD Dollar	-200	35,342	2.80%	1.06%
EURO	200	(69,483)	-5.50%	-3.49%
EURO	-200	8,385	0.66%	-0.06%
Total (For Positive Shocks)		**(217,861)**	**-17.25%**	**-13.76%**
Total (For Negative Shocks)		**140,260**	**11.10%**	**8.06%**

(ii) Currency Risk

The Group is exposed to currency risk through transactions in foreign currencies. The main measurement currencies of its foreign exchange operations are Euro and USD. As the currency in which the Group presents its financial statements is the Turkish Lira (TL), the financial statements are affected by movements in the exchange rates between these currencies and TL. Currency risk is managed through VaR limits.

At 31 December 2015 and 31 December 2014, the Group's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	2015					
	EUR	**USD**	**CHF**	**Other**	**Total**	**Total in 2014**
Foreign currency denominated assets:						
Cash and balances with Central Bank	213,394	1,019,749	--	207,608	1,440,751	947,246
Due from banks	11,744	48,088	--	4,569	64,401	60,580
Financial assets at FVTPL	1,526	3,201	--	--	4,727	3,777
Financial assets available for sale	60,985	468,484	--	--	529,469	363,839
Loans and advances to customers	1,368,907	1,566,372	64,956	--	3,000,235	2,436,224
Other assets	473	364	--	--	837	16,271
	1,657,029	**3,106,258**	**64,956**	**212,177**	**5,040,420**	**3,827,937**
Foreign currency denominated liabilities:						
Deposits from banks	261,399	558,030	--	16,879	836,308	464,295
Borrowings from banks	720,898	381,105	--	--	1,102,003	824,135
Deposits from customers	589,092	2,496,025	--	33,193	3,118,310	2,327,939
Subordinated loans	1,741	116,697	--	--	118,438	291,574
Other liabilities	6,571	15,150	--	3,385	25,106	12,042
	1,579,701	**3,567,007**	**--**	**53,457**	**5,200,165**	**3,919,985**
Net on-balance sheet position	77,328	(460,749)	64,956	158,720	(159,745)	(92,048)
Net off-balance sheet position	(179,033)	450,735	(65,110)	(159,422)	47,170	91,497
Net position	**(101,705)**	**(10,014)**	**(154)**	**(702)**	**(112,575)**	**(551)**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

5 Financial Risk Management (continued)

A 10 percent strengthening of the foreign currencies against TL would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the foreign currencies against TL would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	31 December 2015		31 December 2014	
	Profit or Loss	**Equity**	**Profit or Loss**	**Equity**
USD	(225)	(776)	1,125	(825)
EUR	(10,171)	195	(403)	--
CHF	(15)	--	40	--
Other currencies	(71)	--	8	--
Total, net	**(10,482)**	**(581)**	**770**	**(825)**

(e) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business areas.

The Group practices policies in accordance with local regulations and in the context of best international practices for operational risk identification, measurement, mitigation, reporting and control of international best practices in the context of implementing.

Under the umbrella of operational risk, business continuity policies and procedures have been created. Business impact analysis has been made to ensure process based business continuity, critical activities of the institution and necessary resources to carry out these activities have been identified. Creation of infrastructure for the implementation of the plans is in progress through business continuity plans.

(f) Capital Adequacy

The BRSA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets (12% for banks operating in offshore markets). These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and minority interest after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and the element of the fair value reserve relating to unrealized gains on securities classified as available-for-sale.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

(f) Capital Adequacy (continued)

risk attached to assets and off-balance sheet exposures. The Group and its individually regulated operations have complied with externally imposed capital requirements throughout the period and its capital adequacy ratio calculated in accordance with local regulations is above the minimum required ratio which is 8%.

The capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitization's" published in the Official Gazette no.29111 dated 6 Septemeber 2014 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated 1 November 2006. In calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortization or impairment, are taken into account on a net basis after being reduced by the related amortizations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

Summary information related to the consolidated capital adequacy ratio

	BANK		CONSOLIDATED	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	688,207	520,013	688,236	520,034
Capital Requirement for Market Risk (CRMR)	17,783	2,144	17,783	2,144
Capital Requirement for Operational Risk (CROR)	39,019	25,668	39,079	25,673
Equity	1,263,310	906,455	1,263,042	906,281
Equity/((CRCR+MRCR+ORCR) * 12.5 * 100)	%13.57	%13.24	%13.56	%13.23

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

6 Fair Value of Financial Instruments

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

31 December 2015	Financial instruments at fair value	Loans and receivables	Financial instruments at amortized cost	Total carrying amount	Fair value
Cash and balances with the Central Bank	--	1,474,109	--	1,474,109	1,474,109
Due from banks	--	70,046	--	70,046	70,046
Financial assets at FVTPL	114,531	--	--	114,531	114,531
Financial assets available for sale	613,771	--	--	613,771	613,771
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	8,585,043	--	8,585,043	8,638,877
	728,302	**10,129,198**	**--**	**10,857,500**	**10,911,334**
Derivatives held for trading	83,608	--	--	83,608	83,608
Deposits from banks	--	--	1,016,506	1,016,506	1,016,506
Borrowings from financial institutions	--	--	1,024,446	1,024,446	1,024,446
Deposits form customers	--	--	6,944,040	6,944,040	6,944,040
Securities issued	--	--	503,741	503,741	503,741
Subordinated loans	--	--	118,438	118,438	118,438
	83,608	**--**	**9,607,171**	**9,690,779**	**9,690,779**

31 December 2014	Financial instruments at fair value	Loans and receivables	Financial instruments at amortized cost	Total carrying amount	Fair value
Cash and balances with the Central Bank	--	1,023,109	--	1,023,109	1,023,109
Due from banks	--	286,068	--	286,068	286,068
Financial assets at FVTPL	32,640	--	--	32,640	32,640
Financial assets available for sale	381,909	--	--	381,909	381,909
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	6,167,735	--	6,167,735	6,251,279
	414,549	**7,476,912**	**--**	**7,891,461**	**7,975,005**
Derivatives held for trading	11,712	--	--	11,712	11,712
Deposits from banks	--	--	484,825	484,825	484,825
Borrowings from financial institutions	--	--	846,349	846,349	846,349
Deposits form customers	--	--	5,082,517	5,082,517	5,082,517
Securities issued	--	--	472,935	472,935	472,935
Subordinated loans	--	--	291,574	291,574	291,574
	11,712	**--**	**7,178,200**	**7,189,912**	**7,189,912**

Fair values of the financial assets and liabilities carried at amortized cost, except for loans and advances to customers, are considered to approximate their respective carrying values due to their short-term nature.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

6 Fair Value of Financial Instruments (continued)

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; 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.

	31 December 2015			31 December 2014		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Financial assets at fair value through profit and loss	20,559	93,972	--	19,849	12,791	--
Financial assets available for sale	600,609	13,162	--	381,909	--	--
Financial Liabilities						
Derivatives held for trading	--	83,608	--	--	11,712	--

There is no transition between Level 1 and Level 2 in the current year.

7 Cash and Balances with Central Bank

At 31 December 2015 and 31 December 2014, cash and balances with the Central Bank are as follows:

	31 December 2015	31 December 2014
Cash on hand	43,549	48,221
Reserve deposits at the Central Bank-free	118,119	152,270
Reserve deposits at the Central Bank-restricted	1,312,441	822,618
Cash and balances with the Central Bank	**1,474,109**	**1,023,109**
Due from other banks	**70,046**	**286,068**
Less: Reserve deposits-restricted	(1,312,441)	(822,618)
Less: Blocked deposits	(30,002)	(4,809)
Less: Interest income/expense accruals (net)	--	--
Cash and cash equivalents in the statements of cash flows	**201,712**	**481,750**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

7 Cash and Balances with Central Bank (continued)

Reserve deposits at the Central Bank represent the minimum cash reserve maintained with the Central Bank of Turkey (the Central Bank), as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. At 31 December 2015, reserve deposit ratios for Turkish Lira and foreign currency deposits are 5%-11.5% and 6%-25% (31 December 2014: 5%- 11.5% and 6%-18%). Restricted reserve deposits are not available for the daily business of the Group. As of 31 December 2015, interest rate for TL, USD and EUR reserve deposits are 3.81%, 0.49% and 0.49% respectively. (31 December 2014:1.48% for TL reserves).

