Fibabanka Anonim Şirketi and Its Subsidiary
Consolidated Financial Statements
As at and for the year ended
31 December 2016
Together with the Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fibabanka A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fibabanka A.Ş. (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

The accompanying consolidated financial statements include a free reserve amounting to TL 36,000 thousands as of 31 December 2016, entire amount accounted for in the current period by the Group management in line with the conservatism principle considering the circumstances those may arise due to the changes in the economy or market conditions.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Allowance for probable losses on corporate and commercial loans At 31 December 2016, gross loans and advances to customers were TL 11,511,978 thousands against which allowance for loan losses of TL 166,802 thousands were recorded ending with a net carrying amount of TL 11,345,176 thousands. The details are disclosed in Note 10 of the consolidated financial statements. For allowance for loan losses, a management decision and judgement is required to determine when an impairment event has occurred and a necessary classification should be done. So there is a risk of misstatement in the calculation of the allowance related to the classification of non-performing loans and advances to customers in accordance with IAS 39. Furthermore, the specific allowances are made against the carrying amount of loans and advances to customers that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to customers to their recoverable amounts. In assessing the recoverable amounts of the loans and advances to customers, the estimated future cash flows are discounted to their present value using the loans' original effective interest rates which requires management's significant judgement to exercise. Collective allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to customers to their estimated recoverable amounts at the date of financial position. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Because of the significance of these judgements and the size of due from loans and advances to customers, the audit of allowance for probable losses on corporate and commercial loans and advances to customers is a key area of focus. Furthermore there is a risk of misstatement in the calculation of allowance related to errors in the main parameters of allowance for probable losses on corporate and commercial loans and advances to customers (specific and collective) in accordance with IAS 39 in the IFRS financial statements.	We reviewed the provisioning methodology implemented by the Group. We understood and tested the key controls over the classification and provisioning methodology such as; system based and manual controls over the timely recognition of impaired loans and advances, controls over the impairment calculation models including data inputs, controls over cash flow estimates and finally governance controls which includes the management meetings for the approval process of allowance for probable losses on loans and advances to customers. In addition to testing the key controls, we performed a loan review over the performing loans and advances to customers in order to assess whether the borrowers exhibit any possible default risk that may affect the repayment abilities; and tested a sample of loans to assess whether impairment events had occurred and whether impairments had been identified in a timely manner. We also verified whether all impairment events as identified by us had also been identified by the Group's management. Our selected samples also included non-performing loans and advances to customers, where we assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. For allowances provided on a collective basis we tested the underlying models, the appropriateness and accuracy of the inputs to those models, such as probability of default and loss given default rates, and where available, compared data and assumptions made to external benchmarks. Finally, we understood and tested the controls over related disclosures.

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Key Audit Matter	How the matter was addressed in the audit
IT Audit The Group is dependent on the IT-infrastructure for the continuity of their operations, and business innovation is linked, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiary. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be a key area of focus.	We understood and tested the Group's controls over information systems as part of our audit procedures. Our audit procedures include all layers that the data is transmitted, which are databases, operating systems, applications, and network. Tested information systems controls are categorized in the following areas: • Manage security • Manage changes • Manage operations We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner. We tested the access and logging controls underlying all application which have direct or indirect impacts on financial data generation. Automated controls and integration controls are tested to underly and detect changes and access in the process of financial data generation. We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components. Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Müjde Şehsuvaroğlu.

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

Müjde Şehsuvaroğlu
Partner

Istanbul, 11 May 2017

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Fibabanka Anonim Şirketi and its Subsudiary
Consolidated Statement of Financial Position
As at 31 December 2016
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	31 December 2016	31 December 2015
Assets			
Cash and balances with Central Bank	7	1,937,934	1,474,109
Due from banks		333,082	70,046
-Due from banks	8	*58,380*	*70,046*
-Money market placements	8	*274,702*	--
Financial assets at fair value through profit and loss		497,685	114,531
-Debt instruments	9	*82,681*	*20,559*
-Derivatives held for trading purpose	9	*415,004*	*93,972*
Financial assets available for sale	9	887,226	613,771
Loans and advances to customers	10	11,345,176	8,585,043
Property and equipment	12	187,239	192,641
Intangible assets	13	3,980	5,365
Deferred tax assets	20	14,322	3,775
Other assets	11	101,449	100,855
Total Assets		**15,308,093**	**11,160,136**
Liabilities			
Derivatives held for trading purpose	9	383,459	83,608
Deposits from banks		1,165,633	1,016,506
-Deposits from banks	14	*481,805*	*511,684*
-Obligations under repurchase commitments	14	*683,828*	*504,822*
Borrowings from banks	17	1,536,663	1,024,446
Deposits from customers	15	9,134,933	6,944,040
Securities issued	18	991,975	503,741
Subordinated loans	19	397,278	211,913
Other liabilities and provisions	16	313,725	256,110
Total Liabilities		**13,923,666**	**10,040,364**
Equity			
Share capital	21	943,684	850,038
Share premium	21	128,678	73,379
Items that may be reclassified subsequently to profit or loss			
-Unrealized gains / (losses) on available-for-sale investments, net of tax	23	(20,254)	(9,727)
Items that will not be reclassified subsequently to profit or loss			
-Actuarial losses on employee termination benefits		(3,003)	(2,436)
Retained earnings	22	335,269	208,466
Equity attributable to owners of the bank		**1,384,374**	**1,119,720**
Non-controlling interest		53	52
Total Shareholders' Equity		**1,384,427**	**1,119,772**
Total Liabilities and Shareholders' Equity		**15,308,093**	**11,160,136**