8 Due from Banks

At 31 December 2015 and 31 December 2014, due from banks are as follows:

	31 December 2015	31 December 2014
Turkish Lira	1,040	103
Foreign Currency	64,705	7,245
Demand	**65,745**	**7,348**
Turkish Lira	4,301	225,385
Foreign Currency	--	30,146
Time	**4,301**	**255,531**
Turkish Lira	--	--
Foreign Currency	--	23,189
Money market placements	**--**	**23,189**
Total due from banks	**70,046**	**286,068**

As at 31 December 2015, there is no foreign currency time placement. (31 December 2014: 2 days maturity and 0.51% interest rate). As at 31 December 2015, Turkish Lira placement has 4 days maturity and 11.25% interest rate (31 December 2014: 2 days maturity and 11.11% interest rate). The Group has TL 30,002 blocked deposit accounts for the derivative contracts with the banks abroad (31 December 2014: TL 4,809).

9 Financial Assets and Liabilities

a) Financial Assets

Financial Assets at FVTPL

At 31 December 2015 and 31 December 2014, financial asset at FVTPL are as follows:

	31 December 2015			31 December 2014		
	Pledged	Non-pledged	Total	Pledged	Non-pledged	Total
Debt instruments	**15,415**	**5,144**	**20,559**	**11,502**	**8,347**	**19,849**
Government bonds	15,415	410	15,825	11,502	4,569	16,071
Eurobonds	--	4,051	4,051	--	3,500	3,500
Corporate and bank bonds	--	683	683	--	278	278
Derivatives held for trading purpose	--	**93,972**	**93,972**	--	**12,791**	**12,791**
-Forwards	--	13,273	13,273	--	780	780
-Currency swaps	--	38,325	38,325	--	5,476	5,476
- Options	--	42,374	42,374	--	6,535	6,535
Total financial assets at FVTPL	**15,415**	**99,116**	**114,531**	**11,502**	**21,138**	**32,640**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

9 Financial Assets and Liabilities (continued)

a) Financial Assets (continued)

Financial Assets at FVTPL (continued)

As of 31 December 2015, government securities with carrying values of TL 8,666 (31 December 2014: TL 7,258) are pledged to the Central Bank and the İstanbul Takas ve Saklama Bankası Anonim Şirketi (Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for stock exchange and money market operations. TL 6,749 of the pledged trading assets presented in the table above are those financial assets subject to repo transactions. (31 December 2014: TL 4,244).

TL 15,634 (31 December 2014: TL 15,754) of debt securities have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

Average interest rates for TL, EUR and USD denominated financial assets at FVTPL are 16.12%, 3.72% and 5.16% respectively (31 December 2014: 14.53%, 4.28% and 5.07% respectively).

Financial Assets Available For Sale

	31 December 2015	31 December 2014
Debt instruments		
Corporate and bank bonds	538,074	363,839
Government bonds	75,697	18,070
Total financial assets available for sale	**613,771**	**381,909**

As of 31 December 2015 and 2014 available for sale debt securities have fixed interest rates.

Average interest rates for TL,USD and EUR denominated financial assets available for sale are 8.90% and 4.07%, 3.35% respectively (31 December 2014: 5.59% for TL and 4.17% for USD; 3.39% for EUR)

b) Financial Liabilities at FVTPL

At 31 December 2015 and 31 December 2014, derivative liabilities held for trading are as follows:

	31 December 2015	31 December 2014
Derivatives held for trading		
- Forwards	16,949	2,955
- Foreign currency swaps	23,708	2,027
- Options	42,951	6,730
Total financial liabilities at FVTPL	**83,608**	**11,712**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

10 Loans and Advances to Customers

At 31 December 2015 and 31 December 2014, loans and advances to customers are as follows:

Consumer loans and individual credit cards	**31 December 2015**	**31 December 2014**
Consumer loans-TL		
Real estate loans	230,708	40,898
Vehicle loans	7,916	5,320
General purpose loans	143,607	187,679
Others	--	--
Consumer loans FC and FC Indexed		
Real estate loans	80,681	93,360
Vehicle loans	--	--
General purpose loans	2,820	3,361
Individual credit cards-TL		
With installment	552	252
Without installment	4,087	3,008
Individual credit cards-FC		
With installment	--	--
Without installment	65	14
Personnel loans	**1,990**	**1,392**
Overdraft account-TL	**5,702**	**6,565**
	478,128	**341,849**
Commercial loans and corporate credit cards		
Commercial loans with installments-TL		
Real estate loans	72	321
Vehicle loans	44,250	29,871
General purpose loans	1,686,945	1,192,496
Commercial loans with installments-FC Indexed		
Real estate loans	1,973	2,550
Vehicle loans	8,705	14,498
General purpose loans	141,420	125,946
Corporate credit cards-TL		
With installment	7,562	202
Without installment	33,476	2,517
Overdraft accounts-TL	89,731	76,317
Spot loans	1,340,102	835,159
Revolving loans	2,128,733	1,614,713
Investment loans	54,426	29,635
Export loans	254,211	256,126
Other loans	2,276,277	1,594,766
	8,067,884	**5,775,116**
Total performing loans	**8,546,012**	**6,116,965**
Non-performing loans	**147,230**	**128,725**
Unearned commission income	**(10,959)**	**(10,443)**
Total gross loans	**8,682,283**	**6,235,247**
Allowance for loan losses	(97,240)	(67,512)
Loans and advances to customers	**8,585,043**	**6,167,735**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

10 Loans and Advances to Customers (continued)

Movement in the allowance for specific and collective loan losses for the years 2015 and 2014 is as follows:

	2015	2014
Balance at 1 January	67,512	47,447
Write-off /Sale (*)	(39,934)	(31,187)
Charge for the year	69,662	51,252
Balance at 31 December	**97,240**	**67,512**

(*) The figures in 2015 and 2014 are related to non-performing loans sales.

The sources of the allowance for the year on loans and advances to customers are as follows:

	1 January-31 December 2015	1 January-31 December 2014
Specific allowance/(reversal)	24,271	31,161
Collective allowance/(reversal)	44,941	20,091
Total	**69,662**	**51,252**

11 Other Assets

At 31 December 2015 and 31 December 2014, other assets comprised the following items:

	31 December 2015	31 December 2014
Check clearance balance	63,249	41,394
Prepaid commissions	14,263	8,692
Non-current assets held for sale (*)	3,670	3,897
Prepaid rent	3,466	2,423
Other prepaid expenses	2,702	3,877
Investment funds receivables	1,831	2,273
Cash guarantees given	537	462
Advances given (**)	320	15,523
Other	10,817	6,331
	100,855	**84,872**

(*) Certain non-current assets primarily related to the collaterals collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(**) The Parent Bank signed an agreement, with a total purchase price of USD 65,250,000 on 30 October 2014 relating to the purchase of a real estate, which is to be utilized as the head office premises.The 10% of the purchase price of property subject to contract was paid in advance as USD 6,525,000 in 2014.The prior year balance of advances given mainly consist of the advances paid for the purchase of the premises.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

11 Other Assets (continued)

Movement of non-current assets held for sale is as follows:

	2015	2014
Opening balance, 1 January	**3,897**	**4,548**
Additions	7,467	1,389
Disposal	(7,694)	(2,040)
Balance at 31 December	**3,670**	**3,897**

12 Property and Equipment

Movement in property and equipment during the year ended 31 December 2015 is as follows:

	Premises(*)	Furniture, fixture and equipment	Total
Balance at 1 January 2015:			
Cost	--	66,852	66,852
Accumulated amortization	--	(34,430)	(34,430)
Opening net book amount	**--**	**32,422**	**32,422**
Additions	171,365	1,748	173,113
Disposals (net)	--	(44)	(44)
Depreciation charge	(2,640)	(10,210)	(12,850)
Balance at 31 December 2015:	**168,725**	**23,916**	**192,641**

Movement in property and equipment during the year ended 31 December 2014 is as follows:

	Premises	Furniture, fixture and equipment	Total
Balance at 1 January 2014:			
Cost	--	58,848	58,848
Accumulated amortization	--	(25,197)	(25,197)
Opening net book amount	**--**	**33,651**	**33,651**
Additions	--	8,003	8,003
Disposals (net)	--	(6)	(6)
Depreciation charge	--	(9,226)	(9,226)
Balance at 31 December 2014:	**--**	**32,422**	**32,422**

(*) Premises acquired in the curret period is occupied as The Head Office of the Bank.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