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

Fibabanka Anonim Şirketi and its Subsudiary
Consolidated Statement of Profit or Loss
For the year ended 31 December 2016
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Interest income	26	1,361,232	912,016
Interest expense	26	(829,182)	(541,450)
Net interest income		**532,050**	**370,566**
Fees and commission income	27	49,352	41,910
Fees and commission expenses	27	(21,889)	(12,068)
Net fee and commission income		**27,463**	**29,842**
Net trading income	28	26,706	13,830
Other operating income	29	40,417	29,845
		67,123	**43,675**
Operating income		**626,636**	**444,083**
Personnel expenses	30	(159,688)	(132,967)
Depreciation and amortisation	12,13	(15,771)	(16,622)
Impairment reversals /(losses) on loans and advances to customers	10	(185,788)	(69,662)
Other impairment losses		--	(4,784)
Other expenses	31	(106,158)	(83,944)
Profit before income tax		**159,231**	**136,104**
Income tax	20	(32,427)	(27,159)
Net Income for the period		**126,804**	**108,945**
Net Income attributable to:			
Equity holders of the Bank		126,803	108,946
Non-controlling interests		1	(1)
		126,804	**108,945**

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

Fibabanka Anonim Şirketi and its Subsidiary
Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2016
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	1 January-31 December 2016	1 January-31 December 2015
Profit for the year	**126,804**	**108,945**
Items that maybe reclassified subsequently to profit or loss		
-Unrealized gains / (losses) on available-for-sale investments, gross	*(13,159)*	*(1,705)*
-Tax effect of unrealized gains / (losses) on available-for-sale investments	*2,632*	*341*
Items that will not be reclassified subsequently to profit or loss		
-Actuarial losses on employee termination benefits	*(709)*	*(328)*
-Tax effect of actuarial losses on employee termination benefits	*142*	*66*
Other comprehensive income / (expense) for the year, net of tax	**(11,094)**	**(1,626)**
Total comprehensive income for the year	**115,710**	**107,319**
Attributable to:		
Equity Holders of the Bank	115,709	107,320
Non – controlling interest	1	(1)

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

Fibabanka Anonim Şirketi and its Subsidiary
Consolidated Statement of Changes in Equity
For the year ended 31 December 2016
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	Share Capital	Share premium	Retained earnings	Items that maybe reclassified subsequently to profit or loss	Items that will ıot be reclassified subsequently to profit or loss	Non-controlling Interest	Total
					Unrealized losses ›n available for sale investments	Actuarial gains / (losses)		
Balances at 1 January 2015		**552,523**	--	**99,520**	**(8,363)**	**(2,174)**	**53**	**641,559**
Share capital increase	21	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 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**
Share capital increase	21	93,646	55,299	--	--	--	--	148,945
Total comprehensive income for the year		--	--	**126,803**	**(10,527)**	**(567)**	**1**	**115,710**
Additions to unrealized gains / (losses) on available-for-sale investments, net of deferred tax		--	--	--	(10,527)	--	--	(10,527)
Actuarial losses on employee termination benefits, net of deferred tax		--	--	--	--	(567)		(567)
Net profit for the year		--	--	126,803	--	--	1	126,804
Balances at 31 December 2016		**943,684**	**128,678**	**335,269**	**(20,254)**	**(3,003)**	**53**	**1,384,427**

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

Fibabanka Anonim Şirketi and its Subsidiary
Consolidated Statement of Cash Flows
For the year ended 31 December 2016
(Currency: Amounts expressed in Thousands of Turkish Lira (TL))

	Notes	1 January- 31 December 2016	1 January- 31 December 2015
Net profit/(loss) for the year		**126,804**	**108,945**
Adjustments for:			
Depreciation of property and equipment	12	12,165	12,850
Amortization of intangible assets	13	3,605	3,772
Impairment losses on loans and advances	10	185,788	69,662
Unearned revenue		(1,970)	(3,051)
Employment termination benefits	16	2,856	1,770
Unused vacation pay provision		(219)	(184)
Other provisions (net)		8,705	8,880
Bonus provision		7,896	850
Unrealized gains on financial assets/liabilities		4,459	8,086
Taxation	20	32,427	27,159
Operating profit before changes in operating assets/liabilities		**382,516**	**238,739**
Changes in operating assets and liabilities:			
Net increase in balances with banks and central bank		(223,909)	(515,016)
Net decrease in financial assets at fair value through profit & loss		(61,695)	1,250
Net increase in loans		(3,013,615)	(2,522,565)
Net increase in other assets		4,868	(35,212)
Net increase in deposits		2,325,903	2,381,068
Net increase in other taxes & liabilities		63,180	60,382
Employment termination benefits paid	16	(1,311)	(669)
Taxes paid		(48,896)	(14,103)
Bonuses paid		(6,800)	(5,410)
Net cash used in operating activities		**(579,759)**	**(411,536)**
Cash flow from investing activities:			
Purchase of available-for-sale securities		(563,427)	(337,951)
Proceeds from sale of available-for-sale securities		275,221	103,346
Purchase of property & equipment	12	(6,762)	(157,982)
Purchase of intangible assets	13	(2,220)	(3,800)
Net cash used in investing activities		**(297,188)**	**(396,387)**
Cash flow from financing activities:			
Proceeds from borrowing funding loans (net)		1,185,602	254,414
Proceeds from share certificates issued	21	148,945	243,849
Net cash provided by financing activities		**1,334,547**	**498,263**
Net (decrease)/increase in cash & cash equivalents		**457,600**	**(309,660)**
Cash & cash equivalents at the beginning of the year	7	**201,712**	**481,750**
Foreign exchange effect on cash and cash equivalents		45,352	29,622
Cash & cash equivalents at the end of the year	7	**704,664**	**201,712**

The accompanying notes are an integral part of these consolidated 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 128,860 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.

The Parent Bank's paid-in capital amounting to TL 850,058 was increased to TL 943,684 on 7 September 2016 with the capital contribution of TurkFinance B.V. by TL 93,646. In addition, share issuance premium of TL 55,299 was recognised in the shareholders' equity.

As of 31 December 2016, the Bank's full paid in capital is TL 943,684.

As of 31 December 2016, the Bank has 73 domestic branches and its head office is located at the following address: Esentepe Mah. Büyükdere Cad. No: 129 Şişli / İstanbul. (31 December 2015: 67 domestic branches)

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 as at 31 December 2016. 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.