13 Intangible Assets

Movement in intangible assets during the year ended 31 December 2015 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2015:			
Cost	38,995	5,956	44,951
Accumulated amortization	(33,731)	(5,883)	(39,614)
Opening net book amount	**5,264**	**73**	**5,337**
Additions	3,800	--	3,800
Disposals	--	--	--
Amortization charge	(3,725)	(47)	(3,772)
Balance at 31 December 2015:	**5,339**	**26**	**5,365**

Movement in intangible assets during the year ended 31 December 2014 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2014:			
Cost	36,220	5,953	42,173
Accumulated amortization	(29,351)	(5,836)	(35,187)
Opening net book amount	**6,869**	**117**	**6,986**
Additions	2,775	3	2,778
Disposals	--	--	--
Amortization charge	(4,380)	(47)	(4,427)
Balance at 31 December 2014:	**5,264**	**73**	**5,337**

14 Deposits from Banks

At 31 December 2015 and 31 December 2014, deposits from banks comprised the following items:

	31 December 2015	31 December 2014
Time deposits in FC	385,924	155,298
Time deposits in TL	109,111	704
Obligations under repurchase commitments from banks in FC	437,250	306,657
Obligations under repurchase commitments from banks in TL	67,572	19,320
Demand deposits in TL	13,135	2,339
Demand deposits in FC	3,514	507
	1,016,506	**484,825**

At 31 December 2015, foreign currency denominated term deposits mature in 6 days (31 December 2014: 11 days). Interest rates on FC term deposits are 0.42% (31 December 2014: 0.68%). At 31 December 2015, Turkish Lira denominated term deposits mature in 4 days (31 December 2014: 2 days). Interest rates on TL term deposits are 10.92 % (31 December 2014: 7.50%).

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

14 Deposits from Banks (continued)

At 31 December 2015, obligations provided under repurchase agreements in FC mature in 7 days (31 December 2014: 10 days) with interest rates 1.00 % (31 December 2014: 0.67 %). At 31 December 2015, obligations provided under repurchase agreements in TL mature in 7 days (31 December 2014: 6 days) with interest rates 7.50 % (31 December 2014: 8.25 %).

15 Deposits from Customers

At 31 December 2015 and 31 December 2014, deposits from customers comprised the following items:

	31 December 2015			31 December 2014		
	Demand	Time	Total	Demand	Time	Total
Saving Deposits	**208,091**	**5,230,317**	**5,438,408**	**161,245**	**3,955,856**	**4,117,101**
FC Deposits	172,830	2,940,635	3,113,465	131,150	2,194,960	2,326,110
TL Deposits	35,261	2,289,682	2,324,943	30,095	1,760,896	1,790,991
Commercial deposits	200,180	1,210,395	1,410,575	140,051	773,036	913,087
Public sector and other inst. deposit	1,512	88,700	90,212	1,102	49,394	50,496
Precious metals	4,845	--	4,845	1,833	--	1,833
Total deposits from customers	**414,628**	**6,529,412**	**6,944,040**	**304,231**	**4,778,286**	**5,082,517**

At 31 December 2015, interest rates on term deposits in TL range between 2.60% and 14.45% (31 December 2014: 1.10% and 13.00%), interest rates on term deposits in EUR range between 0.01% and 2.30% (31 December 2014: between 0.10% and 3.05%), interest rates on term deposits in USD range between 0.10% and 3.28% (31 December 2014: between 0.10% and 4.00%), interest rates on term deposits in CHF range between 0.10% and 1.50% (31 December 2014: between 0.75% and 1.50 %) and interest rates on term deposits in GBP range between 0.75% and 2.10% (31 December 2014: between 0.75% and 2.00%).

16 Other Liabilities and Provisions

At 31 December 2015 and 31 December 2014, other liabilities comprised of the following items:

	31 December 2015	31 December 2014
Check clearance account	96,510	85,708
Blocked accounts	66,580	46,836
Miscellaneous payables	31,318	13,478
Taxes and duties withheld	20,789	16,736
Unused vacation pay liability and personnel bonus accrual	7,823	7,143
Payables to consultants and suppliers	1,639	1,245
Blocked cheques	1,413	266
Other	7,526	5,476
Other liabilities	**233,598**	**176,888**
Provision for taxes (Note 20)	15,157	3,662
Employee termination benefits	6,038	4,609
Provision for lawsuits	1,317	968
Provisions	**22,512**	**9,239**
Total	**256,110**	**186,127**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

16 Other liabilities and provisions (continued)

Employee Termination Benefits

In accordance with existing social legislation, the Bank is 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 TL 3,828.37 (full TL) and TL 3,438.22 (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.

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

Movements in the present value of the employee termination benefits were as follows:

	2015	2014
Opening, 1 January	4,609	2,880
Current service cost	1,393	1,212
Interest cost	378	89
Benefits paid	(669)	(607)
Actuarial losses on employee termination benefits	328	1,035
Closing, 31 December	**6,038**	**4,609**

17 Borrowings from Banks

Borrowings from banks as of 31 December 2015 and 2014 comprised the following items:

	31 December 2015	31 December 2014
Borrowing from Banks		
Turkish Lira	15,919	22,216
Foreign Currency	1,008,527	824,133
	1,024,446	**846,349**

Syndicated loan of EUR 70 million and USD 30 million which was due in December 2015 was renewed as EUR 92 million and USD 20 million in the same month.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

18 Securities Issued

TL	31 December 2015	
	Short Term	**Medium and Long Term**
Nominal	517,570	--
Cost	517,570	--
Carrying Amount	503,741	--

TL	31 December 2014	
	Short Term	**Medium and Long Term**
Nominal	323,460	153,300
Cost	323,460	153,300
Carrying Amount	315,810	157,125

19 Subordinated Loans

	31 December 2015	
	TL	**FC**
Domestic Other Institutions	--	--
Foreign Banks	--	95,217
Foreign Other Institutions	--	116,696
Total	--	**211,913**

	31 December 2014	
	TL	**FC**
Domestic Other Institutions	--	116,678
Foreign Banks	--	81,845
Foreign Other Institutions	--	93,051
Total	--	**291,574**

The Bank acquired subordinated loans from international financial institutions and banks amounting USD 50 million and EUR 20 million with 10 years maturity in year 2013.

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

20 Taxation

The Bank and its subsidiary is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporation tax is computed on the statutory income tax base determined in accordance with Tax Procedural Law. Corporate tax rate is 20%.

In Turkey, tax legislation does not permit a parent group and its subsidiaries to file a consolidated tax return. Therefore, the taxation charge as reflected I the accompaying consolidated financial statements, represents the total amount of taxation change of the Bank and its subsidiary.

Turkish tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The temporary tax rate used in determining the temporary tax is 20%. The temporary taxes paid quarterly are offset against the final tax liability for the year. The final corporation tax, after deducting the quarterly payments, becomes due and is paid in one installment by 30 April.

In Turkey, the Tax Procedural Law does not provide a procedure for final agreement of tax assessments. Tax returns are required to be filed within the fourth month following the balance sheet date. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

Provision for corporate taxes for current and previous year is presented below:

	2015	2014
Total tax liability	25,598	13,646
Prepaid taxes	(10,441)	(9,984)
Provision for taxes (Note 16)	**15,157**	**3,662**

For the years ended 31 December 2015 and 2014, taxation comprised the following:

	2015	2014
Current tax charge	(27,018)	(13,646)
Deferred tax benefit / (charge)	(141)	(7,620)
Total	**(27,159)**	**(21,266)**

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to loss from operations before provision for taxes on income as shown in the following reconciliation:

	2015	2014
Profit before income tax	**136,104**	**103,591**
At statutory income tax rate	(27,221)	(20,718)
Nondeductible expenses	(272)	(175)
Other tax exempt income	142	62
Other temporary differences	192	(435)
Taxation	**(27,159)**	**(21,266)**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

20 Taxation (continued)

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2015 and 31 December 2014 are attributable to the items detailed in the table below:

	31 December 2015	31 December 2014
Deferred tax assets/ liabilities		
Valuation of financial assets	3,388	2,091
Allowance for loan losses	2,251	1,457
Reserve for employee termination benefits	1,207	918
Provision for vacation pay	595	623
Unearned loan commissions	309	2,726
Tax losses carried forward	46	32
Derivatives held for trading purposes	(2,225)	(687)
Others	(1,796)	(3,654)
Net deferred tax assets / liabilities	**3,775**	**3,506**

The movement of deferred tax asset is as follows:

	2015	2014
Balance at the beginning of the period	**3,504**	**14,842**
Deferred tax recognised in income statement	(141)	(7,620)
Deferred tax recognised under equity	407	(3,716)
Other	5	--
Balance at the end of the period	**3,775**	**3,506**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

21 Share Capital and Share Premium

Share capital structure of the Bank is as follows:

	31 December 2015		31 December 2014	
Name / Commercial Title	**Share Amount (Nominal)**	**Share Ratios**	**Share Amount (Nominal)**	**Share Ratios**
Fiba Holding A.Ş.	671,357	78.98%	544,732	98.59%
International Finance Corporation ("IFC")	84,579	9.95%	--	--
European Bank for Reconstruction and Development ("EBRD")	84,579	9.95%	--	--
Others	9,523	1.12%	7,791	1.41%
Total	**850,038**	**100.00%**	**552,533**	**100.00%**

In May 2015, the Parent Bank's capital was increased by TL 128,860 TL; TL 127,045 of the increase was provided by the subrdinated loan granted by Fiba Holding A.Ş. which had been approved to be converted to capital and TL 1,815 of total capital was paid in cash by the other shareholders.

In December 2015, the Parent Bank's paid-in capital was increased to TL 850,038 by an increase of TL 168,655 in total, with equal contributions from International Finance Corporation and European Bank for Reconstruction and Development. In addition, share issuance premium of TL 73,379 was recognised in the sharehodlers' equity.

As of 31 December 2015, Bank's full paid in capital is TL 850,038.

22 Retaind Earnings / (Accumulated Losses) and Other Reserves

At 31 December 2015 retained earnings are TL 208,466 (31 December 2014: TL 99,520).

23 Unrealized Losses on Available-For-Sale Investments, Net of Tax

At 31 December 2015, unrealized losses on available-for-sale investments are TL 12,159 (31 December 2014: TL 10,454). The tax effect of unrealized gain on available-for-sale investments is TL 2,432 (31 December 2014: TL 2,091), and the net unrealized loss amount is TL 9,727 (31 December 2014: TL 8,363).

24 Commitments and Contingent Liabilities

24.1 Letters of guarantee and credit

As at 31 December 2015, the Bank is contingently liable for letters of guarantee and credit given amounting to TL 1,045,632 (31 December 2014: TL 1,047,681).

24.2 Other commitments

	31 December 2015	**31 December 2014**
Payment commitments for cheques	145,123	121,680
Irrevocable credit facilities	110,140	93,359
Commitments for credit card expenditure limits	47,363	20,444
Tax and fund liabilities from export commitments	3,553	2,357
Commitments for credit card and banking promotions	1	--
Other irrevocable commitments	3,105	2,803
Total	**309,285**	**240,643**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

24 Commitments and Contingent Liabilities (continued)

24.3 Derivative contracts

Commitments for purchase of foreign currencies under option, forward and swap contracts at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
	Purchase	**Purchase**
Spot buy-sell commitments	178,100	245,872
Swap agreements for trading purposes	1,797,707	692,709
Forward agreements for trading purposes	407,420	95,732
Options	1,490,028	563,703
	3,873,255	**1,598,016**

Maturity analysis of derivative instruments is as follows:

31 December 2015	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Spot, forward and swap exchange contracts	742,086	164,368	134,999	261,603	1,080,171	2,383,227
Options	157,152	287,165	261,452	364,576	419,683	1,490,028
Total	**899,238**	**451,533**	**396,451**	**626,179**	**1,499,854**	**3,873,255**

31 December 2014	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Spot, forward and swap exchange contracts	819,968	115,929	31,172	27,671	39,573	1,034,313
Options	234,740	91,125	44,222	128,747	64,869	563,703
Total	**1,054,708**	**207,054**	**75,394**	**156,418**	**104,442**	**1,598,016**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

25 Related Parties

For the purpose of this report, the Bank's ultimate parent group, Fiba Holding A.Ş. and all its subsidiaries, and the ultimate owners, directors of Fibabanka A.Ş. are referred to as related parties. During the course of the business, the Group has made placements with and also received deposits from them at various terms.

(a) Transactions with direct related parties

	2015	2014
Interest income	--	--
Interest expense (*)	9,597	9,981
Non - cash loan commission income	--	--

(*) TL 2,212 is related to IFC and EBRD.