The Group has 1,494 employees as of 31 December 2016. (31 December 2015: 1,296 employees)

(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

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]
Amendments to IAS 27	*Equity Method in Separate Financial Statements* [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 Exception*

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

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.

3. 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)

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 includes '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.

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.

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: Clarifies 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: Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

Amendments to IAS 1 *Disclosure Initiative*

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

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

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)

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.

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:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses* [1]
Amendments to IAS 7	*Disclosure Initiative* [1]
IFRS 9	*Financial Instruments* [2]
IFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to IFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to IFRS 2	*Classification and Measurement of Share-Based Payment Transactions* [2]
IFRS 16	*Leases* [3]
Amendments to IFRS 4	*Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*
	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
IFRIC 22	*Foreign Currency Transactions and Advance Consideration* [2]
Amendments to IAS 40	*Transfers of Investment Property* [2]
Annual Improvements to IFRS Standards 2014–2016 Cycle	*IFRS 1* [2], *IFRS 12* [1], *IAS 28* [2]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.

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.

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 12 *Recognition of Deferred Tax Assets for Unrealized Losses*

This amendment clarifies the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Amendments to IAS 7 *Disclosure Initiative*

This amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 is 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 is 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.

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,
- Recognise revenue when the entity satisfies a performance obligation.

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

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

Amendments to IFRS 15 *Revenue from Contracts with Customers*

This amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

This amendment clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity settled.

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.

Amendments to IFRS 4 *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*

This amendment provides optional approaches for entities that issue insurance contracts within the scope of IFRS 4, and the entities are permitted to stop applying them before the new insurance standard is applied.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments to IAS 40 Investment Property:

- Amend paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

- **IFRS 12:** Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

- **IAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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 11 May 2017.

(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 2016.

(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 2016 and 31 December 2015 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 2016	3.7099	3.5192	3.4454
31 December 2015	3.1776	2.9076	2.9278

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

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 2016, total amount of financial assets available for sale is TL 887,226 (31 December 2015: TL 613,771), of which TL 703,375 comprises of private bank and corporate bonds denominated in foreign currencies with maturity more than 1 year (31 December 2015: TL 538,074).

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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 2016, the Group's severance payment provision is calculated by an actuarial firm and the actuarial loss of TL 3,003 (net of deferred taxes) is accounted for under Equity (31 December 2015: Actuarial loss of TL 2,436).

The principal actuarial assumptions used at 31 December 2016 and 31 December 2015 are as follows;

	31 December 2016	31 December 2015
	%	%
Discount rate	11.5	10.8
Inflation rate	8.0	7.8

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2016 was TL 4,297.21 (full basis) (31 December 2015: TL 3,828.37 (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 Retail, Corporate & 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 2016				
Operating income	303,177	242,753	80,706	626,636
Profit before tax	185,574	9,778	(36,121)	159,231
Tax charge				(32,427)
Net profit				**126,804**
31 December 2016				
Segment assets	7,974,405	3,338,361	3,995,327	15,308,093
Unallocated assets				--
Total assets				**15,308,093**
Segment liabilities	2,595,736	6,543,963	4,783,967	13,923,666
Unallocated liabilities				--
Equity				1,384,427
Total liabilities and equity				**15,308,093**

	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**

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 bank sovereign 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 2016		
Cash Loans	**Performing**	**Non-Performing (*)**	**Total**
Secured loans	10,895,663	97,978	10,993,641
Secured by cash collateral	85,000	--	85,000
Secured by mortgages	3,608,873	91,993	3,700,866
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	7,201,790	5,985	7,207,775
Unsecured loans	403,676	114,661	518,337
Total Cash Loans	**11,299,339**	**212,639**	**11,511,978**

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

	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.

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

Non-Cash Loans	**31 December 2016**	**31 December 2015**
Secured loans	866,495	1,029,308
Secured by cash collateral	--	--
Secured by mortgages	65,166	70,513
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	801,329	958,795
Unsecured loans	30,531	16,323
Total Non-Cash Loans	**897,026**	**1,045,631**

(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 2016	31 December 2015
Car	596,075	298,790
Cash and bank deposits	85,000	62,438
Mortgage	5,965,681	4,737,562
Other	3,586,606	2,828,754
Total	**10,233,362**	**7,927,544**

(*) 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 2016	31 December 2015
Consumer	567,821	478,128
Manufacturing	2,592,886	1,905,877
Service	5,310,521	3,859,912
Construction	1,911,909	1,390,166
Agriculture and stockbreeding	344,374	306,202
Other	571,828	594,768
Total performing loans and advances to customers	**11,299,339**	**8,535,053**

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 2016	31 December 2015
Balances with the Central Bank (including reserve deposits)(**)	1,859,427	1,430,560
Deposits with and loans due from banks and other financial institutions	333,082	70,046
Financial assets at fair value through profit and loss	497,685	114,531
Financial assets available for sale	887,226	613,771
Loans and receivables	11,345,176	8,585,043
Total	**14,922,596**	**10,813,951**
Contingent liabilities	897,026	1,045,631
Commitments	452,890	309,285
Total	**1,349,916**	**1,354,916**
Total credit risk exposure	**16,272,512**	**12,168,867**

(**)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 2016 and 2015 are as follows;

31 December 2016	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
Loans and receivables				
Commercial	10,266,283	374,445	194,587	10,835,315
Consumer	522,860	36,886	12,863	572,609
Credit cards	93,751	5,114	5,189	104,054
Total	**10,882,894**	**416,445**	**212,639**	**11,511,978**

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**

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

	31 December 2016	31 December 2015
Loans and receivables		
Commercial	476,888	182,396
Consumer	6,581	8,638
Total	**483,469**	**191,033**

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

31 December 2016	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	139,700	61,771	172,974	374,445
Consumer	5,412	19,345	12,129	36,886
Credit cards	2,072	2,035	1,007	5,114
Total	**147,184**	**83,151**	**186,110**	**416,445**

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

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

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**

(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 2016	**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	1,165,633	1,166,996	114,714	864,717	187,565	--	--	--
Deposits from customers	9,134,933	9,239,187	502,592	5,606,202	2,159,993	950,717	19,683	--
Borrowings from banks	1,536,663	1,604,138	--	15,997	153,052	853,263	537,294	44,532
Securities issued	991,975	1,015,580	--	184,700	432,430	398,450	--	--
Subordinated loans	397,278	752,983	--	--	17,868	18,164	143,990	572,961
Total	**13,226,482**	**13,778,884**	**617,306**	**6,671,616**	**2,950,908**	**2,220,594**	**700,967**	**617,493**

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

5 Financial Risk Management (continued)

(c) Liquidity Risk (continued)

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**

Maturity analysis of balance sheet items is as follows:

As at 31 December 2016	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	348,312	1,589,622	--	--	--	--	1,937,934
Due from banks	24,565	308,517	--	--	--	--	333,082
Financial assets at fair value through profit and loss	--	88,353	12,364	37,744	359,224	--	497,685
Financial assets available-for-sale	1,020	--	293	23,339	862,574	--	887,226
Loans and advances to customers	--	1,702,672	1,560,981	4,354,273	3,681,413	45,837	11,345,176
Other assets	--	--	--	--	--	306,990	306,990
Total assets	**373,897**	**3,689,164**	**1,573,638**	**4,415,356**	**4,903,211**	**352,827**	**15,308,093**
Liabilities:							
Deposits from banks	114,714	864,278	186,641	--	--	--	1,165,633
Deposits from customers	502,592	5,589,025	2,134,088	891,984	17,244	--	9,134,933
Financial liabilities at fair value through profit and loss	--	13,281	14,025	32,518	323,635	--	383,459
Borrowing from banks	--	15,991	149,144	821,189	550,339	--	1,536,663
Securities issued	--	183,558	424,661	383,756	--	--	991,975
Subordinated loans	--	--	10,166	--	387,112	--	397,278
Other liabilities and equity	--	30,392	6,714	--	--	1,661,046	1,698,152
Total liabilities	**617,306**	**6,696,525**	**2,925,439**	**2,129,447**	**1,278,330**	**1,661,046**	**15,308,093**
Net liquidity surplus/(gap)	**(243,409)**	**(3,007,361)**	**(1,351,801)**	**2,285,909**	**3,624,881**	**(1,308,219)**	**--**
As at 31 December 2015							
Total assets	227,413	2,421,939	965,396	3,881,461	3,298,139	365,788	11,160,136
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)**	**--**

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. 29511 dated 23 October 2015.

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 2016 and 31 December 2015;

2016:	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	1,352,802	--	--	585,132	1,937,934
Due from banks	308,517	--	--	24,565	333,082
Financial assets at FVTPL	23,145	1,014	4,099	469,427	497,685
Financial assets available for sale	293	24,940	860,973	1,020	887,226
Loans and advances to customers (*)	5,671,888	1,986,542	3,640,909	--	11,299,339
Financial liabilities					
Derivatives held for trading	27,306	32,518	323,635	--	383,459
Deposits from banks	1,050,919	--	--	114,714	1,165,633
Deposits from customers	7,723,113	891,984	17,244	502,592	9,134,933
Borrowings from banks	924,278	609,851	2,534	--	1,536,663
Securities issued	608,219	383,756	--	--	991,975
Subordinated loans	45,358	--	351,920	--	397,278

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

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)

(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 2016 and 31 December 2015:

31 December 2016	EUR %	USD %	Other Currencies %	TL %
Cash and balances with the Central Bank	--	0.75	--	3.31
Financial assets at FVTPL	3.19	4.69	--	10.67
Financial assets available for sale	3.43	4.51	--	9.40
Due from banks	0.01	0.55	--	10.40
Loans and advances to customers	5.97	6.23	5.73	15.23
Deposits from banks	--	0.84	1.00	9.06
Borrowing from banks	1.89	2.53	1.79	6.55
Repurchase agreements	0.53	2.27	--	8.00
Deposits from customers	1.60	3.46	1.75	11.40
Securities issued	--	9.25	--	10.77
Subordinated loans	--	9.28	--	--
31 December 2015				
Cash and balances with the Central Bank	--	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	--	--

(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.

	2016			2015
	Shock Applied (+ / - x bps)	**Gains/ Losses**	**Gains / Equity - Losses / Equity**	**Gains / Equity - Losses / Equity**
TRY	500	(204,228)	-11.45%	-8.23%
TRY	-400	195,267	10.95%	7.64%
USD Dollar	200	(15,789)	-0.89%	-3.51%
USD Dollar	-200	12,210	0.68%	2.80%
EURO	200	(77,262)	-4.33%	-5.50%
EURO	-200	48	0.00%	0.66%
Total (For Positive Shocks)		**(297,279)**	**-16.67%**	**-17.25%**
Total (For Negative Shocks)		**207,525**	**11.63%**	**11.10%**

(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 2016 and 31 December 2015, the Group's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	2016					
	EUR	**USD**	**CHF**	**Other**	**Total**	**Total in 2015**
Foreign currency denominated assets:						
Cash and balances with Central Bank	236,864	1,246,201	--	316,892	1,799,957	1,440,751
Due from banks	274,483	38,560	--	3,602	316,645	64,401
Financial assets at FVTPL	1,483	4,244	--	--	5,727	4,727
Financial assets available for sale	71,106	641,687	--	--	712,793	529,469
Loans and advances to customers	2,182,635	1,616,182	55,760	--	3,854,577	3,000,235
Other assets	1,265	662	--	--	1,927	837
	2,767,836	**3,547,536**	**55,760**	**320,494**	**6,691,626**	**5,040,420**
Foreign currency denominated liabilities:						
Deposits from banks	150,096	714,269	--	5,795	870,160	836,308
Borrowings from banks	935,514	582,192	--	1,736	1,519,442	1,008,528
Deposits from customers	680,905	2,721,439	--	34,173	3,436,517	3,118,310
Subordinated loans	--	397,278	--	--	397,278	211,913
Other liabilities	17,781	74,029	--	6	91,816	25,106
	1,784,296	**4,489,207**	--	**41,710**	**6,315,213**	**5,200,165**
Net on-balance sheet position	983,540	(941,671)	55,760	278,784	376,413	(159,745)
Net off-balance sheet position	(1,015,278)	810,480	(54,130)	(242,973)	(501,901)	47,170
Net position	**(31,738)**	**(131,191)**	**1,630**	**35,811**	**(125,488)**	**(112,575)**