(b) Balances with direct related parties

	31 December 2015	31 December 2014
Non cash loans to related parties	20	20
Deposits from related parties	89,173	31,138
Subordinated loans (*)	181,988	116,677
Other borrowings (**)	37,462	--

(*) TL 181,988 is related to IFC and EBRD.

(**) TL 37,462 is related to IFC.

(c) Transactions with other related parties

	2015	2014
Interest income	1,618	3,469
Interest expense	20,051	11,292
Net trading income	1,568	(464)
Non - cash loan commission income	107	92

(d) Balances with other related parties

	31 December 2015	31 December 2014
Cash loans to other related parties	5,720	770
Non - cash loans to other related parties	17,242	15,000
Deposits from other related parties	496,533	161,258
Fund borrowings from other related parties	24,086	30,858

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

25 Related Parties (continued)

(e) Derivative transactions with other related parties

	31 December 2015	31 December 2014
	Purchase(*)	**Purchase(*)**
Spot, swap and forward agreements for trading purposes	175,388	76,728

(*) Stated in notional amounts

(f) Remuneration and benefits of key management

The key management and the members of the Board of Directors received remuneration and fees totaling TL 7,539 in the current period (2014: TL 5,585).

26 Net Interest Income

	2015	2014
Interest income		
Loans and advances to customers	848,616	682,000
Due from banks	11,745	11,454
Derivative assets	20,377	17,077
Debt instruments	27,964	14,645
Others	3,314	277
	912,016	**725,453**
Interest expense		
Deposits from banks and customers	393,987	311,893
Saving deposits insurance	5,495	4,289
Fund borrowed	37,999	34,797
Derivative liabilities	34,962	3,556
Obligations under repurchase agreements	6,860	3,421
Securities issued	54,879	45,229
Others	1,222	1,512
	535,404	**404,697**
Net interest income	**376,612**	**320,756**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

27 Fees and Commission Income and Expenses

Fees and commission income for the years ended 31December 2015 and 31 December 2014 are as follows:

	2015	2014
Transfer commissions	2,631	2,045
Insurance commissions	5,019	4,579
Account maintenance fees	3,010	2,681
Asset management fees (*)	2,013	1,016
Commissions from non-cash loans	11,561	9,251
Limit allocation,revision and appraisal fees	8,419	3,838
Others	9,256	5,628
Fees and commission income	**41,910**	**29,037**

(*)Asset management fees relate to fees earned by the Bank on investment funds.

Fees and commission expenses for the year ended 31 December 2015 and 31 December 2014 are as follows:

	2015	2014
Payment and transaction fees	1,070	922
Credit card fees	4,926	2,025
Commissions for borrowings	6,046	3,933
Commissions for debt issued	2,176	1,491
Commissions to correspondent banks	1,025	732
Other	2,871	1,666
Fees and commission expense	**18,114**	**10,769**

28 Net Trading Income

	2015	2014
Gains on derivative transactions	8,233	7,759
Foreign exchange gains /(losses)	5,702	(7,403)
Gains / (losses) on debt instruments, net	(105)	2,980
	13,830	**3,336**

29 Other Operating Income

	2015	2014
Intermediary fees	13,434	1,505
Gain on sale of non-current assets held for sale and tangible assets	2,017	247
Gain on sale of non-performing loans	2,292	600
Promissory notes fee	619	478
Others	11,483	5,541
	29,845	**8,371**

(Currency: Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated)

30 Personnel Expenses

	2015	2014
Wages and salaries	97,426	87,981
Social security premiums	13,696	12,040
Personnel bonuses	6,260	4,460
Employee health insurance expenses	3,632	2,941
Termination and vacation pay expenses	932	1,054
Others	10,886	10,676
	132,967	**119,152**

31 Other Expenses

	2015	2014
Rent expenses	29,660	25,494
Taxes other than on income	14,179	8,301
Telecommunication expenses	6,228	5,446
Information technology expenses	4,568	3,411
Consultancy expenses	7,367	3,410
Cleaning expenses	3,102	2,560
Transportation expenses	2,641	2,496
Advertisement expenses	1,994	1,781
Electricity expenses	1,971	1,639
Office supplies	1,100	959
Maintenance expenses	1,129	865
Others	10,005	6,722
	83,944	**63,083**

32 Subsequent Events

None.