(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 2016		31 December 2015	
	Profit or Loss	**Equity**	**Profit or Loss**	**Equity**
USD	(12,041)	(1,078)	(225)	(776)
EUR	(3,241)	68	(10,171)	195
CHF	163	--	(15)	--
Other currencies	3,581	--	(71)	--
Total, net	**(11,538)**	**(1,010)**	**(10,482)**	**(581)**

(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", "Regulation on Calculation of Risk Weighted Amounts for Securitization's" and the "Regulation on Equities of Banks". 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		Group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	993,704	688,207	993,745	688,236
Capital Requirement for Market Risk (CRMR)	12,303	17,783	12,303	17,783
Capital Requirement for Operational Risk (CROR)	52,264	39,019	52,392	39,079
Equity	1,785,126	1,263,310	1,782,988	1,263,042
Equity/((CRCR+MRCR+ORCR) * 12.5 * 100)	%13.48	%13.57	%13.48	%13.56

6 Fair Value of Financial Instruments

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

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

31 December 2016	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	--	1,937,934	--	1,937,934	1,937,934
Due from banks	--	333,082	--	333,082	333,082
Financial assets at FVTPL	497,685	--	--	497,685	497,685
Financial assets available for sale	887,226	--	--	887,226	887,226
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	11,345,176	--	11,345,176	11,409,580
	1,384,911	**13,616,192**	--	**15,001,103**	**15,065,507**
Derivatives held for trading	383,459	--	--	383,459	383,459
Deposits from banks	--	--	1,165,633	1,165,633	1,165,633
Borrowings from financial institutions	--	--	1,536,663	1,536,663	1,536,663
Deposits form customers	--	--	9,134,933	9,134,933	9,134,933
Securities issued	--	--	991,975	991,975	991,975
Subordinated loans	--	--	397,278	397,278	397,278
	383,459	--	**13,226,482**	**13,609,941**	**13,609,941**

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	--	--	211,913	211,913	211,913
	83,608	--	**9,700,647**	**9,784,255**	**9,784,255**

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 2016			31 December 2015		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Financial assets at fair value through profit and loss	82,681	415,004	--	20,559	93,972	--
Financial assets available for sale	886,207	1,019	--	600,609	13,162	--
Financial Liabilities						
Derivatives held for trading	--	383,459	--	--	83,608	--

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

7 Cash and Balances with Central Bank

At 31 December 2016 and 31 December 2015, cash and balances with the Central Bank are as follows:

	31 December 2016	31 December 2015
Cash on hand	78,507	43,549
Reserve deposits at the Central Bank-free	295,774	118,119
Reserve deposits at the Central Bank-restricted	1,563,653	1,312,441
Cash and balances with the Central Bank	**1,937,934**	**1,474,109**
Due from other banks	**333,082**	**70,046**
Less: Reserve deposits-restricted	(1,563,653)	(1,312,441)
Less: Blocked deposits	(2,699)	(30,002)
Less: Interest income/expense accruals (net)	--	--
Cash and cash equivalents in the statements of cash flows	**704,664**	**201,712**

(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 2016, reserve deposit ratios for Turkish Lira and foreign currency deposits are 4%-10.5% and 5%-25% (31 December 2015: 5%- 11.5% and 6%-25%). Restricted reserve deposits are not available for the daily business of the Group. As of 31 December 2016, interest rate for TL and USD reserve deposits are 3.31% and 0.75% respectively. (31 December 2015:3.81% for TL reserves and 0,49% for USD reserves).

8 Due from Banks

At 31 December 2016 and 31 December 2015, due from banks are as follows:

	31 December 2016	31 December 2015
Turkish Lira	1,428	1,040
Foreign Currency	23,138	64,705
Demand	**24,566**	**65,745**
Turkish Lira	--	4,301
Foreign Currency	33,814	--
Time	**33,814**	**4,301**
Turkish Lira	15,009	--
Foreign Currency	259,693	--
Money market placements	**274,702**	**--**
Total due from banks	**333,082**	**70,046**

As at 31 December 2016: 3 days maturity and 0.01% interest rate for foreign currency money market placements, (31December 2015: None). As at 31 December 2016: 2 days maturity and 10.40% interest rate for TL money market placements, (31 December 2015: None). As at 31 December 2016, there is noTL time placement (31 December 2015: 4 days maturity and 11.25% interest rate). As at 31 December 2016, 3 days maturity and 0.43% interest rate for foreign currency time placements (31 December 2015: None). The Group has TL 2,669 blocked deposit accounts for the derivative contracts with the banks abroad (31 December 2015: TL 30,002).

9 Financial Assets and Liabilities

a) Financial Assets

Financial Assets at FVTPL

At 31 December 2016 and 31 December 2015, financial asset at FVTPL are as follows:

	31 December 2016			31 December 2015		
	Pledged	Non-pledged	Total	Pledged	Non-pledged	Total
Debt instruments	**16,636**	**66,045**	**82,681**	**15,415**	**5,144**	**20,559**
Government bonds	16,636	396	17,032	15,415	410	15,825
Eurobonds	--	5,721	5,721	--	4,051	4,051
Corporate and bank bonds	--	59,928	59,928	--	683	683
Derivatives held for trading purpose	--	**415,004**	**415,004**	--	**93,972**	**93,972**
-Forwards	--	15,877	15,877	--	13,273	13,273
-Currency swaps	--	272,383	272,383	--	38,325	38,325
- Options	--	126,744	126,744	--	42,374	42,374
Total financial assets at FVTPL	**16,636**	**481,049**	**497,685**	**15,415**	**99,116**	**114,531**

(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 2016, government securities with carrying values of TL 7,055 (31 December 2015: TL 8,666) 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 9,581 of the pledged trading assets presented in the table above are those financial assets subject to repo transactions. (31 December 2015: TL 6,749).

TL 76,603 (31 December 2015: TL 15,634) 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 10.67%, 3.19% and 4.69% respectively (31 December 2015: 16.12%, 3.72% and 5.16% respectively).

Financial Assets Available For Sale

	31 December 2016	31 December 2015
Debt instruments		
Share certificates	1,019	2,697
Corporate and bank bonds	702,356	535,377
Government bonds	183,851	75,697
Total financial assets available for sale	**887,226**	**613,771**

As of 31 December 2016 and 2015 available for sale debt securities have fixed interest rates.

b) Financial Liabilities at FVTPL

At 31 December 2016 and 31 December 2015, derivative liabilities held for trading are as follows:

	31 December 2016	31 December 2015
Derivatives held for trading		
- Forwards	16,986	16,949
- Swaps	239,985	23,708
- Options	126,488	42,951
Total financial liabilities at FVTPL	**383,459**	**83,608**

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

10 Loans and Advances to Customers

At 31 December 2016 and 31 December 2015, loans and advances to customers are as follows:

	31 December 2016	31 December 2015
Consumer loans and individual credit cards		
Consumer loans-TL		
Real estate loans	324,789	230,708
Vehicle loans	7,220	7,916
General purpose loans	153,269	143,607
Others	--	--
Consumer loans FC and FC Indexed		
Real estate loans	66,697	80,681
Vehicle loans	--	--
General purpose loans	1,628	2,820
Individual credit cards-TL		
With installment	971	552
Without installment	4,893	4,087
Individual credit cards-FC		
With installment	--	--
Without installment	210	65
Personnel loans	**2,572**	**1,990**
Overdraft account-TL	**5,572**	**5,702**
	567,821	**478,128**
Commercial loans and corporate credit cards		
Commercial loans with installments-TL		
Real estate loans	4,467	72
Vehicle loans	52,636	44,250
General purpose loans	2,673,677	1,686,945
Commercial loans with installments-FC Indexed		
Real estate loans	577	1,973
Vehicle loans	10,806	8,705
General purpose loans	183,571	141,420
Corporate credit cards-TL		
With installment	16,286	7,562
Without installment	76,505	33,476
Overdraft accounts-TL	83,097	89,731
Spot loans	1,885,374	1,340,102
Revolving loans	2,375,857	2,128,733
Investment loans	100,851	54,426
Export loans	240,726	254,211
Other loans	3,040,551	2,276,277
	10,744,981	**8,067,884**
Total performing loans	**11,312,802**	**8,546,012**
Non-performing loans	**212,639**	**147,230**
Unearned commission income	**(13,463)**	**(10,959)**
Total gross loans	**11,511,978**	**8,682,283**
Allowance for loan losses	(166,802)	(97,240)
Loans and advances to customers	**11,345,176**	**8,585,043**

(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 2016 and 2015 is as follows:

	2016	2015
Balance at 1 January	97,240	67,512
Write-off /Sale (*)	(116,226)	(39,934)
Charge for the year	185,788	69,662
Balance at 31 December	**166,802**	**97,240**

(*) The figures in 2016 and 2015 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 2016	1 January-31 December 2015
Specific allowance/(reversal)	131,536	24,721
Collective allowance/(reversal)	54,252	44,941
Total	**185,788**	**69,662**

11 Other Assets

At 31 December 2016 and 31 December 2015, other assets comprised the following items:

	31 December 2016	31 December 2015
Check clearance balance	60,147	63,249
Prepaid commissions	16,047	14,263
Other prepaid expenses	4,921	2,702
Non-current assets held for sale (*)	4,619	3,670
Prepaid rent	3,108	3,466
Investment funds receivables	--	1,831
Cash guarantees given	605	537
Advances given	735	320
Other	11,267	10,817
	101,449	**100,855**

(*) 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.

(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:

	2016	2015
Opening balance, 1 January	**3,670**	**3,897**
Additions	5,258	7,467
Disposal	(4,309)	(7,694)
Balance at 31 December	**4,619**	**3,670**

12 Property and Equipment

Movement in property and equipment during the year ended 31 December 2016 is as follows:

	Premises	Furniture, fixture and equipment	Total
Balance at 1 January 2016:			
Cost	171,365	68,600	239,965
Accumulated amortization	(2,640)	(44,684)	(47,324)
Opening net book amount	**168,725**	**23,916**	**192,641**
Additions	38	6,724	6,762
Disposals (net)	--	1	1
Depreciation charge	(3,438)	(8,727)	(12,165)
Balance at 31 December 2016:	**165,325**	**21,914**	**187,239**

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**

(*) Premises acquired in the prior 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 2016 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2016:			
Cost	42,795	5,956	48,751
Accumulated amortization	(37,456)	(5,930)	(43,386)
Opening net book amount	**5,339**	**26**	**5,365**
Additions	2,221	--	2,220
Disposals	--	--	--
Amortization charge	(3,583)	(23)	(3,606)
Balance at 31 December 2016:	**3,977**	**3**	**3,980**

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**

14 Deposits from Banks

At 31 December 2016 and 31 December 2015, deposits from banks comprised the following items:

	31 December 2016	31 December 2015
Time deposits in FC	253,561	385,924
Time deposits in TL	113,532	109,111
Obligations under repurchase commitments from banks in FC	504,584	437,250
Obligations under repurchase commitments from banks in TL	179,244	67,572
Demand deposits in FC	112,015	13,135
Demand deposits in TL	2,697	3,514
	1,165,633	**1,016,506**

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

15 Deposits from Customers

At 31 December 2016 and 31 December 2015, deposits from customers comprised the following items:

	31 December 2016			31 December 2015		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving Deposits	**322,022**	**6,453,188**	**6,775,210**	**208,091**	**5,230,317**	**5,438,408**
FC Deposits	265,625	3,163,981	3,429,606	172,830	2,940,635	3,113,465
TL Deposits	56,397	3,289,207	3,345,604	35,261	2,289,682	2,324,943
Commercial deposits	172,152	2,091,437	2,263,589	200,180	1,210,395	1,410,575
Public sector and other inst. deposit	1,506	87,716	89,222	1,512	88,700	90,212
Precious metals	6,912	--	6,912	4,845	--	4,845
Total deposits from customers	**502,592**	**8,632,341**	**9,134,933**	**414,628**	**6,529,412**	**6,944,040**

16 Other Liabilities and Provisions

At 31 December 2016 and 31 December 2015, other liabilities comprised of the following items:

	31 December 2016	**31 December 2015**
Check clearance account	106,950	96,510
Blocked accounts	47,142	66,580
Miscellaneous payables	88,811	31,318
Taxes and duties withheld	30,392	20,789
Unused vacation pay liability and personnel bonus accrual	8,701	7,823
Payables to consultants and suppliers	3,798	1,639
Blocked cheques	5,831	1,413
Other	6,039	7,526
Other liabilities	**297,664**	**233,598**
Provision for taxes (Note 20)	6,714	15,157
Employee termination benefits	8,292	6,038
Provision for lawsuits	1,055	1,317
Provisions	**16,061**	**22,512**
Total	**313,725**	**256,110**

(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 Group 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 4,297.21 (full TL) and TL 3,828.37 (full TL) at 31 December 2016 and 2015, 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:

	2016	2015
Opening, 1 January	6,038	4,609
Current service cost	2,486	1,393
Interest cost	370	378
Benefits paid	(1,311)	(669)
Actuarial losses on employee termination benefits	709	328
Closing, 31 December	**8,292**	**6,038**

17 Borrowings from Banks

Borrowings from banks as of 31 December 2016 and 2015 comprised the following items:

	31 December 2016	31 December 2015
Borrowing from Banks		
Turkish Lira	17,220	15,919
Foreign Currency	1,519,443	1,008,527
	1,536,663	**1,024,446**

Syndicated loan of EUR 92 million and USD 20 million which was due in December 2016 was renewed as EUR 99,5 million and USD 5 million in the same month.

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

18 Securities Issued

TL	31 December 2016	
	Short Term	Medium and Long Term
Nominal	1,015,580	--
Carrying Amount	991,975	--

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

19 Subordinated Loans

	31 December 2016	
	TL	FC
Domestic Other Institutions	--	360,657
Foreign Banks	--	36,621
Foreign Other Institutions	--	--
Total	--	**397,278**

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

Instead of the subordinated loans those have lost their supplementary capital feature after the changes made in Equity Regulation by the BRSA, the Bank issued USD 100,000,000 (full amount) of subordinated bonds in March 2016 abroad which meets the conditions required by the new regulation.

(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:

	2016	2015
Total tax liability	40,453	25,598
Prepaid taxes	(33,739)	(10,441)
Provision for taxes (Note 16)	**6,714**	**15,157**

For the years ended 31 December 2016 and 2015, taxation comprised the following:

	2016	2015
Current tax charge	(40,201)	(27,018)
Deferred tax benefit / (charge)	7,774	(141)
Total	**(32,427)**	**(27,159)**

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:

	2016	2015
Profit before income tax	**159,231**	**136,104**
At statutory income tax rate	(31,846)	(27,221)
Nondeductible expenses	(1,417)	(272)
Other tax exempt income	287	142
Other temporary differences	549	192
Taxation	**(32,427)**	**(27,159)**

(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 2016 and 31 December 2015 are attributable to the items detailed in the table below:

	31 December 2016	31 December 2015
Deferred tax assets/ liabilities		
Valuation of financial assets	5,063	3,388
Allowance for loan losses	15,864	2,251
Reserve for employee termination benefits	1,658	1,207
Provision for vacation pay	550	595
Unearned loan commissions	312	309
Tax losses carried forward	19	46
Derivatives held for trading purposes	(7,474)	(2,225)
Others	(1,670)	(1,796)
Net deferred tax assets / liabilities	**14,322**	**3,775**

The movement of deferred tax asset is as follows:

	2016	2015
Balance at the beginning of the period	**3,775**	**3,504**
Deferred tax recognised in income statement	7,774	(141)
Deferred tax recognised under equity	2,773	407
Other	--	5
Balance at the end of the period	**14,322**	**3,775**

(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 2016		31 December 2015	
Name / Commercial Title	**Share Amount (Nominal)**	**Share Ratios**	**Share Amount (Nominal)**	**Share Ratios**
Fiba Holding A.Ş.	671,852	71.19%	671,357	78.98%
International Finance Corporation ("IFC")	84,554	8.96%	84,579	9.95%
European Bank for Reconstruction and Development ("EBRD")	84,554	8.96%	84,579	9.95%
Turk Finance B.V. ("Abraaj")	93,897	9.95%	--	--
Others	8,827	0.94%	9,523	1.12%
Total	**943,684**	**100.00%**	**850,038**	**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 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.

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.

The Parent Bank's paid-in capital amounting to TL 850,038 was increased to TL 943,684 on 7 September 2016 with the capital contribution of TurkFinance B.V. by TL 93,646. In addition, share issuance premium of TL 55,299 was recognised in the shareholders' equity.

As of 31 December 2016, Bank's full paid in capital is TL 943,684.

22 Retaind Earnings / (Accumulated Losses) and Other Reserves

At 31 December 2016 retained earnings are TL 335,269 (31 December 2015: TL 208,466).

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

At 31 December 2016, unrealized losses on available-for-sale investments are TL 25,318 (31 December 2015: TL 12,159). The tax effect of unrealized gain on available-for-sale investments is TL 5,064 (31 December 2015: TL 2,432), and the net unrealized loss amount is TL 20,254 (31 December 2015: TL 9,727).

24 Commitments and Contingent Liabilities

24.1 Letters of guarantee and credit

As at 31 December 2016, the Bank is contingently liable for letters of guarantee and credit given amounting to TL 897,026 (31 December 2015: TL 1,045,632).

24.2 Other commitments

	31 December 2016	31 December 2015
Payment commitments for cheques	172,800	145,123
Irrevocable credit facilities	171,368	110,140
Commitments for credit card expenditure limits	101,475	47,363
Tax and fund liabilities from export commitments	4,230	3,553
Commitments for credit card and banking promotions	1	1
Other irrevocable commitments	3,016	3,105
Total	**452,890**	**309,285**

(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 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
	Purchase	Purchase
Spot buy-sell commitments	207,606	178,100
Swap agreements for trading purposes	5,968,499	1,797,707
Forward agreements for trading purposes	1,016,670	407,420
Options	2,754,164	1,490,028
	9,946,939	**3,873,255**

Maturity analysis of derivative instruments is as follows:

31 December 2016	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest rate swaps	--	--	--	--	25,000	25,000
Spot, forward and swap exchange contracts	2,308,107	801,172	713,222	955,737	2,389,537	7,167,775
Options	392,594	346,833	379,291	273,199	1,362,247	2,754,164
Total	**2,700,701**	**1,148,005**	**1,092,513**	**1,228,936**	**3,776,784**	**9,946,939**

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**

(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

	2016	2015
Interest income	--	--
Interest expense (*)	37,997	9,597
Non - cash loan commission income	--	--

(*) TL 9,447 is related to IFC and EBRD.

(b) Balances with direct related parties

	31 December 2016	31 December 2015
Non cash loans to related parties	22	20
Deposits from related parties	15,552	89,173
Subordinated loans	360,657	181,988
Other borrowings (*)	162,656	37,462

(*) TL 162,656 is related to IFC and EBRD.

(c) Transactions with other related parties

	2016	2015
Interest income	5,972	1,618
Interest expense	28,656	20,051
Net trading income	(5,967)	1,568
Non - cash loan commission income	407	107

(d) Balances with other related parties

	31 December 2016	31 December 2015
Cash loans to other related parties	126,939	5,720
Non - cash loans to other related parties	30,871	17,242
Deposits from other related parties	595,922	496,533
Fund borrowings from other related parties	--	24,086

(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 2016 Purchase(*)	31 December 2015 Purchase(*)
Spot, swap, forward and option agreements for trading purposes	437,272	175,388

(*) 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 9,328 in the current period (2015: TL 7,539).

26 Net Interest Income

	2016	2015
Interest income		
Loans and advances to customers	1,237,756	848,616
Due from banks	9,517	11,745
Derivative assets	71,661	20,377
Debt instruments	33,970	27,964
Others	8,328	3,314
	1,361,232	**912,016**
Interest expense		
Deposits from banks and customers	611,657	393,987
Saving deposits insurance	7,765	5,495
Funds borrowed	65,882	44,045
Derivative liabilities	41,543	34,962
Obligations under repurchase agreements	12,829	6,860
Securities issued	87,706	54,879
Others	1,800	1,222
	829,182	**541,450**
Net interest income	**532,050**	**370,566**

(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 31 December 2016 and 31 December 2015 are as follows:

	2016	2015
Transfer commissions	2,357	2,631
Insurance commissions	5,034	5,019
Account maintenance fees	2,496	3,010
Asset management fees (*)	2,657	2,013
Commissions from non-cash loans	10,412	11,561
Limit allocation,revision and appraisal fees	14,523	8,419
Others	11,873	9,256
Fees and commission income	**49,352**	**41,910**

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

Fees and commission expenses for the year ended 31 December 2016 and 31 December 2015 are as follows:

	2016	2015
Payment and transaction fees	1,327	1,070
Credit card fees	7,473	4,926
Commissions for debt issued	3,384	2,176
Commissions to correspondent banks	1,496	1,025
Other	8,209	2,871
Fees and commission expense	**21,889**	**12,068**

28 Net Trading Income

	2016	2015
Gains on derivative transactions	30,323	8,233
Foreign exchange gains /(losses)	(10,373)	5,702
Gains / (losses) on debt instruments, net	6,756	(105)
	26,706	**13,830**

29 Other Operating Income

	2016	2015
Intermediary fees	5,937	13,434
Gain on sale of non-current assets held for sale and tangible assets	1,527	2,017
Gain on sale of loans	9,129	2,292
Promissory notes fee	775	619
Others	23,049	11,483
	40,417	**29,845**

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

30 Personnel Expenses

	2016	2015
Wages and salaries	115,853	97,426
Social security premiums	17,528	13,696
Personnel bonuses	6,800	6,260
Employee health insurance expenses	4,818	3,632
Termination and vacation pay expenses	1,293	932
Others	13,396	10,886
	159,688	**132,967**

31 Other Expenses

	2016	2015
Rent expenses	29,697	29,660
Taxes other than on income	16,175	14,179
Telecommunication expenses	7,928	6,228
Information technology expenses	6,169	4,568
Consultancy expenses	9,835	7,367
Cleaning expenses	3,964	3,102
Transportation expenses	3,147	2,641
Advertisement expenses	6,505	1,994
Electricity expenses	2,292	1,971
Office supplies	1,485	1,100
Maintenance expenses	1,632	1,129
Others	17,329	10,005
	106,158	**83,944**

32 Subsequent Events

The Bank issued US$200,000,000 of Fixed Rate Resettable Tier 2 Notes due 2027 (the "*New Notes*") on 10 May 2017, which are to be consolidated and form a single series with the existing US$100,000,000 of Fixed Rate Resettable Tier 2 Notes due 2027 that were issued on 24 March 2016